


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 06 APR 2022	DAY: WED
TABLED BY:	MAJORITY NHTP
CLERK-AT-TABLE:	S KALAMA

THE AUDITOR-GENERAL

ON

**PUBLIC SECTOR ACCOUNTING
STANDARDS BOARD**

**FOR THE YEAR ENDED
30 JUNE, 2021**



PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (KENYA)



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

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
30 JUNE, 2021**

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

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
Annual Reports and Financial Statements
For the year ended 30 June, 2021.

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1. KEY BOARD INFORMATION AND MANAGEMENT

(a) Background information

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

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

Vision Statement

"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.

KEY BOARD INFORMATION AND MANAGEMENT (Continued)

- 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:** inclusivity and engaging all stakeholders
- 6. Teamwork:** Our teams work in close collaboration with each other.
- 7. Professionalism:** Recognizing 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 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

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

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KEY BOARD INFORMATION AND MANAGEMENT (Continued)

No.	Name of the Staff	Responsibility
1.	Fredrick Riaga	Chief Executive Officer
2.	Patrick Abachi	Director, Training and Corporate Services
3.	George Mang'oka	Director, Internal Audit Standards
4.	Georgina Muchai	Director, Accounting Standards
5.	Billy Mathu	Manager, Finance and Accounts (up to 6 th November 2020)
6.	Robinson Changaya	Manager, Accounting Standards
7.	Linda Nyageng'o	Manager, Internal Audit Standards
8.	Wilfred Metobo	Manager, Human Resource and Administration

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Fredrick Riaga
2.	Director, Training and Corporate Services	Patrick Abachi
3.	Director, Accounting Services	Georgina Muchai
4.	Director, Internal Audit Standards	George Mang'oka
5.	Manager, Finance and Accounts	Billy Mathu
6.	Manager, Accounting Standards	Robinson Kweyu
7.	Manager, Internal Auditing Standards	Linda Nyageng'o
8.	Manager, Human Resource and Administration	Wilfred Metobo
9.	Principal Officer, Internal Audit Standards	Rose Sambi
10.	Principal Officer, Supply Chain Management	Shafee Mohamed

KEY BOARD INFORMATION AND MANAGEMENT (Continued)

(e) Fiduciary Oversight Arrangements

The Board of Management

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

The 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 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 also regarded as Audit Committee of the Board and it 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.

KEY BOARD INFORMATION AND MANAGEMENT (Continued)

Internal Audit Function

The Board's internal audit function is executed by Principal Officer, Internal Audit Standards. The unit provide independent assurance on the Board's risk management policies, governance and internal control processes and report to Board and management. 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.

(f) Headquarters

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

(g) Contacts

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

(h) Bankers

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

KEY BOARD INFORMATION AND MANAGEMENT (Continued)


(i) Independent Auditors

Auditor-General,
Office of the Auditor-General,
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

2. THE BOARD OF DIRECTORS

Director	Director's Profiles
	<p>FCPA Dr. Nicholas Letting, HSC</p> <p>Dr. Nicholas Letting', PhD., is the Chief Executive Officer at Kenya Accountants and Secretaries National Examinations Board (KASNEB). He holds a Doctor of Philosophy (PhD) in Business Administration (Strategic Management), MBA and B.com degrees from the University of Nairobi. He is a Certified Public Accountant (CPA), Certified Secretary (CS) and Certified Investments and Financial Analyst (CIFA). 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 currently sits on the Boards of 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). 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 1st April 2019.</p>

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Director	Director's Profiles
	<p>CPA Mary Kimanzi</p> <p>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. Mary has over 20 years' experience in public finance management. She holds a Master of Business Administration in Finance from the University of Nairobi and a Bachelor of Business Administration (Finance and Accounting) from Kenya Methodist University. She is a Certified Public Accountant, CPA (K) and a Member of the Institute of Certified Public Accountants in Kenya (ICPAK). She is currently pursuing Master's degree in public policy and Management at the Strathmore Business School. She represents the Inter- Governmental Budget and Economic Council in the Board with effect from 3rd August 2018.</p>
	<p>CPA Fredrick Riaga- Chief Executive Officer</p> <p>Fredrick Riaga holds an MBA in Finance, a Bachelor of Commerce degree with a major in Accounting both from the School of Business of the University of Nairobi 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. He previously worked for PricewaterhouseCoopers, UNES Limited and NIC Bank. He is the CEO and the Secretary to the Board.</p>

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Section 193 of the PFM Act stipulates the constitution of the Board as nine (9) members from representative Public Finance Management Institutions and Professional Bodies. The first term of the first board members ended on 20th February 2020 leaving only two members in office whose term had not expired. As at end of the year, new members were yet to be gazetted.

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



Name	Committee of the Board	Designation
Mr. Jona Wala	National and County Government Committee	Ag. Director, Accounting Services, National Treasury
Ms. Beatrice Gathirwa (up to 31 st December 2020)	Government Owned Enterprises Committee	Director, National Assets and Liabilities Management Department
Mr. Alfayo Mogaka up to 31 st December 2020)	Internal Audit Committee	Internal Auditor General
Mr. Fredrick Riaga	Governance & Strategy Committee	Chief Executive Officer

3. MANAGEMENT TEAM

Team Member	Member's Profile
	<p>CPA Fredrick Riaga- Chief Executive Officer</p> <p>Mr Riaga was appointed the Chief Executive Officer and Secretary to the Board effective 1st August 2019. Fredrick Riaga holds an MBA in Finance, a Bachelor of Commerce degree with a major in Accounting both from the School of Business of the University of Nairobi and is a registered professional accountant. He holds IPSAS Certification from ACCA.</p> <p>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. He previously worked for PricewaterhouseCoopers, UNES Limited and NIC Bank.</p>
	<p>CPA Patrick Abachi- Director Training and Corporate Services</p> <p>Mr. Abachi holds a Bachelor of Commerce Degree and is currently pursuing an MBA at Kenyatta University. He is a Certified Public Accountant and a council member at the Cooperative University of Kenya. He also holds an IPSAS Certification from ACCA.</p> <p>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. He previously worked as the Head of the Secretariat, PSASB since its establishment in 2014.</p>

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Team Member	Member's Profile
	<p>CPA Georgina Muchai- Director, Accounting Standards</p> <p>Georgina has a Bachelor of Commerce from Kenyatta University and a Master's Degree in Finance and Investments from the University of Nairobi. She is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She holds Certification for IPSAS and IFRS from ACCA. She is also a trained Public Finance Management specialist by the IMF Institute of Capacity Development</p> <p>She is also a member of the Professional Standards Committee of ICPAK that deals with promoting application of international accounting and auditing standards in Kenya.</p> <p>Previously, she worked with ICPAK, Deloitte and Touche and PKF East Africa.</p>
	<p>CPA George Mang'oka- Director, Internal Auditing Standards</p> <p>Mr. Mang'oka holds a Master's Degree in Business Administration (Strategic Management) from the University of Nairobi and a Bachelor of Arts in Economics and Business Studies from Kenyatta University.</p> <p>He is a Certified Public Accountant; Certified Internal Auditor; Certified Information Systems Auditor; Certified Fraud Examiner; Certified Government Auditing Professional; and Certified Financial Services Auditor.</p> <p>He has experience in statutory audits, risk management, internal audit, management consultancy, public financial management reforms and capacity</p>

Team Member	Member's Profile
	building acquired both in Kenya and the East Africa region.
	<p>CPA Billy Mathu – Manager, Finance & Accounts (up to 6th November 2020)</p> <p>Mr. Mathu holds an M.Sc. Finance and Economics and Degree in bachelor's in Business Administration. He is a qualified and registered member of ICPAK and associate member of ICIFA.</p> <p>He previously worked for Kenya Gatsby Trust (Biashara Factors) as finance executive before joining the Accountant General Department of The National Treasury & Planning in November 2009.</p> <p>He served as the Finance & Accounts Manager till 6th November 2020.</p>
	<p>CPA Robinson Changaya- Manager, Accounting Standards</p> <p>Robinson holds a Bachelor of Education from Kenyatta University. He is awaiting conferment of a master's Degree in Development Finance from KCA University and M.Sc. in Finance from Kenyatta University. He also holds a certificate in International Public Sector Accounting Standards (IPSAS) from The Institute of Chartered Accountants in England and Wales (ICAEW) and International Financial Reporting Standards (IFRS) from ACCA. He is a PFM Specialist trained by the IMF Institute of Capacity Development. He previously worked with PriceWaterhouseCoopers (PwC Kenya).</p>

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Team Member	Member's Profile
	<p>He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IIA) Kenya.</p>
	<p>Linda Nyageng'o – Manager, Internal Auditing Standards</p> <p>Ms. Joan Linda Nyageng'o holds MBA – Financial Management from University of Nairobi and B. Com (Accounting Option) from Kenyatta University. She also holds IPSAS Certification from ACCA.</p> <p>She is a Certified Public Accountant, Certified Public Secretary and is currently pursuing certification of internal audit (CIA). Previously, she has worked with the County Government of Kisii as the Head of Internal Audit.</p> <p>She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Internal Auditors (IIA) and the Institute of Certified Secretaries of Kenya (ICS).</p>
	<p>Wilfred Metobo – Manager, Human Resource and Administration</p> <p>Mr. Metobo holds MBA (HRM) from Kenyatta University, M.A in Project Planning & Management from the University of Nairobi, M. A in Monitoring & Evaluation from Mt. Kenya University and a B.Ed (Arts) from Maseno University. Currently, he is pursuing a PhD in Business Administration (HR) at Kenyatta University.</p> <p>He holds a Higher National Diploma in Human resources Management. Previously, he worked with University of Eldoret as the Head of Human Resource Management.</p>

Team Member	Member's Profile
	He is a Certified Human Resource Management Professional. He is a member of The Institute of Human Resource Management and The Kenya Institute of Management.

