



**THE NATIONAL TREASURY AND ECONOMIC PLANNING**

**ROADMAP ON TRANSITION FROM CASH TO  
ACCRUAL ACCOUNTING BY NATIONAL AND  
COUNTY GOVERNMENTS AND THEIR RESPECTIVE  
ENTITIES WITH EFFECT FROM 1<sup>ST</sup> JULY 2024 TO  
30<sup>TH</sup> JUNE 2027**

**NOVEMBER 2024**

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## **TABLE OF CONTENTS**

<b>LIST OF ABBREVIATIONS.....</b>	<b>II</b>
<b>PREFACE .....</b>	<b>1</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>3</b>
<b>1. MAIN PURPOSE AND BENEFITS OF ACCRUAL ACCOUNTING.....</b>	<b>6</b>
2.1 KEY FACTORS FOR SUCCESSFUL ACCRUAL ACCOUNTING ADOPTION .....	6
2.2 BENEFITS OF ACCRUAL ACCOUNTING TO THE COUNTRY .....	11
<b>3. GAP ANALYSIS .....</b>	<b>15</b>
3.1 GAPS IN CASH ACCOUNTING .....	15
3.2 GAPS NOTED BY THE OFFICE OF THE AUDITOR-GENERAL (OAG) AND QUALITY REVIEWS BY THE NATIONAL TREASURY .....	15
3.3 GAPS NOTED ON THE TREATMENT OF LINE ITEMS UNDER IPSAS ACCRUAL .....	16
<b>4. PROJECT TEAM AND STAFFING.....</b>	<b>20</b>
<b>5. POLICY PRONOUNCEMENTS ON TRANSITION AND THE APPROACH.....</b>	<b>23</b>
5.1 POLICY PRONOUNCEMENTS ON TRANSITION .....	23
5.2 IMPLEMENTATION APPROACH.....	23
<b>6. PROJECTED COSTS OF IMPLEMENTATION .....</b>	<b>26</b>
<b>7. IFMIS RE-ENGINEERING AND STANDARD CHART OF ACCOUNTS.....</b>	<b>27</b>
7.1 IFMIS RE-ENGINEERING.....	27
7.2 STANDARD CHART OF ACCOUNTS (SCOA).....	34
<b>8. PREPARATION OF FINANCIAL STATEMENTS AND IMPLEMENTATION PHASE</b>	<b>37</b>
8.1 NON-FINANCIAL ASSETS .....	37
8.1.1 FINANCIAL ASSETS.....	44
8.2 LIABILITIES .....	45
8.4 IMPLEMENTATION PHASE .....	47
8.5 ACCRUAL-BASED FINANCIAL REPORTING TEMPLATES .....	56
<b>9. CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>58</b>
<b>10. EXTERNAL AUDIT .....</b>	<b>62</b>
10.1 INTERNAL AUDIT .....	62
10.2 EXTERNAL AUDIT .....	62
<b>11. CHANGE MANAGEMENT AND COMMUNICATION.....</b>	<b>65</b>
<b>12. TRAINING AND CAPACITY BUILDING.....</b>	<b>67</b>
<b>13. RISKS AND MITIGATION MEASURES .....</b>	<b>69</b>
<b>14. MONITORING AND EVALUATION FRAMEWORK .....</b>	<b>71</b>
<b>15. DETAILED WORK PLAN BASED ON THE PROPOSED APPROACH .....</b>	<b>72</b>

## **LIST OF ABBREVIATIONS**

AAAG	African Association of Accountant General's
ASD	Accountant General Department – National Treasury
CIPFA	Chartered Institute of Public Finance and Accountancy
COG	Council of Governors
CS	Cabinet Secretary, The National Treasury and Economic Planning
IASB	International Accounting Standards Board
ICPAK	Institute of Certified Public Accountants of Kenya
IFAC	International Federation of Accountants
IFMIS	Integrated Financial Management Information System
IFRS	International Financial Reporting Standards
IPPF	International Professional Practices Framework
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
KSG	Kenya School of Government
MDAs	Ministries, Departments, and Agencies
NALM	National Assets and Liabilities Management Department
NT	National Treasury
OAG	Office of the Auditor General
PFM	Public Financial Management
PPP	Public Private Partnership
PSASB	Public Sector Accounting Standards Board
SC	State Corporations
SCOA	Standard Chart of Accounts
TOT	Training of Trainees

## PREFACE

Transitioning from cash to accrual accounting is a momentous milestone for any country, as it signifies a commitment to transparency, accountability, and fiscal responsibility. With the Cabinet's approval to transition from cash to accrual accounting, Kenya joins other nations, such as the United Republic of Tanzania, Rwanda, and Ghana, signalling a move towards more accurate and comprehensive public financial management.

The transition is timely, as it occurs at a time when the citizenry has heightened scrutiny of public resource utilization. Accrual accounting allows for a more comprehensive and accurate representation of an entity's financial position and performance, providing a complete and accurate picture of the government's financial resources and obligations.

The migration from cash to the accrual accounting basis can be daunting. It requires careful planning and strategy to ensure a smooth and successful transition. A roadmap for this transition is essential in guiding our country through the process and helping to mitigate potential risks and challenges that may arise. The benefits of having a roadmap for the cash-to-accrual transition are not to be overstated.

This cash-to-accrual accounting transition roadmap (the roadmap) has been designed to provide a clear and structured plan for implementing the migration. It outlines the critical steps, timelines, and responsibilities for the next three years. This helps ensure all parties involved will work towards a common goal. The roadmap also outlines the benefits of accrual accounting, gap analysis between the current cash accounting and the proposed accrual accounting, and policy pronouncements from the National Treasury to effectively guide implementation.

This further supports the proposed implementation approach, which will be implemented in phases over three years. Government assets and liabilities will be recognized in phases; however, public entities that are ready to recognize assets and liabilities beyond what this roadmap allows will be permitted to proceed from the outset.

The National Treasury has taken advantage of the transition to accrual accounting to review the Standard Chart of Accounts (SCOA). The current SCOA is cash-based and has had inconsistent and sometimes duplicated codes, which erode internal control procedures in government. With the assistance of UNICEF, the National Treasury revised the SCOA to support both accrual accounting and GFS 2014 reporting. The implementation of a standard SCOA code in government, to serve both MDAs, County Governments, and State Corporations in budgeting and accounting, will be one of the essential milestones of the transition to accrual accounting.

This transition journey also enables the National Treasury to conduct a thorough review of IFMIS, the one stop financial system platform implemented under Section 12(1)(e) of the Public Finance Management Act, 2012. IFMIS will be re-engineered according to the detailed work plan provided in this roadmap, ensuring the integration of all other key systems in government. These include the IPPD payroll system, the integration of the procurement system (e-GP), the integration of revenue systems (e-Citizen), the integration of payment systems (IB), and the integration with the Treasury Single Account.

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

---

The transition to accrual accounting will also provide a platform for the government to identify and recognize (value) all its assets and liabilities. The assets and liabilities stock-taking process are already underway, and the National Treasury has issued broad guidelines for categorizing, valuing, and displaying these assets and liabilities. This roadmap further guides the specific accounting and reporting of each of these categories of assets and liabilities in line with IPSAS.

Implementing such a large-scale project in a rapidly changing environment requires adaptability, flexibility, creativity, and innovation. This roadmap is a living document that will be regularly reviewed and updated as needed, incorporating feedback from team members into the plan.

The Steering Committee, which I Chair, commits to lead the way. I urge all Steering Committee technical teams and implementing agencies to set clear and achievable goals and continually monitor implementation progress. There will be bumps, and the road ahead may not be smooth. However, I urge everyone to remain focused as we overcome challenges at every step. Our dedication and hard work will undoubtedly lead to success in this journey, and may our efforts be rewarded with the success of a transparent and accountable public sector.

I also thank members of the Steering Committee and the Accountant Services Department at the National Treasury for leading this important public finance management reform.

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**DR. CHRIS KIPTOO, CBS**  
**PRINCIPAL SECRETARY/NATIONAL TREASURY**  
**CHAIRMAN OF THE NATIONAL STEERING COMMITTEE**

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

---

### EXECUTIVE SUMMARY

The Constitution of Kenya, 2010, under Article 201(a) and (e), enumerates the principles of public finance. The following principles shall guide all aspects of public finance in the Republic of Kenya:

*201 (a) there shall be openness and accountability, including public participation in financial matters:*

*(e) financial management shall be responsible, and fiscal reporting shall be clear.*

Accountability reforms in the public sector received momentum when the Article 225 of the Constitution provided for the establishment of the National Treasury. Section 11 of the Public Finance Management Act, 2012, provide for the establishment of the National Treasury whose general responsibilities include:

*12 (1) (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;*

*12 (1) (f) in consultation with the Accounting Standards Board, ensure that uniform accounting standards are applied by the national government and its entities;*

*12 (2) (k) issue guidelines to national government entities with respect to financial matters and monitoring their implementation of this Act;*

*13 (1) (c) require national government entities to comply with any specified applicable norms or standards regarding accounting practices and budget classification systems;*

*13 (1) (f) perform any other act as the Cabinet Secretary may consider necessary including the power to intervene where a state entity or state organ fails to operate a financial system that complies with requirements provided for under this Act.*

Sections 192 and 194 of the Public Finance Management Act, 2012, established the Public Sector Accounting Standards Board whose functions include:

(a) set generally accepted accounting and financial standards;

(b) prescribe formats for financial statements and reporting by all state organs and public entities;

(c) publish and publicise the accounting and financial standards and any directives and guidelines prescribed by the Board.

These reforms initiated a standardized approach to financial reporting in the public sector, effective from the 2013/2014 financial year. Public entities in Kenya adopt international reporting standards (whether cash or accrual-based) except commercial public sector entities that use IFRS. This standardized reporting has enhanced quality and comparability within the public sector.

Since 2014, MDAs, Development Projects, County Governments, and their respective entities have been reporting on a modified cash basis. The gaps experienced in cash accounting have

## **ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

---

led to the need for accrual accounting. A significant gap in the cash basis of accounting is the incomplete recording of assets and liabilities in the public sector. With the accrual basis of accounting, entities report on their assets and liabilities, as well as revenues earned and expenditures incurred, regardless of when cash is exchanged.

The Cabinet approved the transition from cash to accrual accounting on 7 March 2024, with an effective date of 1 July 2024, under a three-year transition period. Subsequently, the gazettal of the transition was done on 30th August 2024, vide Gazette Notice Number 11033. The gazette notice prescribed standards for financial reporting as follows: the International Financial Reporting Standards (IFRS) for State Corporations and County Corporations carrying out commercial activities, and the International Public Sector Accounting Standards (IPSAS) on an accrual basis for all other public sector entities.

The transition to an accrual accounting is a multi-stakeholder engagement. A Steering Committee to coordinate and oversee the transition was gazetted by the Cabinet Secretary/ National Treasury, and Economic Planning, on 30th August 2024, vide Gazette Notice Number 10892. Consequently, technical committees will be constituted to ensure the smooth implementation of this roadmap. The transition will be implemented through a three-year phased approach, with financial assets and financial liabilities reported in Year 1, inventories in Year 2, and all non-financial assets and non-financial liabilities in Year 3. The Steering Committee will continue to issue guidelines to the transitioning entities over the three-year transition period. The PSASB and the National Treasury will provide accrual-based financial reporting templates.

The Integrated Financial Management Information System (IFMIS) will be re-engineered to ensure that the system is configured to support accrual accounting. The revised Standard Chart of Accounts (SCOA) will be configured into the system to support accrual accounting. The valuation of assets will be undertaken as per IPSAS 45 and IPSAS 46 with the guidance from the Steering Committee.

Capacity building is a key area of the project, as it will ensure that the preparers of financial statements are well-equipped with the requisite skills for the transition. Capacity building will be conducted through sensitization forums, workshops, on-the-job training, virtual learning, and the establishment of training academies.

Communication regarding the project will be conducted promptly with all relevant stakeholders to ensure that no gaps or delays occur during implementation. Monitoring and evaluation are key for every project and a framework has been developed to continually assess the progress in implementing the transition within the three (3) year transition period.

This roadmap outlines a structured approach for transitioning from cash-based accounting to accrual accounting, the benefits of which cannot be underestimated. Accrual accounting ensures complete reporting of assets and liabilities, enabling the government to make better, informed decisions. It will also provide the full recording of government liabilities, including public debt, pending bills, and pensions, to manage them and better plan for their settlement as they fall due.

## **ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

---

This roadmap serves as a comprehensive guide to facilitate a smooth transition from cash to accrual accounting, ultimately promoting transparency and accountability as envisioned in the Constitution of Kenya 2010.



## **1. MAIN PURPOSE AND BENEFITS OF ACCRUAL ACCOUNTING**

Accrual accounting is based on the occurrence of economic events, rather than merely on cash receipts and payments. It entails reporting revenue when it is earned and expenses when they are incurred. In contrast, cash accounting entails reporting revenue when cash is received and reporting expenses when money is paid for the cost. By introducing accrual accounting, governments demonstrate their commitment to improving the use and management of public resources, a desire to promote enhanced financial reporting and transparency, including greater accountability, and a pledge to fight fraud and corruption.

A 2021 status report by IFAC and CIPFA on International Public Sector Financial Accountability indicates that by 2025, 50% of all jurisdictions worldwide will be reporting under an accrual basis of accounting, whether it is IPSAS or IFRS. Nine (9) of these jurisdictions are in Africa, and Kenya is one of them.

Accrual accounting facilitates better decision-making, enables organizations and governments to manage their finances more effectively, and allows for effective comparisons of financial performance between different government departments and agencies, as well as international comparisons.

### **2.1 Key Factors for Successful Accrual Accounting Adoption**

As per the IPSASB guidance on Pathways to Accrual and the IPSAS Implementation Roadmap for Africa developed by the Pan African Federation of Accountants (PAFA), the following eight components have been assessed as the key factors for a successful transition to accrual accounting under the Kenyan context:

#### **a) Political support and commitment**

For a reform to be effective, it must be understood and supported by the country's or jurisdiction's top governing body. For the transition from cash to the accrual basis of accounting, the top organ in the country (which is the Cabinet) needs to understand the transition project and the benefits that would accrue to the country in relation to public finance management. In this regard, the Cabinet Secretary, National Treasury, and Economic Planning presented a Cabinet Memorandum seeking the approval of the Cabinet to transition national government entities and county government entities from cash to the accrual basis of accounting.

The Cabinet, on 7 March 2024, approved the transition, which paved the way for the gazettal of the transition and the applicable standards on 30 August 2024, vide Gazette Notice No. 11033. To provide policy direction on the transition process, the Cabinet Secretary of the National Treasury gazetted a steering committee, vide Gazette Notice Number 10892. The Principal Secretary of the National Treasury chairs the Steering Committee. This demonstrates the executive branch of government's commitment to promoting transparency and accountability in the public sector, as enshrined in the constitution.

The Steering Committee and the implementing entities will continue to provide progress updates to the country's top leadership on the milestones achieved toward the project's success.

**b) Enabling Legal Environment**

An enabling legal environment is another success factor in transitioning to an accrual accounting framework. This calls for a robust public finance management framework that encompasses legislation, standards, assurance, scrutiny, and continuous learning and growth. The current legislation governing public finance comprises Chapter 12 of the Constitution, the Public Finance Management Act of 2012, and the Public Finance Management (National/County Government) Regulations of 2015.

These legislations support an accrual accounting reporting environment with respect to the nature of information required to be presented by accounting officers in their annual and quarterly financial statements. Nothing has come to our attention that necessitates a change in the law for the implementation of accrual accounting. The current law envisions that each accounting officer is required to produce a financial statement containing assets and liabilities as well as the level of its indebtedness, thus providing an anchor of accrual accounting.

The PFM Act establishes the National Treasury and the PSASB for the prescription and implementation of accounting standards. PSASB has prescribed the IFRS for application by commercial public sector entities and IPSAS for application by non-commercial public sector entities. These standards serve as the foundation for accounting and reporting in the public sector. With the recent announcement of the transition from cash to accrual accounting, it is expected that all non-commercial entities in the public sector will now implement IPSAS (International Public Sector Accounting Standards) Accrual. Other standards that will work collaboratively to ensure a seamless transition include the IPPF for internal audit, the International Code of Ethics for Professional Accountants, and the International Standards on Supreme Audit Institutions (ISSAIs) applied by the OAG, as well as other standards on quality, such as ISO.

The PFM Act of 2012 and the Public Audit Act of 2015 provide for a mechanism within the PFM cycle for budgeting, execution, accounting, oversight, and scrutiny. The Office of the Auditor-General and Parliament oversight committees provide the requisite scrutiny to ensure adherence to the set standards.

**c) Establishment of Governance Structure**

The transition from cash to accrual accounting involves many entities, including those that offer support. These entities operate at varying levels of accountability, differing in terms of skills, capabilities, available standards, and resources. The transition is also likely to involve the development and implementation of new accounting systems, processes, and policies.

To implement this significant reform, a Steering Committee was appointed by the Cabinet Secretary of the National Treasury and Economic Planning. The Steering

## **ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

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Committee was formed to provide overall leadership and coordinate the transition over a three-year period. The committee comprises individuals representing public entities with a relevant role in the transition. The Terms of Reference (ToR) for the Steering Committee are set out in the appointing gazette notice.

The Steering Committee is also responsible for forming the technical working groups/workstreams, which will report to the project manager and management of the transition project on a day-to-day basis to ensure the successful implementation.

Each of these workstreams will ensure the achievement of timelines set out in this overall plan/ roadmap. Individual implementing entities will be required to establish their project management structures and develop implementation plans based on this overall roadmap, ensuring a seamless transition at the entity level, taking into account their level of skills, capabilities, resources, and data availability.

### **d) Policy and Guidelines on Public Assets and Public Liabilities**

The identification, recognition, and measurement of assets and liabilities are integral to the transition process. Transitioning entities have traditionally excluded assets and liabilities from their cash-based reporting regime. The development of policies that enable the recognition of assets and liabilities is therefore a requirement for accrual accounting.

To facilitate the identification and recognition of assets and liabilities, the National Assets and Liabilities Management Department at the National Treasury, has developed a policy and guidelines for the management of assets and liabilities by public sector entities in Kenya. The Steering Committee, PSASB and the ASD will provide guidelines on how the assets and liabilities will be identified, valued and displayed in the financial statements in line with the relevant IPSAS.

The responsibility for identifying all assets and liabilities remains with the respective accounting officers. This roadmap guides accounting officers on the direction for identifying, recognizing, and valuing assets. It is recommended that accounting officers use government valuers for significant legacy assets to ensure that valuation costs do not hinder the transition process.

The Steering Committee understands the magnitude of assets held by the public sector. There is also significant policy issues related to assets and liabilities, as well as legacy assets whose value may not be readily determined. These assets will therefore require guidance on their recognition and valuation during the three-year transition period. Implementing entities are encouraged to commence identifying their assets and liabilities early to ensure that, at the end of the transition period, all assets and liabilities are recognized and presented in the entity's statement of financial position.

### **e) Sound Integrated Financial Management Systems**

The successful outcome of the transition project largely depends on the accounting system in use. Sound integrated financial management systems not only help governments and individual public sector entities control their finances effectively but also ensure

## **ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

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transparency and accountability, reducing political discretion and acting as a deterrent to corruption and fraud.

A transitioning entity or the government needs to review the existing financial systems to identify gaps and consider their compatibility with accrual accounting. Currently, the PFM Act, 2012 requires the National Treasury to prescribe an accounting system for application in government. The system currently in use is the Integrated Financial Management Information System (IFMIS), which is managed by the National Treasury and made available to the National Government's MDAs and County Governments.

A review of the system indicates a need to redesign it to support the accrual basis of accounting, activate modules required for accrual accounting, and update the Standard Chart of Accounts (SCOA).

