

*The National Treasury and Economic  
Planning*

The Standard Chart of  
Accounts Manual

November 2025

<b>Owner</b>	The National Treasury and Economic Planning
<b>Implementers</b>	All public sector entities
<b>Compliance Monitoring</b>	Accountant General Department, National Treasury

**Document Control**

<b>Version</b>	<b>Amendments</b>	<b>Date of Implementation</b>
Version 2	28 <sup>th</sup> November 2025	

<b>Signed off by:</b>	<b>Signature</b>
Principal Secretary/National Treasury	
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# *Foreword*

The government's goal is to establish the Integrated Financial Management Information System (IFMIS) as the primary source of financial information in Kenya.

We are pleased to announce the official launch of the revised Government's Standard Chart of Accounts (SCOA), a critical step towards enhancing public sector financial management, budgeting, and reporting. The adoption of a standardized chart of accounts will improve transparency, accountability, and the consistency of financial data across all government (national and county) departments, agencies, and entities.

The SCOA is designed to streamline financial reporting and budgeting by ensuring the uniform classification of revenues, expenditures, assets, and liabilities in line with International Public Sector Accounting Standards (IPSAS) and, where applicable, the Government Financial Statistics (GFS) Manual 2014. This initiative will enable better decision-making, facilitate comparison across sectors, and support compliance with international best practices in public financial management.

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

This SCOA has been aligned with the Government Financial Statistics Manual 2014 and has also provided for a more elaborate governance structure to manage changes in the SCOA, eliminate duplicate codes, and enhance the program-based budgeting process. The SCOA will also further harmonize reporting across the same category of entities across the public sector for accounting and budgeting purposes.

This document is a manual that elaborates on the various segments of the SCOA. The manual is issued in accordance with Section 2 of the Public Finance Management Act, 2012, read in conjunction with Regulations 9(4) and 99(1) of the Public Finance Management (National Government) Regulations, 2015.

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

The SCOA manual will enhance effectiveness in budgeting and resource accountability, as well as improve budget analysis and monitoring across various socio-economic dimensions.

The National Treasury and Economic Planning will continue to build the capacities of various public entities to implement the SCOA consistently across the public sector. An electronic SCOA manual form shall be available at the National Treasury and Economic Planning website.

Dr Chris Kiptoo, CBS

**Principal Secretary,**

**National Treasury**

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# Abbreviations

Abbreviation	In full
ADP	Annual Development Plan
AIA	Appropriation in Aid
CBK	Central Bank of Kenya
CEA	County Exchequer Account
CF	Consolidated Fund
CGE	County Government Entity
CFSP	County Fiscal and Strategy Paper
CG	County Government
CIDP	County Integrated Development Plan
COB	Controller of Budget
COFOG	Classification of Outlays by Functions of Government
COG	Council of Governors
CRF	County Revenue Fund
CT	County Treasury
e-ProMIS	Electronic Project Management Information System
FY	Financial Year
GOVERNMENT	Government of Kenya
IBEC	Intergovernmental Budget and Economic Council
IFMIS	Integrated Financial Management and Information System
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IRA	Intergovernmental Relations Act
JITC	Joint Intergovernmental Technical Committee
KPI	Key Performance Indicator
LAIFOMS	Local Authority Integrated Financial Operations Management System
MTEF	Medium-Term Expenditure Framework
MTP	Medium Term Plan
M&E	Monitoring and Evaluation
MED	Monitoring and Evaluation Department
NEA	National Exchequer Account
NGE	National Government Entity
NIMES	National Integrated Monitoring and Evaluation System
NT	National Treasury
OAG	Office of the Auditor General
PBB	Program-Based Budgeting
PFM	Public Finance Management
PFMA	Public Finance Management Act, 2012
PFMR	Public Finance Management Reforms
PMS	Performance Management System
PSASB	Public Sector Accounting Standards Board
PwC	PricewaterhouseCoopers
SAI	Supreme Audit Institution
SCOA	Standard Chart of Accounts

<b>Abbreviation</b>	<b>In full</b>
ToR	Terms of Reference
UNICEF	United Nations International Children's Emergency Fund
XBRL	eXtensible Business Reporting Language

# *1.0 Introduction to the Standard Chart of Accounts*

The Standard Chart of Accounts is designed to streamline financial reporting and budgeting by ensuring uniform classification of revenues, expenditures, assets, and liabilities in line with International Public Sector Accounting Standards (IPSAS) and, where applicable, the Government Financial Statistics (GFS) Manual 2014. This initiative will enable better decision-making, facilitate comparison across sectors, and support compliance with international best practices in public financial management.

Section 2 of the PFM Act 2012 defines a chart of accounts as a structured list of accounts used to classify and record budget revenue and expenditure transactions, as well as government assets and liabilities, on a standard budget classification system.

Furthermore, Section 12(1)(e) of the PFM Act, 2012, requires the National Treasury to design and prescribe an efficient financial management system for national and county governments, ensuring transparent financial management and standard financial reporting as contemplated by Article 226 of the Constitution. The section further requires the National Treasury to prescribe regulations that provide for the operations of a system under this paragraph to respect and promote the distinctiveness of the national and county levels of government. Currently, the prescribed system is IFMIS.

Regulation 9(4) of the PFM (National Government) Regulations, 2015, requires the National Treasury to publish financial manuals that contain relevant procedures for budget preparation, budget execution, the keeping of books of accounts, formats of financial statements, and the government standard chart of accounts. Further Regulation 41(1) of the PFM (National Government) Regulations, 2015, requires the national government budget estimates and each county government budget estimates to be prepared, accounted for, and reported in accordance with the Government of Kenya's budget classification and chart of accounts.

Regulation 99 (1) of the PFM (National Government) Regulations, 2015, states that the classification of financial transactions in a national government entity's account shall be based on the SCOA approved by the National Treasury. Regulation 99 (1) of the PFM (County Government) Regulations, 2015, has a similar requirement for county government entities.

This legal background thus requires the National Treasury to prescribe the SCOA that will be used by Ministries, Departments, and Agencies, State Corporations and Funds, and County government entities in the preparation of budget estimates and the reporting of financial transactions.

## *1.1. The need for SCOA*

Many countries have transitioned or are in the process of transitioning to an accrual basis of accounting to prepare their general-purpose financial statements. This has primarily been driven by recognition of the limitations of cash-based accounting, particularly in terms of the completeness of information.

Accrual accounting provides a comprehensive view of financial position, performance, and cash flows by recognizing revenues and expenses when they are earned or incurred. The use of accrual information has long been recognized as a basis for fiscal and economic analysis in established frameworks (System of National Accounts, Government Finance Statistics) for finance and financial statistics.

Accrual accounting can only succeed if Kenya modernizes its information system, IFMIS. IFMIS must become the 'single source of truth' for government data for whichever reporting framework. That means all other systems – GHRIS, IPPD, I-tax, T24, e-procurement, Pensions, and Meridian will have to be integrated with IFMIS.

The role of IFMIS is to provide the essential and informational foundation for Public Finance Management, and therefore, its functionality must be comprehensive. This includes flexible, modular architecture and technologies, rapid adaptability to new conditions, as well as efficiency and effectiveness.

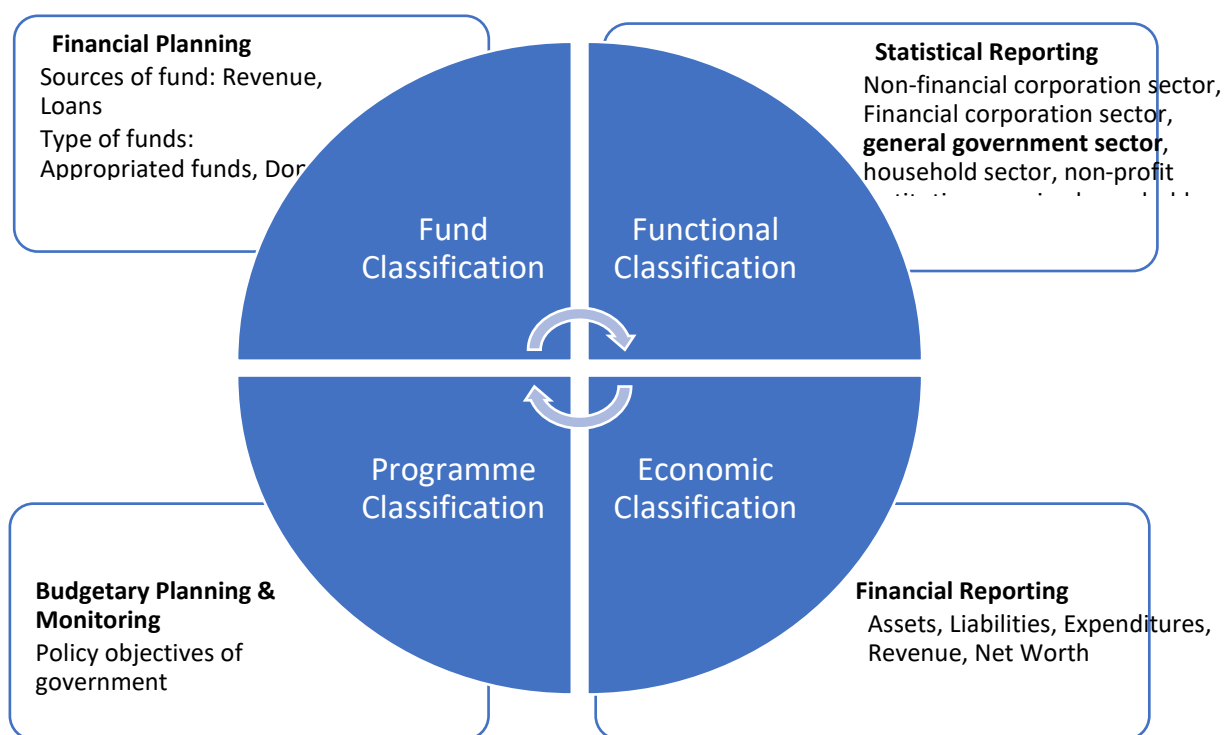
An essential aspect of the transition to accrual accounting is capturing accrual-based information in the general ledger and utilizing a unified chart of accounts (hereinafter referred to as the Standard Chart of Accounts or SCOA) to facilitate the consolidation of data from multiple sources and reporting under various frameworks. Key data sources include the government of Kenya's general ledger, held in IFMIS, as well as external data sources not integrated into IFMIS, such as debt information, contingent liabilities of State-Owned Enterprises, asset management systems, and financial reports from entities not in IFMIS (e.g., security-related).