4. REPORT OF THE CHIEF EXECUTIVE OFFICER



It is with great honour that I present the Annual Report and Financial Statements for Public Sector Accounting Standards Board for the year ended 30th June 2021. 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. FY 2020/2021 presented several challenges arising from the COVID 19 pandemic. One of the greatest challenges that the Board faced was the inability to deliver planned capacity building and awareness programmes due observance of the government health protocols through the Ministry of Health, on social gatherings aimed at curtailing the spread of COVID-19. The Board employed a work-from-home strategy in the wake of Covid-19 protocols. PSASB also developed an automated learning processes that saw the inception of the E-learning platforms. This will enable some of the learning activities to be digitalised going forward. This notwithstanding, the Board registered notable success and is delighted to present its annual report and financial statements for FY 2020/2021.

In a bid to strengthening its institutional capacity, the Board recruited six (6) members of staff who took up key positions at the Board as new employees and some to replace staff who had previously exited. This resulted to enhanced capacity that has improved service delivery to the internal and external stakeholders. It is my belief that with the enhanced number and diversity of skills the Board will continue to achieve its mandate and reach out to cover all areas on financial reporting and internal audit in the public sector.

Despite the challenges of COVID- 19, with regards to revenue collection by the Government, the National Treasury was able to transfer up to 85% of the allocated and approved funds for the year amounting to Kshs 112.127 million to PSASB as of June 30th 2021. This ensured business continuity and PSASB was able to cover essential expenses related to staff payments and facilitating staff on COVID – 19 related expenditures. The Board experienced high absorption rate especially in the second half of the FY2020/2021, with only 8% of the total funds remaining unabsorbed at the close of the year. However, the board was not able to realise 38% of allocated funds from the Public Financial Management Reforms Secretariat owing to the pandemic. Some of the payments towards acquisition of relevant assets based on work plan therefore could not be made before the year end.

During the period, the major challenge facing the Board was on governance. A new board of directors is yet to be constituted following the lapse of tenure of the previous board. This has posed challenges especially with the approval of major decisions. This has been countered by presenting policy documents and other decisions to the Principal Secretary, National Treasury who has been very supportive in approval and providing direction on strategic matters of the Board. PSASB is working closely with the Cabinet Secretary, National Treasury and planning to ensure that the members are appointed and gazetted in the coming year.

In the statements that follow, I'm pleased to present the statement of performance against predetermined objectives which outlines the performance of the Board against its key pillars in the 5-year Strategic Plan. I also present management discussion and analysis that indicate how funds received were allocated and utilised.

I wish to thank FCPA Dr. Julius Muia, the Permanent Secretary of the National Treasury, for effectively and efficiently supporting PSASB and steering its activities in the absence of a Board. I also appreciate the Senior Management team and the members of staff for their commitment towards achievement of the set targets despite limitations in resources experienced and COVID-19 pandemic. I also thank our stakeholders for their support and look forward to working with you in future.



CPA Fredrick Riaga

Chief Executive Officer, PSASB

5. STATEMENT OF PSASB's PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Section 81 Sub-section 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government Board's performance against predetermined objectives. PSASB's predetermined objectives are set out in the 5- year strategic plan that derives its contents from the PFM Act, 2012. The Board draws its annual work plans from the strategic plan, and it is against these work plans from which the annual activities are carried out.

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 2020/2021 period for its five strategic pillars, as indicated in the table below:

A: RESULTS AGAINST KEY PERFORMANCE INDICATORS

Strategic Pillar 1: Standard Setting, Dissemination, and Monitoring
Objective: Set standards for financial reporting and internal audit frameworks for all Public Sector entities in Kenya.
KPI 1. Existence of updated financial reporting and internal audit standards
<p>Output</p> <ul style="list-style-type: none"> i. Road map to transition National and County Governments to accrual accounting approved by the Board in February 2020. ii. Development of a draft Government- wide Risk management framework. iii. Annual Reporting templates for Semi-Autonomous Government Agencies (SAGAs), State Corporations, Ministries, Departments and Agencies (MDAs), County Governments and projects were updated for use by public sector entities for financial year ended 30th June 2021. In particular, the following templates were revised and issued vide circular AG4/16/2 Vol.3 (72) by the PS National Treasury and Planning in June 2021: <ul style="list-style-type: none"> 1. Annual Financial Reporting Template for National Government MDAs 2. Annual Financial Reporting Template for Development Partners 3. Annual Financial Reporting Template for Receivers of Revenue 4. Annual Financial Reporting Template for County Executive 5. Annual Financial Reporting Template for County Assembly 6. Annual Financial Reporting Template for County Consolidated Financial Statements 7. Annual Financial Reporting Template for County Funds and Schemes under IPSAS Accrual 8. Annual Financial Reporting Template for State Corporations under IFRS reporting framework. 9. Annual Financial Reporting Template for SAGAs under the IPSAS Accrual reporting framework

10. Annual Financial Reporting Template for TVETs and TTCs under the IPSAS Accrual reporting framework.

11. Annual Financial Reporting Template for Public Secondary Schools

- iv. Internal Audit guidelines for National Government and County Government were developed.
- v. Audit Committee Reporting guidelines were developed.
- vi. PSASB Developed and issued Annual Reporting templates for the NG- CDF Committees applicable to all constituencies.
- vii. PSASB developed a Draft County internal audit manual and its attendant templates.
- viii. Updated and revised set of Quarterly reporting templates revised and issued vide circular AG4/16/2 Vol.3 (72) by the PS National Treasury and Planning. The Quarterly reporting templates issued were as follows:
 - 1. Quarterly Financial Reporting Template for National Government MDAs
 - 2. Quarterly Financial Reporting Template for Development Partners
 - 3. Quarterly Financial Reporting Template for Receivers of Revenue
 - 4. Quarterly Financial Reporting Template for County Executive
 - 5. Quarterly Financial Reporting Template for County Assembly
 - 6. Quarterly Financial Reporting Template for County Funds and Schemes under IPSAS Accrual
 - 7. Quarterly Financial Reporting Template for State Corporations under IFRS reporting framework.
 - 8. Quarterly Financial Reporting Template for SAGAs under the IPSAS Accrual reporting framework
 - 9. Quarterly Financial Reporting Template for TVETs and TTCs under the IPSAS Accrual reporting framework.
- ix. Developed the following guidelines to specific accounting standards to support public sector entities in application of IPSAS.
 - IPSAS 2- Cash Flow Statement
 - IPSAS 16- Investment Property
 - IPSAS 17- Property Plant and Equipment

- IPSAS 24 – Presentation of Budget Information

KPI 2: Awareness levels by reporting entities of financial reporting and internal audit standards

Output

- i. Stakeholders validated the county internal audit manual and its attendant templates by representatives from all the 47 County Executives and County Assemblies following Diagnostic Study Report on status of Internal Audit Function in Kenya done in FY 19/20.
- ii. Public participation was done while revising the annual and quarterly financial reporting templates. Accountants (users of the templates) from the National and County Government entities were involved in the process. The Directorate of Schools Audit was also involved in the development of a Schools Reporting Template.
- iii. Compliance with the prescribed financial reporting standards monitored through Evaluation of 244 Annual Reports and Financial Statements during the 2020 Financial Reporting Excellence (FiRe) Award Scheme that was conducted in March 2021.
- iv. Developed Field Compliance review checklist for the application by NG-CDF and PSASB during field compliance and monitoring reviews.
- v. Supported the following entities vide advisory opinion on Financial Reporting and IPSAS technical matters:
 - a) Brand Kenya Board,
 - b) Judicial Service Commission,
 - c) Kenya Airports Authority,
 - d) National Police Commission,
 - e) Nursing Council of Kenya and
 - f) Geothermal Development Corporation among others.

KPI 3. Level of research output (e.g. No. of exposure drafts commented on; No. of research papers issued etc.

Output

- i. Responded to Exposure drafts issued by the IPSASB particularly on the following:
 - ED 73: Covid 19: Deferral of Effective Dates.
 - ED 70: Revenue with performance obligations
 - ED 71: Revenue without performance obligations
 - ED 72: Transfer expenses
 - ED 74: Borrowing costs
 - ED 75: Leases
- ii. Submitted articles to local newspapers as well as made media appearances with respect to Board's mandate on National Issues.

Pillar 2: Stakeholder Engagement

Objective: Engage and consult with all key stakeholders for effective relationships as well as develop and manage information sharing with key stakeholders.

KPI 1: No. of quality stakeholder interactions per annum

Output

- i. Stakeholder engagements held with Public Sector stakeholders including the National Treasury, Office of the Auditor General, NG- CDF, County Executives, County Assemblies MDAs, SAGAs and other collaborating entities such as the Ufadhili Trust, Kenya School of Government, Kenya Roads Board among others.
- ii. Consultative meeting with senior officials at the Ministry of Education on the implementation of a financial reporting template for public secondary schools.
- iii. Consultative meeting with the Office of the Auditor General to support financial reporting and timely auditing of the public Sector entities.
- iv. Consultative meeting with the Public Debts department at the National Treasury on the accurate reporting of Public Debt.

- v. Made submissions to the National Assembly on the proposed amendments to the PFM Act 2012.

KPI 2. Number. of publications/external information disseminated (e.g. annual reports, press briefings)

Output/Outcome

- i. In collaboration with the Internal Auditor General's Department at the National Treasury, developed and disseminated Public Sector Risk Management Guidelines.
- ii. Published articles in the press on matters relating to financial reporting, risk management, migration to accrual accounting government entities among other topics to keep our stakeholders abreast with developments in accounting, risk management and internal audit.

Pillar 3: Legal and Institutional Frameworks

Objectives: Effective Board and Committees, Fully-fledged and efficient Secretariat and Strengthening the legal framework

KPI 1. Board attendance rates and results of independent Board evaluation

Output/Outcome

- i. There was no Board evaluation in the year since the Board was not fully constituted following expiry of term of the previous Board members.

KPI 2. % Of filled positions in the approved organization structure.

Output/Outcome

- i. As at the end of the year, the Board had recruited 46% (22 out of 47) of its approved staff establishment and organisational structure. This has enabled the Board to improve its technical capacity to deliver its mandate.

- ii. Supported eligible members of staff to undertake Senior Management Course, Senior Leadership Development Programme and professional Continuous Development Courses which are geared to improve the output of the staff in their various capacities.

KPI 3: Audit opinion on PSASB financial reports.

Output/Outcome

- i. Obtained unqualified audit opinions for the last three years since FY 2017/2018, FY 2018/2019, and FY 2019/2020.
- ii. Ensured all audit recommendations arising from internal and external audits are implemented.