Specifically, in readiness for the transition, the following has been undertaken:

- i. Review of the SCOA to accommodate accrual accounting, particularly the Economic Segment.
- ii. Activation of the assets' module in IFMIS to enable fixed assets recording for the identified assets by the transitioning entities.

The IFMIS is undergoing re-engineering to enable accrual accounting within the system, with an expected go-live date of July 1, 2025.

### **f) Stakeholder Engagement and Effective Change Management**

Public Finance Management reforms and the migration to the accrual basis of accounting are significant reforms that may be vulnerable to resistance to change. The transition not only introduces changes in how transactions and events are recorded but also changes how they are recorded, changes in job descriptions of various individuals, changes in reporting structures, increased accounting judgments in recording events, use of and reliance on experts, and changes in the type of information presented for decision-making purposes.

For this reason, public sector entities are required to have clear and trusted channels of communication to communicate the change. Different and innovative methods of communication also need to be employed to convey the message effectively, including identifying stakeholders who have significant influence and may determine whether the project succeeds or not.

In light of this, the transition project has been communicated to the public sector through a gazette notice, the legal form used for communicating significant government reforms. The gazette notice prescribing the transition is clear and has legal authority. The communication followed the Cabinet's approval of the transition in March 2024.

The ASD and PSASB have continually sensitized public sector entities, with implementers including accountants, internal auditors, external auditors, and accounting

officers. Other key stakeholders involved include ICPAK, the Office of the Auditor-General, and the Council of Governors, among others.

The Steering Committee has also identified change management as one of the key risks that needs to be managed during the transition process and has established a workstream for change management and communication, along with definitive terms of reference.

**g) Appropriately Trained Personnel**

A successful transition to accrual accounting sees capacity building in a broad context. It looks at all stakeholders and identifies their needs to be addressed through short-, medium-, and long-term contexts. Furthermore, distinct interventions will be necessary at various stages of the reform. Sensitisation may be done at the beginning of the reform, whereas on-the-job training and other forms of capacity building may be required at the implementation stage.

A gap analysis needs to be conducted at the national/county or entity level, and remedial steps should be taken. An assessment of the public sector accounting landscape in terms of skills reveals the following:

- i. Qualified personnel—Public Sector accountants are qualified Certified Public Accountants (CPAs) and members of the ICPAK. This means that they are regulated, adhere to a code of ethics, and are required to comply with the continuous professional development requirements set out by the institute.
- ii. Accountancy training in Kenya is based on accrual concepts, and therefore, the accountants are qualified, and accrual concepts are not a foreign concept to them. However, having implemented a cash basis over time, refresher courses will therefore be needed to remind them of these concepts.
- iii. Public sector entities on an accrual basis of accounting: State Corporations that carry out commercial activities and Semi-Autonomous Government Agencies apply IFRS and IPSAS, respectively. Accountants from these entities are experienced in accounting in the public sector and will be considered Trainers of Trainees (ToTs) during the transition process.
- iv. Strengthened ASD staff and PSASB Secretariat: The Accountant General's Department at the National Treasury and PSASB have a competent pool of staff on matters relating to the transition process. This enhanced capacity will achieve the success of the transition process.
- v. Technical support from Development Partners and Professional bodies: The ASD has received technical support from the IMF East AFRITAC, the World Bank, and ICPAK in the past. The Treasury is seeking to leverage additional resources from other development partners engaged in PFM projects across Africa. ICPAK is also a key proponent of adopting the accrual basis of accounting in the public sector. The Institute has also delivered a significant number of training programs on accrual accounting concepts to public sector accountants.

- vi. Although there are notable strengths in terms of capacity, areas have been identified for capacity building during the transition period and beyond. These include:
- vii. Development of a training curriculum
- viii. IPSAS Certification for public sector accountants
- ix. Fast-track the completion of the Certified Public Accountant (CPA) qualifications for public sector accountants working in the education sector.
- x. Training on accrual concepts within an automated environment-IFMIS
- xi. The introduction and implementation of e-learning programs
- xii. Setting up of training academies within the existing government structure
- xiii. Working with universities and accountancy profession examiners to bring the syllabus up to speed with the reforms.

#### **h) Adequate Financial Resources**

The transition process is cost-intensive. It's also a project whose benefits are expected to be realized in the medium and long term. It, therefore, becomes quite challenging to convince the providers of finance of the benefits of the reform in the short-term and thus may go unfunded, especially where there are competing demands for finance.

The cash-to-accrual migration process is cost-intensive due to systems enhancement, training, capacity building, and stakeholder engagement, among other activities. While approving the transition project, the Cabinet also approved a budget of Kshs 3.1 billion for the three-year transition period. These funds will primarily be used in the re-engineering of the financial management system, training, and capacity building, as well as project management, monitoring, and evaluation.

One of the terms of reference for the Steering Committee is to ensure funding for the project. Some of the entities involved in the transition projects now have enhanced budgets for the transition process. The Steering Committee's responsibility is to manage the risks that may emanate from the underfunding of the transition project, and it will continue to do so over the transition period

## **2.2 Benefits of accrual accounting to the country**

### **a) Better asset and liability accountability**

With accrual accounting, the government can assess the quality, condition, and adequacy of its assets, and therefore manage them more effectively through replacement, protection against theft, misappropriation, and proper maintenance. The Government will also be

## **ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

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able to assess its liabilities and plan for repayments as and when they fall due. This practice will make the budgeting process more realistic by encompassing areas that may have been left out over the years.

### **b) Ease in tracking records relating to payables, including pending bills.**

In recent times, numerous challenges have arisen in managing payables to suppliers (commonly referred to as pending bills) by national and County Government Entities.

Some of these challenges include:

- i. Incomplete records concerning pending bills.
- ii. Long outstanding payments leading to the country's financial distress of Medium and Small Enterprises.
- iii. Contested bills from one governance regime to another.
- iv. Poor tracking of settlement of pending bills since they are off-balance sheet items.
- v. Difficulty in assessing in a consolidated manner what the government owes to its suppliers.
- vi. Ripple effects in the delay of tax remittance, a key source of government revenue.

Accrual accounting will resolve some of the challenges noted above in the following ways:

- i. Complete maintenance of records relating to payables (pending bills) in IFMIS
- ii. Real-time tracking of settlement of liabilities and balances at any given time
- iii. Assessment and analysis of long outstanding payments will enable m
- iv. Management and other key decision-makers to query their lack of settlement.
- v. Facilitate the handover of governments, especially county governments, ensuring that pending payments are taken over by the incoming government and settled.
- vi. Pending bills will now be audited in the annual financial audits by the OAG and will not require further revalidation. This will save the government the cost of validating the bills through select committees, as has been the case in the past.
- vii. Ensure that accounting officers are held responsible for the pending bills incurred in their institutions, including the settlement of the same.

At the end of each financial year, pending payments to suppliers will form part of liabilities within an entity's statement of financial position under the accrual accounting framework. This is in contrast to the current practice, where entities report these liabilities off-balance sheet as disclosure items, the completeness of which cannot be ascertained.

Information on these pending bills will enable individual entities and the government to create budgets for subsequent years, as they must be taken into account. Where these liabilities are significant, they may affect future government spending on new projects and may delay the completion of ongoing projects. The government will also be able to facilitate the implementation of laws on pending bills, including the first charge of these bills to the budget and the computation of interest on long-standing outstanding bills. This will resolve the other challenges relating to circulating money in the economy and ensuring that the business environment is conducive for entities to thrive.

**d) Accounting for long-term liabilities, including public debt, pension liabilities, and liabilities arising from PPPs**

Accrual accounting will enable the government to recognize long-term payables, including public debt and pensions, in the statement of financial position (balance sheet). This will enhance the completeness of financial statements. It will also be easy to compute debt-related ratios for decision-making. The government will also be able to ensure that funds are available when these liabilities fall due.

Currently, the Government of Kenya has entered into various PPP arrangements to develop infrastructure projects. These arrangements give rise to liabilities, including contingent liabilities. Adopting accrual accounting will help the government track, recognize, and disclose these liabilities in its financial statements. Information about the nature, amount, and timing of these liabilities will aid decision-making in enabling their settlement as and when they fall due. The nature, timing, amount, and probability of occurrence of contingent liabilities arising from PPPs will be critical inputs in risk identification in new PPPs and the management of risks for existing ones.

The government will also be better able to understand the magnitude of its long-term pension liability. Although there has been a recent shift to the defined contribution scheme, a significant portion of the civil service workforce remains under the defined benefit scheme, whose liabilities are pretty challenging to assess and predict.

**c) Improved performance management**

Adopting accruals will also encourage governments to present additional information to assist users in assessing the government's performance. This will include information on whether resources were obtained and utilized in accordance with the legally adopted budget, compliance with other relevant regulations and legislation, details based on resource allocation, information on outputs and outcomes related to key performance indicators, and details on service delivery. This information is crucial for users of financial statements and key stakeholders in assessing the government's achievements during the reporting period.



**d) Accrual adoption will address a citizen's right to information**

Citizens are now more aware of their right to information, which has heightened the demand for reliable information to assess whether value for money is being delivered in relation to services. Accrual accounting, when published in accordance with best practices, is the most suitable basis for providing this information.

**e) Increased local and foreign investors' confidence**

The application of accrual-based accounting leads to improved transparent reporting, thereby assisting the government in attracting investments and grants from development partners. Accrual accounting also assists Governments in presenting a statement of Financial Position (balance sheet). Using this statement, potential investors can assess a government's net worth and ability to repay obligations and provide services to its citizenry.

### **3. GAP ANALYSIS**

#### **3.1 Gaps in Cash Accounting**

**1) Limitation of cash basis of accounting-** Since 2014, National and County Government entities have applied the IPSAS Cash basis of accounting. This framework is limited since it does not account for government assets and liabilities, which are key to sound decision-making. The approval and gazettement of the transition to accrual accounting is a key milestone in overcoming this challenge to provide quality information at both the individual entity level and the national level for decision-making purposes.

**2) Audit issues noted from the OAG due to application of cash basis of accounting:** Although the nature of audit opinions issued by the OAG has been improving over the years, there are a lot of issues noted in relation to financial reporting and accounting that are a result of reporting on a cash basis. Some of these issues include continuous increases in pending bills, some of which are ultimately deemed ineligible, failure to reconcile financial statements with IFMIS, and incomplete fixed assets registers, among others. As we transition to the accrual basis of accounting, increased transparency will be required, particularly for assets and liabilities. Some of the current audit queries may decrease if implemented effectively.

#### **3.2 Gaps noted by the Office of the Auditor-General (OAG) and quality reviews by the National Treasury.**

The audit opinions issued for the MDAs and County Governments over the years have continually improved, indicating that the entities have consistently prepared and submitted better financial statements. The ASD has, each financial year, endeavoured to conduct quality reviews of all financial statements before they are submitted for statutory audit. Issues identified during the quality reviews are resolved before the final submission for audit, which has improved opinions.

With the transition to accrual, some of the issues identified by both external auditors and quality reviews by the ASD will be gradually resolved or reduced to minimal levels. The following are examples of issues:

- a) Incomplete asset registers:** As a preparatory step to accrual accounting, entities have been required to maintain fixed asset registers and prove the registers as annexures to the cash-based financial statements. This, however, has not been fully complied with by all entities and has been a significant issue raised by both the audit and the quality review. With the transition to accrual accounting, entities will be required to report all assets in the statement of financial position, rather than as an annex. This will compel entities to ensure full compliance by June 30, 2024.
- b) Non-collection of long outstanding receivables:** Currently, revenue is recognized when there is actual receipt of cash, irrespective of whether a good has been sold or a service rendered. This has led to public sector entities providing services or goods that end up

## **ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

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unpaid, and there is minimal follow-up on the debtors, as the revenue receivable is not reported in the financial statements.

With the transition to accrual accounting, revenue will be recognized upon rendering of a service or sale of goods, irrespective of the actual receipt of cash or not. This will encourage entities to be more diligent in collecting outstanding debts that have been outstanding for a long time.

- c) **Unsupported pending bills:** The cash basis of accounting does not provide for reporting of trade payables. As a result, any trade payables commonly known as pending bills for MDAs and Counties are disclosed as annexures to the cash basis financial statements. This has led to audit queries being raised regarding the eligibility of some pending bills, as well as a lack of supporting documentation for the disclosed pending bills.

With the transition to accrual accounting, pending bills will be reported as payables in the statement of financial position, ensuring that entities have sufficient documentation to support their trade payables figures.

- d) **Stalled Capital Projects:** Any ongoing projects are currently reported as part of the appendices in the financial statements of the entities under the cash basis of accounting. Under the accrual basis of accounting, entities are required to report any ongoing capital projects as part of work-in-progress assets in the property, plant, and equipment schedule as provided by IPSAS 45, Property, Plant, and Equipment. The standard also requires the disclosure of capital commitments that go beyond one financial year.

This enhanced reporting requirement will provide top management with valuable information for informed decision-making before the commissioning of new capital projects, thereby avoiding duplication and wastage of resources through stalled projects.

### **3.3 Gaps noted on the treatment of line items under IPSAS accrual**

IPSAS cash accounting transactions are captured when there is a cash inflow or outflow. Under accrual accounting, transactions are captured when events occur, regardless of whether there is a cash inflow or outflow. Therefore, transitioning to accrual accounting from cash accounting will result in both new items and existing items being treated on an accrual basis. Below is a summary of the main gaps between the current treatment of financial statement line items affected by the move to the accrual basis of IPSAS, as per the requirements.

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

Element	Current accounting treatment	Gap
Revenue	This is recorded at the point when cash is received	<p>Under the current cash basis accounting, the recognition criteria of both revenue from exchange and revenue from non-exchange transactions are when money is received, regardless of the period to which it relates. Accrual basis IPSAS recognizes revenue at the point when the entity has a valid right to future economic benefits or service potential that can be reliably measured.</p> <p><b>Interventions</b></p> <ul style="list-style-type: none"> <li>-Development of policies on revenue recognition in line with the requirements of IPSAS.</li> <li>-Debt recognition mechanisms for purposes of following up on long outstanding debts.</li> </ul>
Expenditure	This is recorded at the point when cash is paid.	<p>Cash basis only recognizes expenditure when there is an actual outflow of cash. Examples of new transactions currently not recognized under a cash basis include depreciation, impairment losses, and losses on the disposal of fixed assets, among others.</p> <p>Under the accrual basis, IPSAS requires expenses to be strictly matched to the period in which they are incurred. Any costs paid for but not relating to the current reporting period are considered prepayments, and any goods or services already received but not yet paid for are recognized as accruals, i.e., payables at the end of the reporting period. Expenses will be recognised by nature.</p> <p><b>Interventions</b></p> <ul style="list-style-type: none"> <li>-The year-end closing procedures issued by the National Treasury need to be updated in line with IPSAS requirements.</li> <li>-Development of policies relating to depreciation and impairment, among others.</li> </ul>
Fixed assets (including intangible assets)	Currently expensed at the point of purchase.	<p>Fixed assets and intangible assets are not recognized in the financial statements, thereby providing an incomplete picture.</p> <p><b>Interventions</b></p> <ul style="list-style-type: none"> <li>• Valuation of assets to obtain figures to report the assets in the statement of financial position. Valuation will be on historical cost or current operational value to ensure consistency and facilitate consolidation</li> <li>• ASD to enforce asset/liability policies for all categories of fixed assets in line with the following issued IPSAS. IPSASs 12, 16, 19, 27, 41, 43, 45, and 46. IPSAS on Natural resources will be included when issued.</li> <li>• For intangible assets, there needs to be identification, recognition, and measurement as per IPSAS 31.</li> <li>• The ASD will prepare a policy on the recognition, measurement, presentation, and disclosure of intangible assets.</li> </ul>

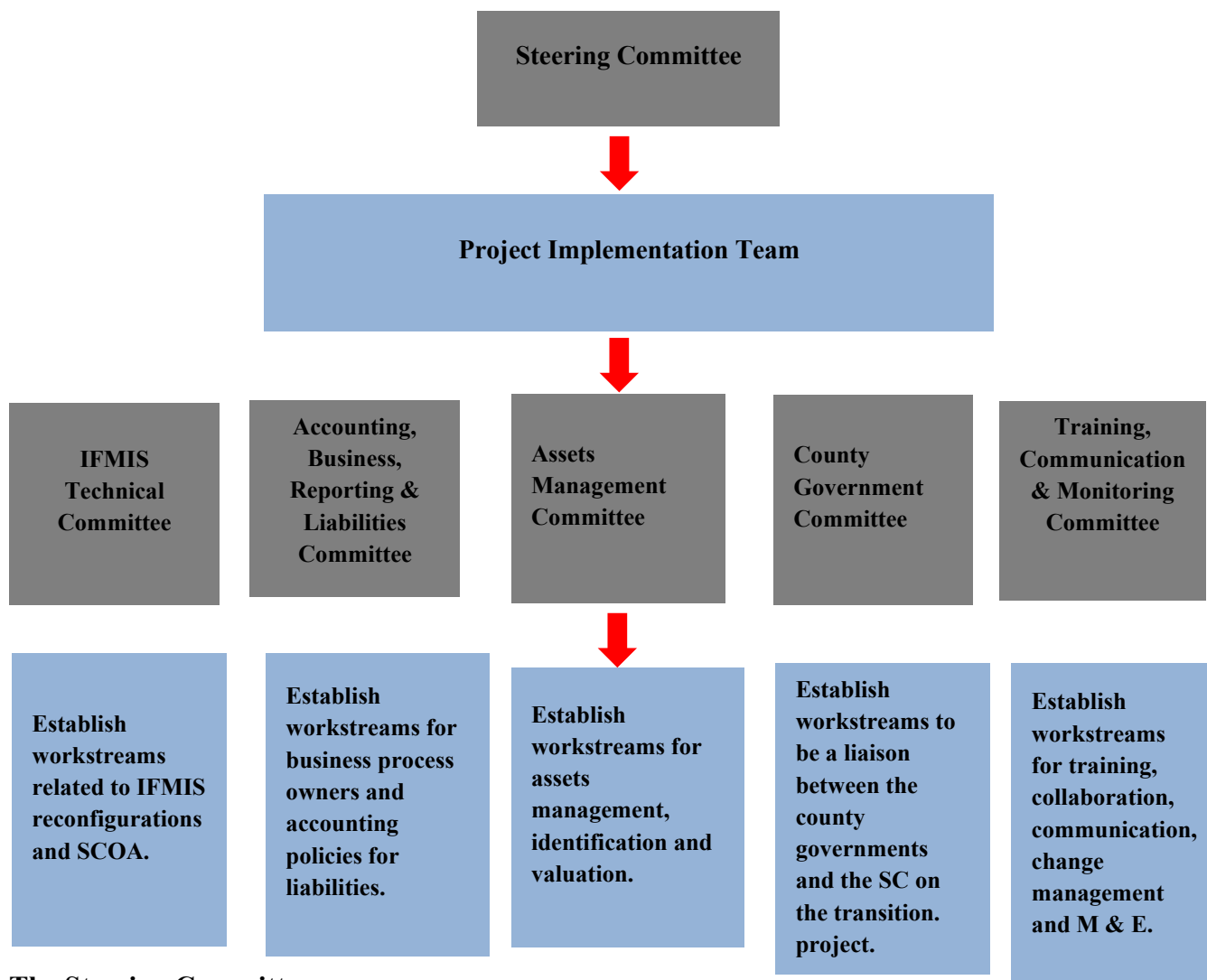
## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

