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REF: TREASURY CIRCULAR NO.13/2024

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All Accounting Officers

Ministries, Departments and Agencies

County Governments and County Government Entities

**ANNUAL AND QUARTERLY ACCRUAL-BASED FINANCIAL REPORTING
TEMPLATES FOR NATIONAL AND COUNTY GOVERNMENT ENTITIES FOR
FINANCIAL YEAR 2024/2025**

1.0 INTRODUCTION

Section 12 (1) (e) of the Public Finance Management Act, 2012 mandates the National Treasury to -

(e) design and prescribe an efficient financial management system for the national and county governments to ensure transparent financial management and standard financial reporting as contemplated by Article 226 of the Constitution in Kenya.'

Sections 194 (1) (f) of the Public Finance Management Act, 2012 mandates the Public Sector Accounting Standards Board (PSASB) to provide, with the concurrence of the Cabinet Secretary-National Treasury and Economic Planning, frameworks and set generally accepted accounting standards for the development and management of accounting and financial systems and internal audit procedures by state organs and public entities-

(f) in consultation with the Cabinet Secretary on the effective dates of implementation of these standards, Gazette the dates for application of the standards and guidelines.

The PSASB has now prescribed, and the National Treasury concurred with, the new accrual-based financial reporting templates for reporting by all Accounting Officers as required by Sections 68 (2) (k) and 149 (2) (k) of the Public Finance Management Act, 2012.

1.1 Purpose

The purpose of this Circular is to provide guidance on new annual and quarterly accrual-based financial reporting templates for National and County Government entities as prescribed by the PSASB vide Gazette Notice No. 11033 of 30th August 2024 on the transition from cash to accrual accounting. These templates will enable entities to comply with the statutory in-year and annual financial reporting requirements for FY 2024/25.

1.2 Reporting Requirements

1.2.1 National Government Entities

In accordance with Section 81 of the Public Finance Management Act, 2012, an Accounting Officer for a National Government entity, shall prepare a report for each financial year in respect of the entity. Further, the Section requires the Accounting Officer of a National Government entity to ensure that the annual report: -

- i) Contains information on the financial and non-financial performance of the entity;
- ii) Is in a form that complies with the standards prescribed and published by the PSASB from time to time; and
- iii) Is submitted to the Auditor General with a copy to the National Treasury, Controller of Budget, and Commission on Revenue Allocation three months after the end of each financial year.

Section 83 of the Public Finance Management Act, 2012 requires an Accounting Officer of a National Government entity to prepare a report for each quarter of the financial year with respect to the entity. Further, the Section also requires the Accounting Officer of a National Government entity to ensure that the quarterly report: -

- i) Contains information on the financial and non-financial performance of the entity;
- ii) Is in a form that complies with the standards prescribed and published by the PSASB from time to time; and
- iii) Be submitted, not later than 15 days after the end of each quarter, to the Cabinet Secretary responsible for the entity and the National Treasury.

1.2.2 County Government Entities

In accordance with Section 164 of the Public Finance Management Act, 2012, an Accounting Officer for a County Government entity shall prepare a report for each financial year in respect of the entity. Further, the Section requires the Accounting Officer of a County Government entity to ensure that the annual report: -

- i) Contains information on the financial and non-financial performance of the entity and
- ii) Is in a form that complies with the standards prescribed and published by the PSASB from time to time.
- iii) Be submitted not later than three months after the end of each financial year, to the Auditor General with copies to the County Treasury, Controller of Budget, and the Commission on Revenue Allocation.

Section 166 of the Public Finance Management Act, 2012 requires an Accounting Officer of a County Government entity to prepare a report for each quarter of the financial year with respect to the entity. Further, the Section requires the Accounting Officer of a County Government entity to ensure that the quarterly report: -

- i) Contains information on the financial and non-financial performance of the entity;
- ii) Is in a form that complies with the standards prescribed and published by the PSASB from time to time; and
- iii) Be submitted not later than 15 days after the end of each quarter, to the County Treasury.

Further, Section 163 of the Public Finance Management Act, 2012 requires the County Treasury to consolidate the financial statements of County Government Entities within four months following the end of the year and to submit the Consolidated Financial Statements to the Auditor General with a copy to the National Treasury, Controller of Budget, and the Commission of Revenue Allocation.