KPI 4: % of compliance to all legal requirements

Output/Outcome

- i. Implemented Board operational policy manuals on ICT, Communication, Human Resource, Risk Management, Internal Control framework, OSHA, and HIV.
- ii. Developed a dynamic and interactive website including a Helpdesk System and Intranet Solution for staff and stakeholder interactions as well as real time resolution of stakeholder concerns in order to meet the Board's legal mandate of standards dissemination.
- iii. Developed a documents Management System for access, sharing & approvals of internal documentation as well as an e- repository for stakeholder audited financial statements.
- iv. Designed and developed an E-learning platform to disseminate knowledge and access to interactive training material in fulfilment of the Board's mandate to undertake capacity building for stakeholders through remote learning channels.
- v. Implemented VOIP Telephony system to improve communication at minimal operational costs both with internal and external stakeholders (including international communication).
- vi. Implemented Video Conferencing solution to enhance virtual interactions and collaborations transcending virtually dispersed teams

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- vii. Established effective Communications Network Infrastructure to Facilitate stable dedicated internet connectivity for access to network applications.

Pillar 4: Capacity Building

Objectives: Develop and implement training programme for financial reporting standards and internal audit implementers across the Public Sector; Develop and disseminate appropriate training / capacity building material and conduct onsite capacity building interventions for implementing entities.

KPI 1: % of training programme completed

KPI 2: Number of accountants and auditors trained

KPI 3: Improved financial reporting and/or internal audit post training

Output/ Outcome

- i. Training of Audit committee members and heads of internal audit drawn from the following county governments: Bungoma, Kisumu, Narok, Kisii, Bomet, Kilifi, Nyandarua, Kakamega, Kwale, Garissa, Nakuru, TransNzoia, Machakos, Makueni, Tharaka Nithi and Meru was undertaken within the reporting period.
- ii. Trained IFMIS department and Accountant General's Department- Financial Reporting officers on financial reporting templates for MDAs and Counties and aligning the reports to IFMIS.
- iii. Trained trainers of trainers (ToTs) selected from Public Sector entities on National Assets and Liabilities Management.
- iv. Trained seventy (70) Schools Auditors on the implementation of IPSAS by Public Secondary Schools in Kenya and the application of the PSASB prescribed financial reporting template in December 2020.

- | | |
|-------|--|
| v. | Facilitated certification of 60 Public Sector officers in IPSAS and IFRS from ACCA in preparation of migration from cash to accrual accounting. |
| vi. | In collaboration with the National Treasury trained over 600 accountants virtually training for all the lots -SAGAs, Counties and MDAs in the month of June 2021 on year end closing procedures and revised financial reporting templates. |
| vii. | Repositioned the public sector component of FiRe awards in collaboration with other promoters. This was undertaken by training FiRe Awards Evaluators, updated FiRe Awards evaluation tools, facilitated evaluation of financial statements as well as the Award Ceremony. |
| viii. | Purchased IFRS, IPSAS and IPPF handbooks and materials for use internally and by our key stakeholders in the public sector. |

B. RESULTS OF ACTIVITIES AND ACHIEVEMENTS

1. Stakeholder Engagement

a) Directorate of Schools Audit- Ministry of Education

PSASB engaged the Directorate of Schools Audit at the Ministry of Education to chart a roadmap on the implementation of IPSAS and the PSASB prescribed financial reporting template.

b) Preparation of government Wide Risk Management Policy

During the period, the Board has taken a lead role in the advocacy for the above. As at the end of the reporting period, the Board in collaboration with the Internal Auditor General Department has developed draft public sector risk management guidelines for use by public officers in National and County Governments and their entities to enhance capacity and provide guidance in the implementation of risk management.



(Officials from the Internal Audit Department (National Treasury), PSASB and KIPPRA at a workshop in Mombasa to develop the Government – Wide Risk Management Framework)



(Director Internal Audit Standards at the PSASB, Mr. George Mang'oka listening to a presentation during the development of the Government – wide Risk Management Framework.)

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

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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 2020 FiRe award evaluation, a total of 244 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. This was a drop from the 602 entities chiefly on the basis of delayed issuance of audit certificates due late recruitment of the Auditor General and operating within the Covid- 19 Environment.

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



(Representatives from the FiRe award promoters i.e PSASB, NSE, CMA and ICPAK with the chief guests at the FiRe Award 2020 event)



(Hon Rtd. Chief Justice David Maraga (Chief Guest) in his opening speech at the FiRe award gala event held in March 2021)



(PSASB's Chief Executive CPA Fred Riaga presenting a trophy to one of the winners of the 2020 FiRe awards.)

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(CPA Fred Riaga PSASB'S Chief Executive at the 2020 FiRe award Ceremony)



(A pose with the Chief Guests, Hon Rtd. Chief Justice David Maraga and Hon. Nelson Gaichuhie and the promoters of the FiRe awards)

b) Quality Assurance

During the financial year, the Board in collaboration with Internal Auditor General Department/National Treasury carried out a validation workshop on the developed County Internal audit manual and their attendant templates following a Diagnostic study report validated at Kenya School of Government –Kabete Campus in the last financial year. The validation exercise key objective was to engage key stakeholders in the development process and enhance the manual's implementation on approval



(Validation workshop of the County Audit Manual and the attendant audit templates with selected internal auditors from the County Government Entities)



(Validation workshop of the County Audit Manual and the attendant audit templates with selected internal auditors from the County Government Entities)

3. Updating financial reporting tools and guidelines

The Board also updated the existing annual 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 annual financial statements, consultation with preparers of financial statements and feedback from the FiRe award evaluation. The updated reporting templates were 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 FY 2020/21 annual financial statements. Preparers of financial statements were also trained on the use of the updated templates during a virtual training organized by the National Treasury and the Board.



(Accountants representatives from SAGAs and State Corporations and TVETs at a workshop to review and revise financial reporting templates for application for the year ended 30th June 2021)

4. 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 30th June, 2021 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 three papers as indicated below:

No.	Standard/ Project	Details	Type	Date Due	Date Submitted
1	ED 70: Revenue with performance obligations	The objective of this Exposure Draft is to propose improvements to the relevance, faithful representativeness and comparability of the information that a reporting Board provides in its financial statements about revenue with performance obligations.	Exposure Draft	15 th Sept 2020.	13 th Sept 2020
2	ED 71: Revenue without performance obligations	The objective of this Exposure Draft is to propose improvements to the relevance, faithful representativeness and comparability of the information that a reporting Board provides in its financial	Exposure Draft	15 th September r 2020.	13 th September 2020

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No.	Standard/ Project	Details	Type	Date Due	Date Submitted
		statements about revenue without performance obligations.			
3	ED 72: Transfer expenses	The objective of this Exposure Draft is to propose improvements to the relevance, faithful representativeness and comparability of the information that a reporting Board provides in its financial statements about transfer expenses.	Exposure Draft	15 th Sept 2020.	13 th Sept 2020
4	ED 73: Covid 19	The objective of Exposure Draft (ED 73), COVID-19: Deferral of Effective Dates is to propose the deferral of the effective dates of IPSAS 41, Financial Instruments, IPSAS 42, Social Benefits, Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36) and Prepayment Features with Negative Compensation (Amendments to IPSAS 41), Collective and Individual Services (Amendments to IPSAS 19), and Improvements to IPSAS, 2019 by one year, to January 1, 2023.	Exposure Draft	15 th August 2020	10 th August 2021

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No.	Standard/ Project	Details	Type	Date Due	Date Submitted
5	ED 74: Borrowing costs	Exposure Draft (ED) 74, IPSAS 5, Borrowing Costs Non-Authoritative Guidance, deals with non-authoritative changes to IPSAS 5 that arose through comments received from stakeholders in response to the IPSASB's Consultation Paper, Measurement. Based on stakeholder responses, the IPSASB agreed to retain the existing policy choice whether to expense or capitalize qualifying borrowing costs. The IPSASB also agreed to develop implementation guidance and illustrative examples to better explain the extent to which borrowing costs can be capitalized.	Exposure Draft	1 st March 2021	26 th February 2021
6	ED 75: Leases	The objective of this ED is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents lease transactions.	Exposure Draft	17 th May 2021	14 th May 2021

b) Implementation of new and revised accounting standards issues

No.	Standard	Details	Applicable date	Progress
1	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 Board's future cash flows.	1 st Jan 2023- Not yet effective	Sensitised public sector accountants on the standard and the changes it proposes to IPSAS 29. The application of this standard was deferred from 2022 to 2023 due to covid – 19 complications on delivery of projects.
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 Board provides in its financial statements about social benefits	1 st Jan 2023- 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.

5. Strengthening the Secretariat

Recruitment of staff for key positions at the Board- During the year, the Board hired Six (6) members of staff. The positions filled are as follows:

Position	Date reported
Principal Procurement Officer	1 st July, 2020
Manager, Internal Auditing Standards	15 th July, 2020
Principal Officer Finance and Accounts	24 th August 2020
Principal PR & Communication Officer	1 st May, 2021
Senior Office Administrator	1 st July, 2020
Senior Assistant Office Administrator	15 th March, 2021

These positions were filled in the course of FY2020/2021. Four members of staff who had separated with the Board were replaced and two new staff members were recruited for the position of Manager Internal Auditing Standards and the Principal Officer Finance and Accounts as approved by the board in FY2019/2020.

FUTURE OUTLOOK

The Board seeks to focus on the following key areas:

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

The cash basis of accounting has been the main accounting system for National and County Government entities since its adoption in FY 2013/2014. 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.

There are a number of benefits that are attributable to adoption of accrual accounting by Governments. Accrual accounting promotes complete recording of assets and liabilities, identification of existing and contingent liabilities which allows governments to plan well for these liabilities, it

provides key information on revenue and expenses and allows for more comprehensive budgeting, it promotes transparency through requirement of more financial disclosures among others.