The Kenyan budget will continue to be on a cash basis. This means that IFMIS will have two ledgers: the primary one on an accrual basis and the secondary one on a cash basis. IFMIS will also be set up to ensure that financial consolidation is possible, climate tagging/mapping is feasible, and the necessary analytical tools to inform fiscal and economic analysis are in place.

The SCOA is an organized and coded listing of all individual accounts used to record transactions and form the ledger system of national and county government entities. SCOA is embedded in the adopted ERP, specifically IFMIS.

SCOA will thus **facilitate the full range of government reporting requirements**, as illustrated in Figure 1 below:

Figure 1: Government Reporting Requirement



### Segments of the Standard Chart of Accounts and how they support government reporting needs

Note: The general government sector comprises all government units within the National and County governments, including social security funds and non-market parastatals.

The revised SCOA enables data to be classified as follows:

- Functional classification:** This is used for reporting on socioeconomic objectives that the government intends to achieve through its expenditures. These reports can be used for analytical, statistical, comparative, and decision-making purposes, as well as for policy formulation and monitoring. For example, reports on expenditures incurred for health, education, social protection, and the environment can provide helpful

information on the priorities and effectiveness of government policies in achieving these socioeconomic objectives.

- **Programme classification:** A programme is a set of activities that meet the specific policy objectives of the government (for example, basic education or universal health care). In contrast to functional classification, a classification by programme considers the government’s policy objectives and how these policies will be implemented. Programmes may be subdivided into homogeneous categories called activities (for example, the vaccination activity within the universal healthcare programme), which may encompass a series of related initiatives and projects. Classifying expenditures by programme can serve two purposes: (1) identifying and clarifying the goals and objectives of government spending, and (2) monitoring operational performance through performance indicators, which may relate to inputs, outputs, or outcomes of a program. A classification by program can contribute to improved transparency and accountability and can help link inputs to objectives or outcomes.
- **Administrative or entity segment/classification:** Article 226 (1) (b) of the Constitution, together with Sections 67 and 148 of the Public Finance Management Act, 2012, states that each public entity shall have an accounting officer. The administrative classification is used for reporting on accountabilities for budget management – both expenditures and revenues – at the administrative level, including State Departments, Constitutional Offices, the National Assembly, the Judiciary, County Executives, County Assemblies, and their respective entities. Therefore, you will find the Budget type and Votes segment as a preamble to the administrative segment.
- **Economic classification:** This is used for financial reporting. It provides information on various types of expenditures, including salaries, goods and services, interest, grants, subsidies, and transfers. The types of spending have been done based on the International Public Sector Accounting Board (IPSASB) classification, except where there is alignment in terminology and classification with GFS. In such cases, GFS terminology is used.
- **Fund classification:** This is used for reporting on the sources of funds, including revenue, appropriation in aid, donor funds, loans, and grants.
- **Geographical classification:** This SCOA, reflecting that our primary users of government information are taxpayers and the political class, opted to use a geographical classification based on the Independent Electoral and Boundaries Commission rather than the State Department for Interior classification. Therefore, you will find county, constituencies, and county assembly ward classifications rather than province, district, location, and sub-location.
- **Project classification:** This is an additional classification, useful to track donor projects.

## *1.2. Objectives and Overview*

The revised SCOA has been designed to achieve the overall objectives of providing control, accountability, budget management, financial planning and management, management information, general-purpose financial reporting (which includes information on the performance and financial position of the concerned entity), and statistical reporting.

The following are the specific objectives of the revised SCOA:

- i. To ensure consistency between budget allocations and the general ledger account codes to support budget variance reporting and budget execution analyses;
- ii. To ensure uniformity in accounting practice throughout general government to facilitate the preparation of government-wide budget reports and financial statements;
- iii. To facilitate standardization of the process for transacting in government entities and across the two levels of Government;
- iv. To facilitate performance and/or responsibility accounting by aggregation of costs on a cost-center basis, government programs, and functions of government;

- v. To facilitate the automated production of financial and other reporting information;
- vi. To facilitate benchmarking of the government’s performance with similar governments, as consistent with the IMF’s GFS/COFOG system already adopted by most governments worldwide;
- vii. To address emerging management information and statutory reporting requirements of the national government under the Constitution, the Public Financial Management and Financial Regulations;
- viii. To support the adoption of the accrual basis of IPSAS.
- ix. To support current and future configurations of the IFMIS system.

### ***1.3. The structure of the SCOA Manual***

The SCOA Manual is provided together with the revised SCOA codes workbook (appended), which details the segments and sub-segments. It is intended to serve as a detailed guide and reference material for all users of the revised SCOA in their day-to-day operations. The content of this document, as well as the new SCOA codes worksheet, is available on the National Treasury website at <https://www.treasury.go.ke> (see Accountant General’s desk) as a portal for managing and maintaining the SCOA for the Government of Kenya.

This SCOA Manual is organized into sections as shown in the Table of Contents above.

For an illustration of how the new SCOA will be used, we have provided a case of a typical transaction to be processed by an SCOA user. We track this through the sections describing the new SCOA segments in this Manual. Below is a description of the transaction:

Figure 2: Sample transaction

Purchase of a motor vehicle for Project XYZ, which commenced in FY2024/2025, covering the whole country

The motor vehicle is for use in transporting personnel of the Ministry of Agriculture and Livestock Development – State Department for Agriculture, from Nairobi to the 47 county governments.

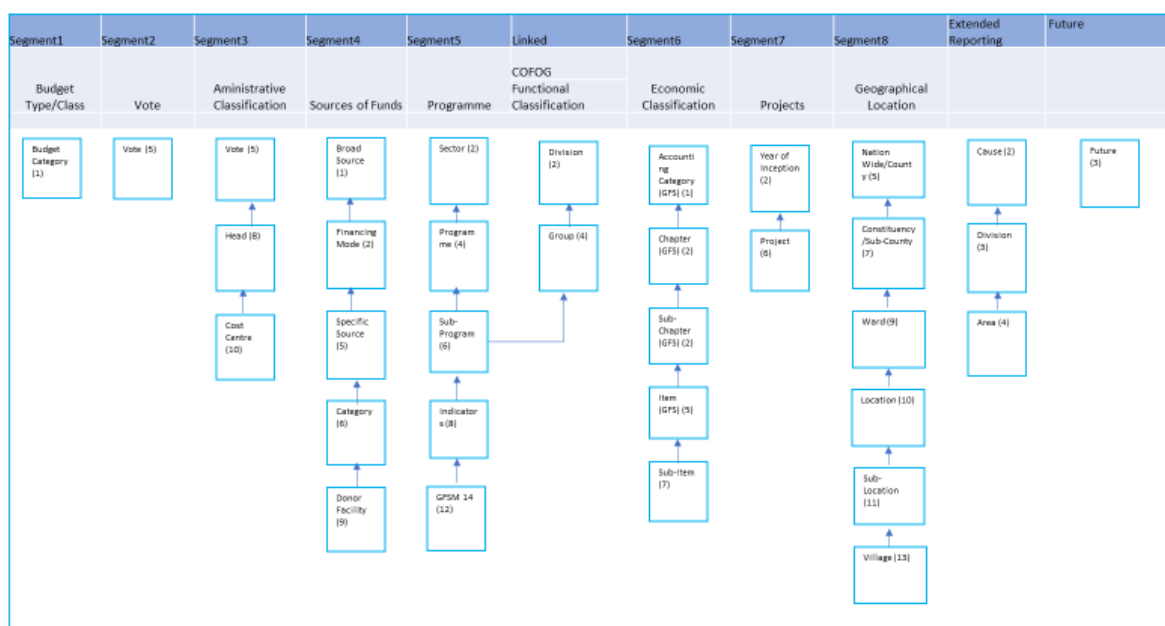
Project XYZ is counterpart-funded between the Government of Kenya and a grant from DfID, a bilateral donor. The purchase is made from the donor’s contribution

The project is expected to contribute significantly to climate change adaptation, with budgets that contribute more than 25% but less than 65% to climate change adaptation

## 2.0 The revised SCOA structure

The Standard Chart of Accounts is the system used to record financial transactions. In the revised SCOA, there are eight separate transactional segments, each providing a unique dimension for capturing, analyzing, and reporting data. There is also one spare segment for future use and one analytical segment 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 coding structure significantly shapes the way government expenditure is classified. The mechanisms and functionality of this segment are detailed in this SCOA Manual.

Figure 3: Illustration of the new SCOA coding structure



### 2.1. The new SCOA segments

The following is the structure of the government Standard Chart of Accounts (SCOA). The proposed structure takes into account the problem statement in terms of reference to the SCOA Revision project; provisions in the Constitution of Kenya 2010; Public Financial Management Act, 2012; Public Financial Management Regulations, 2015 (both National and County Government Regulations); County Governments Act No.17 of 2012; Auditor-General’s Reports for several years; GFSM 2014; PBB Manual; Formats of entity and consolidated financial statements at National and County Governments; User manuals for IFMIS, e-ProMIS, and GHRIS; Standard Chart of Accounts Manual - December 2012; County Finance Acts, 2024; Geo Codes per IEBC final report; Programme Based Budget for the fiscal year 2024/2025; Executive Order No.2 of 2023; IMF technical notes; discussions with the Technical Working Committee on SCOA and feedback from the key stakeholders in SCOA user departments.