2.0 GUIDELINES ON FINANCIAL REPORTING TEMPLATES

2.1 NEW ANNUAL AND QUARTERLY FINANCIAL REPORTING TEMPLATES FOR NATIONAL AND COUNTY GOVERNMENT ENTITIES

2.1.1 Annual and Quarterly Financial Reporting Templates for Ministries Departments and Agencies (MDAs) prepared under the IPSAS Accrual Basis of Accounting

Section 194 (1) (d) of the Public Finance Management Act, 2012, mandates the PSASB to prescribe formats for financial statements and reporting by all state organs and public entities. Further, Sections 81 and 83 of the Public Finance Management Act, 2012, require an Accounting Officer for a National Government entity to prepare financial statements with respect to the entity in formats prescribed by the PSASB. In line with this mandate, PSASB has prescribed these financial reporting templates **under the IPSAS Accrual Basis of Accounting**.

2.1.2 Applicability of the Annual and Quarterly Financial Reporting Templates for Ministries Departments and Agencies (MDAs) prepared under the IPSAS Accrual Basis of Accounting

These financial reporting templates are applicable for the National Government Ministries Departments and Agencies (MDAs) and the Constitutional Commissions and Independent Offices.

2.1.3 Annual and Quarterly Financial Reporting Templates for County Executives and County Assemblies under the IPSAS Accrual Basis of Accounting

Section 194 (1) (d) of the Public Finance Management Act, 2012 mandates the PSASB to prescribe formats for financial statements and reporting by all state organs and public entities.

Further, Sections 164 and 166 of the Public Finance Management Act, 2012, require an Accounting Officer for a County Government entity to prepare annual and quarterly financial statements with respect to the entity in formats prescribed by the PSASB respectively. In line with this mandate, PSASB has prescribed these financial reporting templates **under the IPSAS Accrual Basis of Accounting**.

2.1.4 Applicability of the Annual and Quarterly Financial Reporting Template for County Executives and County Assemblies

These financial reporting templates apply to all 47 County Executives and County Assemblies.

2.1.5 Annual and Quarterly Financial Reporting Templates for Self-Reporting Development Projects Prepared Under the IPSAS Accrual Basis of Accounting

Section 194 (1) (d) of the Public Finance Management Act, 2012 mandates the PSASB to prescribe formats for financial statements and reporting by all state organs and public entities. In line with this mandate, PSASB has prescribed these financial reporting templates **under the IPSAS Accrual Basis of Accounting**.

2.1.6 Applicability of the New Annual and Quarterly Financial Reporting Templates for Self-Reporting Development Projects

These financial reporting templates are applicable for National and County Governments' Development Projects which are self-reporting including projects implemented by the State and County Corporations and SAGAs.

2.1.7 Annual and Quarterly Financial Reporting Templates for National Government Receivers of Revenue prepared under the IPSAS Accrual Basis of Accounting

Section 194 (1) (d) of the Public Finance Management Act, 2012 mandates the PSASB to prescribe formats for financial statements and reporting by all state organs and public entities. Section 82 of the Public Finance Management Act, 2012 requires the Receiver of Revenue for the National Government to prepare annual financial statements in a form prescribed by the PSASB. Further, Section 83 of the Public Finance Management Act, 2012 requires an Accounting Officer of a national government entity to prepare a report for each quarter of the financial year with respect to the entity in a form prescribed by the PSASB. In line with this mandate, PSASB has prescribed financial reporting templates **under the IPSAS Accrual Basis of Accounting** for annual and quarterly reporting by National Government Receivers of Revenue.

2.1.8 Applicability of the New Annual and Quarterly Financial Reporting Templates for National Government Receivers of Revenue.

These financial reporting templates are to be applied by all National Government Receivers of Revenue that collect, receive, recover revenue, and remit to the National Treasury's Exchequer Account (Consolidated Fund).

