

EXPLANATORY MEMORANDUM

EXPLANATORY MEMORANDUM FOR STANDARD CHART OF ACCOUNTS FOR THE PUBLIC SECTOR

PART I

Name of instrument: Standard Chart of Accounts for the Public Sector

Name of Parent Act: The Public Finance Management Act, *Cap 412 A*.

Enacted Pursuant to: Section 12 (1) (e) of the Public Finance Management Act, *Cap 412 A*

Name of Ministry: The National Treasury & Economic Planning

Gazetted on: To be advised by the Hon. Attorney-General

Tabled on: To be advised by the Clerk of the National Assembly

PART II

1. Purpose of the Statutory Instrument

The government's goal is to establish the Integrated Financial Management Information System (IFMIS) as the primary source of financial information in Kenya. Regulation 99 (1) of the PFM Act mandates that the classification of financial transactions in national and county government entities' accounts shall be based on the standard chart of accounts approved by the National Treasury.

A standard chart of accounts (SCOA) in the public sector provides a unified, consistent framework for classifying revenues, expenditures, assets, and liabilities across government entities. Its primary purpose is to enhance financial transparency, improve budget monitoring, streamline reporting, and ensure compliance with international standards like IPSAS and GFS 2014.

The adoption of a standardized chart of accounts will improve transparency, accountability, and the consistency of financial data across all government (national and county) departments, agencies, and entities.

As part of the ongoing transition to accrual accounting, the Government of Kenya, through the National Treasury and Economic Planning, has reviewed and revised the SCOA following extensive consultations with stakeholders. The old SCOA has been in use for the last 10 years, since its implementation in 2012. Stakeholder consultations have indicated the need to revise it to make it more versatile, robust, and responsive to emerging trends, such as program-based budgeting and accrual accounting.

This SCOA has been aligned with the Government Financial Statistics Manual 2014 and includes mapping of the economic segment. The governance structure to manage changes in the SCOA has been enhanced, and duplicate codes have been eliminated. We propose a new segment for managing donor projects and enhanced program-based budgeting by providing indicator codes. County government-specific codes have been introduced in the revised code. But the main changes happened in the economic segment, where accrual accounting codes have been introduced,

The SCOA shall be used in conjunction with accounting policies and circulars issued from time to time regarding new developments and changes in financial policies and procedures. The SCOA manual shall apply to all general government entities, including national government entities and county government entities. Semi-autonomous entities, such as parastatals, must progressively adopt this SCOA.

This SCOA will standardize financial data across national and county governments, reducing fraud and improving reporting accuracy. It will enhance effective tracking, control, and analysis of budget execution across different sectors and ensure consistent recording of transactions (assets, liabilities, revenues, and expenditures). The SCOA is also expected to streamline the integration of financial data into **IFMIS** for all public entities, including state corporations.

This SCOA policy instrument elaborates on the various segments of the SCOA. **A separate Excel spreadsheet provides the complete, detailed code for each SCOA segment, including a useful mapping of the economic segment with the GFS 2014 Code.**

The National Treasury and Economic Planning will build the capacities of various public entities to implement the SCOA. This policy will be available online at the National Treasury and Economic Planning website.

2. Legislative Context

The legislative context for the Standard Chart of Accounts (SCOA) in the Kenyan public sector is primarily rooted in the **Public Finance Management (PFM) Act, 2012**, and its associated regulations, which mandate uniform financial reporting and the adoption of accrual-based accounting under the International Public Sector Accounting Standards (IPSAS).

Article 201 of the Constitution requires openness, accountability, and public participation in financial management. Section 12 (1) (e) of the Public Finance Management Act, Cap 412 A, empowers the National Treasury to “*design and prescribe an efficient financial management system for the national and county governments and ensure transparent financial management and standard financial reporting as contemplated by Article 226 of the Constitution.*”

The manual is issued in accordance with Section 2 of the Public Finance Management Act, 2012, read in conjunction with Regulations 9(4) and 99(1) of the Public Finance Management (National Government) Regulations, 2015.

Regulation 99 (1) of the PFM Act specifically mandates that the classification of financial transactions in national and county government entities’ accounts shall be based on the standard chart of accounts approved by the National Treasury. Regulation 9(4) (c) of the PFM Act requires financial management forms and manuals to be standardized. Regulation 41 of the PFM Act requires that both the national and county governments must use the standard chart of accounts for budget classification and reporting.

The transition to accrual accounting in Kenya, approved by the Cabinet on March 7, 2024, and set for full implementation by 2027, is a major legislative and governance reform. The transition was officially gazetted on August 30, 2024 (Gazette Notice No. 11033), providing the legal mandate for all national and county government entities to switch to accrual accounting.

3. Policy Background

In the year 2010, the Constitution of Kenya was promulgated, and Chapter 12 focused on public finance management. The Public Finance Management Act, Cap 412 A, was enacted in 2012 to operationalize Chapter 12 of the Constitution.

Kenya immediately thereafter updated its Standard Chart of Accounts and Accounting Policies, adopting various reporting standards for public entities. Kenya Gazette Notice No. 5440, published on August 8, 2014, officially prescribed the accounting standards for public sector entities, requiring the adoption of International Financial Reporting Standards (IFRS) for commercial entities and International Public Sector Accounting Standards (IPSAS) for non-commercial entities.

Since then, due to the limitations of the cash-basis of accounting, the National Treasury began transitioning the country to accrual accounting in FY 2017/2018. These steps included revising the Standard Chart of Accounts, publishing the policy on Asset and Liabilities Management, increasing the number of reporting public entities, developing the roadmap for transitioning to accruals accounting, and reengineering IFMIS.

There were other control issues with the current cash basis SCOA that needed to be addressed. These include:

- duplicate codes as a result of attempts to accommodate both GFS and IPSAS reporting frameworks;
- poor governance of the SCOA;
- changes in the arrangement of government;
- the 58-digit code was based on cash transactions, and there was a need to review when the Cabinet approved accrual accounting.
- the need to align/map with GFS 2014 for statistical reporting
- the need to support both line budgeting and programme-based budgeting.

4. Guidance

The National Treasury and Economic Planning shall sensitize the National Assembly, the general public, and the preparers and users of financial statements on the purpose and objectives of the **Standard Chart of Accounts for the Public Sector**.

5. Stakeholder Consultations

In line with the provisions of Section 5 of the Statutory Instruments Act, 2013, the National Treasury and Economic Planning undertook public participation before publication of these Accounting Policies.

The National Treasury, responsible for preparing and developing the Standard Chart of Accounts, held targeted consultations with key stakeholders, and their input was considered before finalizing and publishing these Policies.

The mode of public participation included inviting key stakeholders via an advertisement posted on the National Treasury website and published in MyGov on 24th March 2026. Written responses/emailed submissions on the Policies were sent to ps@treasury.go.ke and copied to jona.wala@treasury.go.ke

6. Review

The National Treasury shall monitor the application of this SCOA. This shall be done through the quarterly and annual reports prepared by the various public entities and forwarded to the National Treasury.

7. Contact

The contact person shall be the Cabinet Secretary or Principal Secretary, the National Treasury & Economic Planning.

Made on the....., 2026.

HON. CPA JOHN MBADI NG'ONGO, EGH
Cabinet Secretary for the National Treasury & Economic Planning