Element	Current accounting treatment	Gap
Inventory	Currently expensed in the Statement of Receipts and Payments.	<p>This is currently not recognized in the financial statements as a current asset, but is recognized as an expense at the point of purchase.</p> <p>Under accrual accounting, inventory is recognized as a current asset. Additionally, impairment on the inventory is taken into consideration.</p> <p><b>Interventions</b></p> <ul style="list-style-type: none"> <li>• The ASD will circularize policies and procedures for inventory in line with IPSAS 12 requirements, as well as processes for identifying obsolete inventory.</li> <li>• Entities must also ensure timely recording and completeness of the physical inventory at the reporting date.</li> <li>• The point of recognition of inventory will be when the goods are received and a goods received note is generated/raised.</li> </ul>
Public debt	Currently, proceeds from debt are recorded as revenue in the statement of receipts and payments, and expensed. The principal repayments and inherent interest payments are expensed in the year of payment.	<p>Under the cash basis, public debt is not recognized in the financial statements. The Government currently has a stock of public debt, which is recognised as revenue in the period it is received, and repayments are expensed when paid.</p> <p>Under the accrual basis IPSAS accounting framework, public debt is recognized as a liability, and the principal and interest components of the debt are factored into the total amount of the debt liability.</p> <p><b>Interventions</b></p> <ul style="list-style-type: none"> <li>• The ASD will circularize policies for reporting public debt in line with the requirements of IPSAS 41, financial instruments.</li> <li>• The National Treasury, through the Public Debt Management Office, must ensure accurate reporting of debt is done in line with the IPSAS.</li> <li>• Debt is recognised when contracted through signed loan agreements IFMIS integration with the debt management system- Meridian.</li> <li>• Re-configure IFMIS to record multi-currency transactions to factor loan repayments in foreign currency.</li> </ul>
Employee benefits, including post-employment benefits.	Short-term benefits are currently expensed and long-term benefits are not recognized.	<p>Under cash-based accounting, no provisions are made for employee benefits that the Government has not yet settled. Outstanding employee benefits may encompass both short-term and long-term incentives.</p> <p><b>Interventions</b></p> <ul style="list-style-type: none"> <li>• Reporting of outstanding short-term employee benefits, e.g., leave allowance as part of current liabilities, including payroll deductions.</li> <li>• Process payroll within IFMIS to facilitate the processing of payroll deductions and their timely remittance.</li> <li>• The National Treasury, through the Pensions Department, is to identify the mechanisms for determining the pension liabilities at the end of each reporting period and the information required to calculate relevant amounts through actuaries.</li> </ul>

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

Element	Current accounting treatment	Gap
Provisions, Contingent assets, and liabilities.	These are currently not recognized in the financial statements.	<p>There are no provisions made in the financial statements under the current reporting framework because expenses are recorded when the actual cash payment is made. Additionally, there is no information on decommissioning obligations for assets and onerous contracts within the government.</p> <p>Under accrual-based accounting, provisions and contingent assets and liabilities are recognized in the statement of financial position.</p> <p><b>Interventions.</b></p> <ul style="list-style-type: none"> <li>• ASD will circularize policy on provisions, contingent assets, and liabilities based on IPSAS 19.</li> <li>• Identification of all events that trigger the recognition of provisions.</li> <li>• Identification of information on contracts within the government.</li> <li>• Identification of information related to decommissioning obligation for assets.</li> <li>• Identification and disclosure of information about guarantees and long-term agreements.</li> </ul>
Service concession arrangements These are PPPs that give rise to assets and liabilities.	Assets and liabilities arising from PPPs are not currently recognized, including the disclosure of contingent liabilities associated with PPPs.	<p>Under the cash basis of accounting, PPP arrangements are not accounted for in line with the provisions of IPSAS 32: Service concession arrangements: Grantor that requires the grantor to recognise assets and liabilities that arise from such arrangements where the criterion for recognition is met.</p> <p><b>Interventions</b></p> <ul style="list-style-type: none"> <li>• The National Treasury will guide entities operating PPPs to identify assets and liabilities arising from the service concession arrangements.</li> <li>• The National Treasury will determine through existing policy the entities to recognise such arrangements (both assets and liabilities) where they exist.</li> <li>• Contingent liabilities arising from such arrangements will be disclosed in the financial statements as required by IPSAS 19 and will be assessed regularly for crystallisation.</li> </ul>

#### 4. PROJECT TEAM AND STAFFING



##### The Steering Committee

The Steering Committee will lead the migration process. The committee will be responsible for coordinating the adoption of accrual accounting at both levels of government. The membership of the Committee was gazetted by gazette notice 10892 of 30<sup>th</sup> August 2024, and includes:

1. Principal Secretary, National Treasury- Chairperson
2. Chairperson Public Sector Accounting Standards Board- Vice-Chairperson
3. Principal Secretary, State Department for Public Works
4. Director General Accounting Services & Quality Assurance- Project Manager
5. A representative from the Chief of Staff and Head of Public Service- Member
6. A representative from the Council of Governors- Member

## **ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

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7. A representative from the Office of the Auditor-General (OAG)- Member
8. A representative of the Office of the Controller of Budget (OCOB)-Member
9. A representative from the Parliamentary Budget Office- Member
10. Director, Integrated Financial Management Information System (IFMIS)- Member
11. Director, Budget - National Treasury- Member
12. Director, National Assets and Liabilities Management- Member
13. Director, Accounting Services, ASD National Treasury- Member
14. CEO, Public Sector Accounting Standards Board- Member

The following additional members will be members of the Steering Committee. Their gazette notice has since been processed.

1. Two representatives from the Institute of Certified Accountants of Kenya (ICPAK)- Member
2. A representative from the Central Bank of Kenya (CBK)- Member
3. The Steering Committee will co-opt administratively the various government departments in line with the requirements of the transition roadmap.

### **Terms of Reference for the Steering Committee**

The terms of reference for the Steering Committee shall be to:

1. Provide overall direction and coordination of the transition from a cash accounting basis to an accrual accounting basis.
2. Adopt a roadmap for the transition from a cash accounting basis to an accrual accounting basis.
3. Appoint a technical committee(s)/working group(s) to undertake day-to-day implementation of the project.
4. Develop the terms of reference of the technical committee (s)/working group(s).
5. Approve work plans and budgets prepared by the Technical Committee(s)/working group as per the adopted roadmap.
6. Review and approve the recommendations for implementing the various milestones under the roadmap.
7. Monitor the implementation of the project by ensuring that any strategic changes are undertaken on time so that the project achieves its goals.



## **ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

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8. Take the lead to promote policy dialogue and advocacy on key issues at Senior leadership levels to secure the necessary buy-in and project support.
9. Ensure that the accrual project is coordinated with other relevant Government entities, development partners, and private sector interventions by overseeing the implementation of a clear stakeholder engagement strategy.
10. Approve and oversee the implementation of the communication strategy, change management, and capacity building during the transition.
11. Facilitate timely funding to support the implementation of the project.
12. Any other role that relates to the transition from cash to accrual accounting in Kenya as approved by the Cabinet.

### **Tenure and mandate of the Steering Committee**

The Steering Committee shall remain in office for three years from the date of gazettelement, which is 30<sup>th</sup> August 2024. The committee shall regulate its procedures and shall hold consultations with stakeholders to solicit, receive, consider, and collate inputs that may be useful for the performance of its mandate.

### **Project Implementation team**

The project manager heads the project implementation team. The team comprises the leaders of the five identified technical committees or workstreams. This includes the lead in the ASD, IFMIS, NALM, and PSASB. The team will serve as a liaison between the project manager and the Steering Committee regarding the technical aspects of the project's performance. The project manager will be the liaison between the Steering Committee and the technical working groups. He will also be responsible for regularly updating the Steering Committee on the progress of the transition to accrual accounting project.

### **Technical Committees/ workstreams**

The Steering Committee will appoint technical committees at different levels as working groups to spearhead various aspects of the transition process. The Committee will also approve the Terms of Reference for each of the five (5) identified technical committees. These committees will prepare detailed work plans for the execution of their terms of reference, as outlined in this roadmap document, and in consideration of the milestones indicated in the main transition document. The teams will work collaboratively to ensure that milestones are achieved on time, as some outputs from technical committees will provide inputs to other committees.

### **Secretarial services**

The National Treasury (ASD) and the PSASB will provide secretarial and technical services to the Steering Committee through the Technical Committees/Workstreams.

## **5. POLICY PRONOUNCEMENTS ON TRANSITION AND THE APPROACH**

### **5.1 Policy Pronouncements on Transition**

On 7<sup>th</sup> March 2024, the Cabinet approved the transition for national government, county governments, national government entities, and county government entities from cash accounting to accrual accounting. The gazettal was completed on August 30, 2024.

As per the Gazette Notice No. 11033, the Board has approved the adoption of the following Financial Reporting Standards:

- a) The International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board for application by state corporations and county corporations carrying on commercial activities.
- b) The International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board for application by all national government entities and county government entities, including technical colleges, teacher training colleges, and public funds, but not state corporations carrying on commercial activities.
- c) The national government, county governments, national government entities, and county government entities, including projects, shall apply International Public Sector Accounting Standards Board accrual-based standards with effect from the 1<sup>st</sup> of July 2024.

### **5.2 Implementation Approach**

In 2014, the National Treasury gazetted IPSAS Cash as the basis for reporting by MDAs, county governments, and their respective entities. The issued standards have been in effect since July 1, 2014. Adopting the cash-based standard has developed a good foundation for accrual accounting. It has ensured disclosures on revenue, expenses, and, to some extent, liabilities and assets. The cash basis, however, is limited in accounting for non-cash assets and liabilities, which are essential for informed decision-making.

The transition from IPSAS cash to IPSAS accrual basis is phased to ensure it is progressive and realistic. This phased approach prioritizes the most straightforward and most essential transactions first, and then gradually recognizes more complex transactions in subsequent phases. The phased approach will be implemented as illustrated below:

<b>Year</b>	<b>Financial Year</b>	<b>Financial Statements</b>
0	FY 2023/2024	Audited IPSAS cash-based financial statements
	1 <sup>st</sup> July 2024	Opening Statement of Financial Position
1	FY 2024/2025- 30 <sup>th</sup> June 2025	The first transitional IPSAS accrual financial statements include financial assets and financial liabilities. Financial assets include cash and cash equivalents, receivables, and investments. Financial liabilities, on the other hand, comprise payables (commonly referred to as pending bills) and debt. This is mandatory for the FY 2024/2025 financial statements. Entities that will have identified some or all other

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

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Year	Financial Year	Financial Statements
		assets and liabilities may include them in the first transitional IPSAS accrual Statement of Financial Position and disclose the same
2	FY 2025/2026- 30 <sup>th</sup> June 2026	The second transitional IPSAS accrual financial statements will include all financial assets and financial liabilities, as well as all inventories, as a minimum requirement. Entities that have identified all or some of the non-financial assets and other liabilities can include them in the balance sheet and make relevant disclosures.
3	FY 2026/2027- 30 <sup>th</sup> June 2027	Fully compliant IPSAS Accrual financial statements that include all assets and all liabilities. All exceptions will have been exhausted, and each public entity must comply with all applicable IPSAS.

As required by IPSAS 33, paragraph 79, entities will be required to prepare an opening statement of financial position as of the date of adopting the accrual basis of accounting. For year one (1), guidance will be provided by the National Treasury on the reporting of the financial assets and liabilities. Entities will be reporting on accrual accounting, although transactions will be processed in IFMIS on a cash basis. This is because IFMIS will only be ready for accrual accounting from year two, i.e, from 1<sup>st</sup> July 2025.

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

Below is a summary of the implementation matrix

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
1	Gazettement of applicable dates																								
2	Communication strategy (gazette notices and circulars)																								
3	Stakeholder engagement																								
4	Steering Committee																								
5	Identification and valuation of assets and liabilities																								
6	Financial management systems																								
7	Liabilities																								
8	Financial assets																								
9	Non-financial assets																								
10	Capacity building and training																								
11	Monitoring and evaluation																								

The detailed matrix is included as an appendix to this document.

### KEY

	Completed from previous years.
	Completed/ on-going
	Scheduled
	IFMIS related activities(re-engineering)

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

### 6. PROJECTED COSTS OF IMPLEMENTATION

The table below shows the projected costs of the accrual project implementation as approved by the Cabinet while approving the transition on 7<sup>th</sup> March 2024:

No	Activity	COST			TOTAL
		Year 1	Year 2	Year 3	
1	PROJECT MANAGEMENT				
1.1	Project initiation and planning	15,996,000	6,552,000	6,552,000	29,100,000
1.2	Project monitoring, evaluation, and quality assurance	40,000,000	80,000,000	80,000,000	200,000,000
2	Readiness Assessment & Business Process Reengineering	292,122,800	250,000,000	-	542,122,800
3	Systems Development and Implementation, Including Change Management	174,909,400	503,344,200	230,964,000	909,217,600
4	IFMIS System Re-Engineering System Deployment and Rollout	23,596,000	43,643,600	-	67,239,600
5	Capacity Building	30,000,000	561,934,420	97,008,000	688,942,420
6	IFMIS System Re-Engineering Support Workstream Activities (Hardware and Application Support)	700,000,000	13,695,000	4,251,000	717,946,000
	<b>TOTALS</b>	<b>1,276,624,200</b>	<b>1,459,169,220</b>	<b>418,775,000</b>	<b>3,154,568,420</b>

The other costs of the project will be catered for from the annual budgetary allocations of the respective entities. These costs include valuation of assets, capacity building and training, project management, and monitoring and evaluation.

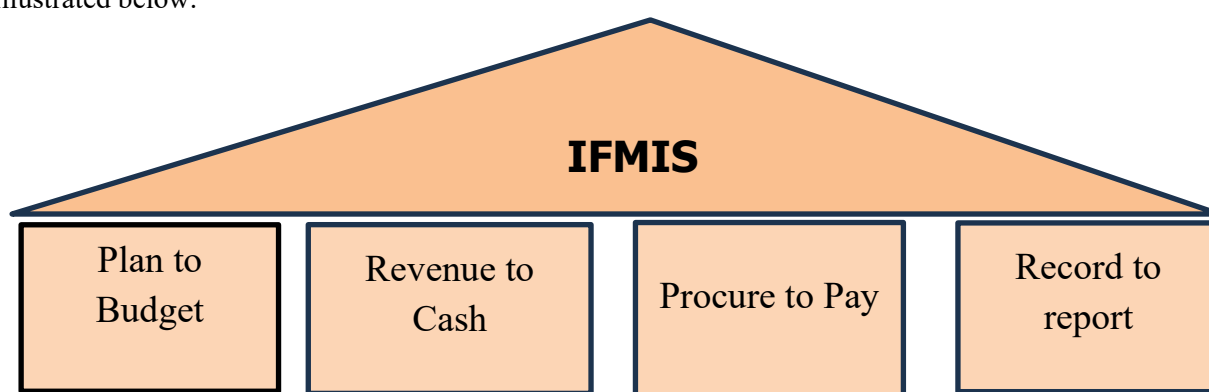
## **7. IFMIS RE-ENGINEERING AND STANDARD CHART OF ACCOUNTS**

### **7.1 IFMIS Re-engineering**

The PFM Act, Section 12(1)(e), assigns the National Treasury the responsibility of prescribing and designing an efficient financial management system for national and county governments, ensuring transparent financial management and standard reporting, as stipulated in Article 226 of the Constitution.

In line with this requirement, the National Treasury prescribed the Integrated Financial Management Information System (IFMIS) as the core information management system for use by National and County government entities.

The IFMIS system currently operates on four components, which represent the business process as illustrated below:



#### **Plan to Budget:**

A fully integrated process and system that links planning, policy objectives, and budget allocation.

#### **Revenue to Cash:**

Auto-reconciliation of revenue and payments with automatic file generation.

#### **Procure to Pay:**

To develop a fully integrated and automated supply chain management system.

#### **Record to Report:**

Secure two-way interface with CBK for accurate, up-to-date information on the GOK's financial position and the production of statutory reports in real-time.

### **The Framework of IFMIS for transition to accrual accounting**

The IFMIS system, as currently configured, has supported the recording, analysis, and preparation of accounting information on a cash basis. For accrual accounting to become a reality, the system needs to be analysed, business processes developed, accrual-based modules activated, and the new standard chart of accounts uploaded. Users are also required to be trained on the latest accounting environment to ensure the intended objectives are achieved.

The goal is to design and prescribe an efficient, integrated financial management information system for national and county governments, ensuring transparent financial management and standard financial reporting as mandated by Article 226 of the Constitution. In re-engineering the system, the following are the objectives:

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

### Project Objectives/Outcomes

1. To provide a system for completeness in the recording of financial information and accurate reporting
2. To innovate and automate the reviewed business processes for efficient and effective service delivery
3. To upscale and improve the IFMIS platform to support the PFM Reforms fully.
4. To create a user-friendly knowledge base in IFMIS for capacity enhancement and awareness.
5. To design an M&E framework for assessing the progress of IFMIS re-engineering for quality assurance and risk management

### Project Outputs

To facilitate the achievement of the above five (5) objectives/outcomes, below are the proposed project outputs under each objective.

1. System configuration with enhanced modules to enable production of financial statements based on PSASB-approved templates.
2. A centralized repository for financial information/data and automated end-to-end business processes.
3. One financial management system in the country, i.e., IFMIS, has considered all business processes. All new systems will need to be integrated with IFMIS, and requisite approvals will be sought.
4. IFMIS user support framework and capacity enhancement strategy.
5. A robust IFMIS M&E framework and risk management strategy.