The proposed structure has a total of ten segments and 70 digits as follows:

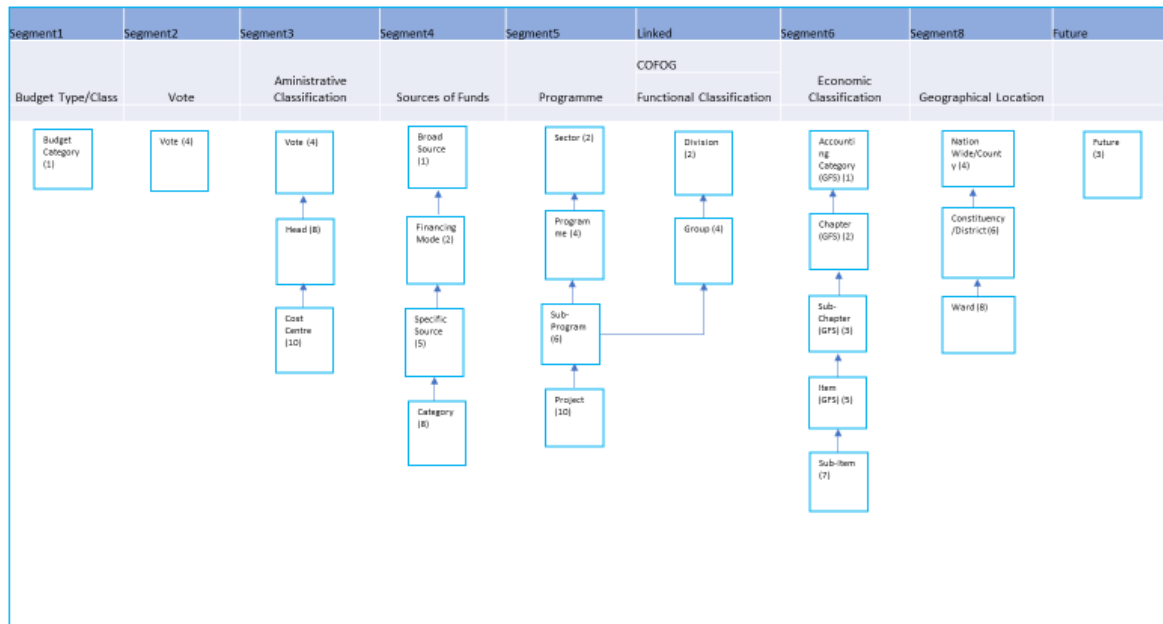
Table 1: Proposed new SCOA Structure

S/n.	Segments	Definition & Content	No. of levels	No. of digits
1	<b>Budget Types/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
2	<b>Vote</b>	Represents accountability for public money, both revenues and expenditures within MDAs, CCIO's, Counties & County Government Entities, i.e., the highest level of financial accountability. Each vote is entitled to a budget in the annual Appropriation Act.	1	5
3	<b>Administrative Classification</b>	The administrative classification is an extension of the Vote segment. It identifies the administrative units within a particular Vote responsible for public expenditure and day-to-day administration of the budget.	3	10
4	<b>Source of Funds</b>	<ul style="list-style-type: none"> <li>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</li> </ul>	5	9
5	<b>Programme</b>	<ul style="list-style-type: none"> <li>Provides for classification of expenditures by programmes and sub-programmes, i.e., against which the government Programme/ Sub-Programme is the transaction recorded</li> </ul>	5	12
6	<b>Economic</b>	<ul style="list-style-type: none"> <li>Provides the natural accounts for the generation of statistical and financial reports, i.e., it identifies the nature of the receipt and/or payment being made. The values are aligned to GFSM 2014 and IPSAS accrual basis.</li> </ul>	5	7
7	<b>Project</b>	<ul style="list-style-type: none"> <li>Provides for classification of expenditures by projects, i.e., against which GOVERNMENT Project the transaction is recorded</li> </ul>	2	6
8	<b>Geographical Location</b>	<ul style="list-style-type: none"> <li>The Geographical Location segment defines the location of the source of revenue and the location of the beneficiary of government expenditure</li> </ul>	6	13
9	<b>Spare segment</b>	Provides segment for future development	1	3
10	<b>Extended Reporting</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	3	4
	<b>Total (incl. the Extended Reporting segment)</b>			<b>70</b>

## 2.2. Contrasting the old and the new SCOA

Below is the structure of the old SCOA:

Figure 4: Illustration of old SCOA Structure



The following changes have been made, and for the reasons provided:

Table 2: Illustration of the Proposed SCOA Segment Changes

Old SCOA	Revised SCOA	Changes
Segment 1 Class (1 digit; 1 level)	Segment 1 Budget Type/Class (1 digit; 1 level)	No Changes  Distinguishes the type of budget against which a transaction is performed i.e revenue budget, recurrent budget, and development budget
Segment 2 Vote (4 digits; 1 level) XXXX	Segment 2 Vote (5 digits; 1 level) XXXXX	The segment has one level and 5 digits under the new SCOA from one level, 4 digits.  This segment supports accountability for public money, both revenues and expenditures. The Ministries, Departments, and Agencies (MDA)
Segment 3 Administrative (10 digits; 3 levels) XXXX.XXXX.XX	Segment 3 Administrative (10 digits; 3 levels) XXXX.XXXX.XX	Elimination of duplicated codes for the reasons mentioned.  Provision of descriptions/removal of codes where codes existed without descriptions.

Old SCOA	Revised SCOA	Changes
Segment 4 Sources of Funds (9 digits; 4 levels) X.X.XXX.XXX	Segment 4 Sources of Funds (9 digits; 5 levels) X.X.XXX.X.XXX	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  Restructured to provide a mechanism for tracking Funds and Sources of Funds separately.  New level was introduced on this segment, the Category with one (1) digit. This will help in Identification of Appropriation-in-Aid (A-I-A) against loans, and grants
Segment 5 Programme (12 digits; 5 levels) XX.XX.XX.XXXX	Segment 5 Programme (12 digits; 5 levels) XX.XX.XX.XX.XXXX	Levels remains as five (5), digits will change from eight (8) to twelve (12). Two (2) additional digits were introduced under the GFSM level. The programmes codes to be matched to relevant GFSM 2014 codes.  PBB documents contain targets for outputs and outcomes of government programmes. The SCOA is expected to facilitate tracking of the achievement of these key performance indicators through budget execution.
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 the economic items to IPSAS and GFSM 2014  Align Expense items in IPSAS that are not covered in GFSM 2014  The government 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 Null (0digits; 0 level) XXX	Segment 7 Projects (6 digits; 2 level) XX.XXXX	Repurposed to host GOVERNMENT projects. Projects were coded under the Head sub-segment of the administrative segment.  The 6 digit project code consists of 2 digits representing the year of the project initiation, 4 digits for the specific project code
Segment 8 Geographical Location (8 digits; 3 levels) XXXX.XX.XX	Segment 8 Geographical Location (13 digits; 6 levels) XXXXX.XX.XX.X.X.XX	Remains the same as previous until Geographic alignment across spheres of government is completed.  The target code will cover National/County,Constituency/Sub-County,Ward,Location,Sub-Location & Village
Null	Segment 10 Extended Reporting	The Extended Reporting segment is an additional segment in the SCOA. However, it is not a transactional segment as is the case with the other segments. Adequate coding space has been

Old SCOA	Revised SCOA	Changes
	4 digits; 3 level	allocated within this segment to accommodate a wide range of analytical reporting requirements.
Segment Spare (3 digits; 1 level) XXX	Segment 9 Projects (3 digits; 1 level) XXX	Spare segment for future use

## 3.0 Segments

Segments are distinct categories within a government's financial coding system that classify every transaction for budgeting, recording, and reporting financial data like revenues, expenditures, assets, and liabilities, allowing for deep analysis and international standard compliance. These segments provide a multidimensional view, enabling consistent, detailed financial management and transparency in public sector accounting. The following are the proposed SCOA segments;

### 3.1 Class/Budget Type

Also known as the Budget Type segment, the Class segment is transactional in nature. It is used to categorize the various budget items. Budgets broadly fall under the following categories:

**Revenue Budget** – identifies budgeted receipts anticipated to be collected through other Exchequer and Appropriation–in-Aid (AIA), which represents domestic and external revenues collected directly by Agencies.

**Expenditure Budget** – these codes identify **recurrent and development budgets** as required by the PFM Act. The Government's National and County Budgets have always been categorized into Recurrent and Development. This feature has been retained in the new SCOA.

**County Government allocations:** These codes are used to denote funds transferred to County Governments from the National Treasury

**Funds and Deposits (Below the line (BTL) items)** – This denotes transactions held for specific purposes not derived from the Estimates of Expenditure/ Appropriation Act, i.e., the Budget. Identification of such transactions is essential for accounting purposes and includes trust funds, third-party deposits, imprests, and other similar transactions. Cash transfers, which do not affect appropriated items, are also classified as BTL items. This feature is currently included in the chart of accounts and has been retained in the new SCOA.

#### 3.1.1 The structure of the Class segment

This segment has the following structure:

Table 3: Class Segment

Segments	Sub-Segments	Definition & Content	No. of levels	No. of digits
Class	0	- 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

#### 3.1.2 How the class segment works

Users identify the budget being affected by the transaction they are posting by making a selection in this segment.

Figure 5: Illustration of Class Segment

	A	B	C	D
1	<b>Old code</b>	<b>New code</b>	<b>Description</b>	<b>Guidance</b>
2	0	0	Recurrent Expenditure	Use this code while processing transactions on the recurrent budget. [Refer: SCOA Manual: recurrent and development]
3	1	1	Development Expenditure	Use this code while processing transactions on the development budget. [Refer: SCOA Manual: recurrent and development]
4	2	2	Revenue	Use this code while processing transactions on the revenue budget. [Refer: SCOA Manual: class segment]
5	3	3	County Allocation	Use this code while transferring funds to the county governments. [Refer: SCOA Manual: class segment]
6	4	4	Funds & Deposits (BTL)	Use this code while processing unappropriated authorised transactions. [Refer: SCOA Manual: class segment]
7				

From **Box 1: Sample transaction**, record the budget class for the transaction as follows:

Figure : Illustration of Development Class Segment

Segment	No. of digits									
Class	1	1								
Vote	5	X.X.XXX. XXX								
Administrative	10	X.X.XXX. XXX	X							
Source of Funds	9	X.X.XXX. XXX	X	XXX XX						
Programme	12	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX					
Economic	7	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX				
Project	6	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXX. XXX			
Geographical Location	13	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXX. XXX	XXXX.XX .XX		
Extended Reporting	4	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXX. XXX	XXXX.XX .XX	X.X.X.XX .XX	

NB: No changes in this segment

### 3.1.3 Distinguishing between recurrent and development expenditure

#### a) Introduction and laws governing the classification of development and recurrent expenditure

The Constitution of Kenya 2010 introduces the terms development and recurrent expenses in Kenya’s PFM systems. Article 220 of the Constitution requires that budgets of the national and county governments shall contain estimates of revenue and expenditure, differentiating between recurrent and development expenditure.

Section 2 of the PFM Act, 2012, defines what is recurrent and development expenditure as follows:

Recurrent expenditure refers to expenditures incurred in operating the services provided by governments at the national and county levels.

Development expenditure refers to expenditure for the creation or renewal of assets.

Furthermore, Section 15(2) requires the National Treasury to enforce fiscal discipline. The elements of fiscal discipline include, amongst other requirements:

- i. Over the medium term, a minimum of thirty percent of the national and county governments’ budget shall be allocated to the development expenditure;

- ii. Over the medium term, the National Government's borrowings shall be used only for financing development expenditure and not for recurrent expenditure;
- iii. the requirement that grants be used only to finance programmes within the integrated development plan, in other words, only for development purposes.

The Act further requires that all budget estimates must present their planned expenditure by vote and by Programme, clearly identifying other recurrent and development expenditures.