2.1.9 Annual and Quarterly County Receivers of Revenue Financial Reporting Template prepared under the IPSAS Accrual Basis of Accounting

Section 194 (1) (d) of the Public Finance Management Act, 2012, mandates the PSASB to prescribe formats for financial statements and reporting by all state organs and public entities. Further, Section 165 of the Public Finance Management Act, 2012, requires the Receiver of Revenue for the County Government to prepare annual financial statements in a form prescribed by the PSASB. Further, Section 166 of the Public Finance Management Act, 2012, requires an Accounting Officer of a County Government entity to prepare a report for each quarter of the financial year with respect to the entity in a form prescribed by the PSASB. In line with this mandate, PSASB has prescribed financial reporting templates **under the IPSAS Accrual Basis of Accounting** for annual and quarterly reporting by County Government Receivers of Revenue.

2.1.10 Applicability of the Annual and Quarterly Financial Reporting Template for County Receivers of Revenue

These financial reporting templates are for application by all appointed County Receivers of Revenue in line with Section 158 (3) of the Public Finance Management Act, 2012.

2.1.11 Annual and Quarterly Financial Reporting Templates for County Revenue Fund (CRF) prepared under the IPSAS Accrual Basis of Accounting.

Section 194 (1) (d) of the Public Finance Management, 2012 mandates the PSASB to prescribe formats for financial statements and reporting by all state organs and public entities. Further, Sections 167 and 168 of the Public Finance Management Act, 2012 require the administrator of a county public fund to prepare annual and quarterly financial statements for the fund in a form prescribed by the PSASB. In line with this mandate, PSASB has prescribed financial reporting templates under the IPSAS Accrual Basis of accounting for annual and quarterly reporting by the County Revenue Fund (CRF).

2.1.12 Applicability of the New Annual and Quarterly Financial Reporting Templates for the County Revenue Fund (CRF)

These financial reporting templates are to be applied by all 47 Counties to prepare financial statements for the CRFs established under Section 109 of the Public Finance Management Act, 2012.

2.1.13 Annual and Quarterly Financial Reporting Templates for County Consolidation prepared under the IPSAS Accrual Basis of Accounting

Section 194 (1) (d) of the Public Finance Management, 2012 mandates the PSASB to prescribe formats for financial statements and reporting by all state organs and public entities. Further Sections 163 and 166 of the Public Finance Management Act, 2012 require the County Treasury to prepare annual and quarterly Consolidated financial statements in respect of the County in a form prescribed by the Accounting Standards Board. In line with this mandate, PSASB has these financial reporting templates for annual and quarterly financial reporting.

2.1.14 Applicability of the New Annual and Quarterly County Consolidated Financial Reporting Templates

These financial reporting templates apply to all County Treasuries of the 47 County Executives in the preparation of consolidated financial statements in respect of the county government.

3.0 EFFECTIVE DATE FOR APPLICATION OF THE FINANCIAL REPORTING TEMPLATES

3.1 Quarterly Financial Reporting Templates

Entities shall apply the quarterly financial reporting templates for in-year reporting in FY 2024/2025 commencing with the period ending 30th September 2024 and subsequent periods.

3.2 Annual Financial Reporting Templates

Entities shall apply the annual financial reporting templates for end-of-year reporting in FY 2024/2025 as at 30th June 2025.

3.3 Access to the New Annual and Quarterly Financial Reporting Templates

The new annual and quarterly financial reporting templates, as issued by the PSASB, can be downloaded from the National Treasury, Accountant General's Desk, and the PSASB websites on (www.treasury.go.ke) and (www.psasb.go.ke).

4.0 TRANSITION GUIDELINES

4.1 Transactions in IFMIS for FY 2024/25

Accounting transactions within the Integrated Financial Management Information System (IFMIS) will be recorded under the current regime which is the cash basis of accounting. In FY 2024/25 the system will be configured to accommodate accrual accounting modules, the revised accrual-based Standard Chart of Accounts and automate business processes. Users will also be trained on the new reporting requirements. The National Treasury is committed to ensuring that the FY 2024/2025 opening balances will be uploaded onto the system for transactions

within the system to commence on 1st July 2025. The National Treasury guides that in the first year of the transition, entities will supplement cash-based information from IFMIS with accrual-related information on assets and liabilities outside the system to facilitate accrual-based reporting at the end of each quarter and the end of the financial year 2024/2025. This will be facilitated through the Word and Excel reporting templates which can be accessed as outlined in section 3.3 above. The filled **Excel reporting template** must be emailed to agd@treasury.go.ke for quality review and consolidation.