### Project Inputs and Activities

No.	Project input	Project activities
1.	<ul style="list-style-type: none"><li>● Approved PSASB reporting templates</li><li>● Approved business processes guided by enacted legal frameworks.</li></ul>	<ul style="list-style-type: none"><li>● Configure PSASB reporting templates</li><li>● Design, configure, and implement business processes guided by enacted legal framework.</li></ul>
2.	<ul style="list-style-type: none"><li>● User feedback</li><li>● Change in operational environment</li></ul>	<ul style="list-style-type: none"><li>● Conduct user satisfaction surveys</li><li>● Review of operational environment changes</li><li>● Adapt to the new changes</li></ul>
3.	<ul style="list-style-type: none"><li>● Incorporate new technology systems into the industry</li><li>● Other existing relevant government PFM systems</li></ul>	<ul style="list-style-type: none"><li>● Auditing and quality assurance</li><li>● Upgrading and integration of the IFMIS systems</li></ul>
4.	<ul style="list-style-type: none"><li>● User manuals</li><li>● Training needs assessment reports</li></ul>	<ul style="list-style-type: none"><li>● Sensitization and user training</li><li>● Development of re-engineered IFMIS processes user manuals</li></ul>
5.	<ul style="list-style-type: none"><li>● Set targets for IFMIS Re-engineering</li><li>● NT PFM policy directives including TSA; migration from cash to accrual accounting; and integration with e-GP</li><li>● Potential risks to IFMIS</li></ul>	<ul style="list-style-type: none"><li>● Designing an M&amp;E framework</li><li>● Site visits</li><li>● Risk identification and mitigation</li></ul>

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

### Modifications needed for the IFMIS process flows

Elements	Trigger or recognition point	Current recognition under IFMIS
<b>Statement of financial performance</b>		
Revenue	Generally, when: <ul style="list-style-type: none"> <li>• There is a basis establishing that the entity has a valid right to receive the revenue</li> <li>• future economic benefits will probably flow to the entity, and that</li> <li>• Those benefits can be measured reliably.</li> </ul>	
Revenue from exchange Transactions	When: <ul style="list-style-type: none"> <li>• For services rendered - it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and those benefits can be measured reliably.</li> <li>• For goods sold: <ul style="list-style-type: none"> <li>- The entity transfers to the purchaser the significant risks and rewards of ownership of the goods;</li> <li>- The entity gives up managerial involvement usually associated with ownership or control over the goods sold;</li> <li>- It is probable that the economic benefits or service will flow to the entity; and the amount of revenue and costs incurred or to be incurred can be measured reliably.</li> <li>- The revenue is either considered to be earned, realized, or realizable, i.e., revenue is: <ul style="list-style-type: none"> <li>• Earned – when goods are delivered, or services are provided.</li> <li>• Realised – when cash is received in relation to the goods delivered or services performed.</li> <li>• Realisable – when it is probable that economic benefits will flow to the entity in the future and that those benefits can be measured reliably, e.g., where a customer elects not to have goods shipped to them but commits to pay for them when they are ready to receive the goods.</li> </ul> </li> </ul> </li> </ul>	Currently, all revenue from exchange transactions, such as income from buildings presently being rented out to the public, is captured through the accounts receivable (AR) module in IFMIS when cash is received. This then results in the following main gaps: <ul style="list-style-type: none"> <li>• The module is not able to split between the income relating to the current period and that which is either related to the prior period or the subsequent reporting period.</li> <li>• The module records only cash receipts and where no cash has been received, the module does not recognize the receivables relating to the revenue earned and the portion of the receivable that has arisen.</li> <li>• There is no process flow to guide the recording and recognition points of revenue and receivables from exchange transactions for either goods sold or services performed.</li> </ul>
Transfers (including grants, debt forgiveness, fines, bequests, gifts, donations, and goods and services in-kind)	When, through the operation of the relevant legislation, the entity has a valid right to receive the revenue, it is probable that future economic benefits will flow to the entity and that those benefits can be measured reliably.	These revenue streams are captured when the cash from the transfers has been received. The following are the main gaps in the Accounts Receivable module: <ul style="list-style-type: none"> <li>• The module is not able to split between the transfers due in the current reporting period and those in the prior or subsequent period.</li> </ul>



## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

Elements	Trigger or recognition point	Current recognition under IFMIS
		<ul style="list-style-type: none"> <li>The module cannot record the bulk of accounting entries inherent in transfers such as goods and services given in kind, debt forgiveness, and fines</li> </ul>
Grants	<p>When a trigger event, such as receipt of a grant or enforceable claim to receive it, occurs, e.g., signing of a grant agreement between the entity and a third party, typically a development partner or donor, and through that agreement, the benefits embodied can be measured reliably.</p> <p>Some grants come with conditions, and for such, the revenue is recognised when the grant conditions are met.</p>	<p>Currently, in IFMIS, the entire grant amount is recorded in the period when it is received.</p> <p>The Accounts Receivable module is not able to perform the following:</p> <ul style="list-style-type: none"> <li>Record transactions relating to grants with conditions attached.</li> <li>Split between the revenue relating to the current period and revenue deferred.</li> <li>Recognise the receivables arising in the scenarios above.</li> <li>There is no process flow for aiding the recognition of revenue from grants.</li> <li>Recognise grants and goods received in kind in accordance with regulation 74 of the PFM Regulations.</li> </ul>
Expenses	<p>Recognized in the period in which they occur and when they occur, whether or not cash has been paid out.</p> <p>A key principle in accruals-based accounting is that all revenue for the period must be matched against the expenses incurred in generating it. Depreciation, for instance, qualifies as an expense because the assets are being used to generate revenue. Their wear and tear, then, should be matched against the revenue they have generated.</p> <p>This concept is known as the matching principle, and thus, revenue earned for a particular period is matched against expenses incurred during the same period.</p>	<p>Currently, expenses are recognized when obligations relating to them have been settled, i.e., when cash has been paid out. This is performed in the Accounts Payable (AP) module in IFMIS. The following gaps arise concerning the payment module and payment process flow:</p> <ul style="list-style-type: none"> <li>The module is not able to prorate expenses to determine accruals and prepayments.</li> <li>The module only processes cash payments, and non-cash expenses such as impairment, depreciation, and revaluations are not processed.</li> </ul>
<b>Statement of Financial Position</b>		
<b>Assets</b>	Where the entity's control (not necessarily ownership) over the asset can be demonstrated as resting with the entity, and through the use of the asset in the normal course of operations, it is probable that future economic benefits will flow to the entity.	
Intangible assets	<p>Where the following are established in relation to the asset:</p> <ul style="list-style-type: none"> <li>The asset is identifiable.</li> <li>The entity controls the asset rather than necessarily owning it.</li> </ul>	Intangible assets are currently expensed in the period in which they are purchased. When it comes to the prescribed treatment of intangible assets under the accrual basis IPSAS, there is no

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

Elements	Trigger or recognition point	Current recognition under IFMIS
	<ul style="list-style-type: none"> <li>• Future economic benefits are validly expected to flow to the entity, and those</li> <li>• Can be reliably measured.</li> </ul>	module in IFMIS to record intangible assets in line with IPSAS 31.
Property, plant, and equipment	<p>When the costs related to the acquisition, overhaul (for component assets, such as aircraft and hydroelectric power plants), and self-constructed assets are incurred.</p> <p>These costs refer to the expenses incurred in transporting the asset to its current location and condition. The costs include, but are not limited to, purchase cost, transportation cost to the area where the asset will be used, preparation and set up costs, development costs, estimates of asset dismantlement, removal, and restoration costs.</p>	<p>Fixed assets are currently expensed in the period in which they are acquired. The following gaps arise concerning the payments made to fixed assets in the Accounts Payable module:</p> <ul style="list-style-type: none"> <li>• Currently, there is no fixed assets recognition process flow in IFMIS. The procurement flow captures the acquisition of fixed assets and the costs incurred in connection therewith under the current cash-based accounting framework, where such costs are expensed. With accrual basis accounting, the procurement flow needs modification.</li> <li>• Although IFMIS has a fixed assets module, it is currently not linked to the procurement process and is used to record assets at their nominal values for asset identification and development of a fixed assets register.</li> <li>• The AP module is not able to distinguish between qualifying costs and non-qualifying costs.</li> <li>• The module is also not able to separate borrowing costs incurred concerning self-constructed assets from the rest of the borrowing costs.</li> <li>• The procurement flow currently does not separate the type of procurement as inventory, fixed assets, or supplies. There is no further guidance on the treatment of each type of procurement.</li> </ul>
Inventories	When the entity incurs the costs for bringing the inventory to its present location and condition, the inventory is then recognized as the lower of cost and Net Realisable Value (NRV).	Inventory is expensed in the period in which it is acquired.
Receivables from non-exchange transactions (long and short-term)	When an occurrence of a trigger event is probable, future economic benefits will flow to the entity.	IFMIS records only cash receipts, and where no cash has been received, the module does not recognize the receivables.
Receivables from exchange Transactions (long and short-term)	When revenue is earned or realizable rather than realized.	IFMIS records only cash receipts, and where no cash has been received, the module does not recognize the receivables.

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

Elements	Trigger or recognition point	Current recognition under IFMIS
<b>Liabilities</b>		
Long-term borrowings (both long and short-term) are commonly referred to as public debt.	When the specific provisions of the loan agreements are invoked in the normal course of operations.	<p>Proceeds from loans are currently recognized in full as revenue, and the regular payments, comprising principal repayments and interest payments, are expensed each financial year until the loan obligations are fully settled.</p> <p>Under the accrual basis IPSAS, the proceeds from the loan are debited to the cash or bank account, and two liabilities are created, i.e., long-term and short-term (regular payment of principal and interest). This treatment under accruals accounting generates new journal entries that impact IFMIS. All long-term borrowings by the GoK are managed in the Public Debt Management Office. Below is the gap identified concerning the AP module in IPSAS:</p> <ul style="list-style-type: none"> <li>• The module is not linked to the Public Debt Management Office, which is used to record debt instruments and apply the standard on financial instruments. There is an opportunity for integration between IFMIS and the public debt management system- Meridian.</li> </ul>
Provisions (both long and short-term)	<p>When:</p> <ul style="list-style-type: none"> <li>• there is a legal or constructive obligation for the entity to settle;</li> <li>• it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and</li> <li>• a reliable estimate can be made for the liability.</li> </ul>	<p>Under the current modified cash basis accounting provisions are not recognized. The recognition of provisions on the transition to accrual basis IPSAS in relation to various obligations means more journal entries for processing in the IFMIS.</p> <p>Contingent liabilities will be disclosed in the financial statements.</p>
Employee benefits (both short-term and long-term)	<p>By operation of the invocation of specific clauses in employee contracts for government employees.</p> <p>The employment contracts state the trigger points for payables arising from the engagement of employees.</p>	Currently, the IPPD, which is the system used to process salaries for government employees, is not integrated with IFMIS.

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Elements	Trigger or recognition point	Current recognition under IFMIS
	For example, payment of short-term benefits, such as salaries, is a short-term benefit. In contrast, receiving a pension upon reaching a certain age upon retirement is a long-term benefit.	Pensions are managed by the Pensions Department at the National Treasury, and the payments are not integrated within the IFMIS system. IFMIS will now be the single core system for processing all business processes.

The IFMIS re-engineering project will comprise approximately 80% of the transition to an accrual accounting roadmap budget. The timeline is for IFMIS to be ready to go live with accrual accounting transactions as of July 1, 2025. A separate roadmap for IFMIS re-engineering will be provided.

## **7.2 Standard Chart of Accounts (SCOA)**

The SCOA is an organized and coded listing of all individual accounts used to record transactions and form the ledger system of MDAs and Counties. SCOA is embedded in the adopted ERP, in our case, IFMIS

The National Treasury embarked on a process to update the existing SCOA. The new SCOA is complete, and plans are underway to have it approved. It will accommodate accrual accounting, among other changes. A roadmap towards the actualization of the new SCOA is in place.

In the new Standard Chart of Accounts, there are eight separate transactional segments, each providing a unique dimension for capturing, analysing, and reporting data. The coding structure significantly shapes the way government expenditure is classified. There is also one analytical segment to be used for extended analytical reporting. This segment has been introduced into the Standard Chart of Accounts to facilitate the flexible and highly responsive compilation of analytical data and information, meeting the varied reporting needs of various government and other stakeholders.

The proposed structure has a total of eight segments and 72 digits as follows:

<b>S/n.</b>	<b>Segments</b>	<b>Definition &amp; Content</b>	<b>No. of levels</b>	<b>No. of digits</b>
<b>1</b>	<b>Vote</b>	Represents the administrative responsibilities within MDAs & Counties, i.e., to which administrative unit and cost/revenue centre is the transaction allocated.	2	5
<b>2</b>	<b>Administrative</b>		3	10
<b>3</b>	<b>Source of Funds</b>	Identifies the Sources of Funds for Government, i.e., against which source of funding is the payment allocated, and from which source is revenue received.	4	8
<b>4</b>	<b>Class</b>	Distinguishes the type of budget against which a transaction is performed – revenue budget, recurrent budget, and development budget. It also enables the identification of transactions that do not affect the budget.	1	1
<b>5</b>	<b>Programme</b>	Provides for classification of expenditures by programmes and sub-programmes, i.e., against which GOK Programme/ Sub-Programme is the transaction recorded.	4	8
<b>6</b>	<b>Economic</b>	Provides the natural accounts for the generation of statistical and financial reports, i.e., it identifies the nature of receipts and/or payments being made. The values are aligned to GFSM 2014 and IPSAS accrual basis.	5	7
<b>7</b>	<b>Geographical Location</b>	The Geographical Location segment defines the location of the source of revenue and the location of the beneficiary of government expenditure	3	8
<b>8</b>	<b>Project</b>	Provides for the classification of expenditures by projects, i.e., against which GOK Project the transaction is recorded	3	9
<b>9</b>	<b>Spare segment</b>		1	8
<b>10</b>	<b>Spare segment</b>		1	8

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

S/n.	Segments	Definition & Content	No. of levels	No. of digits
11	Extended Reporting	Identifies the analytical reporting needs in government, i.e., against which expenditure area or government priority area was revenue received, or expenditure incurred, e.g., climate change, AIDS, etc.	3	4
12	Total (excl. the Extended Reporting segment)		24	72

Below is a comparison of the existing SCOA and the new SCOA, along with the reasons for the changes made.

Current SCOA	New SCOA	Changes
Segment 1 Vote (4 digits; 1 level) XXXX	Segment 1 Vote (5 digits; 1 level) XXXXX	Elimination of duplicated codes from the segment. Duplication of codes in a segment has the following demerits: <ul style="list-style-type: none"> <li>It makes maintenance of the chart difficult.</li> <li>It makes report creation prone to errors when some codes are not mapped to reports.</li> <li>Users of SCOA can get mixed up when they are presented with two or more codes for the same transaction.</li> </ul> It can facilitate fraud when a dishonest user posts a transaction into a code that is not detected by the reporting framework, thereby concealing inappropriate transactions.
Segment 2 Administrative (10 digits; 3 levels) XXXX.XXXX.XX	Segment 2 Administrative (10 digits; 3 levels) XXXX.XXXX.XX	Elimination of duplicated codes for the reasons mentioned above. Provision of descriptions/removal of codes where codes existed without descriptions.
Segment 3 Sources of Funds (8 digits; 4 levels) X.X.XXX.XXX	Segment 3 Sources of Funds (8 digits; 4 levels) X.X.XXX.XXX	Restructured to provide a mechanism for tracking Funds and Sources of Funds separately. GoK and its entities manage several public funds, which receive funds from various sources. To ensure that funds are accurately and adequately tracked from the source to any unspent balances at the end of the period, including balances in special funds, a clear distinction between sources and funds is necessary.
Segment 4 Class/ Budget type (1 digit; 1 level) X	Segment 4 Class/ Budget type (1 digit; 1 level) X	Introduced an additional digit. Elimination of duplicated codes <ul style="list-style-type: none"> <li>No changes made</li> </ul>
Segment 5 Programme (10 digits; 4 levels) XX.XX.XX.XXXX	Segment 5 Programme (10 digits; 5 levels) XX.XX.XX.XX.XX	Introduce an Impact Sub-Segment, which will provide Indicators to be tracked against Programmes and facilitate monitoring and evaluation of Programmes during budget execution.  PBB documents contain targets for outputs and outcomes of government programmes. The SCOA is expected to facilitate tracking of achievement of these key performance indicators through budget execution.

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Current SCOA	New SCOA	Changes
Segment 6 Economic (7 digits; 5 levels) X.X.X.XX.XX	Segment 6 Economic (7 digits; 5 levels) X.X.X.XX.XX	Provide codes for accrual transactions Align to GFSM 2014 GoK is migrating its accounting from IPSAS cash to IPSAS accrual. The new SCOA is expected to support this initiative, as well as streamline statistical reporting per GFSM 2014
Segment 7 Geographical Location (8 digits; 3 levels) XXXX.XX.XX	Segment 7 Geographical Location (8 digits; 3 levels) XXXX.XX.XX	Remains the same as previously until geographic alignment across spheres of government is completed.
Segment 8 Spare (3 digits; 1 level) XXX	Segment 8 Projects (9 digits; 2 levels) XX.XXXX	Repurposed to host GOK projects. Projects were coded under the Head sub-segment of the administrative segment.
Null	Spare segment 8 digits; 1 level	Spare segment for future use
Null	Spare segment 8 digits; 1 level	Spare segment for future use

Implementation of the revised SCOA will commence immediately after approval by the Steering Committee and receipt of consent from the National Treasury.

## **8. PREPARATION OF FINANCIAL STATEMENTS AND IMPLEMENTATION PHASE**

Under the accrual basis of accounting, the elements to be presented in the financial statements will increase as compared to the cash accounting framework. Recognition of various items of revenue, expenditure, assets, and liabilities will also differ from the recognition under a cash basis of accounting. This topic covers the different elements that will be displayed in the financial statements and the requirements of recognising these elements in the implementation phase. Additionally, the topic also covers the need for accrual-based financial reporting templates and what they should contain.

### **8.1 Non-Financial Assets**

Non-financial assets are tangible or intangible properties upon which ownership rights may be exercised. These include land, buildings, vehicles, infrastructure assets, heritage assets, an investment property, among others.

All non-financial assets, which will mostly take the form of property, plant, and equipment, will be treated as follows in the implementation phase:

- i. In the FY 2024-25, entities should identify all assets, whether the value of the asset is known or not.
- ii. If the value is known, the historical cost less applicable depreciation will be relevant to determine the value to report the asset at the point of recognition. The NBV so determined will form the basis for the opening balances for the assets, being the deemed cost.
- iii. The Steering Committee will issue guidance for fully depreciated assets that are still in use and for legacy assets whose value is unknown. This will include guidelines for current operational value, where assets can be valued at either the current replacement cost or the market approach, which considers the cost of similar items in the market.
- iv. New assets purchased during the implementation phase/transition period will be capitalized in the financial statements at the point of purchase/acquisition and depreciated accordingly.
- v. The cost threshold for recognition of all the asset categories is set as KShs. 1 (one) to deter the exclusion of valuable assets, and this is to be reviewed as the transition progresses.
- vi. For the transitioning entities, there will be early adoption of **IPSAS 43; Leases** and **IPSAS 45; Property Plant and Equipment**, and **IPSAS 46 on Measurement**, all of which become effective 1<sup>st</sup> January 2025. These standards will take effect from July 1, 2024, for assets recognized in the financial statements.



**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

S/No.	Asset Class	Capitalisation threshold	Guide															
1.	Land IPSAS 45	Kshs 1 (All land)	<p><b>Definition:</b> Land is the surface or crust of the earth, which can be used to support structures and may be used to grow crops, grass, shrubs, and trees.</p> <p><b>Sub Class:</b> Freehold, Leasehold, and Community</p> <p><b>Valuation:</b> Historical cost for freehold land and community land; For leasehold land, amortization for the remaining lease period. Where historical cost is not available, land shall be valued under the guidance of the valuation of land by the Ministry of Lands.</p> <p><b>Ownership:</b> Title/proof of ownership and efforts taken to obtain title or vesting of ownership documents, and control of access.</p> <p><b>Depreciation:</b> Nil</p>															
2.	Buildings and building improvements IPSAS 45	Kshs 1 (All buildings)	<p><b>Definition:</b> A building is a structure that is permanently attached to the land and is not intended to be transportable or movable. Buildings are recognized as dwellings for which a public sector entity assumes responsibility to maintain for the use and/or benefit of the community. Buildings comprise a structure (timber frame and walls, brick walls, cement coverings, glass walls and windows), a foundation (support piers, structural columns, concrete slab, roof structure (tiles, timber support structure and colour bond steel), and air conditioning units (split and ducted).</p> <p><b>Sub Class Level 1:</b> Permanent, Semi-Permanent, and Temporary</p> <p><b>Sub Class Level 2:</b> Office and Residential</p> <p><b>Valuation:</b> Historical cost less depreciation or current operational value (COV). Valuation will be done under the guidance of the State Department for Public Works.</p> <p><b>Depreciation:</b></p> <table><tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr><tr><td>Permanent</td><td>50</td><td>2%</td></tr><tr><td>Semi-permanent</td><td>20</td><td>5%</td></tr><tr><td>Temporary</td><td>10</td><td>10%</td></tr><tr><td></td><td></td><td></td></tr></table>	Type	Useful life (years)	Rate (%)	Permanent	50	2%	Semi-permanent	20	5%	Temporary	10	10%			
Type	Useful life (years)	Rate (%)																
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Semi-permanent	20	5%																
Temporary	10	10%																
3.	Road infrastructure IPSAS 45	Kshs 1 (All road infrastructure)	<p><b>Definition:</b> According to the Kenya Roads Act 2007, “a road” means a public road as defined under the Public Roads and Roads of Access Act (Cap. 399). Road infrastructure shall be recognized in the financial statements under the following categories:</p> <ul style="list-style-type: none"><li>▪ Permanent way/Right of way (Land under road and road reserves)</li><li>▪ Roads and Bridges, including virtual way bridges</li><li>▪ Work in progress</li><li>▪ Traffic control installations</li><li>▪ and amenities</li></ul> <p><b>Sub Class:</b> Ministry of Roads Classification of Roads, KWS Roads, County roads.</p>															