The Board approved the road map to accrual accounting. Accrual accounting requires the recognition of assets and liabilities which satisfies the recognition criteria. As a first step, the Board approved the assets and liabilities policies as presented by the NALM department of the National Treasury. In June 2020, the National Assets and Liabilities Policies were approved by the Cabinet Secretary to the National Treasury for roll- out and implementation by public sector entities. To facilitate the migration to accrual accounting by National and County Government entities, the Board is looking to ensure the following activities/ projects are carried out in the next financial year:

1. **Stakeholder engagement** – Migration to accrual accounting is a mega project that requires input from all key stakeholders and more so buy in from top leadership. Engaging stakeholders will involve establishment of a steering committee for the migration process. The committee will be responsible for change management component of the project and assist users understand the need for the change. The committee will also be responsible for monitoring progress on activities. The Board has embarked on a consultation process with the National Treasury for buy-in into the project. It will also be responsible for key stakeholder engagement and management in the whole migration process. Other efforts to be undertaken by the Board include meetings, workshops, press releases, online webinars, and other forums to engage all the identified key stakeholders into the process.
2. **Standard Chart of Accounts (SCOA)**– This is the systematic coding of transactions in the financial management system. The progress of setting up a chart of accounts that can support accrual reporting and programme reporting is ongoing at the National Treasury. The Board is keen on the development of the chart of accounts and is actively involved in the review and consultation of the progress. The SCOA is a key component to accrual migration since it will include economic items relating to Assets and Liabilities that will support accrual accounting in the Government Accounting System IFMIS.
3. **The adoption of accrual accounting will lead to changes in information systems-** A systemic capability review of IFMIS has been undertaken and it has been demonstrated that for the system to support implementation of the project on transition to accrual accounting, the system would need to be re-coded taking into account, the new Standard Chart of

Accounts highlighted above, specifically targeting assets and liabilities related modules within broader IFMIS system. This process will include development of specifications to translate the assets and liabilities policies as detailed in the documents into accounting information that can be coded in the system. This process may be time and resource consuming and should therefore be prioritised and well managed. This will be achieved through a detailed work plan within the IFMIS department to ensure that the specifications are developed, the system is updated and tested, and the users are trained, and capacity built.

4. **Training and capacity building:** Capacity building will be provided to the public sector accountants on accrual related concepts. In the year 2020/21 the Board trained 60 public sector accountants on IPSAS and IFRS certification from ACCA in a bid to create a pool of accountants that can train others on accrual related concepts. The Board seeks to train other accountants using the recently completed e- learning platform that is accessible to all through the Board's website. The Board is seeking to partner with like-minded entities to create content for the e- learning platform.

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

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

1. **Training of Audit committees and internal audit staff in the public sector:** The Board has continued to provide training and guidance to Audit committees and internal auditors in the public sector. During the year a number of audit committees were trained and internal audit manuals for county governments were validated by users. Going forward, the Board will continue training the audit committees, to advocate for their establishment, right placement in the organisational structure, funding and implementation of matters arising from the audit processes.
2. **Guidelines on risk management for National and County Governments-** As at year end, PSASB in collaboration with the Internal Auditor General's Department the Board has developed Government-wide Integrated Risk Management Policy, Public Sector Risk Management guidelines with attendant templates to guide public sector entities in establishing and implementing policy frameworks on risk management. The Board will

undertake sensitizations on the guidelines and offer continuous support to the guideline's implementers. The board has further developed a Government-wide integrated risk management policy to promote effective risk governance in the country by ensuring that national critical risks are managed through an integrated approach, and mechanisms that support the achievement of national interests and Government objectives as enshrined in the Constitution of Kenya 2010. The policy will facilitate the development of a national risk profile.

3. **Development of manuals, templates and tools-** The Board will embark on the preparation of an internal audit manual and its attendant templates in terms of internal audit charters, audit committee charters and annual work plans for State corporations. Development and implementation of the manual will enhance the quality and effectiveness of internal auditors in conforming with the International Professional Practices Framework (IPPF). The Board will also develop a county internal audit programs manual as a source of reference in carrying out various types of audits such as value for money audit, procurement audit, financial audit, Human resource audit among others.

c) **Increase coverage of public sector reporting entities**

The board seeks to increase coverage of entities that report using the prescribed accounting standards. These entities include:

1. **Public Secondary Schools-** The Principal Secretary, National Treasury approved the financial reporting template for Public Secondary Schools for application for the period ended 30th June 2021 and subsequent periods in accordance with the International Public Sector Accounting Standards. To facilitate the implementation of IPSAS in schools, the Board has collaborated with the National Treasury (Accounting Services Directorate) and the Ministry of Education (Directorate of Schools Audit) to prepare guidelines and a finance and procedures manual for schools. The collaboration will also involve training of school auditors, bursars, principals and sensitisation of other stakeholders to provide seamless implementation of the new reporting requirements for the 9,000 public secondary schools in Kenya.
2. **Public Hospitals-** PSASB is focused on the health sector to ensure there is improved accountability for public resources. Health is a devolved function and therefore PSASB will

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seek to collaborate with the Council of Governors and the leadership of the 47 County Governments to prescribe a reporting framework for level 4 and 5 hospitals under the Counties. A financial reporting template under the accrual basis of accounting has already been prepared and views collected on the same. Once validated and approved, the Board will prescribe it for use by the public sector hospitals.

3. **Public Primary Schools-** PSASB plans to develop and issue a simplified financial reporting template for Public Primary Schools. This will facilitate transparency and accountability of funds given as capitation by Government towards the Free Primary Education Programme in Kenya. The reporting template will also standardize reporting by close to 23,000 public primary schools in Kenya.

d) **Customised financial reporting templates**

The board has in the past prepared and issued financial reporting templates in accordance with Section 194 of the PFM Act. These reporting templates are prepared for large clusters of users and may not consider the unique features of a particular public sector cluster. Looking forward, the Board seeks to consider preparing separate financial reporting templates for the following cluster of entities:

- Public Universities
- Water Service Providers
- Municipal Boards
- County TVETs

6. CORPORATE GOVERNANCE STATEMENT

The Board was gazetted on 28th 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.

Appointment to the Board

Appointment of members to the Board commences with nomination of members from institutions listed under PFM Act section 193. The nominees are then vetted to ensure they have the requisite capabilities to carry out their responsibilities. They are then gazetted by the Cabinet Secretary, National Treasury. The chairman of the Board is appointed by the Cabinet Secretary from among the nominated members. The term of several board members who served between 2014-2020 expired on 20th February 2020. Two members of the Board are in office. However, due to lack of quorum, as stipulated in the Board Charter, it was not possible to hold meetings and deliberate on Governance issues. The Cabinet Secretary, National Treasury is at an advanced stage of appointing new Board members for PSASB.

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..

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 to familiarise themselves with the roles and responsibilities as outlined in the law. An induction training is also held for new Board members.

Board Committees

There are four committees of the Board and each member is appointed to two committees. Each committee has a total of four members excluding the co-opted members. The Committees are:

- 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.
- 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.
- 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
- 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.

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 FY 2019/2020, the term of six board members lapsed and an additional vacancy arose following the death of a Member of the Board. The process of refilling the vacant positions in the Board is underway.

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 20th 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 not undertaken by a representative from State Corporations Advisory Committee (SCAC) since the board was properly constituted.

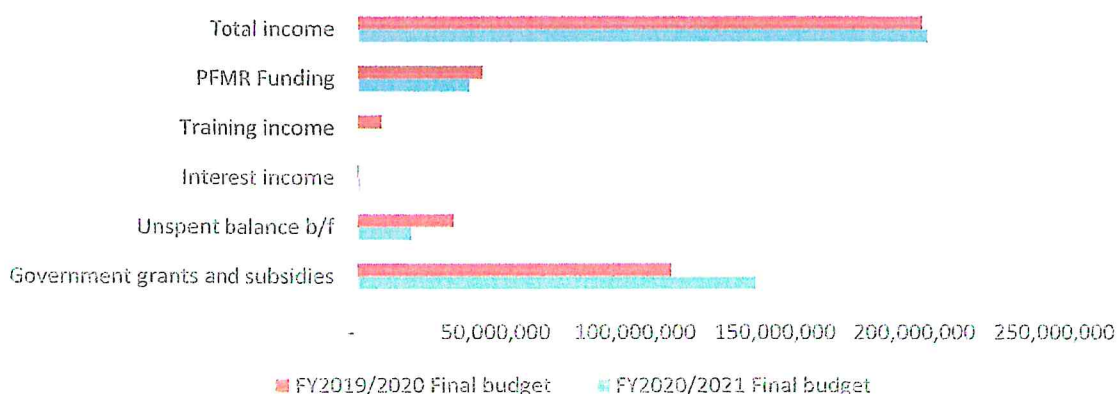
7. MANAGEMENT DISCUSSION AND ANALYSIS

Summary of financial results

a) Budgeted Revenue

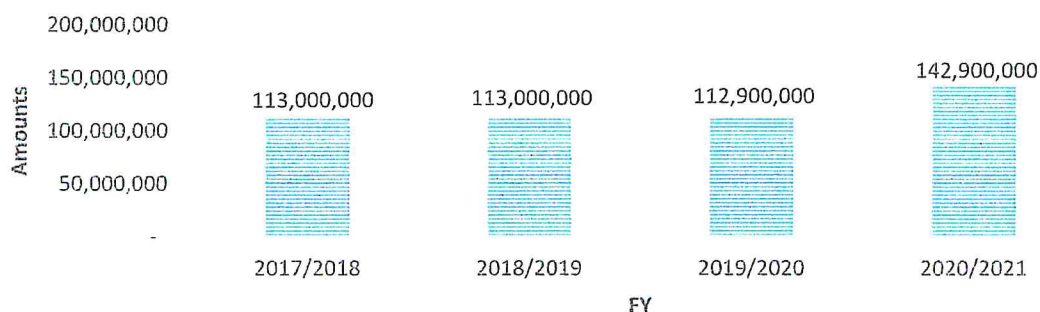
The graph below shows a comparison of budgeted funds over last two years

Comparison between Revenue Budgets



As an entity that entirely depends on national exchequer for funding, the chart above provides a comparison of final budgets over the last two years. From the chart, F2019/2020 had anticipated more sources of funding comparative to FY2020/2021 which did not have the training income anticipated due to the prevailing Covid-19 situation and observance of the protocols thereto. Therefore, the consistency in the total income for two was mainly due to the 26% budget increase in government grants and subsidies for the FY2020/2021. However, there was also a marginal increase in interest income, with PFMR funding budget reducing by 10%. The following analysis indicates the total government grants and subsidies the Board has received over the last four years.