Regulation 41 of the PFM (National Government) Regulations, 2015, further clarifies that budget estimates must be prepared, accounted for, and reported in accordance with the government of Kenya's budget classification and chart of accounts, as issued by the National Treasury. Regarding budgetary reallocations, it is a requirement that we cannot reallocate funds between recurrent and development expenditures, e.g., from development to recurrent expenditure, or even within recurrent expenditure items, e.g., from wage to non-wage expenditures.

Furthermore, the regulations stipulate that where the Constitution or an Act of Parliament specifies specific categories of expenditure as a direct charge on the Consolidated Fund, such expenditures must be included in the recurrent budget estimates of the National Government as part of the Consolidated Fund Services.

**b) What is Recurrent Expenditure?**

The National Treasury defines recurrent expenditures as cash outflows incurred in operating the services provided by the government. The government has two levels: national and County ([www.treasury.go.ke](http://www.treasury.go.ke)). Recurrent expenditures do not result in the acquisition of long-term assets. They are expenditures for operations and maintenance. These include personal emoluments, fuel, insurance, rent, and subsistence allowances, among others. Theoretically, these expenditures do not directly contribute to the country's economic development. As stated above, consolidated fund services, as defined by the Constitution and the PFM Act, are recorded as non-developmental or recurrent expenditure. These include pensions for retirees, debt repayment, and salaries for constitutional officeholders.

**c) What is Development Expenditure?**

Development expenditure is defined as capital expenditure. These are expenditures incurred in the acquisition of assets that provide services in the medium to long term, i.e., over one year. In the past, development expenditure has included both capital and recurrent expenditures; however, development expenditure should be of a capital nature. The PFM Act, 2012 defines development expenditure as "capital" expenditure, so eventually, the two should mean the same thing in Kenyan budget documents. Furthermore, developmental expenditure refers to the government's expenditure that contributes to economic development by increasing production and real income in the country.

**d) Decision table about what is recurrent and what is development**

- The decision on whether to classify an item as development or expenditure is based on the characteristics of the expenditure and is guided by law or policy.
- The table below summarizes decision points derived from the characteristics of recurrent and development expenditure as explained above and from our engagement with various stakeholders involved in the PFM cycle.

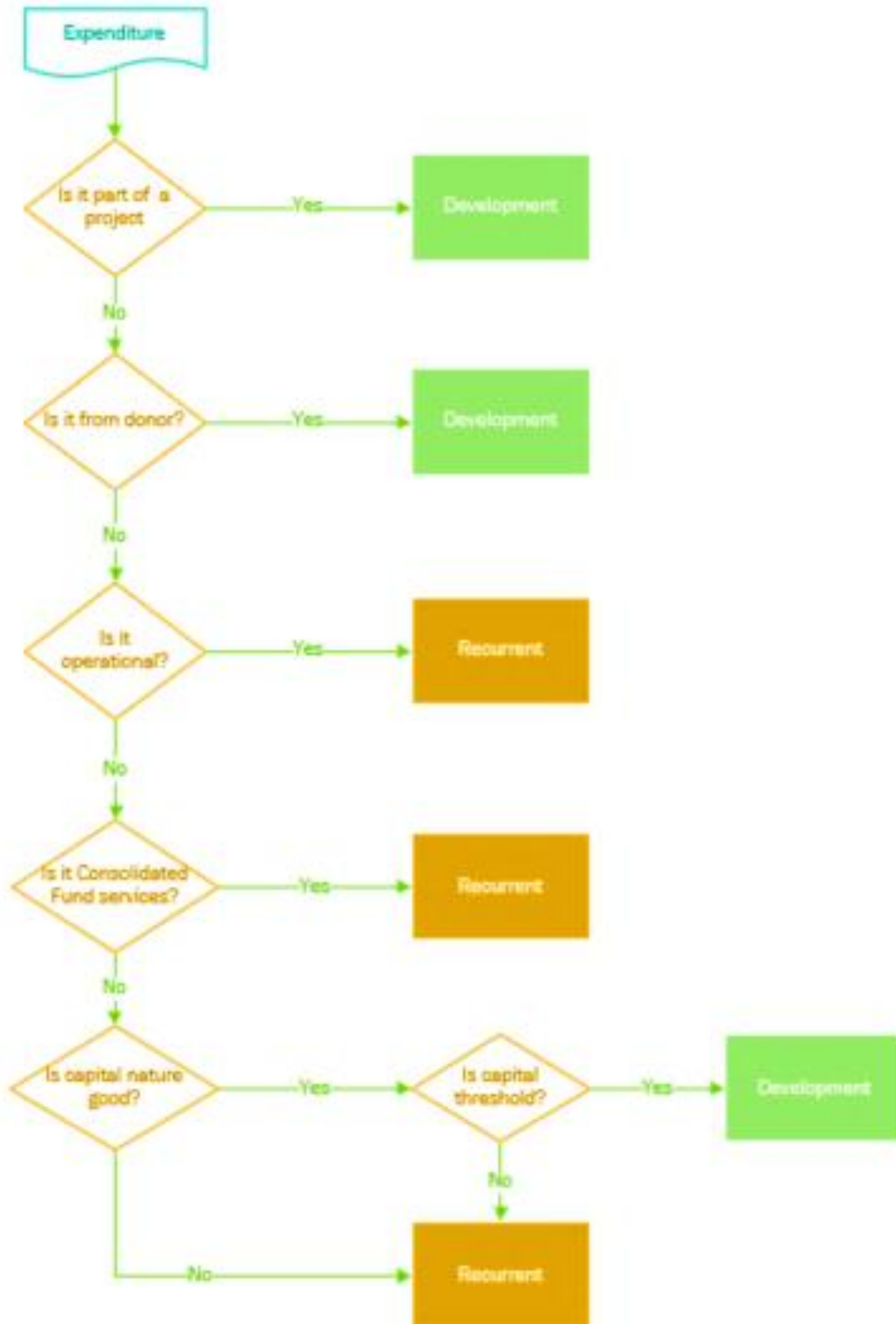
Table 4: Characteristics of recurrent and development expenditure

Decision point	Yes	Conclusion
1. Is the expenditure for consolidated fund services? i.e., pension, loan repayment, etc.	√	Recurrent
2. <b>Is the expenditure or operational activity for the general provision of government services?</b>	√	Recurrent
3. Is the expenditure of a capital nature? i.e., does the expenditure result in the development of medium to long-term assets?	√	Development
4. If the expenditure is for a capital asset, does the amount meet the capitalization policy?	√	Development
5. Is the expenditure funded by a development partner? Grant or loan?	√	Development
6. Does the expense help directly in the economic development of the country? i.e., a project with activities, targets, set objectives, and outcomes?	√	Development
7. Does the expenditure provide social and community services, economic services, and developmental assistance to lower-level governments?	√	Development
8. Does the expenditure have definite objectives, including a target to achieve during the financial year?	√	Development

**e) Decision tree about what is recurrent and what is developmental**

The purpose of the decision tree below is to provide a user-friendly and practical guide for practitioners in determining whether to classify an item as development or recurrent.

Figure 7: Decision Tree for Rec & Dev



### 3.2 *Vote segment*

This segment supports accountability for public money, both revenues and expenditures. The Ministries, Departments, and Agencies (MDA) are sometimes referred to as Reporting Entities. The accountability for Ministries, Departments, and Agencies (including self-administered and accounting Projects) rests with the Accounting Officer. The Principal Secretary is the Accounting Officer for the State Department.

This segment represents the highest level of financial accountability. Each vote is entitled to a budget in the annual Appropriation Act. Within IFMIS, the Vote segment is referred to as the “balancing segment,” and the trial balance is run at this level to enable the preparation of financial statements at the Vote level, which should compare to the Appropriation Act budget approved by Parliament.

#### 3.2.1 *The structure of the Vote segment*

The Vote Segment has changed, one digit has been added totaling to five (5), where the Votes have been assigned in ranges as follows:

Figure 7: Structure of the Vote Segment Vote Range	Category of Votes
00000-09999	National Treasury – Consolidated Fund Services Votes
10000-19999	National Government Votes
20000-29999	Constitutional Commissions and Independent Offices Votes
30000-39999	County Government votes
40000-49999	County Government votes
50000-59999	County Government votes
60000-69999	County Government votes
70000-79999	County Government votes
80000-89999	Future votes
90000-99999	Future votes



### 3.2.2 High-level Vote segment codes

#### 3.2.2.1 National Treasury & CFS Codes, Central Government entities, & Independent Commissions

New code	Organization	New code	Organization
<b>00000</b>	<b>National Treasury - Consolidated Fund Services (CFS)</b>	<b>20000</b>	<b>Constitutional Commissions and Independent Offices</b>
00100	Exchequer Operations	20100	The Judiciary
00200	Public Debt	20200	Ethics and Anti-Corruption Commission
00300	Pensions & Gratuities	20300	National Intelligence Service
00400	Salaries and Allowances - Constitutional Office Holders	20400	Office of the Director of Public Prosecutions
00500	Other Services	20500	Office of the Registrar of Political Parties
00600	Subscriptions to International Organizations	20600	Witness Protection Agency
<b>01000</b>	<b>Receivers of Revenue – National Government</b>	20700	Kenya National Commission on Human Rights
01100	Principal Secretary to the National Treasury	20800	National Land Commission
01200	Principal Secretary of the State Department for Land & Physical Planning	20900	Independent Electoral and Boundaries Commission
01300	Principal Secretary to the State Department for Trade	21000	Parliamentary Service Commission
01400	Principal Secretary to the State Department for Internal Security & National Administration	21100	National Assembly
01500	Principal Secretary to the State Department for Mining	21200	Parliamentary Joint Services
01600	Principal Secretary to the National Treasury – Pensions Department	21300	Senate
01700	Director General, Public Investments & Portfolio Management	21400	Judicial Service Commission
01800	Principal Secretary to the State Department for the Blue Economy & Fisheries	21500	Commission on Revenue Allocation
01900	Solicitor General to the State Law Office	21600	Public Service Commission
02000	Business Registration Services	21700	Salaries & Remuneration Commission
02100	The Secretary of Administration to the National Police Service	21800	Teachers Service Commission
02200	Principal Secretary to the State Department for Immigration & Citizen Services	21900	National Police Service Commission
02300	Chief Registrar to the Judiciary	22000	Auditor-General
02400	Principal Secretary to the Ministry of Defence	22100	Controller of Budget
02500	Principal Secretary to the State Department for ASALs	22200	Commission on Administrative Justice
<b>05000</b>	<b>Receivers of Revenue – County Government</b>	22300	National Gender & Equality Commission
<b>10000</b>	<b>National Government Ministries, Departments, and Agencies (MDAs)</b>	22400	Independent Policing Oversight Authority