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

S/No.	Asset Class	Capitalisation threshold	Guide																																							
			<p><b>Valuation:</b> Historical cost or current operational value (COV).</p> <p><b>Depreciation:</b></p> <table><tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr><tr><td>Seal coat</td><td>5</td><td>20%</td></tr><tr><td>Gravel surface</td><td>5</td><td>20%</td></tr><tr><td>Asphalt surface</td><td>10</td><td>10%</td></tr><tr><td>Concrete surface</td><td>30-40</td><td>2.5-3.3%</td></tr><tr><td>Traffic signals</td><td>15</td><td>6.67%</td></tr><tr><td>Timber bridge</td><td>10</td><td>10%</td></tr><tr><td>Timber redecking</td><td>12</td><td>8.33%</td></tr><tr><td>Metal structure bridge</td><td>30</td><td>3.33%</td></tr><tr><td>Concrete bridge</td><td>50</td><td>2%</td></tr><tr><td>Concrete redecking</td><td>25</td><td>4%</td></tr><tr><td>Movable bridge</td><td>50</td><td>2%</td></tr><tr><td></td><td></td><td></td></tr></table>	Type	Useful life (years)	Rate (%)	Seal coat	5	20%	Gravel surface	5	20%	Asphalt surface	10	10%	Concrete surface	30-40	2.5-3.3%	Traffic signals	15	6.67%	Timber bridge	10	10%	Timber redecking	12	8.33%	Metal structure bridge	30	3.33%	Concrete bridge	50	2%	Concrete redecking	25	4%	Movable bridge	50	2%			
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4.	Railway infrastructure IPSAS 45	Kshs 1 (All railway infrastructure)	<p><b>Definition:</b> According to the Kenya Railways Act 2012(1979), a railway means “the whole or any portion of the lines of railway operated by the Kenya Railways Corporation and all other movable and immovable property used or placed at the disposal of the Corporation for use, in connection therewith.</p> <p>“<b>Trains</b>” include locomotive engines, tenders, motors, coaches, wagons, trolleys, and rolling stock of all kinds used, whether separately or in conjunction, with railway Components.</p> <p>Railway infrastructure shall be recognized in the financial statements under the following categories:</p> <ul style="list-style-type: none"><li>▪ Permanent way/Right of way (Land under railways and within railway reserves)</li><li>▪ Railways and Bridges</li><li>▪ Work in progress</li><li>▪ Traffic control installations</li><li>▪ and amenities</li></ul> <p><b>Valuation:</b> Historical cost or current operational value.</p> <p><b>Depreciation:</b></p> <table><tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr><tr><td>Railway line</td><td>50</td><td>2%</td></tr><tr><td></td><td></td><td></td></tr></table>	Type	Useful life (years)	Rate (%)	Railway line	50	2%																																	
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5.	Other Infrastructure IPSAS 45	Kshs 1 (All other infrastructure)	<p><b>Definition:</b> Includes all Infrastructure assets that are not captured under Road infrastructure &amp; Railway infrastructure.</p> <p><b>Sub Class:</b> electricity generation infrastructure, water infrastructure, drainage infrastructure, oil and gas infrastructure, and communication lines, among others.</p> <p><b>Valuation:</b> Historical cost or current operational value.</p> <p><b>Depreciation:</b></p> <table><tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr><tr><td></td><td></td><td></td></tr></table>	Type	Useful life (years)	Rate (%)																																				
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**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

S/No.	Asset Class	Capitalisation threshold	Guide			
			Distribution and transmission lines	10	10%	
			<b><i>Flood mitigation and drainage infrastructure</i></b>			
			Permanent building structures	50	2%	
			Overland flow paths	5	20%	
			Underground drainage	10	10%	
			<b><i>Water infrastructure</i></b>			
			Water collection points/ Permanent building structures	50	2%	
			Water purification facilities and machines	10	10%	
			Water storage facilities	10	10%	
			Pipe network	5	10%	
			Underground drainage	10	10%	
			<b><i>Solid waste and sewerage disposal infrastructure</i></b>			
			Permanent building structures	50	2%	
			Waste sorting and treatment facilities	10	10%	
			Pipe network	5	10%	
			Aerodromes and airstrips			
			Permanent building structures	50	2%	
			Aerodromes	10	10%	
			<b><i>Sea Walls and Jetties</i></b>			
			Permanent building structures	50	2%	
			Sea Walls and Jetties	20	5%	
			<b><i>Other Infrastructure and Civil Works</i></b>			
			Permanent building structures	50	2%	
			Others	5-20	5-20%	
6.	Motor vehicles and other transport Equipment IPSAS 45	Kshs 1 (All transport equipment)	<b>Definition:</b> All forms of transport equipment (both specialized and non-specialized) employed during official government transport services.  <b>Sub Class:</b> Motor Vehicles; Aircraft; Sea Vessels. <b>Valuation:</b> Historical cost and current operating value <b>Ownership:</b> Log books or vesting of ownership documents through transfers. <b>Depreciation:</b>			

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

S/No.	Asset Class	Capitalisation threshold	Guide												
			<table><tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr><tr><td>Saloon vehicles and pick-ups</td><td>6</td><td>16.67%</td></tr><tr><td>Heavy-duty utility vehicles</td><td>8</td><td>12.5%</td></tr><tr><td>Lorries and diesel-propelled vehicles above 4500cc</td><td>10</td><td>10%</td></tr></table>	Type	Useful life (years)	Rate (%)	Saloon vehicles and pick-ups	6	16.67%	Heavy-duty utility vehicles	8	12.5%	Lorries and diesel-propelled vehicles above 4500cc	10	10%
Type	Useful life (years)	Rate (%)													
Saloon vehicles and pick-ups	6	16.67%													
Heavy-duty utility vehicles	8	12.5%													
Lorries and diesel-propelled vehicles above 4500cc	10	10%													
7.	Computers and other ICT equipment IPSAS 45	Kshs 1 (All computer equipment)	<p><b>Definition:</b> Information and Communication Technology (ICT) is generally accepted to mean all devices, networking components, applications, and systems that, combined, enable people and organizations (i.e., businesses, nonprofit agencies, and governments) to interact in the digital world. Computers can be purchased, internally generated, or contributed, such as through donations.</p> <p><b>Sub Class:</b> Examples include computers, laptops, and printers, among others</p> <p><b>Valuation:</b> Historical cost or current operational value</p> <p><b>Depreciation:</b></p> <table><tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr><tr><td>Computer and other ICT Equipment</td><td>3</td><td>33.3%</td></tr><tr><td></td><td></td><td></td></tr></table>	Type	Useful life (years)	Rate (%)	Computer and other ICT Equipment	3	33.3%						
Type	Useful life (years)	Rate (%)													
Computer and other ICT Equipment	3	33.3%													
8.	Office equipment IPSAS 45	Kshs 1 (All office equipment)	<p><b>Definition:</b> Equipment includes all equipment not covered under ICT and plant and Machinery.</p> <p><b>Sub Class:</b> Examples include office equipment such as safes, air conditioners, shredders, and storage equipment, among others.</p> <p><b>Valuation:</b> Historical cost or current operational value</p> <p><b>Depreciation:</b></p> <table><tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr><tr><td>Office Equipment</td><td>8</td><td>12.5%</td></tr></table>	Type	Useful life (years)	Rate (%)	Office Equipment	8	12.5%						
Type	Useful life (years)	Rate (%)													
Office Equipment	8	12.5%													
9.	Furniture, fittings IPSAS 45	Kshs 1 (All office furniture and fittings)	<p><b>Definition:</b> The term furniture and fittings includes all furnishings, desks, tables, chairs, bookshelves, etc., owned by the government. Furniture could be purchased, internally constructed, or donated, e.g., through contributions.</p> <p><b>Valuation:</b> Historical cost or current operational value.</p> <p><b>Depreciation:</b></p> <table><tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr><tr><td>Furniture, Fittings</td><td>8</td><td>12.5%</td></tr></table>	Type	Useful life (years)	Rate (%)	Furniture, Fittings	8	12.5%						
Type	Useful life (years)	Rate (%)													
Furniture, Fittings	8	12.5%													
10	Investment property IPSAS 45	Kshs 1 (All investment [property])	<p><b>Definition:</b> Land or a building (or part of a building) held to earn rentals for capital appreciation or both.</p>												

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

S/No.	Asset Class	Capitalisation threshold	Guide									
			<b>Subclass:</b> Land or building <b>Valuation:</b> Historical cost or fair value <b>Depreciation:</b> For land and buildings, as applicable.									
11	Leased Assets under finance lease and right of use assets (the government as a lessee) IPSAS 43	All leases except low-value leases and leases below one year.	<b>Definition:</b> A lease is a contract that conveys the right to control the use of an identified asset for a period in exchange for consideration. Examples of assets that can be leased include motor vehicles, buildings, aircraft, and medical equipment, among other types of assets.  <b>Sub Class:</b> leased assets and right-of-use assets. <b>Valuation:</b> Valued at the present value of a leased asset over the lease period. <b>Depreciation:</b> based on the lease period.									
12	Heritage assets IPSAS 45	Kshs 1 (All heritage and cultural assets)	<b>Definition:</b> Tangible assets that have a historical, artistic, or cultural significance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. e.g., Historical sites, archaeological sites, paleontological items (fossils), monuments, scientific collections  <b>Subclasses: cultural (man-made) or natural, they can also be tangible or intangible.</b> <b>Valuation:</b> Heritage assets are initially measured at historical cost or current operational value. <b>Depreciation:</b> Asset with finite useful life – based on the type of assets. Asset with an indefinite useful life - assess for impairment.									
13	Work in Progress IPSAS 45	Kshs 1 (All work in progress)	<b>Definition:</b> <b>Works</b> - assets that are in the process of construction or creation, such as buildings, infrastructure, or artistic works. These items are typically considered inventories until they are completed and ready for their intended use or sale. <b>Goods</b> - assets that are in the process of production for sale or external distribution. This includes items that are partially completed but not yet ready for sale.  <b>Sub Class:</b> Works and Goods <b>Valuation:</b> Historical cost. <b>Depreciation:</b> Nil									
14	Intangible assets IPSAS 31	Kshs 1 (All intangible assets) Period in agreement	<b>Definition:</b> An intangible asset is an identifiable non-monetary asset without physical substance.  <b>Sub Class: Software;</b> Software purchased, easements and rights, intellectual property, other intangibles <b>Valuation:</b> Historical cost, current operational value <b>Depreciation:</b> <table><tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr><tr><td>Software</td><td>5-8</td><td>12.5-20%</td></tr><tr><td>Easements/ Right of way</td><td>Number of years defined in contract</td><td>As applicable</td></tr></table>	Type	Useful life (years)	Rate (%)	Software	5-8	12.5-20%	Easements/ Right of way	Number of years defined in contract	As applicable
Type	Useful life (years)	Rate (%)										
Software	5-8	12.5-20%										
Easements/ Right of way	Number of years defined in contract	As applicable										

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

S/No.	Asset Class	Capitalisation threshold	Guide			
			Quotas, licences, rights, e.g., water, logging and minerals, and airport landing fees	Number of years' rights held based on the contract agreement	As applicable	
			Patents	7-10	10-14.3%	
			Copyrights	Section 23 of the Copyright Act of 2001 (Revised 2017)	As applicable	
			Industrial design	5-15	6.67-20%	
			Utility models	5-12	8.33-20%	
15	Biological assets IPSAS 27	Kshs 1 (All biological assets)	<p><b>Definition:</b> Living animals or plants controlled by an entity and used to produce agricultural produce or for breeding and expected to generate future economic benefits through the sale of agricultural produce or the breeding of animals. <b>e.g.,</b> Livestock (e.g., cattle, sheep, poultry), Trees and plants (e.g., orchards, vineyards), and fish in aquaculture.</p> <p><b>Sub Class:</b> Livestock; crops, agricultural produce at the point of harvest.</p> <p><b>Valuation:</b> fair value less costs to sell as per IPSAS 27.</p> <p><b>Depreciation:</b> N/A</p>			
16	Tangible Natural Resources	Kshs 1 (All tangible natural resources)	<p><b>Definition:</b> A tangible natural resource is an item that: (a) is naturally occurring; and (b) embodies service potential or the capability to generate economic benefits or both. Examples include forests in designated areas, wildlife, bodies of water in conservation areas, and particular species of animals, among others.</p> <p><b>Sub Class:</b> natural resources with finite lives and natural resources with infinite lives</p> <p><b>Valuation:</b> cost or current operational value (shall be the deemed cost at the point of recognition)</p> <p><b>Depreciation:</b> Asset with finite useful life – based on the type of assets. Asset with an indefinite useful life - assess for impairment.</p>			
17	Plant and Machinery IPSAS 45	Kshs 1 (All plant and machinery)	<p><b>Definition:</b> Plant and equipment are a grouping of assets of a similar nature or function in an entity's operations. A factory and the machinery therein are typical examples of plant and machinery.</p> <p><b>Sub Class:</b> plant and equipment, machinery</p> <p><b>Valuation:</b> Historical cost or current operational value</p> <p><b>Depreciation:</b> Based on the purpose of the machinery</p>			
18	Inventories IPSAS 12	Kshs 1 (All inventory)	<p><b>Definition:</b> Inventories are assets in the form of materials or supplies to be consumed in the production process, to be consumed or distributed in the rendering of services, held for sale in the ordinary course of business, or the process of production or distribution. Examples in the public sector include consumable stores, maintenance materials, and spare parts, among others.</p>			

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

S/No.	Asset Class	Capitalisation threshold	Guide
			<b>Sub Class:</b> consumables, finished goods, raw materials, and goods in transit, among others. <b>Valuation:</b> Lower of cost or net realisable value or current replacement cost.
19	Service Concession Arrangements IPSAS 32	Kshs 1 (All assets arising from service concession arrangements)	<b>Definition:</b> A long-term contract between a private party and a government entity for providing a public asset or service, in which the private party bears significant risk and management responsibility. <b>Sub Class:</b> intangible or tangible <b>Valuation:</b> fair value <b>Depreciation:</b> Based on the underlying asset, where applicable.

### 8.1.1 Financial Assets

A financial asset is a non-physical asset whose value is derived from a contractual claim, such as bank deposits, bonds, and participations in companies' share capital. Financial assets are usually more liquid than tangible assets, such as commodities or real estate. In the public sector, examples include cash and bank balances, investments, and receivables, among others.

All financial assets are to be treated as follows in the transition period:

- i. Financial assets are to be identified and recognized in FY 24/25 fully as per the transition roadmap.
- ii. Entities should review all their transactions to identify where financial assets may arise and where the entity has an enforceable right to recover these assets.
- iii. For reporting of receivables, the entities are required to review legal instruments and record all receivables.
- iv. Entities are required to include the amounts held in all their bank accounts, including those in commercial banks, as their cash and cash equivalents.
- v. All opening balances for the financial assets should be supported through documents such as certificates, statements, invoices, and other forms of support.
- vi. Assessment for impairment of financial assets should be conducted throughout the implementation phase as per IPSAS 41.

S/No	Asset Class	Guide
1.	Investments IPSAS 28/30/41	<b>Definition:</b> An Asset that is held primarily for earning returns such as interest, dividends, or capital gains. <b>Sub Class:</b> <b>Debt</b> instruments, e.g., T-bills & T-bonds; <b>Equity</b> instruments, e.g., shares in government-linked entities, quoted & unquoted companies, including IMF quotas; and <b>other securities</b> in commercial entities, e.g., fixed deposits <b>Valuation:</b> Market value and Equity Method for unquoted assets and amortized cost for debt instruments
2.	Loans Receivables IPSAS 41	<b>Definition:</b> An Asset that represents amounts owed to an entity from others due to loans granted, and expected to be repaid over time, usually with interest.

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

S/No	Asset Class	Guide
		<b>Sub Class: Concessional loans</b> , including on-lending, and commercial. <b>Valuation:</b> Measurement initially at fair value, and subsequently at amortized cost. Subject to impairment review, where losses are recognized if there is evidence that the loan cannot be fully recovered.
3.	Receivables IPSAS 41	<b>Definition:</b> Amounts due to an entity from customers for goods sold or services offered. <b>Sub Class:</b> Could be exchange or non-exchange. Non-exchange includes Taxes, Fees, and intergovernmental receivables; exchange comprises, e.g., rent revenue and sale of assets. <b>Valuation:</b> Accounts receivable is initially measured at the original invoice amount at initial recognition and subsequently valued at amortized cost. If there is an indication that a receivable may not be fully collectible, an impairment loss is recognized.
4.	Other Receivables IPSAS 41	<b>Definition:</b> Amounts due from various non-operational transactions. <b>Sub Class: none</b> <b>Valuation:</b> Accounts receivable is initially measured at the original invoice amount at initial recognition and subsequently valued at amortized cost. If there is an indication that a receivable may not be fully collectible, an impairment loss is recognized.
5.	Cash and Cash equivalents IPSAS 41	<b>Definition:</b> Cash on hand and in bank/financial institutions. Cash equivalents are investments that can be easily and quickly converted into cash without significant loss in value. They have a short maturity of 3 months or less. <b>Sub Class:</b> Cash; Cash in Transit; Cash in Bank/Financial Institutions; Mobile Money; and Investments with maturity of 3 months or less
6.	Contingent Assets IPSAS 19	<b>Definition:</b> Possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. e.g. litigations <b>Valuation:</b> They are not recognized in the financial statements; however, they should be disclosed in the notes to the financial statements unless it is highly probable that the asset will be received.

### 8.2 Liabilities

A liability is a present obligation of the entity to transfer resources as a result of past events or transactions. Liabilities include obligations to transfer or pay cash, obligations to provide goods or services, and obligations to transfer resources in the event of an unfavourable occurrence. Examples of liabilities in the public sector include what is commonly referred to as ‘pending bills’, public debt, pension liabilities, gratuity, and contingent liabilities, among others.

During the transition period, entities are to account for the liabilities as follows:

- i. Financial liabilities are to be identified and recognized in FY 24/25 fully as per the transition roadmap.
- ii. Entities should review all their transactions to identify where financial assets may arise and where the entity must settle the amounts.



## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

- iii. For reporting of payables and debt, the entities are required to review legal
- iv. instruments and contracts and record all liabilities arising from these documents.
- v. All opening balances for the financial liabilities, including pending bills, should be supported through documents such as invoices, contracts, and statements, among others.

S/ n o.	Liability	Guide
1	Public Debt IPSAS 29/30/41	<p><b>Definition:</b> Liability arising from borrowing and includes repayment of principal and interest accrued over time.</p> <p>Sub Class Level 1: Non-current; Current.</p> <p>Sub Class Level 2: Domestic; foreign</p> <p>Sub Class Level 3: Domestic - Bonds; T-Bills; Commercial, Annuity. Foreign - Bilateral; Multilateral, sovereign</p> <p><b>Measurement:</b> Amortized Cost</p>
2	Contingent Liabilities IPSAS 19	<p><b>Definition:</b> Possible liability that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. e.g., Public Private Partnership arrangements, Litigations, Guarantees,</p> <p><b>Sub Class:</b> None</p> <p><b>Measurement:</b> Disclosure, recognized when the event materializes</p>
3	Accruals IPSAS 19	<p><b>Definition:</b> Accruals are liabilities to pay for goods or services that have been received or supplied, but have not been paid, invoiced, or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay). Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions. e.g., utility bills, rent payable already consumed but not yet invoiced.</p> <p><b>Sub Class:</b> None</p> <p><b>Measurement:</b> best estimate to fulfill the obligation</p>
4	Accounts payable IPSAS 41	<p><b>Definition:</b> Amounts payable to a supplier for goods, services, and works used in the ordinary course of business. e.g., Pending Bills, Staff costs including statutory deductions; Retention money, and third-party deposits. Payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier.</p> <p><b>Sub Class:</b> Non-current; Current.</p> <p><b>Measurement:</b> amortized cost</p>
5	Pensions liabilities IPSAS 39/49	<p><b>Definition:</b> Post-employment benefits are payable after completion of the employment contract. e.g., Defined benefits, Gratuity</p> <p><b>Sub Class:</b> Non-current; Current.</p> <p><b>Measurement:</b> through actuarial valuation for defined benefit plans</p>
6.	Provisions IPSAS 19	<p><b>Definition:</b> A provision is a liability of uncertain timing or amount. Examples include warranties and guarantees.</p> <p><b>Sub Class:</b> Current and non-current</p> <p><b>Measurement:</b> best estimate to fulfil the obligation</p>

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

S/n o.	Liability	Guide
7.	Social Benefits IPSAS 42	<b>Definition:</b> Cash transfers provided to specific individuals or households who meet the eligibility criteria to mitigate the effects of social risk and address the needs of society as a whole. Cash transfers to the elderly, transfers to orphaned and vulnerable children, transfers to people living with disabilities  <b>Sub Class:</b> Non-current; Current <b>Measurement:</b> Cost of fulfilment
8.	Leases IPSAS 43	<b>Definition:</b> Present value of future lease payments. e.g., motor vehicle lease,  <b>Sub Class:</b> Lease; Leases at concessional terms; Other lease arrangement. <b>Measurement:</b> Present value of future lease payments
9.	Service concession agreements IPSAS 32	<b>Definition:</b> Contractual arrangement between a public sector entity (referred to as the grantor) and a private sector entity (the operator), where the operator is tasked with providing public services on behalf of the grantor.  <b>Sub Class:</b> current and non-current <b>Measurement:</b> fair value

### 8.4 Implementation Phase

Transitioning to accrual-based IPSAS is more than just a change in accounting rules; it is a comprehensive transformation project in public sector accounting and reporting. There will be a shift in the way various elements of the financial statements are reported, compared to cash accounting. The following are double entries for multiple scenarios under the accrual basis of accounting, focusing on assisting implementing entities in understanding accounting for various transactions through double entry under the IFMIS system.