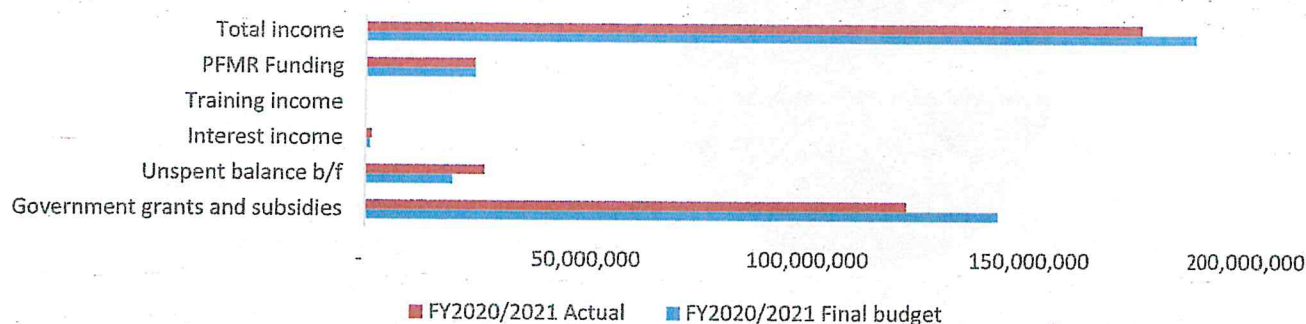
GOVERNMENT GRANTS AND SUBSIDIES



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

b) Actual and Budgeted Revenue

Comparison between actual and budgeted Revenue



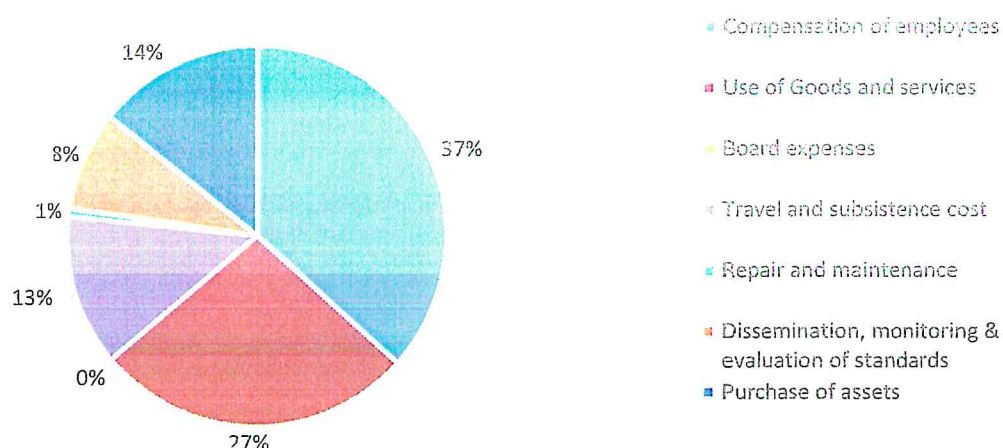
The chart above shows that the board did not achieve its revenue target, actual total revenue for FY2020/2021 being 17% short of target. As was in FY2019/2020, the training income was not realised. This was due to Covid-19 pandemic and the continued observance of the Covid-19 protocols as laid down by the government. The disruptions of physical gathering and workers/staff working remotely meant that conferences were not possible and thus Board's training activities were suspended, negatively impacting on the anticipated training income for the board.

PSASB was able to realise 83% of the budgeted revenue. The actual revenue includes Kshs 142,900,000 as transfer from the National Treasury for FY2020/2021, Kshs 26,931,779 brought forward from the FY2019/2020. Other incomes specifically from PFMR and bank interest income amounting Kshs 29,250,856. PSASB utilised 85% of the received funds indicating and under absorption of 15% against 33% of previous financial year. Largely this under absorption was as a result of reduced activities on dissemination of standards, training and capacity building and administrative expenses line. The increase in absorption as compared to the previous year was due to lifting of some COVID- 19 restrictions by Government in the year under review.

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FY2020/2021 Actual Expenditure by Category



The chart above shows that of the total expenditures for the FY2020/2021 was heavily constituted by compensation of employees, use of goods, travel and subsistence and purchase of asset. Compensation of employees constituted 37% of the total expenditure for the FY2020/2021 compared to 33% FY2019/2020. This was due to increased number of staff hired by the board to increase the board operational efficiency amidst its increasing operational activities. Use of goods constituted 27% compared to 12% for FY2019/2020. The increase is explained by the heavy acquisition the board had on materials of the planned activities. Travel and subsistence cost was 13% compared to 2% FY2019/2020. More travels were made in the FY2020/2021 especially the second half of the year when the travel restrictions became a little easy allowing free movement the board tried to achieve its goals by doing most activities within the short time left in the year. Purchase of assets accounted for 14% of the expenditures and this included the acquisition of an interactive website for the Board, development of an e- learning system and a Database Management System which were acquired through PFMR funding.

Surplus for the period

The surplus for the year ended 30th June 2021 amounted to Kshs 24,807,380 which is 97% higher than the previous year's surplus. This is because the non-cash grant from partners (PFMR) booked as revenue was used in the acquisition of fixed asset. The cash surplus will be utilised towards settlement of first quarter's rent and payment of pending payments in the subsequent period.

8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

PSASB exists to transform lives through prescribing financial Reporting, prescribing accounting standards, internal auditing standards and mainstreaming risk management in the Public Sector. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The Board plays a critical role in enhancing accountability through its standards and tools. The Board promotes value for money and effective use of resources by Government entities. The current budget allocation is insufficient to facilitate effective operations of the PSASB. However, the Board strives to control its expenditures by complying with the National Treasury's cost containment measures. The Board plays a critical role in promoting employability by providing internship programmes to students. The Board has developed a new strategic plan for the next five years (2021/22- 2025/26). This strategic plan seeks to take the Board to the next level beyond initial establishment and consolidate the gains achieved since 2014. The Board however faces a challenge in implementation of the strategy owing to the lack of a sitting Board for the last one and a half years. The Board is working closely with the National Treasury to ensure that a new board is appointed to take forward the mandate of the Board in line with the PFM Act 2012.

ii) Environmental performance

The strategy of the Board is to collaborate with like-minded institutions to conserve the environment through tree planting. Although this was not possible in FY 2020/2021, the Board has dedicated 10% of its CSR budget on tree planting which has been captured in the performance contract for FY2021/2022. In addition, the Board seeks to conserve, water, and electricity through effective use these resources to conserve the environment and its elements. During the year, the Board, in its effort to leverage on information technology installed high-end Servers to provide resources/services to other devices over a network. The functionality of the servers include; ERP System Server – Microsoft Dynamics 365 Enterprise Resource Planning System, Exchange Server – Email Account Mailboxes, Active Directory, E-Learning Server – Remote learning, disseminating knowledge and

access to interactive training material, Helpdesk and Intranet server - to enhance stakeholder interaction, collaboration and branding, E-Documents Management System server linked to ERP system for access, sharing & approvals of internal documentation, E-repository – for external stakeholders' access and dissemination of audited financial statements.

The IT strategy eliminated paper-based processes which resulted in improved turn-around time and reduced wastage of printing materials. The Board also anticipates enhancing supply chain module to include a robust e-procurement platform where suppliers will interact with the Board online. This will eliminate paper based tendering process.

iii) Employee welfare

Employees are the most important asset of the Board. During the year, the Board implemented its recently reviewed, Human Resource manual which provided for hiring process, gender mainstreaming, career progression and appraisal and reward systems. The Board endeavours to create a conducive work environment where each of our employees feels valued as a member of the team. In FY 2020/2021 the Board undertook team building exercise for all its employees which also doubled up as an induction workshop for the newly recruited staff. The exercise was to synergize and promote team spirit towards achievement of a common goals. The Board sensitized the staff on the use of the Microsoft Office 365 for HR related modules such as leave application therefore increased staff productivity and efficiency. The Board trained its staff on the approved Occupational Health and safety policy aimed at providing and maintaining a safe and healthy working environment. In the wake of COVID-19, the Board ensured that all its staff members retained their jobs and were remunerated timely through prudence financial management. Arrangements were made for staff members to work from home to curb the spread of Corona virus. COVID- 19 essential supplies such as masks, sanitisers and thermos-guns were provided for the staff. The office was also cleaned regularly in line with the Ministry of Health guidelines. Counselling support was also provided for the staff. All members of staff have medical insurance to cater for the well-being of themselves and their families that was enhanced to cover Covid-19. The Board also facilitated testing of staffs as well as support in vaccinating staffs to secure the working environment.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (continued)

iv) Market place practices-

PSASB has put in the following practices with respect to:

Suppliers

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

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

Customers/ constituents

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

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

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (continued)

Stakeholders

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

- a) Stakeholder mapping and reach out to introduce the mandate of PSASB
- b) Regular meetings with the stakeholders
- c) Supported Counties during trainings
- d) Presentations during stakeholders organised events
- e) Partnership in areas of mutual interest.

Community Engagements

During the Covid-19 pandemic, the Board has ensured implementation of the Covid-19 protocols at office as well as support staff with Covid-19 related consumables for use within the communities.

9. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Board's affairs.

i) Principal activities

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

ii) Results

The results of the Board for the year ended June 30, 2021, are set on page 1 of these financial statements.

iii) Directors

The members of the Board of Directors who served during the year are shown on page vi to ix. The term of 6 directors ended by 14th June 2020 and therefore only 2 directors served during the year under review. As at the end of the year, no new member(s) had been appointed to replace the members whose term ended in 2020.

iv) Auditors

The Auditor General is responsible for the statutory audit of the Board in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. Auditor General to carry out the audit of the Board for the year/period ended June 30, 2021 in accordance with the Public Audit Act, 2015.

By Order of the Board.


for **Chairman**

Date: 30.09.2021

10. 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, 2021. 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, 2021, 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.

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
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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 not approved by the Board since the term of the Board expired and no replacement has been done. The statements have been approved by the Accounting Officer in line with Section 81 of the PFM Act, 2012.