New code	Organization	New code	Organization
<b>10100</b>	<b>Executive Office of the President</b>		
10101	Executive Office of the President		
10102	Office of the Deputy President		
<b>10200</b>	<b>Ministry of Interior and National Administration</b>		
10201	State Department for Internal Security & National Administration		
10202	State Department for Correctional Services		
10203	State Department for Immigration & Citizenship Services		
<b>10300</b>	<b>Ministry of Mining, Blue Economy and Maritime Affairs</b>		
10301	State Department for Mining		
10302	State Department for the Blue Economy & Fisheries		
10303	State Department for Shipping & Maritime Affairs		
<b>10400</b>	<b>Ministry of Defense</b>		
<b>10500</b>	<b>Office of the Prime Cabinet Secretary &amp; Ministry of Foreign &amp; Diaspora Affairs</b>		
10501	State Department for Foreign Affairs		
10502	State Department for Diaspora Affairs		
10503	State Department for Parliamentary Affairs		
<b>10600</b>	<b>Ministry of Education</b>		
10601	State Department for Basic Education		
10602	State Department for Technical, Vocational Education, & Training		
10603	State Department for Higher Education & Research		
<b>10700</b>	<b>The National Treasury and Economic Planning</b>		
10701	The National Treasury		
10702	State Department for Economic Planning		
<b>10800</b>	<b>Ministry of Health</b>		
10801	State Department for Medical Services		
10802	State Department for Public Health & Professional Standards		
<b>10900</b>	<b>Ministry of Roads and Transport</b>		
10901	State Department for Roads		
10902	State Department for Transport		
<b>11000</b>	<b>Ministry of Environment, Climate Change &amp; Forestry</b>		

New code	Organization	New code	Organization
11001	State Department for Environment & Climate Change		
11002	State Department for Forestry		
<b>11100</b>	<b>Ministry of Lands, Public Works, Housing, and Urban Development</b>		
11101	State Department for Lands & Physical Planning		
11102	State Department for Housing & Urban Planning		
11103	State Department for Public Works		
<b>11200</b>	<b>Ministry of Information, Communications, and Digital Economy</b>		
11201	State Department for Broadcasting & Telecommunication		
11202	State Department for ICT & the Digital Economy		
<b>11300</b>	<b>Ministry of Youth Affairs, Creative Economy, &amp; Sports</b>		
11301	State Department for Youth Affairs & Creative Economy		
11302	State Department for Sports		
<b>11400</b>	<b>Ministry of Labor &amp; Social Security</b>		
11401	State Department for Labour & Skills Development		
11402	State Department for Social Protection & Senior Citizens Affairs		
<b>11500</b>	<b>Ministry of Energy and Petroleum</b>		
11501	State Department for Energy		
11502	State Department for Petroleum		
<b>11600</b>	<b>Ministry of Agriculture &amp; Livestock Development</b>		
11601	State Department for Agriculture		
11602	State Department for Livestock Development		
<b>11700</b>	<b>Ministry of Investments, Trade &amp; Industry</b>		
11701	State Department for Investment Promotion		
11702	State Department for Trade		
11703	State Department for Industry		
<b>11800</b>	<b>Ministry of East African Community, the ASALs, &amp; Regional Development</b>		
11801	State Department for the East African Community		
11802	State Department for the Asals & Regional Development		
11900	<b>Ministry of Public Service, Performance &amp; Delivery Management</b>		
11901	State Department for Public Service		

New code	Organization	New code	Organization
11902	State Department for Performance and Delivery Management		
12100	State Law Office		
<b>12200</b>	<b>Ministry of Co-operatives &amp; Micro, Small &amp; Medium Enterprises</b>		
12201	State Department for Co-operatives		
12202	State Department for Micro, Small & Medium Enterprises		
<b>12300</b>	<b>Ministry of Tourism &amp; Wildlife</b>		
12301	State Department for Tourism		
12302	State Department for Wildlife		
<b>12400</b>	<b>Ministry of Gender, Culture, the Arts &amp; Heritage</b>		
12401	State Department for Gender & Affirmative Action		
12402	State Department for Culture, the Arts & Heritage		
<b>12500</b>	<b>Ministry of Water, Sanitation &amp; Irrigation</b>		
12501	State Department for Water & Sanitation		
12502	State Department for Irrigation		

### 3.2.2.2 County Government codes

New code	Organization	New code	Organization
31000	Mombasa County	54200	West Pokot - County Assembly
31100	Mombasa - County Revenue Fund	54300	West Pokot - County Executive
31200	Mombasa - County Assembly	55000	Samburu County
31300	Mombasa - The County Executive	55100	Samburu - County Revenue Fund
32000	Kwale County	55200	Samburu - County Assembly
32100	Kwale - County Revenue Fund	55300	Samburu - County Executive
32200	Kwale - County Assembly	56000	Trans Nzoia County
32300	Kwale - County Executive	56100	Trans Nzoia - County Revenue Fund
33000	Kilifi County	56200	Trans Nzoia - County Assembly
33100	Kilifi - County Revenue Fund	56300	Trans Nzoia - County Executive
33200	Kilifi - County Assembly	57000	Uasin Gishu County
33300	Kilifi - County Executive	57100	Uasin Gishu - County Revenue Fund
34000	Tana River County	57200	Uasin Gishu - County Assembly

New code	Organization	New code	Organization
34100	Tana River - County Revenue Fund	57300	Uasin Gishu - County Executive
34200	Tana River - County Assembly	58000	Elgeyo/Marakwet County
34300	Tana River - County Executive	58100	Elgeyo/Marakwet - County Revenue Fund
35000	Lamu County	58200	Elgeyo/Marakwet - County Assembly
35100	Lamu - County Revenue Fund	58300	Elgeyo/Marakwet - County Executive Administration
35200	Lamu - County Assembly	59000	Nandi County
35300	Lamu - County Executive	59100	Nandi - County Revenue Fund
36000	Taita/Taveta County	59200	Nandi - County Assembly
36100	Taita/Taveta - County Revenue Fund	59300	Nandi - County Executive
36200	Taita/Taveta - County Assembly	60000	Baringo County
36300	Taita/Taveta - County Executive	60100	Baringo - County Revenue Fund
37000	Garissa County	60200	Baringo - County Assembly
37100	Garissa - County Revenue Fund	60300	Baringo - County Executive
37200	Garissa - County Assembly	61000	Laikipia County
37300	Garissa - County Executive	61100	Laikipia - County Revenue Fund
38000	Wajir County	61200	Laikipia - County Assembly
38100	Wajir - County Revenue Fund	61300	Laikipia - County Executive
38200	Wajir - County Assembly	62000	Nakuru County
38300	Wajir - County Executive	62100	Nakuru - County Revenue Fund
39000	Mandera County	62200	Nakuru - County Assembly
39100	Mandera - County Revenue Fund	62300	Nakuru - County Executive
39200	Mandera - County Assembly	63000	Narok County
39300	Mandera - County Executive	63100	Narok - County Revenue Fund
40000	Marsabit County	63200	Narok - County Assembly
40100	Marsabit - County Revenue Fund	63300	Narok - County Executive
40200	Marsabit - County Assembly	64000	Kajiado County
40300	Marsabit - County Executive	64100	Kajiado - County Revenue Fund
41000	Isiolo County	64200	Kajiado - County Assembly
41100	Isiolo - County Revenue Fund	64300	Kajiado - County Executive Committee
41200	Isiolo - County Assembly	65000	Kericho County

New code	Organization	New code	Organization
41300	Isiolo - County Executive	65100	Kericho - County Revenue Fund
42000	Meru County	65200	Kericho - County Assembly
42100	Meru - County Revenue Fund	65300	Kericho - County Executive
42200	Meru - County Assembly	66000	Bomet County
42300	Meru - County Executive	66100	Bomet - County Revenue Fund
43000	Tharaka-Nithi County	66200	Bomet - County Assembly
43100	Tharaka-Nithi - County Revenue Fund	66300	Bomet - County Executive
43200	Tharaka-Nithi - County Assembly	67000	Kakamega County
43300	Tharaka-Nithi - County Executive	67100	Kakamega - County Revenue Fund
44000	Embu County	67200	Kakamega - County Assembly
44100	Embu - County Revenue Fund	67300	Kakamega - County Executive
44200	Embu County Assembly	68000	Vihiga County
44300	Embu - County Executive	68100	Vihiga - County Revenue Fund
45000	Kitui County	68200	Vihiga - County Assembly
45100	Kitui - County Revenue Fund	68300	Vihiga - County Executive
45200	Kitui - County Assembly	69000	Bungoma County
45300	Kitui - County Executive	69100	Bungoma - County Revenue Fund
46000	Machakos County	69200	Bungoma - County Assembly
46100	Machakos - County Revenue Fund	69300	Bungoma - County Executive
46200	Machakos - County Assembly	70000	Busia County
46300	Machakos - County Executive	70100	Busia - County Revenue Fund
47000	Makueni County	70200	Busia - County Assembly
47100	Makueni - County Revenue Fund	70300	Busia - County Executive
47200	Makueni - County Assembly	71000	Siaya County
47300	Makueni - County Executive	71100	Siaya - County Revenue Fund
48000	Nyandarua County	71200	Siaya - County Assembly
48100	Nyandarua - County Revenue Fund	71300	Siaya - County Executive
48200	Nyandarua - County Assembly	72000	Kisumu County
48300	Nyandarua - County Executive	72100	Kisumu - County Revenue Fund
49000	Nyeri County	72200	Kisumu - County Assembly

New code	Organization	New code	Organization
49100	Nyeri - County Revenue Fund	72300	Kisumu - County Executive
49200	Nyeri - County Assembly	73000	Homa Bay County
49300	Nyeri - County Executive	73100	Homa Bay - County Revenue Fund
50000	Kirinyaga County	73200	Homa Bay - County Assembly
50100	Kirinyaga - County Revenue Fund	73300	Homa Bay - County Executive
50200	Kirinyaga - County Assembly	74000	Migori County
50300	Kirinyaga - County Executive	74100	Migori - County Revenue Fund
51000	Murang'a County	74200	Migori - County Assembly
51100	Murang'a - County Revenue Fund	74300	Migori - County Executive
51200	Murang'a County Assembly	75000	Kisii County
51300	Murang'a - County Executive	75100	Kisii - County Revenue Fund
52000	Kiambu County	75200	Kisii - County Assembly
52100	Kiambu - County Revenue Fund	75300	Kisii - County Executive
52200	Kiambu - County Assembly	76000	Nyamira County
52300	Kiambu - County Executive	76100	Nyamira - County Revenue Fund
53000	Turkana County	76200	Nyamira - County Assembly
53100	Turkana - County Revenue Fund	76300	Nyamira - County Executive Office
53200	Turkana - County Assembly	77000	Nairobi City County
53300	Turkana - County Executive	77100	Nairobi City - County Revenue Fund
54000	West Pokot County	77200	Nairobi City - County Assembly
54100	West Pokot - County Revenue Fund	77300	Nairobi City - County Executive

NB: The plenary suggested that provision be made in the County Votes for Recievers of Revenue (RoR)



### 3.2.3 How the Vote segment works

This segment is primarily used for generating reports. For processing transactions through the SCOA, it has been replicated into the administrative segment, in which it forms the first sub-segment. Heads/Departments and Sub-Heads / Cost Centers have been assigned to form complete administrative unit codes.