#### 1. Revenue

##### Cash Revenues

The functionality serves to record cash/money received by an entity.

**Creating cash revenue:** The functionality enables the recording of cash/Money received by an institution when a service has been rendered and consumed. Revenue must have been duly certified before being captured in the system. As a process, the money received must be banked intact before the receipts are captured on the system. Cash receipts are used for every transaction involving cash. The accounting entries for the cash receipts are as follows:

Statement of Financial Position	Dr – Cash/Bank Account	XX	
Statement of Financial Performance	Cr – Revenue		XX

### **Considerations when capturing revenue**

- i. Splitting of revenue relating to the current reporting period (revenue for the current reporting period) and the receipts flowing over to the next reporting period.
- ii. Splitting of short-term revenue (within the next 12 months or before the end of the current reporting period) and long-term revenue (to be utilized in the coming periods, i.e., deferred).
- iii. Splitting of revenue from exchange transactions and revenue from non-exchange transactions.

## **2. Receivables**

The receivable/billing functionality is used to modify revenue receivable due to the entity.

**Receivable creation:** The process of recording/recognizing the receivable and generating a bill for the individual debtor. It is required that the list of receivables/debtors be known and created in the system. When a bill has been approved, it's at this point that an accounting entry is affected. The accounting entries are generated in the GL as follows:

Statement of Financial Position	Dr – Receivables Account	XX	
Statement of Financial Performance	Cr – Revenue		XX

**Receivable payment:** The process of clearing the outstanding bills/receivables. It is required that a bill be created before a payment is initiated. Upon approving payment, the accounting entries are generated in the GL as follows:

Statement of Financial Position	Dr – Cash/Bank Account	XX	
Statement of Financial Performance	Cr – Receivables Account		XX

### **Considerations when capturing receivables**

- i. Long-term, such as multi-year grants expected under already signed grant agreements, and where the funds have not yet been advanced to the entity.
- ii. Short-term, e.g., advance payments from clients and all other receivables from both exchange and non-exchange transactions.

## **3. Deposits**

The deposit functionality is used to modify revenue received in advance and is owed to customers by the entity.

**Deposit creation:** It's the process of recording prepayments (money received before the service or goods have been consumed), caution money, and transit funds. (Local and foreign). It is required that money should have been received, and services/refund not yet given. Upon approving the bill, it's when the accounting entries are affected.

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

Statement of Financial Position	Dr – Cash/Bank Account	XX	
Statement of Financial Position	Cr – Liability Account		XX

**Deposit clearance:** When money has been deposited into the budget agency account before services have been rendered, it can ultimately be consumed or refunded. This is handled in the clear deposit. Upon approving the refund, appropriate accounting entries are generated:

Statement of Financial Position	Dr – Liability Account	XX	
Statement of Financial Position	Cr – Cash/Bank Account		XX

### Considerations when capturing deposits

- i. Recognition of deposit as payable. A deposit should be recognized as payable until the point at which the entity has delivered the goods or performed the service for the third party, because it is at that point that the obligation is extinguished.
- ii. Linking/matching the services performed or goods delivered to provide a report of the list of outstanding obligations.

### 4. Non-conditional grants

#### i. Recognition of revenue from grants (at the point when there is an enforceable claim)

Grant revenue is recognized when the entity has a valid ground (such as a signed grant contract) to claim entitlement to the grant. Where the full amount of the grant is received in cash, the cash/bank account is debited by the amount received, and the corresponding credit is posted to the Revenue from the grant account.

Where there is no cash received for the grant, a receivable is recognized by debiting the Grant receivable account, and the corresponding credit is posted to the Revenue from the grant account.

Where the amount of the grant is received partly in cash, then on the assets side of the Statement of Financial Position, the Cash/bank account and the Grant receivable amount are both debited to the extent that the total of the two debit entries is equivalent to the corresponding credit entry posted to the Revenue from grant account.

Statement of Financial Position	Dr – Cash/bank (where cash is received)	XX	
Statement of Financial Position	Dr Grant receivable (where no cash received)	XX	
Statement of Financial Performance	Cr – Revenue from grant		XX

**ii. Recording of deferred revenue from grants (first year of a multiyear grant)**

Being complete entries recording revenue from a grant spanning more than one accounting period.

In addition to the journal entries in Scenario 1 above, the following key issue under Scenario 2 is the split between the portion of the grant relating to the current financial year and the portion pertaining to the subsequent financial year.

On the debit side, the respective amounts relating to what has been received in cash and what is yet to be received (grant receivable) are debited appropriately. On the corresponding credit side, the total credit is split between the portion of the grant relating to the current financial year and the portion pertaining to the subsequent financial year.

The basis of the split is a case-by-case consideration. Some grant agreements will explicitly state the cash flows for each year across the grant's duration. Where the period of the grant does not match the FY, the split between the portion of the grant relating to the current financial year and the portion pertaining to the subsequent financial year will be made on a pro-rata basis.

Statement of Financial Position	Dr – Cash/bank (where cash/part cash is received)	XX	
Statement of Financial Position	Dr Grant receivable (where no cash received)	XX	
Statement of Financial Performance	Cr – Revenue from the grant (for the portion relating to the current reporting period)		XX
Statement of Financial Performance	Cr – Deferred grant revenue (for components relating to the period after the reporting period)		XX

**iii. Release of deferred grant revenue to the Statement of Financial Performance (second year of grant)**

Being released of revenue due, in the second year of the grant, from the total amount of grant revenue held in the Deferred revenue account for the duration of the grant.

Statement of Financial Position	Dr – Deferred grant revenue (portion relating to the second year)	XX	
Statement of Financial Performance	Cr – Revenue from the grant (portion relating to the second year)		XX

**5. Conditional Grants**

**6.**

Grants should not only be recognized in the Statement of Financial Performance in the periods covered by the grants. A more in-depth analysis of the grant agreement terms should be conducted. If conditions are attached to the grants, these should be identified, and revenue can only be recognized when the conditions attached to the grant are fulfilled.

Below are the double entries: a grant is received (or receivable), and a condition is attached to it.

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

### i. Grant received/(receivable), and a condition is attached to the grant

Journal entries are to record receipt of grant funds for a grant with a condition attached.

Statement of Financial Position	Dr Cash/grant received	XX	
Statement of Financial Position	Cr – Liability		XX

### ii. Conditions on the grant are fulfilled

Being a journal to recognize revenue from a grant once the grant conditions are met.

Statement of Financial Position	Dr – Liability	XX	
Statement of Financial Performance	Cr – Revenue		XX

## 7. Recognition of revenue from fees, fines, penalties, and licenses

Revenue from fees, fines, penalties, and licenses is recognized when the entity has a valid ground (such as a law being broken, or an offender having been convicted of an offense attracting a fine or penalty) to claim entitlement to the revenue. Where the full amount of the revenue is received in cash, the cash/bank account is debited by the amount received, and the corresponding credit is posted to the revenue from fees, fines, penalties, and licenses account.

Where no cash is received in respect of the revenue, a receivable is recognized by debiting the Fees, Fines, Penalties, and Licenses Receivable account and posting the corresponding credit to the revenue from Fees, Fines, Penalties, and Licenses. Where the amount of the revenue is received partly in cash, both the cash/bank account and the fees, fines, penalties, and licenses receivable amount are debited under the assets side of the Statement of Financial Position to the extent that the total of the two debit entries is equivalent to the corresponding credit entry posted to the Revenue from Fees, fines, penalties, and licenses.

Statement of Financial Position	Dr – Cash/bank (where cash is received)	XX	
Statement of Financial Position	Dr – Fees/fines/penalties/licenses receivable (where no cash received)	XX	
Statement of Financial Performance	Cr – Revenue from fees, fines, penalties, and licenses.		XX

## 8. Recognition of expense

Being recognized as an expense in the Statement of Financial Performance (typical expense journal entry).

Statement of Financial Performance	Dr – Expense	XX	
Statement of Financial Position	Cr – cash (where cash is paid out)/specific liability or obligation bringing about the expense.		XX

### **Considerations when Capturing Expenses**

- Recognition of accrued expenses, prepayments, write-offs, provisions, depreciation, and interest.

## **9. Assets (PPE, Buildings, etc.)**

### **Recognition of asset (initial measurement)**

It is a recording of assets at the time of initial recognition in the entity's accounting records. Where the asset is fully paid for in cash, a credit of the value equivalent to the purchase price is posted to the cash/bank account, and a corresponding debit entry is posted to the cost–asset account.

Statement of Financial Position	Dr – Cost - Asset	XX	
Statement of Financial Position	Cr – Cash/bank (where cash is paid out)		XX

### **Subsequent Measurement – Recognising depreciation**

Once an asset is put into use, it undergoes wear and tear, referred to as depreciation. At the end of each accounting period (financial year), a deduction is made to the cost of the asset and transferred to the accumulated depreciation account. Below are the accounting entries—recording depreciation expense in the period in which the expense is incurred.

Statement of Financial Performance	Dr – Depreciation expense	XX	
Statement of Financial Position	Cr – Accumulated depreciation.		XX

### **Derecognition**

#### **Derecognising (where there are no proceeds – fully depreciated)**

The removal of the asset from the entity's accounting records. The total depreciation accumulated to date is removed by debiting the Accumulated depreciation account, and the cost of the asset is eliminated by crediting the cost–asset to the total depreciation accumulated as of the date of derecognition. Ideally, when an asset is fully depreciated, it means that the wear and tear over the asset's life is equivalent to its initial recognition value, i.e., the asset has exhausted its useful life.

Statement of Financial Position	Dr – Accumulated depreciation (all)	XX	
Statement of Financial Position	Cr – Cost-asset		XX

#### **Derecognising (loss on sale)**

The loss on disposal of the asset is the difference between the **NBV** (i.e., Cost of asset – accumulated depreciation) of the asset at the date of disposal and the **proceeds** received as consideration for the sale of the asset. Where the proceeds received are less than the NBV of the asset, then the shortfall between the two amounts is the loss on disposal. In this regard,

the NBV is achieved by debiting the Accumulated depreciation account and crediting the cost–asset by the total depreciation accumulated as of the date of the disposal.

The proceeds received from the sale of the asset are recorded in the cash/bank account by debiting the account, and the corresponding credit journal is posted to the cost–asset account. To balance the cost–asset account, a balancing credit entry is posted to this account, and the corresponding debit is posted (i.e., expensed) to the Statement of Financial Performance as a loss on disposal.

Statement of Financial Position	Dr – Accumulated depreciation (all)	XX	
Statement of Financial Position	Cr – Cost-asset		XX
Statement of Financial Position	Dr – Cash/Bank (proceeds received)	XX	
Statement of Financial Performance	Dr – Loss on sale of asset (expense)	XX	

### **Derecognising (gain on sale)**

A gain on disposal arises where the proceeds received exceed the NBV of the asset. These are the duplicate journal entries posted when recording the loss on disposal above, except that the balancing figure in this case is a debit to the cost–asset account.

Statement of Financial Position	Dr – Accumulated depreciation (all)	XX	
Statement of Financial Position	Cr – Cost-asset		XX
Statement of Financial Position	Dr – Cash/Bank (proceeds received)	XX	
Statement of Financial Performance	Cr - Gain on sale of asset (income)		XX

## **10. Land**

Under IPSAS 45, land is considered to have an infinite useful life. It is not depreciated for that reason because the future economic benefits are assumed to continue to accrue to the public entity indefinitely.

The revaluation model, as per guidance under IPSAS 45, is usually applied to land due to its nature, as highlighted above. Land is revalued periodically to reflect its actual value over time.

Based on IPSAS 45 guidance, the increase (or decrease) in the value of the asset will only be recognized to the extent that it reverses a previously recognized decrease (or increase) in this particular class of asset. Furthermore, when conditions necessitate a revaluation (increase or decrease in value) of an asset, the revaluation should be applied uniformly across all assets in that class.



### **Recording an increase in the value of land**

Being recognition of the revalued amount of land

Statement of Financial Position	Dr – Land (assets) – with an increase in value	XX	
Statement of Financial Position	Cr – Revaluation reserve/surplus – with an increase in value		XX

### **Recording a decrease in the value of land**

Being the reversal of previously recognized revaluation.

Statement of Financial Position	Dr – Revaluation reserve – with a decrease in value	XX	
Statement of Financial Position	Cr – Land (assets) – with a decrease in value		XX

The accounting entries above also apply to all other classes of assets that are subject to revaluation.

## **11. Intangible Assets**

### **Initial recognition of intangible assets**

Statement of Financial Position	Dr – Intangible asset	XX	
Statement of Financial Position	Cr – Bank account		XX

### **Recognition of amortization**

Statement of Financial Performance	Dr – Amortisation expense	XX	
Statement of Financial Position	Cr – Intangible asset		XX

### **Recognition of impairment loss**

This applies to intangible assets with indefinite useful lives.

Statement of Financial Performance	Dr – Impairment expense	XX	
Statement of Financial Position	Cr – Intangible asset		XX

## **12. Inventories**

### **Initial Recognition of Inventory**

It is the initial recognition of inventory in the entity's accounts. The asset (inventory) is created by debiting the Inventory account and crediting the cash/bank account by the same amount.

Statement of Financial Position	Dr – Inventory	XX	
Statement of Financial Position	Cr – cash/bank		XX

### **Initial Recognition of inventory in kind**

Recognition of inventory acquired through means other than cash payment. The inventory is recognized at fair value as opposed to the lower net realizable value and cost in the scenario above.

Statement of Financial Position	Dr – Inventory (fair value)	XX	
Statement of Financial Performance	Cr – other revenue (non-exchange transactions)		XX

### **Issue of Inventory (Issuing entity)**

Statement of Financial Performance	Dr – Expense)	XX	
Statement of Financial Position	Cr – Inventory		XX

## **13. Long-term borrowings**

Public debt and associated interest are recognized on a cash basis. Proceeds from loan borrowings are recognized as revenue during the year of receipt at cost and repayment as expenditure in the year of repayment. Based on the provisions of IPSAS 41 - Financial Instruments: Recognition and Measurement, borrowings currently recognized as revenue must be moved to the Statement of Financial Position. The whole loan amount is recognized as a non-current liability, and the proceeds received are recorded in the cash or bank account. The total repayment amount for typical government-to-government loans primarily consists of the principal amount and interest payments over the loan's term.

Under IPSAS, upon recognition of a loan in the Statement of Financial Position, two payables arise: long-term (the remaining portion of the loan over the loan period) and short-term (the next repayment, comprising a portion of the principal amount and the interest computed for that period).

### **Recording of loan receipts (on initial recognition)**

Statement of Financial Position	Dr – cash/bank	XX	
Statement of Financial Position	Cr – Loan payable		XX

### **Recording of repayment of borrowings (one instalment)**

Statement of Financial Performance	Dr – Finance cost	XX	
Statement of Financial Position	Dr – Loan payable (long-term)	XX	
Statement of Financial Position	Cr – Cash/bank		XX

### **Recording of income from below-market-rate loans on initial recognition (concessionary loans)**

Statement of Financial Performance	Dr – Finance cost (the portion above the original contract interest rate)	XX	
Statement of Financial Performance	Cr – Revenue		XX

## **8.5 Accrual-based financial reporting templates**

Section 194 (1) (d) of the PFM Act requires the PSASB to prescribe formats for financial statements and reporting by all state organs and public entities. The financial reporting templates will be prescribed when IPSASB issues new standards to provide the requisite guidance to implementing entities. In preparing the templates, the following have been adhered to:

- a) All templates applicable for FY 24/25 for in-year reporting and annual reporting were issued by a National Treasury circular dated 3<sup>rd</sup> October 2024 and are available for application.
- b) The templates have been prepared to include all the elements of financial statements detailed in this topic of the roadmap. This is to guide entities that would like to take advantage of early adoption and recognise all aspects of financial statements in year 1.
- c) In preparing the templates, the board has elected to take advantage of IPSAS 33: First Time Adoption of Accrual Basis IPSAS on the presentation of financial statements. These exemptions do not require entities to provide comparative information; therefore, the templates contain the following information for Year 1 of the transition. Owing to this, the templates contain the following information:
  - i. One statement of financial position and an opening statement of financial position as at the date of adoption of accrual basis IPSAS, i.e., 1<sup>st</sup> July 2024
  - ii. One statement of financial performance
  - iii. One statement of changes in net assets/equity
  - iv. One cash flow statement
  - v. 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

- vi. Related notes and disclosures.
  - i. Templates issued are in Word and Excel formats to guide the preparation in providing linkages to the information prepared.
  - ii. In the process of re-engineering IFMIS, the financial reporting templates will eventually be automated in the system to ensure that financial statements are generated from IFMIS.

## **9. CONSOLIDATED FINANCIAL STATEMENTS**

The PFM Act 2012, Section 80, requires the National Treasury to prepare clear and comprehensible annual financial statements for the national government, consolidating the financial statements of all national government entities. Currently, the National Treasury prepares four different sets of consolidated financial statements, including one for the MDAs, county governments, state corporations, and SAGAs, as well as the Consolidated Fund. With the transition to accrual accounting, all the public sector financial statements will be prepared using an accrual basis, and the National Treasury will prepare one set of consolidated financial statements as envisioned in the Act.

The public sector comprises the general government, which includes the central government and the devolved units (county governments), as well as commercial-oriented enterprises. The transition to accrual accounting will enable the general government to apply IPSAS accrual standards, as opposed to the cash-based standards it has applied for the past decade.

### **9.1 Consolidated Financial Statements by the National Government**

Section 80(1) of the PFM Act, 2012, requires the National Treasury to prepare clear and comprehensible annual financial statements for the national government at the end of each financial year. These statements must consolidate the financial statements of all national government entities in formats prescribed by the Accounting Standards Board.

The National Treasury shall include the following in the consolidated financial statements:

- a. a statement of all monies paid into and out of the National Exchequer Account.
- b. a summary of—
  - (i) the appropriation accounts and statements prepared by accounting officers under section 81; and
  - (ii) the statements prepared by receivers of revenue under section 82.
- c. a statement of payments made from the National Exchequer Account that are authorised by legislation other than an Appropriation Act.
- d. a statement of the total amount of debt of the national government that is outstanding at the end of the financial year.
- e. a statement of any waivers under Article 210 of the Constitution; and
- f. such other statements as the National Assembly may require.

