



**REPUBLIC OF KENYA
THE NATIONAL TREASURY AND ECONOMIC PLANNING**

PRESS STATEMENT

(FOR IMMEDIATE RELEASE)

3rd October 2024.

NATIONAL TREASURY INITIATES TRANSITION TO ACCRUAL BASIS ACCOUNTING

The National Treasury is pleased to announce the commencement of the transition from cash-basis accounting to the International Public Sector Accounting Standards (IPSAS) accrual basis, marking an important step in public financial management reform. This transition will affect the National Government, County Governments, and their respective entities, ensuring greater transparency and accountability in financial reporting.

The Cabinet approved this transition on 7th March, 2024 following recommendations from the National Treasury and the Public Sector Accounting Standards Board (PSASB). The transition was subsequently gazetted on 30th August 2024 (Gazette Notice No. 11033). A steering committee, appointed by the Cabinet Secretary for the National Treasury and Economic Planning, will oversee the process, with the inaugural meeting chaired by the Principal Secretary, National Treasury, held today.

This shift from cash to accrual accounting represents a milestone in Kenya's efforts to align its financial reporting with global standards. Under cash accounting, financial transactions are recorded only when cash is exchanged, which, while straightforward, limits the government's ability to present a comprehensive view of its financial position. As the complexity of public finances grows, these limitations become more pronounced.

Accrual accounting addresses this by recognizing revenues and expenses when they are earned or incurred, regardless of when cash is exchanged. This approach provides a clearer picture of the government's financial health by requiring the recognition of assets, liabilities, revenues, and expenditures, delivering vital data for informed decision-making.

This reform builds on a decade of progress since the 2010 Constitution introduced the Public Financial Management (PFM) Act, 2012, and the establishment of the PSASB in 2014. Over this period, Ministries, Departments, Agencies (MDAs), and County Governments have advanced their financial accounting capabilities, making them well-positioned for this transition. The adoption of cash-basis accounting, initially introduced as a transitional standard, has prepared public entities for the shift to the more comprehensive accrual basis.

The transition will unfold over the next three years, under the guidance of the steering committee. The effective date for the accrual basis is set for 1st July 2024, with the first accrual-based financial statements expected for the financial year ending 30th June 2025. The Treasury will support this transition by providing guidance on asset and liability valuation, enhancing the Integrated Financial Management Information System (IFMIS), and building capacity among public sector personnel.

This reform is essential to improving financial management and enhancing the accuracy of public sector financial reports. It will allow the government to present a fuller picture of its financial position, including key obligations such as pending bills, pension liabilities, and public debt, alongside its receivables, fixed assets, and natural resources.

The shift will not be without challenges. Moving from cash to accrual accounting requires a detailed review of existing financial processes, revision of the Standard Chart of Accounts (SCOA), and reengineering of the IFMIS system. Additionally, public entities will need to develop and adopt accrual-based financial statement templates. However, with the support of the steering committee and key stakeholders, these challenges will be navigated successfully.

The National Treasury is committed to ensuring the success of this transition, which will support sustainable economic growth and bolster public sector accountability. In collaboration with international and domestic partners, the government will work to enhance openness and accountability, as outlined in Article 201 of the Constitution.

Dr. Chris Kiptoo, CBS

Principal Secretary,

The National Treasury