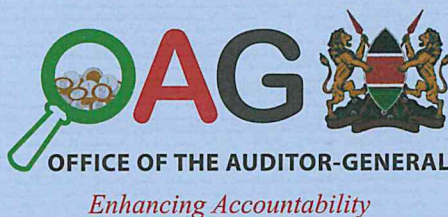


CPA Fredrick Riaga
Chief Executive Officer



REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PUBLIC SECTOR ACCOUNTING STANDARDS BOARD FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Public Sector Accounting Standards Board set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2021, the 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 of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Sector Accounting Standards Board as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects final revenue budget and actual on comparable basis of Kshs.211,145,229 and Kshs.174,165,793 respectively, resulting to an under-funding of Kshs.36,979,436 or 17% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.211,145,229 and Kshs.161,763,960 respectively, resulting to an under-expenditure of Kshs.49,381,269 or 23% of the budget. Management has attributed the underfunding to late release of grants by The National Treasury. The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of Functional Board

During the year under review, the Board of Directors was not functional as the term of the Chairman and four other Directors lapsed on 20 February, 2020. Further, the Board lost two other Directors in the year through demise and lapse of term in March and June, 2020 respectively. Consequently, the Board has operated without a functional Board to provide strategic direction and oversight over management decisions since February, 2020. As at the time of conducting this audit, the Board of Directors had not been reconstituted.

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 its services, disclosing, as applicable, matters related

to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Board or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 March, 2022

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

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12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from National Treasury	6	142,900,000	112,900,000
Grants in Kind and transfers	7	23,579,147	6,096,770
Total Revenue from Non-exchange Transactions		166,479,147	118,996,770
Revenue from exchange transactions			
Other income	8	1,479,867	707,989
Total revenue		167,959,014	119,704,759
Expenses			
Use of goods and services	9	40,208,756	22,777,771
Employee costs	10	59,088,459	43,367,324
Remuneration of directors	11	-	9,539,981
Travel and Subsistence Cost	12	18,326,440	2,674,406
Depreciation and amortization expense	13	11,033,376	9,147,733
Repairs and maintenance	14	1,029,941	324,653
Dissemination, Monitoring and Evaluation	15	13,079,000	19,165,340
Total expenses		142,765,972	106,997,208
Surplus for the Year before Tax		25,193,042	12,707,551
Taxation	25	(385,661)	-
Surplus for the Year after Tax		24,807,380	12,707,551

The financial statements set out on pages 1 to 45 were signed on behalf of the Board of Directors by:


Accounting Officer

Name: **FREDRICK RIAGA**

Date: **30th September 2021**



Head of Finance

Name: **GEORGINA MUCHAI**

ICPAK Member Number: 13725

Date: **30th September 2021**

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14 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2021

	Notes	2020-2021	(Restated) 2019-2020
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	16	12,401,833	26,931,779
Current portion of receivables from exchange transactions	17	5,696,765	3,204,263
Receivables from non-exchange transactions	18	20,725,000	-
Staff debtors	19	2,920,250	150,000
Inventories	20	5,167,742	-
Total Current Assets		46,911,590	30,286,042
Non-Current Assets			
Property, plant and equipment	21	52,691,895	44,765,091
Intangible assets	22	16,556,340	5,389,214
Total Non- Current Assets		69,248,236	50,154,305
Total Assets		116,159,826	80,440,347
Liabilities			
Current Liabilities			
Trade and other payables from Exchange Transactions	23	10,897,530	1,624,163
Employee benefit obligation	24	-	2,111,775
Taxation Liability	25	163,681	-
Total Current Liabilities		11,061,211	3,735,938
Non-Current Liabilities			
Non-current employee benefit obligation	23	7,261,737	3,674,912
Total Non- Current Liabilities		7,261,737	3,674,912
Total Liabilities		18,322,949	7,410,850
Net assets			
Accumulated surplus		73,029,497	60,321,946
Surplus for the year		24,807,380	12,707,551
Total Net Assets		97,836,877	73,029,497
Total Net Assets and Liabilities		116,159,826	80,440,347

The Financial Statements set out on pages 1 to 45 were signed on behalf of the Board of Directors by:


Accounting Officer

Name: **FREDRICK RIAQA**

Date: **30th September 2021**


Head of Finance

Name: **GEORGINA MUCHAI**

ICPAK Member Number: 13725

Date: **30th September 2021**

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

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15 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE, 2021

Period	Retained earnings	Total
	Kshs	Kshs
At July 1, 2019	60,321,946	60,321,946
Surplus for the year	12,707,551	12,707,551
At June 30, 2020	73,029,497	73,029,497
At July 1, 2020	73,029,497	73,029,497
Surplus for the year	24,807,380	24,807,380
At June 30, 2021	97,836,877	97,836,877

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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

		2019-2020	2019-2020
		Kshs	Kshs
Cash flows from operating activities	Notes		
Receipts			
Transfer from The National Treasury & Planning		122,175,000	112,900,000
Interest income	8	1,479,867	707,989
Grants in kind & transfers			205,000
Total Receipts		123,654,867	113,812,989
Payments			
Use of goods and services		43,874,901	17,964,047
Employees cost		59,367,932	37,736,214
Remuneration of Directors		-	9,599,981
Travel and subsistence cost		20,833,040	2,668,830
Repair and Maintenance	14	1,029,941	324,653
Dissemination, monitoring and evaluation of standards	15	13,079,000	13,123,570
Total Payments		138,184,814	81,417,295
Net cash flows from operating activities	26	(14,529,947)	32,395,694
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets			(40,298,133)
Net cash flows used in investing activities		-	(40,298,133)
Net (decrease)/increase in cash and cash equivalents		(14,529,947)	(7,902,438)
Cash and cash equivalents at 1 JULY	16	26,931,779	34,834,218
Cash and cash equivalents at 30 JUNE	16	12,401,833	26,931,779

The Financial Statements set out on pages 1 to 45 were signed on behalf of the Board of Directors by:


Accounting Officer

Name: **FREDRICK RIAGA**

Date: **30th September 2021**


Head of Finance

Name: **GEORGINA MUCHAI**

ICPAK Member Number: 13725

Date: **30th September 2021**

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Utilization Percentage (%)	Notes
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs		
Government grants and subsidies	162,900,000	(20,000,000)	142,900,000	122,175,000	20,725,000	85%	a
Unspent balance b/f	19,687,706	7,244,073	26,931,779	26,931,779	-		
Interest income	500,000	500,000	1,000,000	1,479,867	(479,867)	148%	b
Training income	2,900,000	(2,900,000)	-	-	-		c
PFMR Funding	40,313,450	-	40,313,450	23,579,147	16,734,303	58%	d
Total income	226,301,156	(15,155,927)	211,145,229	174,165,793	36,979,436		
Expenses							
Compensation of employees	81,221,255	(17,509,177)	63,712,078	59,367,932	4,344,146	93%	e
Use of Goods and services	68,193,535	2,311,930	70,505,465	43,874,901	26,630,564	62%	f
Board expenses	12,137,583	(11,227,583)	910,000	-	910,000	0%	g
Travel and subsistence cost	11,539,258	9,541,989	21,081,247	20,833,040	248,207	99%	h
Repair and maintenance	1,392,989	200,000	1,592,989	1,029,941	563,048	65%	i
Dissemination, monitoring & evaluation of standards	13,756,429	(126,829)	13,629,600	13,079,000	550,600	96%	j
PFMR funded expenditures	599,600	-	599,600	599,600			
Purchase of assets	37,460,507	1,653,743	39,114,250	22,979,546	16,134,704	59%	k
Total expenditure	226,301,156	(15,155,927)	211,145,229	161,763,960	49,381,269	77%	
Surplus for the period	-	-	-	12,401,833	(12,401,833)		

Budget notes

1. Explanation of differences between actual and budgeted amounts

- a) This represent the last portion of disbursement from the national treasury and planning that had not been received as at June 30th 2021 implying 85% of total budgeted receipt.

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- b) The board earned more interest income than anticipated due to efficient cash management and interest rates negotiations with the bank favourable
- c) The board did not have any training activity in FY2020/2021 hence no income generated.
- d) The approved work plan by PFMR had activities costed at Kshs. 40.3 million. However, at the close of the FY2020/2021, PFMR paid Ksh. 23.58million towards acquisition of assets valued at Kshs 24.77million. The balance of 1.19 on EDMS has been included in FY 2021/2022 work plan for payment to supplier on delivery of final project.
- e) The difference in employee compensation expenditure is due to additional six staff members who were recruited during FY2020/2021 instead of twelve. The remaining six staff are envisioned to be recruited in the FY2021/2022.
- f) The significant expenditure difference in the use of goods and services is as a result of reduced activities at the office due to Covid-19 pandemic and the observance of the government health protocols. These included staff working remotely and in shifts.
- g) PSASB had no constituted board in the FY2020/2021 since the expiry of the term of the previous members of the previous board thus zero expenditures during the year.
- h) The significant expenditure in travel and subsistence costs were due to increased external activities requiring a lot of travels including foreign travels in the second half of FY2020/2021 when the travel restrictions became a little easy allowing free movement as opposed to what was anticipated in the plan
- i) Repair and maintenance expenditure difference was due to lower utilisation of relevant assets than expected at the beginning of the year.
- j) This expenditure was due to dissemination, monitoring & evaluation of standards activities through FiRe Award Schemes in collaboration with partners like Institute of Certified Public Accountants Kenya (ICPAK).
- k) The acquisition of assets difference was due to budget adjustments by PFMR as per the work plan. Through efficient tendering and procurement process the software purchase costs were lower than the budgeted amounts.

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2. Explanation of changes between original and final budget

- a) The difference in government grants and subsidies was due to budget adjustments from the national treasury.
- b) The training income was later envisioned never to take place hence the adjustment
- c) After interest renegotiations with the bank the interest income budget was revised
- d) The employee compensation cost was revised after the number of staff to be recruited was approved for the FY2020/2021
- e) Originally the board was anticipated to be reconstituted earlier in the year. This did not take place thus the budget reallocation
- f) In the second half of the financial year more external activities were planned that required an adjustment to the budget.