Section 12 2(e) of the PFM Act 2012 requires the National Treasury to consolidate financial information for both levels of government. It states that the National Treasury shall consolidate reports of annual appropriation accounts and other financial statements of the national government, county governments, and their entities. This means that the National Treasury shall prepare a government-wide consolidated financial statement indicating the financial position and performance of the government of Kenya.

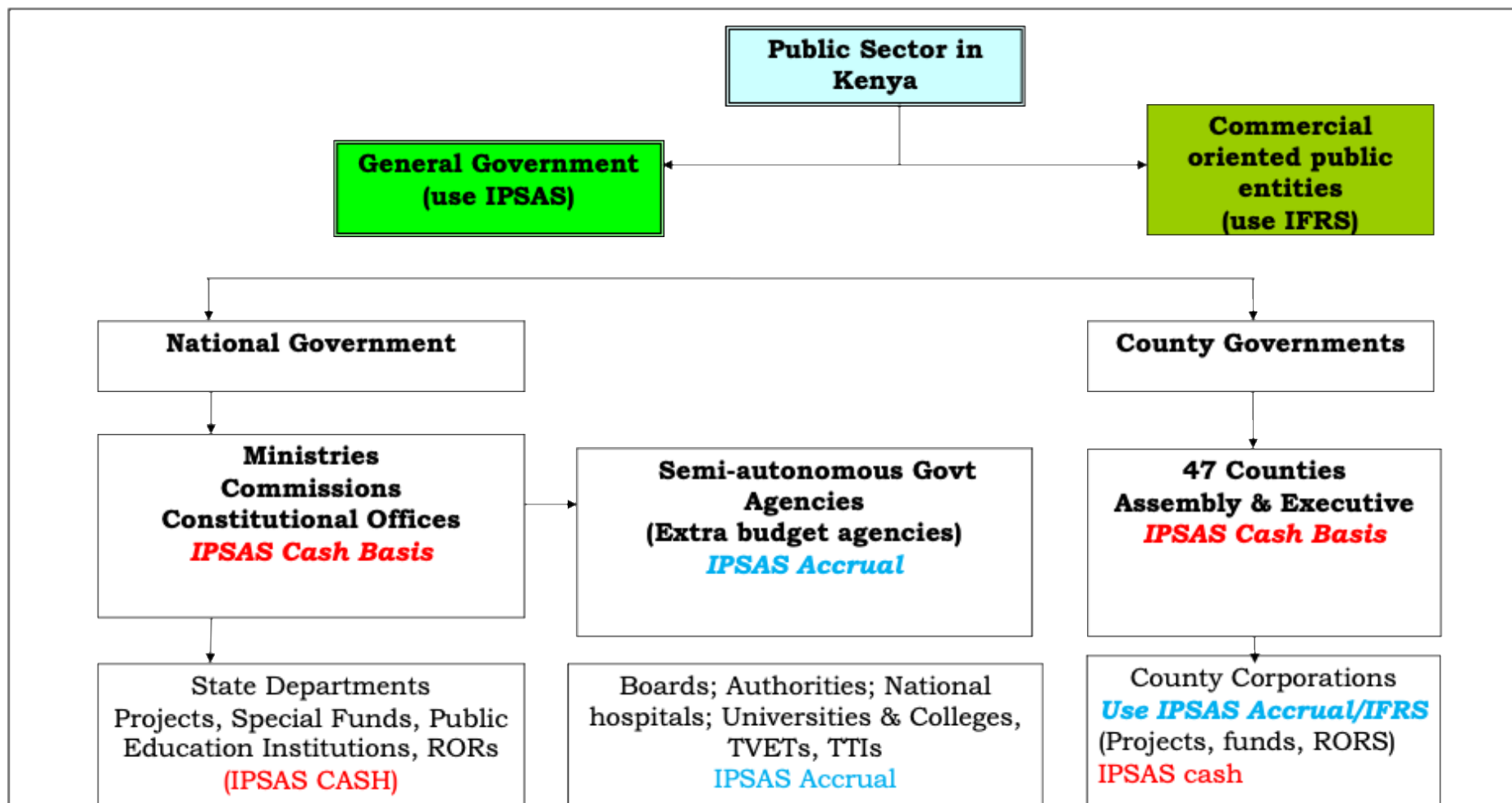
## **9.2 Consolidated financial statements by county governments**

Section 163(1) of the PFM Act, At the end of each financial year, the County Treasury shall, for the county government, consolidate the annual financial statements in respect of all the county government entities in formats to be prescribed by the Accounting Standards Board. The County Treasury shall include the following in the consolidated financial statements:

- (a) a statement of all money paid into and paid out of the County Exchequer Account.
- (b) a summary of—
  - (i) the appropriation accounts and statements prepared by accounting officers under Section 164 of the PFM Act, and
  - (ii) the statements prepared by the receivers of revenue under Section 165 of the PFM Act.
- (c) a statement of payments, if any, made out of the County Exchequer Account that are authorised by legislation other than an Appropriation Act.
- (d) a statement of the total amount of debt of the county government that is outstanding at the end of the financial year.
- (e) a statement of the debt guaranteed by the national government at the end of the financial year
- (f) such other statements as the county assembly may require; and
- (g) a statement on the summary of the accounts from the county assembly.

The law further requires that the consolidated financial statements be presented to the Office of the Auditor General for audit within the stipulated timelines. The diagram below shows the scope of consolidation in the public sector and the standards applied:

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**



## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

To ensure that the National Treasury prepares a single set of consolidated financial statements, the following approach is to be undertaken.

Activity Area	Phase I (23/24)	Phase I (24/25)	Phase II (25/26)	Phase III (26/27)	Phase IV (27/28)
Consolidated Financial Statements	Carry out a gap analysis of current consolidation requirements and expectations during the transition.	<p>Develop accounting policies consistent with IPSAS 34-38 (ASD/PSASB)</p> <p>Develop format including sector statements</p> <p>Explore and decide on options (such as Oracle and Hyperion) and processes, including a consolidation package.</p> <p>Prepare 24/25 consolidated financial statements for the Budgetary Central Government.</p> <p>Implement the selected option for consolidation.</p>	<p>Prepare the Budgetary Central Government 2025/26 Consolidated financial statements.</p> <p>Set up systems and processes for consolidating General Government.</p> <p>Continue to refine policies, processes, and data.</p>	<p>Prepare the CFS for the Central Government for 26/27, including a sector statement for BCG and Extra Budgetary Units (EBUs).</p> <p>Prepare CFS for General Government, including a sector statement for BCG, Central Government, and County Governments.</p> <p>Set up system and processes for consolidating the public sector, including sector statements (BCG, CG, GG, and state corporations).</p>	Prepare CFS for the Public Sector, including sector statements for BCG, CG, Counties, GG, and state corporations.



## **10. EXTERNAL AUDIT**

### **10.1 Internal Audit**

The internal auditors are mandated to:

- i. review and evaluate budgetary performance, financial management, transparency, and accountability mechanisms and processes in national and county government entities.
- ii. review the effectiveness of the financial and non-financial performance management systems of the entities.

The internal auditors prepare quarterly reports and an annual report. These reports are helpful in management as they ensure the entity's internal controls. The reports also serve as a starting point for external audits. Under the various types of audits conducted by the internal auditor, it is expected that the transition to IPSAS accruals will have the most significant impact on financial reviews and compliance audits, as they relate to reviewing financial reports and transactions, as well as ensuring compliance with standards.

Compliance reviews will be crucial during and after the adoption of IPSAS, as they can help monitor the transition to IPSAS and guide the Accountant General on progress toward compliance with IPSAS. As the transition to accrual accounting is implemented, there needs to be developed tailored financial review procedures to cover:

- Procedures for auditing financial statements prepared in line with accrual-basis IPSAS.
- Audit of computer-based accrual accounting systems under the re-engineered IFMIS.

### **10.2 External audit**

Article 229 of the Constitution of Kenya states that there shall be an Auditor-General. Within six months after the end of each financial year, the Auditor-General shall audit and report, in respect of that financial year, on:

- i. the accounts of the national and county governments;
- ii. the accounts of all funds and authorities of the national and county governments;
- iii. the accounts of all courts;
- iv. the accounts of every commission and independent office;
- v. the accounts of the National Assembly, the Senate, and the county assemblies;
- vi. the accounts of political parties funded from public funds;
- vii. the public debt; and
- viii. the accounts of any other entities that legislation requires the Auditor-General to audit

Article 249 (2) states as follows:

- (2) The commissions and the holders of independent offices –*  
*(a) are subject only to this Constitution and the law; and*  
*(b) are independent and not subject to the direction or control of any person or authority*

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

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The Auditor-General is thus an independent office responsible for auditing the financial statements of state organs and public sector entities funded through public funds. Section 7 of the Public Audit Act, 2015, outlines the responsibilities and the functions of the Office of the Auditor General with respect to assuring the effectiveness of internal controls, risk management, and governance at national and county governments, including undertaking audit activities in state organs to confirm whether or not public funds have been applied lawfully and effectively.

The OAG plays several roles in the transition from cash to accrual accounting and the reporting framework. The Auditor-General will:

- i. Be a critical partner in the development and review of the accounting policies at the Steering Committee level;
- ii. Review the roadmap to transition to accrual accounting and concur or not concur with the Steering Committee on the exceptions provided by IPSAS 33 and whether the same maintains its mandate as stipulated in Article 229.
- iii. Review management judgments as provided under the Steering Committee as relates to the identification, recognition, and display of elements and items of the Statement of Financial Position.
- iv. Report to elected representatives through parliament oversight committees on the progress of the transition in line with the implementation strategy or plan.

### Auditing during the transition period

The roadmap for accrual accounting has taken a phased approach in line with the reliefs provided under IPSAS 33: First-time Adoption of Accrual Basis of Accounting. With the adoption of accrual accounting on a phased approach, entities will be applying the exemptions as provided in IPSAS 33. The financial statements for the transition period of three (3) years, therefore, will not be fully compliant with IPSAS accrual accounting, and entities are required to indicate this fact in the financial reports prepared under the significant accounting policies. In this case, the auditor will be expected to carry out an audit that includes the assessment of:

- i. Compliance with IPSAS per the transitional timetable
- ii. Appropriateness of detailed accounting policies set out in the context of the entity's operations.
- iii. Review the progress against key deliverables at an entity and global level.

Following the exemptions under IPSAS 33, the Steering Committee has prepared a transition guideline indicating the elements to be brought into the financial statements each year. Entities will be required to prepare an opening statement of financial position as of July 1, 2024, to incorporate any elements of financial statements that were previously omitted during the accrual process, as well as ensure that accurate opening balances are reported at the beginning of the transition period. These opening balances will need to be audited to ensure their validity and completeness. Below is the guidance on the assets and liabilities to be reported each year.

Year	Financial Year	Element of Financial Statement
1	2024/2025	All financial assets and financial liabilities
2	2025/2026	All inventories
3	2026/2027	All other assets and liabilities related to assets

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

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<b>Activity Area</b>	<b>Phase I (23/24)</b>	<b>Phase I (24/25)</b>	<b>Phase II (25/26)</b>	<b>Phase III (26/27)</b>	<b>Phase IV (27/28)</b>	<b>Phase V (27/28)</b>	<b>Phase VI onwards</b>
Audit and review	Consultations with the National Audit Office regarding review and audit of financial statements, including consolidated financial statements	Develop an indicative plan to obtain the OAG's feedback on financial statements.	Review and update the plan based on the outcome of year 1.	Review comments from OAG and implement necessary improvements			

## **11. CHANGE MANAGEMENT AND COMMUNICATION**

Change management is a crucial component of transitioning to an accrual-based project. It is essential to ensure that all stakeholders transition their mindset from cash accounting to accrual accounting and adopt the new reporting framework and systems. The spectrum of stakeholders includes the whole public finance management cycle, from budgeting to audit and oversight. For a successful implementation, key stakeholders must fully support and buy into the transition process. For change management to be effective, communication of the reform agenda should be clear and transparent. Key stakeholders should be engaged regularly and kept informed about the progress of the transition throughout the transition period.

There should also be timely and clear direction to the implementing entities through relevant channels, depending on the message that needs to be conveyed to the implementers.

Under change management and communication, the relevant steps include:

- a) Identification of users and preparers of financial statements;
- b) Identification of the message to each user/preparer of financial statements and the depth of the understanding of the reform required
- c) Identification of the communication channels
- d) Identification of collaborators to ensure buy-in and reduce the risk of resistance to change.
- e) Develop communication and change management strategies that will inform the steps above, including the timelines for communication.

The following have been identified as key stakeholders in the process:

- 1. The National Treasury (ASD, IFMIS, Budget, NALM)
- 2. Public Sector Accounting Standards Board (PSASB)
- 3. All reporting public entities
- 4. All taxpayers
- 5. All multilateral and bilateral institutions
- 6. Office of the Auditor General
- 7. Office of the Controller of Budget
- 8. Commission on Revenue Allocation
- 9. Council of Governors (as a key linkage for County Governments)
- 10. The National Assembly, through its various oversight committees
- 11. The Senate, through its various oversight committees
- 12. Institute of Certified Public Accountants of Kenya (issuing accounting and auditing standards, maintaining membership, and continuous development of accountants in Kenya)
- 13. The international standard-setting bodies, such as IPSASB and IASB
- 14. Parliamentary Budget Office
- 15. County Assemblies
- 16. Inter-Governmental Budget and Economic Council (comprises the CEC members of Finance from County Governments)
- 17. Inter-Governmental Fiscal Relations Committee
- 18. Public Finance Management Reforms Secretariat (facilitating PFM Reforms in Kenya)

19. Other professional bodies dealing with financial reporting, finance, audit, human resources, and procurement, among others.
20. Training institutions and examination regulators for accountants, such as KASNEB, Universities, and Accountancy Colleges.
21. Regulatory bodies such as the Central Bank of Kenya, Insurance Regulatory Authority, Retirement Benefits Authority, and Capital Markets Authority, among others, rely on financial information to regulate.
22. Kenya Revenue Authority
23. State Department for Public Service
24. Kenya School of Government
25. Ministry of Public Works
26. Ministry of Lands

The following strategies have been and will continue to be employed for effective change management and communication:

1. **Development of a detailed stakeholder engagement plan-** The strategies for engaging the stakeholders include meetings, sensitization forums, high-level training, correspondence such as letters, and direct involvement in decision-making, such as including them in the Steering Committee and technical working groups. All the relevant stakeholders to the transition have been included in the Steering Committee to ensure a seamless transition to accrual accounting.
2. **Sensitisation sessions-** Currently, several sensitization sessions on accrual accounting have been held for various stakeholders, among them the preparers who are drawn from the national government MDAs, Constitutional Commissions, Independent Offices, and County Governments, Internal Auditors from the MDAs, and External Auditors from the Office of the Auditor General. There are additional planned sensitizations for the County Internal Auditors, the related parliamentary committees, and other PFM stakeholders, such as Budget Officers and Procurement Officers, among others. This will be done regularly throughout the transition period, including providing updates on key milestones achieved during this time.
3. **Establishment of effective channels of communication-** This will include formal government communication channels such as government circulars, gazette notices, letters, addresses at physical forums, sensitizations, social media, and the mainstream media, formal meetings, and consultations, among others. Communication of the transition has been done formally through the gazette notice. Additionally, templates and guidelines have been issued through a National Treasury circular. The Steering Committee and implementers of the reform will leverage relationships with key stakeholders, especially those with influence, to communicate the reforms to their constituents.

## **12. TRAINING AND CAPACITY BUILDING**

To ensure the success of the transition to the accrual project, training and capacity building will be provided to all stakeholders, tailored to their educational and training needs, addressing both short-term, medium-term, and long-term requirements.

Over the last decade, the ASD and the PSASB have invested heavily in training workshops for Accounting Officers and public sector accountants. On-the-job training and coaching have also been used to impart knowledge on accounting, financial reporting, and IFMIS.

In addition to training and building the capacity of the Accounting Officers and accountants, the target groups to be trained must be expanded to include other PFM players, such as Budget Officers, Internal Auditors, and Supply Chain Officers, among others. Additionally, the top management of the transitioning entities and public oversight bodies should also be factored in for training.

Various approaches have been implemented to ensure that training and capacity building are conducted efficiently. The approaches are as follows:

- 1. Development of a pool of trainers:** The ASD, with support from the AAAG's has also been trained and has built capacity as TOTs. The unit will work closely with the financial statement preparers to train them on accrual accounting based on the prescribed accounting standards. A few preparers from the entities already reporting on an IPSAS accrual basis have also been trained as ToTs to add to the pool of trainers from PSASB and the ASD.
- 2. Development of accounting standards guidelines:** The PSASB has continued and will continue to develop accounting standards guidelines and other tools to assist the implementing entities in seamlessly transitioning to the accrual accounting framework. The guidelines aim to simplify complex accounting standards as issued by the IPSASB.
- 3. E-learning Platform:** The ASD, AAAG and the PSASB will also develop an e-learning platform to train financial statement preparers on different aspects of accrual accounting through certification. The platform will also feature a repository of various relevant materials for stakeholders' reference.
- 4. Workshops and conferences:** The ASD and the PSASB will continue to hold workshops and seminars for the various stakeholders to offer training on the transition continually. The training needs will vary over time and will be determined by feedback obtained from stakeholders.
- 5. Collaborations with ICPAK and KSG:** Public Sector accountants are members of ICPAK, and the Institute will assist in training the members on accrual-based accounting standards. In addition to the members being awarded continuous professional development points, they will also broaden their knowledge. The Kenya School of Government (KSG) will also play a vital role in offering training for preparers, including providing suitable venues for training, especially at the IFMIS academies, which will be revived with the sole aim of equipping users with the requisite knowledge on transition accounting. Seminars and workshops may also be conducted at KSG.
- 6. On-the-job training:** As the accountants perform their day-to-day jobs, it is expected that they will experience some challenges, and as they address the challenges, they will be sharpening their skills.

7. **Peer-to-peer learning:** Due to the diversity of the transitioning entities, the transition experiences of the entities will be varied. Through a referral from the National Treasury, the entities ahead in the transition process will provide assistance to those lagging behind.

### 13. RISKS AND MITIGATION MEASURES

Like any other reform, the transition from cash to accrual accounting may face several risks. It is essential to identify and address some of these risks at the outset of the project and implement mitigating measures. Additionally, continuous monitoring and evaluation of the project, including risk identification, management, and reporting, will provide an opportunity for the Steering Committee and implementing entities to have a mechanism for mitigating risks.

It is the responsibility of each entity to assess its operating environment and identify specific risks that may delay the achievement of the milestones set out in its work plans, which have been or will be prepared in line with this global roadmap.

The key risks associated with the transition, along with the recommended actions to mitigate them, are highlighted in the table below.