See details about the administrative segment in the next section.

From **Box 1: Sample transaction**, record the Vote implementing the transaction as follows:

Figure 7: Illustration of Vote Segment; 11601 State Department for Agriculture

Segment	No. of digits									
Class	1	X.X.XXX. XXX								
Vote	5	X.X.XXX. XXX	116 01							
Administrative	10	X.X.XXX. XXX	X							
Source of Funds	9	X.X.XXX. XXX	X	XXX XX						
Programme	12	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX					
Economic	7	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX				
Project	6	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXX. XXX			
Geographical Location	13	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXX. XXX	XXXX.X X.XX		
Extended Reporting	4	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXX. XXX	XXXX.X X.XX	X.X.X.X X.XX	

### 3.3 Administrative segment

The administrative classification is an extension of the Vote segment. It identifies the administrative units within a particular Vote responsible for public expenditure and the day-to-day administration of the budget. Whereas the accounting officer is responsible for overall financial accountability at the Vote level, the responsibility is ordinarily delegated to departments, project coordinators, and fund administrators as the case may be.

#### 3.3.1 The structure of the administrative segment

The administrative segment has three levels and ten digits, and the structure is as follows:

Table 5: Illustration Structure of the Administrative Segment

Segments	Sub-Segments	Definition & Content	No. of levels	No. of digits
Administrative		<ul style="list-style-type: none"> <li>represents the administrative responsibilities within MDAs &amp; Counties, i.e., to which administrative unit and cost/revenue center the transaction is allocated.</li> </ul>	3	10
	Vote	<ul style="list-style-type: none"> <li>List of NGEs and CGEs with accounting officers that get appropriations from the National Parliament or County Assemblies</li> </ul>		5
	Head	<ul style="list-style-type: none"> <li>Represents the service delivery departments.</li> </ul>		3
	Subhead/ Cost center	<ul style="list-style-type: none"> <li>This is the lowest level unit of spending.</li> </ul>		2

The old administrative segment includes development projects, Funds, and other units, which are self-accounting and self-reporting, and are required to generate separate financial statements. This arrangement has not been retained in the new SCOA. For self-reporting Projects, an individual segment seven has been added.

According to the government's strategic direction, which includes the establishment of a PIM Unit in the National Treasury and investment in project management and monitoring and evaluation (M&E) systems, self-reporting projects must have a separate, standalone project segment, as outlined in the PBB manual.

#### 3.3.2 How the Administrative segment works

By selecting a code in the administrative segment during transaction processing, users assign their specific transactions to the relevant Votes, Departments, and Cost centers.

Example

From **Box 1: Sample transaction**, record the Administrative Unit implementing the transaction as follows:

```

11601 State Department for Agriculture
010      Headquarters Land and Crop Development Services
01      Headquarters
  
```

Figure 8: Illustration of Administrative segment ,1160101001

Segment	No. of digits									
Class	1	X.X.XXX. XXX								
Vote	5	X.X.XXX. XXX								
Administrative	10	X.X.XXX. XXX	X	11601.01 0.01						
Source of Funds	9	X.X.XXX. XXX	X	XXXXXX						
Programme	12	X.X.XXX. XXX	X	XXXXXX	XXXXXX.XX X.XX					
Economic	7	X.X.XXX. XXX	X	XXXXXX	XXXXXX.XX X.XX	XX.XX.X X.XX				
Project	6	X.X.XXX. XXX	X	XXXXXX	XXXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXXX .XXX			
Geographical Location	13	X.X.XXX. XXX	X	XXXXXX	XXXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXXX .XXX	XXXXX.X X.XX		
Extended Reporting	4	X.X.XXX. XXX	X	XXXXXX	XXXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXXX .XXX	XXXXX.X X.XX	X.X.X.X X.XX	

### 3.4 Sources of Fund Segment

This segment defines the Government’s sources of funding. It helps track revenues and expenditures per source and type of funding. This is a transactional segment, which applies to other revenues (inflows) and expenditures (outflows).

Broadly, resources are categorized into either Domestic or External. Domestic resources are raised locally through the Government’s domestic revenue-raising mechanisms, while External resources are either grants or loans from the Government’s development partners.

#### 3.4.1 The structure of the Sources of Fund segment

The segment has five levels and nine digits. Its structure is as follows:

Figure 8: structure of the Sources of Fund segment

Segments	Sub-Segments	Definition & Content	No. of levels	No. of digits
Source of Funds		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	5	9
	Broad Source	Categorizes sources into Domestic and External		1

Financing Mode	Categorizes sources into National, County / Bilateral, and Multilateral		1
Specific Source	Identifies specific sources of funds, such as revenue, own-source revenue, loans, and grants. <b>It identifies the specific donor.</b>		3
Category	Revenue/AIA		1
Donor Facility	Identifies the specific funding facility that a donor is using.		3

**NB: New level was introduced on this segment, the Category with one (1) digit. This will help in Identification of Appropriation-in-Aid (A-I-A) against loans, and grants**

### ***3.4.2 High-level Source of Funds codes***

Table 6: High-level Source of Funds codes

**Note: Details of this will be added once the excel codes are completed**



### 3.4.3 How the Sources of Funds segment works

By selecting a code in this segment, users identify the Source from where funds are received, or from where funds to support a particular expense, for other recurrent and development costs are obtained. Examples

From **Box 1: Sample transaction**, record the source of funds for the transaction as follows:

```

2           External sources – Grants
1           Bilateral Development Partners
038        United Kingdom (DFID-UK)
X           xxxxxxxxxxxxxx
017        Tackling Chronic Poverty
  
```

Figure 10: Source of Funds code segment

Segment	No. of digits									
Class	1	X.X.XXX. XXX								
Vote	5	X.X.XXX. XXX								
Administrative	10	X.X.XXX. XXX	X							
Source of Funds	9	X.X.XXX. XXX	X	XXX XX	2.1.038.01 7					
Programme	12	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX					
Economic	7	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX				
Project	6	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXX. XXX			
Geographical Location	13	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXX. XXX	XXXX.XX .XX		
Extended Reporting	4	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXX. XXX	XXXX.XX .XX	X.X.X.XX .XX	

### 3.5 Programme segment

A sound relationship must exist between the policy-making process, the budget, and the budget execution processes, as the budget serves as a policy statement and an instrument of economic and fiscal interventions.

The budget process takes into account policies already formulated and is the main instrument to operationalize them. The strength of the budget policy link is therefore crucial in determining how strategies to achieve national and sectoral policies are implemented. The Programme-Based Budget is a mechanism for facilitating this link.

The Programme/Sub-Programme segment is hierarchical and provides the means to show the purpose of spending, i.e., why we are spending the money. - to achieve the objectives and policies of the Government. The segment also provides accountability for the results of the spending, examining what was achieved with the funds as well as the amount spent. Programme budgets also provide a means for reallocating resources from past policy objectives to new policy objectives.

Programme budgeting involves budgeting and reporting by programmes, taking into account the performance of these **programmes**.

- Programmes: classifying expenditures of similar services with similar objectives
- An alternative to administrative line budgeting
- Resources allocated to **policy priority areas**
- Improved **focus on performance/results**

Significant shifts from the previous budgeting system to PBB:

- Improved linkage of strategic planning to policy;
- Management and evaluation linked to PBB are in place;
- A strategic budgeting phase is part of budget preparation, giving MDAs more discretion at the finalization stage of budget preparation.
- The National Assembly/Parliament is given better information to link the budget to performance during budget approval and budget oversight;
- In-year internal and public reporting is not only on financial information but on progress towards the achievement of the targeted results; and
- Audit practices will change over time to include an audit of performance information, value for money, efficiency, and effectiveness of spending

### 3.5.1 The structure of the Programme segment

The Programme segment has five levels and twelve digits, and the structure is as follows:

Figure 10: Structure of the Programme

Segments	Sub-Segments	Definition & Content	No. of levels	No. of digits
Programme		- Provides for classification of expenditures by programmes and sub-programmes, i.e., against which GOVERNMENT Programme/ Sub-Programme is the transaction recorded	5	12
	Sector	- MTEF sectors as aligned with COFOG		2
	Programme	- Facilitates Programme-Based Budgeting, execution, and reporting of programmes and sub-programmes.		2
	Sub-Programme	- Facilitates Programme-Based Budgeting, execution, and reporting of programmes and sub-programmes.		2
	Indicators	Key performance indicators.		2
	GFSM 14	GFSM 2014 codes aligned to Kenya Government programmes.		4

**NB: Levels remained as five (5), digits changed from eight (8) to twelve (12). Two additional digits were introduced under the GFSM level. The programmes codes to be matched to relevant GFSM 2014 codes.**

**The programmes for both National and County Governments, should be harmonized and mapped to GFSM codes**

The current Kenya Sector codes are adequately aligned to the international **Government Finance Statistics Manual 2014 (GFSM 2014)**, which uses the **COFOG (Classification of the Functions of Government)** framework.