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Board.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> <p><i>The management has assessed the amendments arising from other improvements and concluded that these have no effect on the financial statements of PSASB for the year ended 30th June 2021.</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 2021.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the Board'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"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between the Board's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>The management has assessed the expected effects of IPSAS 41 on its financial statements. It is expected that when adopted, impairment of receivables by the Board may be affected. However, these receivables are not material in nature and the collectability is certain and therefore the impact from its adoption may not be significant.</i></p>

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Standard	Effective date and impact:
IPSAS 42: Social Benefits	Applicable: 1st January 2023 <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Board 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> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Board; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Board's financial performance, financial position and cash flows. <p><i>The management has assessed the impact of IPSAS 42 on Social Benefits as insignificant since it is not involved in alleviating social problems through transfers.</i></p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>These changes have been assessed and have no effect on the operations of the Board.</i></p>

iii. Early adoption of standards

The Board did not early – adopt any new or amended standards in year 2020/2021.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Board and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

b) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly on *11th June 2020*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Board upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Board recorded supplementary reduction of Kshs 20,000,000 on the 2020-2021 budget following the governing body's approval.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under **Note 25** of these financial statements.

c) Taxes

Current income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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

e) Intangible assets

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

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

f) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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.

Impairment of financial assets

The Board assesses at each reporting date whether there is objective evidence that a financial asset or a class of financial assets is impaired. A financial asset or a class 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 class of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or a class of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

- iv) 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.

g) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the First-In-First-Out (FIFO) method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Board.

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.

i) 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.

j) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

k) 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.

l) 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.

m) Employee benefits

Retirement benefit plans

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

n) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

o) 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.

p) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

q) Comparative figures

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

r) 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, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

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:

- a)** The condition of the asset based on the assessment of experts employed by the Board.
- b)** The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c)** The nature of the processes in which the asset is deployed.
- d)** Availability of funding to replace the asset.
- e)** Changes in the market in relation to the asset

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Provision for bad debts

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Other Government Entities

Description	2020-2021	2019-2020
	KShs	KShs
Unconditional grants		
Quarter 1	40,725,000	28,225,000
Quarter 2	40,725,000	28,225,000
Quarter 3	40,725,000	28,225,000
Quarter 4	20,725,000	28,225,000
Total Grants Received	142,900,000	112,900,000

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

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total transfers 2020/21	Prior year
	KShs	KShs			2019/2020
			KShs	KShs	KShs
The National Treasury and Planning	142,900,000	-	-	142,900,000	112,900,000
Total	142,900,000	-	-	142,900,000	112,900,000

7. Grants in Kind and transfers

Description	2020-2021	2019-2020
	KShs	KShs
Grants from PFMR	23,579,147	5,857,330
Ufadhili Trust	-	239,440
Total	23,579,147	6,096,770

During the year, the board prepared a work plan to the public finance management reforms secretariat (PFMR) on areas of reform as per PFMR's strategic plan. The approved work plan had activities costed at Kshs. 40.3 million. PFMR paid Kshs. 23.58million towards acquisition of assets valued at Kshs 24.77million. The balance of 1.19 on EDMS has been included in FY 2021/2022 work plan for payment to supplier on delivery of final project. Kshs 15.5 m from the approved work plan was not utilised due to restrictions relating to COVID-19 as it related to activities on

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Interest Income

Description	2020-2021	2019-2020
	KShs	KShs
Interest Income from Co-operative Bank of Kenya	1,479,867	707,989
Total interest income	1,479,867	707,989

Interest income relates to interest income accrued from the daily balances on the account held at the Co-operative Bank of Kenya. These are gross amounts before withholding tax.

9. Use of Goods and Services

Description	2020-2021	2019-2020
	KShs	KShs
Rent	9,836,856	7,859,650
Contracted Professional services	1,125,932	3,168,000
Subscriptions fees to prof. bodies	176,000	164,800
Electricity	525,073	420,109
Parking fees	663,730	501,340
Communication exp	2,130,527	1,233,398
Printing and advertising	1,482,014	2,218,396
Fuel and Oil	658,627	469,176
Insurance	6,534,275	1,775,095
Library exp	2,863,243	131,346
Office and General supplies	219,280	547,653
Supplies & accessories for computers & printers	909,305	
Bank Charges	194,329	138,268
Hospitality expenses	2,217,040	697,654
Board and Committees exp	-	810,335
Software expenses Inc. Licenses	1,177,107	1,312,207
Training costs	8,644,658	1,330,344
Non-pharmaceutical Supplies	850,762	-
Total Use of Goods and Services	40,208,756	22,777,771

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

The significant increase in the use of goods expenditures were majorly contributed by the increase in items including communication expenses, parking fee, subscription fees to professional bodies and insurance which directly relate to the number staff. The board recruited six staff members to its team to facilitate its increased operations and activities implying increased expenditures on these items. There was increase on quarterly rent compared to the previous financial year due to escalation clauses as per the rent agreement.

In the second half of the year, the board had a lot of activities, carried forward from the first half of the year due to Covid-19 pandemic, to be completed before year end. This resulted into more travelling leading to increased fuel and oil consumption and hospitality expenses. Library expenses relate to acquisition of books for internal audit standards and accounting standards departments to facilitate the execution of the relevant departmental mandates.

Acquisition of office and general supplies and computer and printer accessories was done in anticipation of the increased activities for the year. Non-pharmaceutical supplies relate to covid-19 materials that the board purchased to deal with the virus. Part of these are in inventory as at the close of FY2020/2021. For the FY2020/2021 most staff members pursued either Senior Management Course (SMC) or Strategic Leaders Development Program (SLDP) explaining the increase in the training costs. However, staff working either remotely or in shifts saw printing expenditures reduce. Contracted services/activities were reduced as well.

10. Employee Costs

Description	2020-2021	2019-2020
	KShs	KShs
Salaries and wages	51,770,435	37,771,443
Total Pension and Gratuity	7,274,224	5,566,881
Social contributions-NSSF	43,800	29,000
Total Employee costs	59,088,459	43,367,324

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Remuneration of board of directors

Description	2020-2021	2019-2020
	KShs	KShs
Chairman's Honoraria	-	480,000
Directors' emoluments	-	4,368,400
Other allowances	-	4,691,581
Total	-	9,539,981

PSASB had no constituted board in the FY2020/2021 since the expiry of the term of the previous members of the previous board. It is expected that the board will be constituted in the next financial year.

12. Travel and subsistence cost

Description	2020-2021	2019-2020
	KShs	KShs
Travel cost	1,366,264	189,894
Daily Subsistence	16,960,176	2,451,638
Other costs	-	32,874
Total travel and subsistence cost	18,326,440	2,674,406

The significant rise in travel and subsistence costs were due to increased external activities requiring a lot of travels including foreign travels in the second half of FY2020/2021 when the travel restrictions were eased. The following projects were undertaken during this time to ensure the Board does not lag behind its scheduled activities.

- Development of Government-Wide Integrated Risk Management Policy
- Development of Public Sector Risk Management Guidelines
- Review and updated annual and quarterly reporting templates
- Staff training and development programs

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Depreciation and Amortization Expense

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant, and equipment	9,414,080	8,898,985
Intangible assets	1,619,296	248,748
Total depreciation and amortization	11,033,376	9,147,733

More assets were acquired courtesy of PFMR grant both PPE and Intangibles. This led to a rise in depreciation and amortisation in the FY2020/2021.

14. Repairs and Maintenance

Description	2020-2021	2019-2020
	KShs	KShs
Office building	398,945	3,500
Equipment and machinery	-	29,600
Vehicles	496,134	88,290
Furniture and fittings	-	29,963
Computers and accessories	134,862	173,300
Total repairs and maintenance	1,029,941	324,653

The significant change in repairs and maintenance was due to office refurbishment that meant that some areas of the office building had to be repaired. Motor vehicle repair and maintenance cost also increased because of the increased activities and use as a result of the increased travels especially in the second half of the year.

15. Dissemination, Monitoring and Evaluation

Description	2020-2021	2019-2020
	KShs	KShs
FiRe Award promoters' fees	2,000,000	2,000,000
FiRe Award evaluation expenses	11,079,000	11,123,570
Training, capacity building and templates development- PFMR Funding	-	5,857,330
Sustainability reporting costs- Ufadhili Trust	-	184,440
Total dissemination, monitoring and evaluation of standards	13,079,000	19,165,340

There was no funded activity by PFMR and other partners on this item of expenditure in FY2020/2021.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Cash and Cash Equivalents

Description	2020-2021	2019-2020
	KShs	KShs
Current account	5,140,096	21,145,092
Pensions and Gratuity account	7,261,737	5,786,687
Total cash and cash equivalents	12,401,833	26,931,779

16 (a) Detailed Analysis of Cash and Cash Equivalents

Financial institution	Account number	2020-2021	2019-2020
		KShs	KShs
a) Current account			
Co-operative bank of Kenya	1141199471000	5,140,096	21,145,092
Sub- total		5,140,096	21,145,092
b) Pensions & Gratuity			
Co-operative bank of Kenya	1141199471001	7,261,737	5,786,687
Sub- total		7,261,737	5,786,687
Grand total		12,401,833	26,931,779

16 (b) Pensions and Gratuity account

Description	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year	5,786,687	-
Additional contributions during the year	5,876,216	5,786,687
Transferred to CIC pension plan	(4,401,166)	-
Bank charges	(600)	-
Total cash and cash equivalents	7,261,137	5,786,687

17. Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Prepayment on newspapers and other periodicals	289,738	-
Prepayment on Insurance	5,407,027	3,204,263
Total current receivables	5,696,765	3,204,263

Prepayments relate to the medical and motor vehicle insurance prepaid during the year. It also includes the prepayment towards daily newspaper and digital copy subscription prepaid during the FY2020/2021. The huge rise in this item is due to increased number of staff with board paying increased premiums for the medical and personal insurance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18.Receivables from Non-exchange transactions

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Receivables from Non exchange transactions	20,725,000	-
Total current receivables	20,725,000	-

The receivables from non-exchange transactions relates to the final disbursements for quarter 4 FY2020/2021 from the National Treasury that had not been made as at the close of the financial year.