4.2 Opening Balances

In line with the requirements of paragraph 15 of IPSAS 33: First-time adoption of IPSAS Accrual basis, a first-time adopter shall prepare and present an opening statement of financial position at the date of adoption of IPSASs. This is the starting point for its accounting in accordance with accrual basis IPSASs. A reconciliation statement should be provided indicating the movement between the closing balances as at 30th June 2024 and the opening balances as at 1st July 2024.

For the opening balances as at 1st July 2024, the National Treasury guides that this will be all financial assets which include cash and bank balances, receivables, and investments as well as financial liabilities that include payables (pending bills), borrowings (debt), pension and lease liabilities as a mandatory requirement for year one in line with the transition roadmap. Entities that have values for their inventory and non-financial assets and liabilities e.g. PPE are encouraged to include the opening balances in their opening statement and progressively increase these assets over the transition period as they identify and value them.

All opening balances included in the opening statement of the financial position should be supported by complete and relevant supporting documentation as these will be subject to audit.

4.3 Identification and Valuation of Fixed Assets

Non-financial assets and liabilities will be recognized in the financial statements over a three-year transition period with complete recognition expected in the financial statements for the year ending 30th June 2027. To achieve this, entities are encouraged to identify all their fixed assets and non-financial liabilities in FY 2024/2025. Where entities have identified their assets and have values (either historical cost or current operating value) for them, these should be recognized in the financial statements as soon as possible in line with section 4.2 above.

The Steering Committee will continue to issue guidelines for the valuation and recognition of legacy assets over the three-year transition period. Capital items purchased in the transition period should be recognized in the statement of financial position when purchased at the cost of acquisition and depreciated appropriately.

4.4 Identification and Recording of Pending Bills (payables)

The National Treasury guides as follows concerning the identification of pending bills:

- a) Pending bills are a requirement in the statement of financial position in FY 2024/25 and therefore should form part of the opening balances.
- b) Entities should ensure completeness of pending bills information included in the financial statements for FY ended 30th June 2024 as a disclosure item and submissions made to relevant offices such as the National Treasury and the Office of the Controller of Budget. All pending bills should be fully supported.
- c) Entities should endeavour to circularize their suppliers to ensure all pending bills incurred are identified and recorded.

4.5 Budget Preparation and Reporting Framework

Although the country is now fully transitioning to accrual accounting, budgeting will remain on a cash basis. IFMIS in its reconfiguration will maintain a dual ledger system to allow for cash budgeting and reporting as well as accrual accounting and reporting. The financial reporting templates have also provided the reporting entities with guidance on reporting budget items and comparatives on an actual basis as required by IPSAS 24 on Presentation of Budget Information in Financial Statements.

4.6 Presentation of Financial Statements in the First Year of Transition

During the first year of the transition from cash to accrual accounting, the PSASB and the National Treasury have elected to take advantage of IPSAS 33: First time Adoption of Accrual Basis IPSAS on presentation of financial statements. These exemptions do not require entities to provide comparative information and therefore the templates contain the following information for year 1:

- a) One statement of financial position and an opening statement of financial position as at the date of adoption of accrual basis IPSAS i.e. 1st July 2024
- b) One statement of financial performance
- c) One statement of changes in net assets/equity
- d) One cash flow statement
- e) A comparison of budget and actual amounts for the current year as a separate additional financial statement or as a budget column in the financial statements if the first-time adopter makes its approved budget publicly available; and
- f) Related notes and disclosures

4.7 Quarterly and Annual Consolidation

To facilitate efficiency in the consolidation of financial statements as required by the Public Finance Management Act, 2012, the National Treasury has provided a

link that will be shared for entities to key in their financial information at the end of each reporting period. The Director of Accounting Services will organize a virtual sensitization forums on the application of the platform on regular basis.

5.0 CLARIFICATIONS AND TECHNICAL SUPPORT

For further clarification, please contact the Director Accounting Services National Treasury at jona.wala@treasury.go.ke or the CEO of PSASB at info@psasb.go.ke or acctstandards@psasb.go.ke.



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