Table 9: COFOG Vs GFSM

<b>Kenya Sector Code</b>	<b>Kenya Sectors</b>	<b>GFSM 2014 Classification</b>
<b>01</b>	Agric, Rural & Urban Develop	702 Agriculture, forestry, fishing, and hunting
<b>02</b>	Energy, Infrastructure., & ICT	706 Housing and community amenities
		7046 Communication
		7045 Transport
		7043 Fuel and energy
<b>03</b>	General Economic & Commercial	701 General economic, commercial, and labor
<b>04</b>	Health	707 Health
<b>05</b>	Education	709 Education
<b>06</b>	Governance, Justice, Law	703 Public order and safety
<b>07</b>	Public Admin	701 General public services
<b>08</b>	National Security	702 Defense
<b>09</b>	Social Protection	710 Social protection
		708 Recreation, culture, and religion
<b>10</b>	Environment Protection	705 Environmental protection

### 3.5.2 Distinguishing between Programmes and Projects

1. The newly developed PIM Guidelines describe a project as a temporary developmental undertaking that delivers specific products, services, or results within a given budget timeframe.
2. A Programme is a group of related activities that are managed together to achieve a clear and singularly identifiable objective. The outputs achieved through activities result in outcomes that contribute to the objectives identified by the Programme.
  - a. A sub-programme is a sub-grouping of a Programme into specific, standalone objectives that themselves feed into the overall Programme objective. These sub-programmes comprise a logical grouping of activities whose outputs collectively contribute to the sub-programme's objective.
  - b. Key criteria that differentiate programmes from projects:

Figure: 11 Programmes Criteria

Criterion	Definition
1 Specificity	Project: specific and exact components; well-defined scope, goals, and indicators; clear path to achievement Programme: less precise components; more all-encompassing and broad strategic scope and goals; complex to achieve
2 Focus	Project: single, focused output Program: Typically, it cannot be achieved with only one intervention. Multiple project outputs can complement and even overlap in their contribution to achieving the goal.
3 Budget	Project: clear budget and schedule Programme: rolling and unclear budget, and unclear schedule for the achievement of objectives
4 Duration	Project: Projects typically have a shorter life span; they have a defined start and end date. Programme: Undertaken over long periods; can span decades
5 End product	Project: tangible outputs Programme: intangible outcomes

Donor programmes – although often referred to as programmes – are established to address the outcomes of government programmes. As such, they are government projects and should be classified as such.

### 3.5.3 How the Programme segment works

The programme and sub-programme structure are hierarchical; the key performance indicators track contribution to the overall outputs and outcomes of the programme and sub-programme. Generally, each programme will comprise several sub-programmes, but a programme must have a minimum of one sub-programme.

The coding of programmes is done by Sector, rather than by Vote. As per the indicative PBB MTEF, the Government has ten Sectors. A comprehensive Programme-Based Budgeting (PBB) Manual was developed for reference by government entities in the formulation of programs and sub-programs. New Programmes and Sub-Programmes may be identified during the Budget Formulation. The Sector or Line Ministry Budget Committee will propose new Programmes and appoint the Programme Manager. Within the Programmes, new Sub-Programmes may be identified by the Programme Manager for effective achievement of the Programme's Policy Objective.

Guidelines for formulating Programmes and Sub-Programmes will be included in Treasury Circulars, particularly the annual Budget Call Circulars. When a new Programme is requested, it will also need at least one new Sub-Programme.

When requesting a new Programme/Sub-Programme, the request will be made to the Budget Supplies Department, including the following information:

- Name of New Programme and Narrative Description
- Policy Objective and Expected (Measurable) Outcome of the Programme
- Name of New Sub-Programme and Narrative Description
- Programme to which the Sub-Programme relates/reports
- Objective of the Sub-Programme (Measurable Outputs)
- COFOG Classification
- Output name and description, plus details of the Sub-Programme to which it contributes
- Activity name and description, plus details of the Output to which it contributes

Below is the numbering outline for the segment with illustrative coding as has been drawn from the Agriculture, Rural, and Urban Development sectors:

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	
1	Old Code	Sect or	Programme	SubProgram	Indicators	New Code		1	2	3	4				Guidance
2	0100000	1	0	0	0	0	0	0	0	0	10000000				Agriculture, Rural & Urban Development
3	0106000/ 0107000/ 0117000	1	0	0	1	0	0	0	0	0	10010000				General Administration Planning and Support Services
4	0106010/ 0117010/ 0120010	1	0	0	1	0	1	0	0	0	10010100				General Administration Planning & Support Services
5	Null	1	0	0	1	0	1	0	1	0	10010101				Agricultural Research policies developed
6	Null	1	0	0	1	0	1	0	2	0	10010102				research programs supported
7	Null	1	0	0	1	0	1	0	3	0	10010103				compliance of expenditure within set budgetary ceiling
8	Null	1	0	0	1	0	1	0	4	0	10010104				quarterly reports
9	Null	1	0	0	1	0	1	0	5	0	10010105				policy and strategy implementation.
10	Null	1	0	0	1	0	1	0	6	0	10010106				financial and non financial reports
11	Null	1	0	0	1	0	1	0	7	0	10010107				Financial Services
12	Null	1	0	0	1	0	1	0	8	0	10010108				Employee and customer satisfaction
13	Null	1	0	0	1	0	1	0	9	0	10010109				Monitoring and evaluation
14	Null	1	0	0	1	0	1	1	0	0	10010110				Term supply contracts procured
15	Null	1	0	0	1	0	1	1	1	0	10010111				Monitoring and evaluation
16	Null	1	0	0	1	0	1	1	2	0	10010112				Policies formulated
17	Null	1	0	0	1	0	1	1	3	0	10010113				Survey on Mapping of local innovative building materials in Kenya
18	Null	1	0	0	1	0	1	1	4	0	10010114				Buildings Safety Testing and Quality Assurance
19	Null	1	0	0	1	0	1	1	5	0	10010115				works designs completed
20	Null	1	0	0	1	0	1	1	6	0	10010116				Percentage score in employee satisfaction survey
21	Null	1	0	0	1	0	1	1	7	0	10010117				monitoring and evaluation reports
22	Null	1	0	0	1	0	1	1	8	0	10010118				staff sensitized on HIV and AIDS
23	Null	1	0	0	1	0	1	1	9	0	10010119				Quarterly Financial Reports prepared
24	Null	1	0	0	1	0	1	2	0	0	10010120				Final Accounts and quarterly financial statements prepared
25	0106020	1	0	0	1	0	2	0	0	0	10010200				Procurement, Warehousing and Supply
26	Null	1	0	0	1	0	2	0	1	0	10010201				Rehabilitation of Supplies branch
27	Null	1	0	0	1	0	2	0	2	0	10010202				County Government Headquarters completed
28	0107010	1	0	0	1	0	3	0	0	0	10010300				Agricultural Policy, Legal and Regulatory Frameworks
29	Null	1	0	0	1	0	3	0	1	0	10010301				Staff skills and competences improved

**The first two digits is the sector:** Agriculture, Rural and Urban Development, the **second two digits:** Programme: General Administration, Planning and Support Services, **third two digits:** Sub-programme, General Administration, Planning and Support Services and Procurement, Warehousing and Supply, the **fourth two digits:** Key Performance Indicators e.g.: Buildings, Safety testing and Quality Assurance and Rehabilitation of Supplies Branch: **fifth four digits:** GFSM 2014 Codes aligned to Kenya Government Sectors.

By selecting a code in this segment, each transaction is assigned the programme, sub-programme, and key performance indicators that relate to it. This achieves the benefit of linking the government's actual expenditure to its KPIs and strategic objectives.

### ***3.5.4 COFOG Functional Classification***

The 10 functional classifications divisions are listed below: Further detailed guidance is provided in the GFS Manual 2014.

#### ***3.5.4.1 General public services***

Refer to the administration, operation, or support of executive and legislative organs, financial and fiscal affairs, and external affairs. It also includes foreign economic aid to developing countries and economic aid routed through international organizations. This category also encompasses general services, including personnel services, overall planning, statistical services, and basic research and development (R&D) in the public sector.

#### ***3.5.4.2 Defense***

This includes the administration, operation, and support of military and civil defense, as well as the operation of military aid missions accredited to foreign governments or attached to international military organizations. Applied R&D related to defense is also included.

#### ***3.5.4.3 Public order and safety***

This encompasses police services, fire protection services, justice, law courts, prisons, and related research and development.

#### ***3.5.4.4 Economic Affairs***

Covers government spending associated with the regulation and more efficient operation of the business sector. This category encompasses general economic affairs, commercial and labor affairs, agriculture, forestry, fishing and hunting, fuel and energy, mining, manufacturing and construction, transportation, communication, and related research and development.

#### ***3.5.4.5 Environmental affairs***

This relates to the protection of biodiversity and landscapes – specifically, the protection of habitats, including the management of natural parks and reserves, as well as waste management, wastewater management, pollution abatement, and related research and development (R&D).

#### ***3.5.4.6 Housing and community amenities***

This includes the administration of housing and community development affairs and services, as well as water supply, street lighting, and related research and development.

#### ***3.5.4.7 Health***

This includes spending on services provided to individual persons and services provided on a collective basis. This specific function diverges from GFSM 2001, as agreed upon between the Government and the World Bank. The functional groups used are Primary, Secondary, and tertiary healthcare.

#### ***3.5.4.8 Recreation and Culture***

This is provided to the community through recreational and sporting services, cultural services, broadcasting and publishing services, and other community services. The function also covers related R&D.

#### ***3.5.4.9 Education***

This includes spending on services provided to individual pupils and students, as well as services provided on a collective basis. It encompasses pre-primary, primary, secondary, and tertiary education, as well as supplementary services to education and related research and development.

#### ***3.5.4.10 Social protection***

This covers services supplied directly to communities, households, or individuals, and includes transfers for sickness and disability, old age, survivors, families, children, unemployment, support to households to meet the cost of housing, and related research and development.

As an extension of the purpose of spending prescribed through government programs and subprograms, the COFOG (Classification of Outlays by Functions of Government) classification provides an international standard for classifying government functions. The COFOG classification is mapped in the system and is therefore applied automatically when entering the sub-programme; so, it is not necessary to enter this classification against the respective transaction. The COFOG mapping will be created when a new sub-programme is established and will be categorized at the COFOG Group (level 2) classification.

This is an extension of programme segment 5 – each sub-programme is mapped to a specific COFOG to aid reporting under GFSM 2014. It identifies the purpose of spending, such as health, Education, and economic development, and supports policy analysis and the alignment of implementation with policy. Reporting under COFOG facilitates international comparisons of government spending. It ignores Organizational administrative boundaries and changes in ministry structures.

The functional classification complements the Economic Classification. It serves to distinguish transactions by policy purpose or type of outlay. This is also referred to as expense by output. Its main purpose is to facilitate understanding of how funds available to the government have been spent. COFOG enables the examination of trends in government outlays for specific functions or purposes over time.

COFOG is detailed in three levels: Division, Group, and Class. The Government has opted to classify its expenditure into the first two levels of functions, i.e., Division and Group. The sub-programmes are mapped to the COFOG Group (level 2). This provides analysis by the COFOG Group without users needing to enter this information against transactions.

### ***3.5.5 Mapping of Sub-COFOG Functional Classification***

Policies are formulated largely on economic sectoral and functional lines. Programmes are generally quite large and will comprise multiple functional (COFOG Group - Classification of Outlays by Function of Government) classifications. Within the system, Sub-Programmes will be mapped to the COFOG Group. When establishing a new Sub-Programme, it will be necessary to categorize the Sub-Programme according to its COFOG Group classification.