Ref	Risk	Mitigating Factor
1.	<b>Lack of buy-in and support from stakeholders</b>	To achieve the project's objectives, the support and buy-in of key stakeholders will be crucial. Moving to accrual accounting will require a change in mindset by the stakeholders, and a clear communication strategy should be put in place. A consultant will be engaged to facilitate communication.
2.	<b>Inadequate resourcing of the project</b>	The accrual project is one that is cost intensive. This is especially with relation to the re-engineering of the IFMIS system and for funds to be availed at the required timelines to pave way for other processes.  The National Treasury is committed to provide the required resources through the annual budgetary allocation for the project. The Cabinet also approved Kshs 3.1 bn over the three-year period for the project.
3.	<b>Theoretical approach that cannot be translated into pragmatic solutions</b>	To translate the theoretical concepts into pragmatic solutions and achieve the objectives of the project, a collaborative approach between the project implementation team and government institutions involved in the project will be necessary to ensure the proposed solutions are adapted and suitable.
4.	<b>Inadequate accounting expertise/knowledge of staff</b>	It will be important that key staff involved in IPSAS implementation are adequately retrained and the training should be tailored to their specific areas.  Reference materials that staff can refer to need to be prepared and made available to the preparers. In addition, clear guidance on how to handle some elements in the financial statements will be provided by the Steering Committee.
5.	<b>Unavailability of data</b>	New data will need to be generated to produce accrual-based financial statements and existing data that are currently not used for accounting purposes may need to be used going forward. An example of this is data on asset ownership and values.  Owing to the fact documentation to support data on ownership may be difficult to obtain, the accounting principle of the substance of substance over form will be applied whereby the control of assets is considered to report on the assets.
6.	<b>Risk of missing the deadlines</b>	The transition is approved to take three (3) years and therefore the financial statements for the financial year 2026/2027 should be fully compliant with IPSAS accrual. To mitigate delays over the



## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

Ref	Risk	Mitigating Factor
		three years, continuous monitoring and evaluation will be undertaken as the project continues.
7.	<b>Uncertainty regarding the selection of first-time implementation options and accounting policies</b>	Based on experience, a lot of time is often spent on discussing and selecting first-time implementation options and accounting policies. The phased approach being followed may assist in mitigating this risk as it will enable a systematic and well-paced adoption of IPSAS. It will also enable options adopted in one phase to be tested during implementation before moving to the next phase.
8.	<b>Risk of not reflecting the multi-dimensional aspect of the project</b>	Making the transition to accrual accounting is much more than solely a change in accounting rules. It impacts the entire government's organisation. To get it done, the various challenges arising from implementation need to be adequately addressed and a well-defined methodology and action plan should be developed, taking into consideration the various dimensions of the project: policies, people, processes and systems.

## **14. MONITORING AND EVALUATION FRAMEWORK**

### **14.1 Monitoring and evaluation**

During the transition period, the National Treasury will engage an external consultant to come up with a framework to monitor and evaluate the transition to ensure the process is effectively managed and achieves its intended outcomes. The Consultant will be reporting to the Project Manager. This monitoring and evaluation framework will be linked to the implementation plan which is three-year phased to enable a systematic transition over the three years.

In tracking progress, this monitoring and evaluation framework will serve as an early-warning system to alert the Project Manager when there are difficulties and weaknesses in implementing the set roadmap. It also provides a framework to evaluate progress against set targets. The objective is to ensure full compliance by 30<sup>th</sup> June 2027 by all entities.

The following outcomes are expected from the cash-to-accrual accounting project.

1. Updated laws and regulations to enable the adoption of accrual basis IPSAS.
2. Updated accounting policies and manual in line with accrual-basis IPSAS.
3. Developed staff capacity in applying accrual-basis IPSAS.
4. Enhanced IFMIS that enables capturing of transactions in line with accrual-basis IPSAS.
5. Capturing and recording of transactions in line with accrual-basis IPSAS.
6. Financial statements prepared in line with accrual-basis IPSAS.

Although the transition to accrual project is complex, having a structured monitoring and evaluation framework tool will ensure that the process is transparent, accountable and effective.

### **14.2 Review of the Roadmap**

The roadmap is applicable from 1<sup>st</sup> July 2024 to 30<sup>th</sup> June 2027. The roadmap will be reviewed on a bi-annual basis and any remedies provided in line with the projected timelines.

## ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES

### 15. DETAILED WORK PLAN BASED ON THE PROPOSED APPROACH

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
1	<b>Gazettement of applicable dates</b>																								
	a. Approval of the accrual standard by PSASB.																								
	b. Approval of the accrual standard by the Cabinet																								
	c. Consideration and approval of the roadmap by the Steering Committee																								
	d. Gazettement of the dates in consultation with CS, National Treasury																								
	e. Review existing laws to align with accrual accounting where applicable																								
	f. NT and Steering Committee issue guidelines on Accrual accounting and on specific standards including transitional guidelines																								
2	<b>Communication Strategy</b>																								
	a. SC develops a communication strategy for the transition																								
	b. Implement the communication strategy																								
	c. Monitor the progress of implementation of the communication strategy																								
3	<b>Stakeholder awareness</b>																								
	a. Print media supplementary																								

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	b. Meetings/ presentations and discussions with key stakeholders																								
	c. Sensitisation workshops to accounting officers, public sector accountants and internal auditors (bi-annual)																								
	d. Sensitisation to the Office of the Auditor General																								
	e. Sensitisation of other key stakeholders (cabinet)																								
	f. Engagement with stakeholders(continuous)																								
<b>4</b>	<b>Steering Committee</b>																								
	a. Approval to form a Steering Committee-CS, Treasury																								
	b. Gazettement of a Steering Committee and the project manager																								
	c. Approval of TORs for the Steering Committee																								
	d. Sensitisation and training of the committee																								
	e. Project management and direction																								
	f. Formation of technical working groups at the technical levels.																								
	g. Development and implementation stakeholder engagement policy																								
<b>5</b>	<b>Identification and valuation of assets and liabilities</b>																								
	a. Approval of National Assets and Liabilities policy by National Treasury (approved CS, Treasury in June 2020).																								
	b. Approval of asset and liabilities reporting templates- ASD, PSASB- NALM approved in 2020																								

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	c. Approval of specific policies on assets and liabilities- ASD, PSASB, NALM approved in 2020																								
	d. Sensitisation on the policy- ASD, NALM/PSASB Done in Nov 2020																								
	e. Training and capacity building- ASD, NALM/PSASB																								
	f. Identification of Assets and liabilities based on the approved policies (ongoing) - Accounting Officers																								
	g. Review of NALM Policies and guidelines - ASD																								
	h. Valuation of assets and Liabilities - Accounting Officers/ government valuer																								
<b>6</b>	<b>Financial Management System</b>																								
	a. Resolve salient issues in new IFMIS such as bank reconciliations for national and county government entities under cash basis																								
	b. Activation of modules in IFMIS																								
	Steering Committee approves revised SCOA																								
	c. Activate asset and liabilities module in new IFMIS -IFMIS																								
	d. Train on accrual related concepts in new IFMIS																								
<b>7</b>	<b>Liabilities</b>																								
	<b>7a. Employee pension liabilities</b>																								
	a. ASD specifies accounting policy and new methodology in accordance with IPSAS (particularly IPSAS 39)																								

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	b. Complete preparatory work, including documentation of pension arrangements and consultation with actuaries. (ASD, Pensions Department)																								
	c. Calculate balance as at July 1, 2025 according to new methodology, including actuarial valuation - ASD																								
	d. Recalculate balance as at June 30, 2025 according to new methodology, including actuarial valuation - ASD																								
	e. Recognize pension liability and related assets in 2025/2026 financial statements - ASD																								
	f. Refine and improve data and presentation for future financial statements -ASD																								
	g. Continue to report pension liability in financial statements -ASD																								
	<b>7b. Debt</b>																								
	a. Specify accounting policy and procedures- ASD																								
	b. Review quality and completeness of data, particularly on long term debt (ASD, Debt department and AO)																								
	c. Calculate the opening balance as at 1 <sup>st</sup> July 2024. (ASD, Debt department and AO)																								
	d. Account for debt on dual basis in IFMIS – ASD/DEBT																								
	e. Prepare template for notes. PSASB																								
	f. Recognize debt as liability in 2024/25 accrual financial statements - ASD																								

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	g. Refine and improve data and presentation for future financial statements - ASD																								
	h. Continue to report debt liability in financial statements -ASD																								
	<b>7c. Accounts Payable</b>																								
	a. Complete preparatory work, including for any necessary surveys to identify creditors and balances owing (pending bills by AOs)-ASD																								
	b. Disclose in 2023/24 financial statements as memorandum items ASD																								
	c. Identify and quantify balances as at July 1, 2024 -ASD																								
	d. Recognize in 2024/25 financial statements-ASD																								
	e. Refine and improve data and presentation for future financial statements-ASD																								
	f. Continue to report liability in financial statements -ASD																								
	<b>7d. Other liabilities incl. provisions</b>																								
	a. Specify accounting policy and procedures for other liabilities incl. provisions -ASD																								
	b. Quantify balances as at July 1, 2025 - ASD																								
	c. Record in IFMIS on dual basis as appropriate (opening balances/ comparative) ASD																								
	d. Disclose in 2023/24 and 2024/25 and 25/26 financial statements.																								
	e. Refine methodologies and improve data and presentation																								

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	f. Recognize in FY 2026/2027 financial statements -ASD																								
	g. Continue to recognize in financial statements -ASD																								
	<b>7e. Contingent liabilities</b>																								
	a. Specify accounting policy and procedures (IPSAS 19) -ASD																								
	b. Analyse circumstances and identify areas where CL may exist (AOs) -ASD																								
	c. Assess probability of payments related to guarantees and other contingent liabilities -ASD																								
	d. Estimate provisions if payments are probable and include in opening balances in IFMIS.-ASD																								
	e. Recognize provisions, financial statements for disclosure in FY 24/25 and 25/26 -ASD																								
	f. Disclose all contingent liabilities according to IPSAS 19 -ASD																								
	g. Recognize provisions, if needed, in FY 26/27 financial statements																								
	h. Continue to recognize and liabilities disclose according to IPSAS 19 -ASD																								
	<b>7f. Commitments (IPSAS 45 Property, Plant and Equipment, IPSAS 31 Intangible Assets and other commitments for budget purposes</b>																								
	a. Specify accounting policy and procedures -ASD																								
	b. Analyse circumstances and identify areas where commitments may exist-ASD																								



**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	c. Review quality and ensure completeness of existing data.																								
	d. Disclose material commitments in 2024/25 financial statements																								
	e. Continue to disclose in financial statements																								
<b>8.</b>	<b>Financial assets</b>																								
	<b>8a. Receivables</b>																								
	a. Consult with Receivers of Revenue (include statement of arrears in revenue in FS -ASD)																								
	b. Specify accounting policies and procedures -ASD																								
	c. Analyse circumstances to identify areas where receivables may arise -ASD																								
	d. Review completeness and quality of existing data -ASD																								
	e. Quantify receivables as at July 1, 2024, and any related provisions for potentially irrecoverable amounts -ASD																								
	f. Enter opening balances in IFMIS. ASD																								
	g. Account for receivables on dual bases in IFMIS ASD																								
	h. Review receivables and provide for any potentially irrecoverable amounts ASD																								
	i. Recognize receivables in 2024/25 financial statements ASD																								
	j. Refine receivables data and presentation ASD																								

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	k. Continue to report receivables in financial statements subject to reliability and recoverability																								
	<b>8b. Finance and operating leases (Govt. is the lessor)</b>																								
	a. Consult with relevant Ministries ASD																								
	b. Develop accounting policies consistent with IPSAS particularly IPSAS 13 and 43 -ASD																								
	c. Identify and review leases and classify as finance or operating leases (AO)																								
	d. Record leases in IFMIS or separate asset register for management																								
	e. Enter opening balances of finance leases in IFMIS GL as part of receivables																								
	f. Record in IFMIS any additions or reductions of finance leases																								
	g. Recognize revenue from finance and operating leases																								
	h. Refine and improve data for financial statements																								
	i. Continue to report finance leases																								
	<b>8c. Investments</b>																								
	a. Specify accounting policies, ASD																								
	b. Review quality and completeness of existing data ASD																								
	c. Review and refine accounting policies ASD																								
	d. Identify and value assets as at July 1, 2024 AO																								
	e. Recognize investments in 2024/25 financial statements AO																								

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	f. Review investments and need for revaluation ASD																								
	<b>8d. Cash and cash equivalents, incl. bank accounts</b>																								
	a. Identify existing bank accounts AO/ASD																								
	b. Enter bank accounts in Register of Bank Accounts AO																								
	c. Specify accounting policies and procedures ASD																								
	d. Review quality and completeness of existing data ASD																								
	e. Enter opening balances of all bank accounts as at July 1, 2025 in IFMIS - ASD																								
	f. Recognize all cash and cash equivalents in 23/24 financial statements (as currently done) AO																								
	g. Recognize all cash and cash equivalents in official 2024/25 financial statements including all bank accounts AO																								
	h. Continue to report in financial statements AO																								
	<b>8e. Other financial assets</b>																								
	a. Specify accounting policies and procedures ASD																								
	b. Analyse circumstances to identify areas where other financial assets may arise ASD																								
	c. Review quality and completeness of existing data ASD																								
	d. Identify and value other financial assets as at Jul 1, 2024																								
	e. Enter opening balances as at July 1, 2025 in IFMIS																								

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	f. Recognize Other financial assets in 2024/25 financial statements																								
	g. Review and refine accounting policies and presentation ASD																								
	h. Continue to report in financial statements																								
	<b>9 Non-financial assets</b>																								
	<b>9a Fixed asset register</b>																								
	a. Test and operationalize asset register module in IFMIS NALM/ASD																								
	b. Incorporate revised classification in asset register and GL in IFMIS ASD																								
	c. Review data quality and classification of pilot entities' assets and revise as needed																								
	d. ASD																								
	e. Continue to enter fixed assets in asset register – complete by June 30, 2027 AO																								
	f. Enter transactions on acquisitions, disposals and adjustments in asset register and GL AO																								
	g. Reconcile fixed asset register with GL asset accounts and financial statements AO																								
	h. Keep assets register up to date and reflect additions, disposals and any other adjustments AO																								
	i. Recognize all fixed assets in 2026/27 financial statements AO																								
	j. Undertake physical verification																								
	k. Use register and other information to ensure assets are maintained properly NALM																								
	<b>9b Land</b>																								

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	a. Specify accounting policies according to IPSAS (particularly IPSAS 17 and 45) ASD																								
	b. Review quality and completeness of existing data ASD																								
	c. Undertake an inventory of land AO																								
	d. Establish cost or values AO/ASD																								
	e. Enter in register land-controlled AO																								
	f. Start/ enter opening balances as at July 1, 2026 and enter in IFMIS GL which must agree with register AO																								
	g. Disclose land in FY 24/25 and 25/26 financial statements AO																								
	h. Reconcile GL balances with fixed asset register AO																								
	i. Continue to enter opening balances of land AO																								
	j. Continue to report land in financial statements -AO																								
	k. Complete recognition and reporting of land in 2026/27 financial statements AO																								
	<b>9c. Buildings</b>																								
	a. Specify accounting policies, including useful lives ASD																								
	b. Undertake an inventory of buildings - AOs																								
	c. Establish cost or values -AO																								
	d. Review quality and completeness of existing data ASD																								
	e. Start entering opening balances in IFMIS AO																								
	f. Review depreciation calculation throughout the year ASD																								

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	g. Reconcile GL balances with fixed asset register AO																								
	h. Continue to enter opening balances of buildings AO																								
	i. Complete recognition and reporting of buildings in 2026/27 financial statements AO																								
	<b>9d Roads, bridges, tunnels, harbours, dams, and other infrastructure assets</b>																								
	a. Specify accounting policies, including useful lives ASD																								
	b. Review quality and completeness of existing data ASD																								
	c. Undertake an inventory of infrastructure assets AO																								
	d. Establish cost or values AO/ASD																								
	e. Start entering in register infrastructure assets AO																								
	f. Review depreciation calculation throughout the year ASD																								
	g. Continue to recognize infrastructure assets AO																								
	h. Reconcile GL balances with fixed asset register AO																								
	i. Refine and improve data for financial statements for future years AO																								
	j. Complete recognition and reporting of infrastructure assets in 2026/27 financial statements AO																								
	k. Review useful economic life of assets ASD																								
	<b>9e. Machinery, and equipment, including transport, ICT, and others</b>																								

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	a. Specify accounting policies, including useful lives ASD																								
	b. Review quality and completeness of existing data AO																								
	c. Undertake an inventory of machinery by AOs																								
	d. Review depreciation calculation throughout the year ASD																								
	e. Start entering in register machinery and equipment AO																								
	f. Continue to recognize machinery AO																								
	g. Complete recognition and reporting of machinery etc. in 2026/27 financial statements AO																								
	h. Continue to reconcile GL balances with fixed asset register AO																								
	i. Review for impairment AO																								
	<b>9f. Other fixed assets, including cultivated biological asset (controlled by BCG)</b>																								
	a. Specify accounting policies, including useful lives ASD																								
	b. Review quality and completeness of existing data AO																								
	c. Undertake an inventory of other fixed assets AO																								
	d. Establish cost or values AO/ASD																								
	e. Start entering in register other fixed assets AO																								
	f. Start entering opening in IFMIS GL AO																								
	g. Review depreciation calculation throughout the year ASD																								
	h. Continue to recognize other fixed assets in official financial statements. AO																								

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	i. Refine and improve data for financial statements for future years ASD																								
	j. Complete recognition and reporting of other fixed assets in 2026/27 financial statements –AO																								
	k. Continue to reconcile GL balances with fixed asset register AO																								
	l. Review useful economic life of asset ASD																								
	m. Review for impairment AO																								
	<b>9g Public private partnerships (PPPs), e.g. university hostel, toll road, power plant</b>																								
	a. Identify and classify PPPs - Establish values AO																								
	b. Specify accounting policies, including useful lives particularly IPSAS 32 ASD																								
	c. Review quality and completeness of existing data AO																								
	d. Undertake an inventory of PPPs																								
	e. Start entering opening balances in asset register and IFMIS GL AO																								
	f. Review depreciation calculation throughout the years. ASD																								
	g. Disclose PPP assets and liabilities in 24/25 financial statements and 25/26 AO																								
	h. Reconcile GL balances with fixed asset register AO																								
	i. Continue to recognize PPP assets and liabilities in financial statements AO																								
	j. Refine and improve data for financial statements for future years ASD																								



**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	k. Complete recognition and reporting of PPP assets and liabilities in 2026/27 financial statements AO																								
	l. Continue to reconcile GL balances with fixed asset register																								
	m. Review useful economic life of asset ASD																								
	n. Review for impairment AO																								
	<b>9h Intangible assets including software.</b>																								
	a. Specify accounting policies, including useful lives ASD																								
	b. Review quality and completeness of existing data by AOs																								
	c. Undertake an inventory of intangible asset AO																								
	d. Establish cost or value AO/ASD																								
	e. Start entering opening balances in IFMIS GL AO																								
	f. Review amortization calculation throughout the year AO																								
	g. Disclose intangible assets in 2024/25 and 25/26 financial statements AO																								
	h. Continue to recognize intangible assets in official financial statements AO																								
	i. Reconcile GL balances with fixed asset register AO																								
	j. Complete recognition and reporting of intangible assets in 2026/27 financial statements AO																								
	k. Review useful economic life of asset ASD																								
	l. Review for impairment AO																								

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	<b>9i Inventories</b>																								
	a. Develop accounting policies consistent with IPSAS particularly IPSAS 12 ASD																								
	b. Review quality and completeness of existing data by AOs																								
	c. Identify and value inventories at 1 <sup>st</sup> July 2025 AO/ASD																								
	d. Start entering opening balances IFMIS GL AO																								
	e. Carry out stock taking at June 30, 2025 and value the inventories AO																								
	f. Recognize inventories in 25/26 financial statements AO																								
	g. Continue to carry out annual stocktaking AO																								
	h. Continue to report inventories in financial statements AO																								
	i. Complete recognition and reporting of inventories in 2025/26 financial statements AO																								
<b>10</b>	<b>Capacity Building and Training</b>																								
	a. ASD/IFMIS/PSASB training																								
	b. Training of Trainers and certification-PSASB/ASD/IFMIS/IAG/Budget/																								
	c. National Treasury to develop an accounting manual that is accrual based																								
	d. Develop training manuals that can be cascaded to users																								

**ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES**

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	e. Training public sector accountants																								
	f. Prepare accrual based financial reporting templates																								
11	<b>Monitoring and Evaluation</b>																								
	a. The Steering Committee to set up a joint monitoring and evaluation team																								
	b. Monitoring and evaluation throughout the project																								

**KEY:**

	Completed from previous years.
	Completed/ on-going
	Scheduled
	IFMIS related activities