19.Staff debtors

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Salary advance	413,650	150,000
Temporary Imprest	2,506,600	-
Total current receivables	2,920,250	150,000

20.Inventories

Description	2020-2021	2019-2020
	KShs	KShs
Total value of Supplies & accessories for computers, printing and communication	2,310,768	-
Office and General supplies & Hospitality items	2,445,786	-
Non-pharmaceutical supplies	411,188	-
Total Inventories	5,167,742	-

The inventory value contrary to prior years when the values were immaterial hence expensed as incurred, in the FY2020/2021 there was significant value of inventory considered material that has been carried to the next financial year. The Board has accounted for the inventory prospectively in line with section 17 and 21 (b) of IPSAS 3: Accounting Policies, Changes in Accounting Estimates and Errors.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21.(a) Property, Plant and Equipment

	Motor vehicles	Furniture and fittings	Computers	Office Equipment	Total
Cost	Shs	Shs	Shs	Shs	Shs
As at 1 July 2019	7,082,000	7,515,040	3,603,300	4,191,205	22,391,545
Additions	16,669,000	15,781,949	2,713,122	927,907	36,091,978
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
As at 30th June 2020	23,751,000	23,296,989	6,316,422	5,119,112	58,483,523
Additions	-	1,779,540	4,525,000	11,036,344	17,340,884
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
As at 30th June 2021	23,751,000	25,076,529	10,841,422	16,155,456	75,824,407
Depreciation and impairment					
At 1 July 2019	(2,545,094)	(822,486)	(1,267,705)	(184,162)	(4,819,447)
Depreciation	(5,301,477)	(1,990,000)	(1,015,461)	(592,047)	(8,898,985)
Impairment	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-
As at 30 June 2020	(7,846,571)	(2,812,486)	(2,283,166)	(776,209)	(13,718,432)
Depreciation	(3,976,107)	(2,560,563)	(2,098,375)	(779,035)	(9,414,080)
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
As at 30th June 2021	(11,822,678)	(5,373,049)	(4,381,541)	(1,555,244)	(23,132,512)
Net book values					
As at 30th June 2021	11,928,322	19,703,480	6,459,881	14,600,213	52,691,895
As at 30th June 2020	15,904,429	20,484,503	4,033,256	4,342,903	44,765,091

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22.Intangible Assets

Description	2020-2021	2019-2020
	KShs	KShs
Cost		
At beginning of the year	5,637,961	5,637,961
Additions	8,121,798	-
Work in Progress	4,664,624	-
At end of the year	18,424,383	5,637,961
Additions—internal development	-	-
At end of the year	18,424,383	5,637,961
Amortization and impairment		
At beginning of the year	(248,747)	-
Amortization	(1,619,296)	(248,747)
At end of the year	(1,868,043)	(248,747)
Impairment loss	-	-
At end of the year	(1,868,043)	(248,747)
NBV as at 30th June 2021	16,556,340	5,389,214

23.Trade and Other Payables

Description	2020-2021	2019-2020
	KShs	KShs
Office partition retention monies	647,556	1,431,806
Training fee received in advance	150,000	150,000
Other payables	10,099,974	42,357
Total payables	10,897,530	1,624,163

Office partitioning retention monies relates to the payable amount to the supplier upon completion and inspection of work. Part of the money was paid to the supplier during the year. The balance will be paid in the first quarter of FY2021/2022. The training fee received in advance was received FY2019/2020 but the training has not been given by the board due to Covid-19 restrictions on physical gathering. About 70% of other payables is contributed by the acquisition of non- current assets which were delivered and subsequently recognised in the financial statements at the end of FY2020/2021 but payment was not done. The payment will be done in the first quarter of the financial year 2021/2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Employee Benefit Obligations

Description	2020-2021	(Restated) 2019-2020
	KShs	KShs
Current benefit obligation	-	2,111,775
Non-current benefit obligation	7,261,737	3,674,912
Total employee benefits obligation	7,261,737	5,786,687

This relates to gratuity for Board's staff who are on contract terms. The amount is maintained in a separate bank account. The increase is due to normal employer contributions towards staff gratuity during the year. The prior year balance of both non-current and current employee benefit obligation were restated as shown in the movement below.

Description	As restated in FY2020-2021	As reported in FY2019-2020
	KShs	KShs
Current benefit obligation	2,111,775	1,993,098
Non-current benefit obligation	3,674,912	3,793,589
Total employee benefits obligation	5,786,687	5,786,687

25. Taxation

	2020-2021	2019-2020
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year	385,661	-
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	(221,980)	-
At end of the year	163,681	-

Detailed as follows:

Description	2020-2021	2019-2020
	KShs	KShs
Interest Income from Co-operative Bank of Kenya	1,479,867	707,989
Less: Bank charges	(194,329)	(138,268)
Net Interest Income before Tax	1,285,538	569,721
Taxation 30%	385,661	-
WHT on Income deducted at source	(221,980)	-
Income Tax Liability	163,681	-

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The income tax liability is the net tax from the interest income earned from the account balances at the Co-operative Bank of Kenya. The tax liability is net of Withholding tax at 15% which is not the final tax.

26.Cash Generated from Operations

	2020-2021	2019-2020
	KShs	KShs
Surplus for the year before tax	25,193,042	12,707,551
Adjusted for:		
Depreciation	11,033,376	9,147,733
Non-cash grants received	(23,579,147)	
Working Capital adjustments		
Increase/decrease in inventory	(5,167,742)	
Increase/decrease in receivables	(23,217,502)	5,330,861
Increase/decrease in payables, gratuity, and pension	3,978,277	5,059,550
Increase/decrease in temporary Imprest	(2,506,600)	
Increase/decrease in staff debtors	(263,650)	150,000
Net cash flow from operating activities	(14,529,947)	32,395,695

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

Description	Amount
Surplus under statement of financial performance	24,807,380
Less: Surplus under the statement of budgeted and actual amounts	12,401,833
Difference	12,405,548

Explained by:

Surplus under the statement of budgeted and actual amounts	12,401,833
Purchase of fixed assets included under the budget and capitalised	(22,979,546)
Prepayments for FY2019/2020 expensed in the year	3,204,263
Prepayments for FY2020/2021	(5,696,765)
Accruals for current year	696,690
Previous year payables paid during the year	(784,250)
Add- Depreciation- Non cash item	11,033,376
Unspent balance b/f	26,931,779
Surplus under statement of financial performance	24,807,380

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. 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 Board's management based on prior experience and their assessment of the current economic environment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

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

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Receivables from - exchange transactions	5,696,765	5,696,765	-	-
Receivables from non - exchange transactions	20,725,000	20,725,000	-	-
Staff debtors	2,920,250	2,920,250		
Bank balances	12,401,833	12,401,833	-	-
Total	41,743,848	41,743,848	-	-
At 30 June 2020				
Receivables from exchange transactions	3,204,263	3,204,263	-	-
Receivables from non -exchange transactions	150,000	150,000	-	-
Bank balances	26,931,779	26,931,779	-	-
Total	30,286,042	30,286,042	-	-

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 Board has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

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Financial Risk Management

Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	-	11,061,211	-	11,061,211
Employee benefit obligation	-	-	7,261,737	7,261,737
Total	-	11,061,211	7,261,737	18,322,948
At 30 June 2020				
Trade payables	42,357	150,000	1,431,806	1,624,163
Employee benefit obligation	-	2,138,631	3,648,056	5,786,687
Total	42,357	2,288,631	5,079,862	7,410,850

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Board on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Board's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Board's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Board's exposure to market risks or the manner in which it manages and measures the risk.

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Board analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs **14,799** (2020: KShs **7,080**). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs **73,993** (2020 – KShs **35,399**)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	97,866,261	73,029,497
Capital reserve	-	-
Total funds	97,866,261	73,029,497
Total borrowings	-	-
Less: cash and bank balances	(12,401,833)	(26,931,779)
Excess cash and cash equivalents	12,401,833	26,931,779
Gearing	0%	0%

29. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the *Board*, holding 100% of the *Board's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Board, both domestic and external.

Other related parties include:

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

RELATED PARTY BALANCES

	2020-2021	2019-2020
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Treasury & Planning	142,900,000	112,900,000
Grants from PFMR	23,579,147	5,857,330
Total	166,479,147	118,757,330
b) Key management compensation		
Board of Directors' emoluments	-	4,908,400
Payments for Board of Directors transport and accommodation expenses	-	4,691,581
Compensation to the CEO	8,127,657	7,327,816
Compensation to key management	11,994,136	12,212,400
Total	20,121,793	29,140,197

30. Capital Commitments

Capital commitments	2020-2021	2019-2020
	Kshs	Kshs
Authorised for	-	1,000,000
Authorised and contracted for	8,483,753	-
Total	8,483,753	1,000,000

This relates to amount committed for Furniture, Video Conferencing system and VOIP Telephony delivered at year end and not paid.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31.Events after the Reporting Period

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The Board received unqualified report and no issues were raised from the audit on financial statements for FY2019/2020.

APPENDIX II: PROJECTS IMPLEMENTED BY THE BOARD

There were no projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government during FY2020/2021.

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APPENDIX III: INTER-ENTITY TRANSFERS

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD				
Break down of Transfers from the National Treasury				
	FY 2020/2021			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		31/08/2020	40,725,000	2020/2021
		14/11/2020	40,725,000	2020/2021
		05/02/2021	40,725,000	2020/2021
		Total	122,175,000	

Events after balance sheet date

The balance of Ksh 20,725,000 disbursed by the National Treasury for the FY2020/2021 was received after the reporting date, on 22nd July 2021.

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager
Public Sector Accounting Standards Board

Head of Accounting Unit
National Treasury

Sign  -----

Sign-----

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development /Others	Total Amount - KES	Where Recorded/ recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of National Treasury and Planning	31/08/2020	Recurrent	40,725,000	40,725,000	-	-	-	-	40,725,000
Ministry of National Treasury and Planning	14/11/2020	Recurrent	40,725,000	40,725,000	-	-	-	-	40,725,000
Ministry of National Treasury and Planning	05/02/2021	Recurrent	40,725,000	40,725,000	-	-	-	-	40,725,000
Ministry of National Treasury and Planning	22/07/2021	Recurrent	20,725,000	20,725,000	-	-	20,725,000	-	20,725,000
Total			142,900,000	142,900,000	-	-	20,725,000	-	142,900,000