When setting up a new Sub-Programme, the Programme Manager will liaise with the Budget Department to agree on the appropriate COFOG Division and Group, based on the functional nature of the Sub-Programme. It is mandatory to provide the appropriate COFOG Group when setting up a new Sub-Programme.

There may be occasions when a Sub-Programme spans more than one COFOG Group. In these instances, following GFSM 2014, the Sub-Programme can be mapped (i) either to the largest COFOG Group or (ii) apportioned on a percentage basis between the COFOG Groups.

Summarized overleaf is a mapping of i) COFOG to MTEF and ii) MTP to MTEF.



<b>CLASSIFICATION OF FUNCTIONS OF THE GOVERNMENT(COFOG)</b>	<b>MEDIUM-TERM EXPENDITURE FRAMEWORK (MTEF SECTORS)</b>	<b>MEDIUM-TERM PLAN (MTP SECTORS)</b>
1. Economic Affairs	a. Agriculture, Rural and Urban Development	1) Agriculture, Livestock & Fisheries 2) Population, Urbanization, and Housing
	b. Energy, Infrastructure, and ICT	3) Business Process Outsourcing & ITES 4) Oil and Other Mineral Resources ( <i>Added during MTPII</i> )
	c. General Economic and Commercial Affairs	5) Manufacturing 6) Tourism 7) Trade 8) Financial Services
2. Health	d. Health	9) Health
3. Education	e. Education	10) Education and Training
4. Public Sector & Safety	f. Governance, Justice, Law and Order	11) Governance and the Rule of Law
5. General Public Service	g. Public Administration and International Relations	12) Devolution
6. Defense	h. National Security	<i>-Considered as an enabler and not a sector under MTP</i>
7. Recreation, Culture, and Social Protection	i. Social Protection, Water and Natural Resources	13) Gender, Youth, and Vulnerable Groups 14) Sports, Culture, and Arts
8. Community Amenities	j. Environment Protection, Water and Natural Resources	15) Environment, Water, and Sanitation

## Example

From **Box 1: Sample transaction**, specify the Sector, Programme, Sub-Programme, and Indicators served by the transaction as follows:

10            Agriculture, Rural & Urban Development  
 07            Crop Development and Management  
 01            Land and Crops Development  
 20            yields of products in supported value chains  
 xxxx            GFSM 2014 Code

Figure 11: Programme code segment

Segment	No. of digits									
Class	1	X.X.XXX. XXX								
Vote	5	X.X.XXX. XXX								
Administrative	10	X.X.XXX. XXX	X							
Source of Funds	9	X.X.XXX. XXX	X	XXX XX						
Programme	12	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	10.07.01.20 .XXX				
Economic	7	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.XX. XX				
Project	6	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.XX. XX	XX.XXXX. XXX			
Geographical Location	13	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.XX. XX	XX.XXXX. XXX	XXXX.X X.XX		
Extended Reporting	4	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.XX. XX	XX.XXXX. XXX	XXXX.X X.XX	X.X.X.X X.XX	

## 3.6 Economic segment

### GFSM 2014 Compliance

The Economic Classification of government transactions serves to provide policymakers with information about sources of revenues and their uses. Broadly, the primary purpose of government operations is to use public resources to:

- Regulate relevant aspects of society and the economy;

- Provide services to the community in areas where there is market failure;
- Build, improve, and maintain infrastructure;
- Redistribute wealth according to nationally determined criteria.

To fulfill these functions effectively, the government must raise revenue and spend it prudently. The economic classification is used for analytical presentation of government receipts and payments. On the receipt side, the economic classification indicates whether receipts originate from taxes or other sources, such as sales of goods and services, dividends, or interest. While on the payment side, it shows how the receipts have been used according to the type of object or input, such as employee compensation, interest payments, goods, and services, among others.

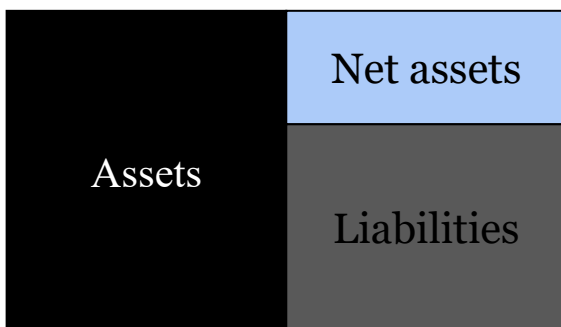
The budget balance, which is the most crucial analytical item in government finance statistics, is derived from the economic classification. If a deficit is shown, the budget balance provides information about the scale of financial resources required to finance the government's operations. When in surplus, it shows the economic resources the government makes available to other sectors, for example, by reducing its debt.

The economic classification is a statistical representation of government transactions and expenditures. The economic classification should not be confused with the functional classification of government spending. Whereas the economic classification focuses on the inputs, the functional classification serves to distinguish expenditure by policy purpose or type of outlay; this is also referred to as expenditure by output. The primary objective of the functional classification is to facilitate an understanding of the purpose for which funds have been spent, such as health, education, administration, judicial services, and other related areas.

### IPSAS Compliance

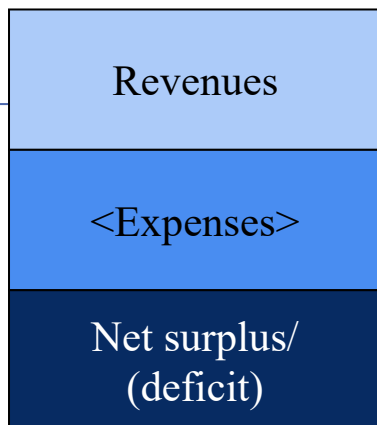
The objective of general-purpose financial statements is to provide information about an entity's financial position, performance, and cash flow that is useful to a wide range of users in making decisions about the allocation of resources and to demonstrate the entity's accountability for the resources entrusted with. The objectives according to IPSAS 1 & 15 are:

- Provide information about the sources, allocation, and uses of financial resources;
- Provide information about how the entity financed its activities and met its cash requirements;
- Provide information that is useful in evaluating the entity's ability to finance its activities and to meet its liabilities and commitments;
- Provide information about the financial conditions of the entity and changes in its financial conditions; and
- Provide aggregate information helpful in evaluating the entity's performance in terms of service costs, efficiency, and accomplishments.



Below is an illustration of financial position and performance: Complete information on the utilization of resources (assets).

- Complete information on total borrowing and indebtedness.



- Information about the total actual cost of policies and activities.
- Comparison of revenue from «contributors» and the cost of policies and activities.

### ***3.6.1 The structure of the Economic segment***

The new economic segment is designed in accordance with the following key concepts:

1. Statement of Financial Position: mapping to GFS 2014 stock accounts (GFS table )
2. Statement of Financial Performance: mapping to Statement of Operations (GFS table )
3. Adapted to specific IPSAS requirements (structure & completeness)
4. Inspiration from international best practice
5. Retain, where possible, the old SCOA codes
6. Four types of accounts:
  - Cash only
  - Statistical only
  - Common - Modified cash, accrual, and statistical
  - Accrual only

The main objective of the work performed on the SCOA economic segment is to have sufficient accounts to populate the Statement of Financial Position, Statement of Financial Performance, and the notes with a specific focus on:

- Align the economic items to Accrual codes
- Align the economic items to IPSAS and GFSM 2014
- Align Expense items in IPSAS that are not covered in GFSM 2014
- Align Grants & Other Incomes
- Analyze ALL children for Expense, Revenue, Assets & Liabilities
- Ensure that provision is made for clearing accounts (system control accounts)
- Using and maintaining as much as possible codes in the existing SCOA structure that align to accrual accounting,
- Retaining as much as possible the existing audit trail in the accounting system,
- Efficient reporting procedures (as automated as possible),

- Minimize the efficiency of processes and procedures as much as possible.

Accrual accounting will inevitably impact the existing SCOA, which was developed in 2012.

The economic segment has five levels and seven digits, and the structure is as follows:

Segments	Sub-Segments	Definition & Content	No. of levels	No. of digits
Economic		- Provides the natural accounts for generating statistical and financial reports, i.e., it identifies the nature of the receipt and/or payment being made. The values are aligned to GFSM 2014 and IPSAS accrual basis.	5	7
	Parent	- Categorizes transactions into revenue, expenditures, assets, liabilities, funding flows, and equity.		1
	Chapter	- Further breakdown		1
	Sub-Chapter	- Further breakdown		1
	Item	- Further breakdown		2
	Sub-Item/ Account	- Provides specific line items/ accounts for posting transactions		2

**Note: The codes under the sub-items for all the categories might change after the excel document is finalized**  
**The SCOA to make provision for system control accounts (System clearing accounts)**

### 3.6.2 High-level Economic segment codes

#### 3.6.2.1 Revenues and Expenditure

Code	Description	Code	Description
1000000	<b>REVENUES</b>	2000000	<b>EXPENDITURE</b>
1100000	<b>TAX REVENUES</b>	2100000	<b>COMPENSATION OF EMPLOYEES</b>
1110000	Taxes on Income, Profits, and Capital Gains	2110000	Salary and Wages
1120000	Taxes on Payroll and Workforce	2120000	Pension- Defined benefit plans
1130000	Taxes on Property	2130000	Pension- Defined contribution plans
1140000	Taxes on Goods and Services	2140000	Other employee entitlements
1150000	Taxes on International Trade and Transactions	2200000	<b>USE OF GOODS AND SERVICES</b>
1200000	<b>SOCIAL SECURITY CONTRIBUTIONS</b>	2210000	General goods & services
1210000	Receipts from Employee Social Contributions	2220000	Routine Maintenance
1300000	<b>GRANTS</b>	2300000	<b>CONSUMPTION OF FIXED CAPITAL</b>
1310000	Grants from foreign governments	2310000	Depreciation expenses
1320000	Grants from International Organizations	2320000	Eliminated on revaluation
1330000	Grants from other levels of government	2330000	Eliminated on disposal
1400000	<b>OTHER REVENUE</b>	2340000	Net Impairment losses
1410000	Exchequer Transfer	2350000	Amortization and net impairment of non-financial assets
1411000	Deemed Income – Development Grant	2400000	<b>FINANCE COSTS</b>
1412000	Conditional Additional Allocation	2410000	Budgetary contingency reserve
		2420000	Other expenses
1413000	Property Income	2430000	Interest on Foreign Borrowing
1414000	Sale of goods and services	2440000	Interest on Domestic Borrowing
1415000	Fines, Penalties, and Forfeitures	2450000	Interest on Borrowing from Other Government Units
1416000	Gain on sale of non-financial assets	2500000	<b>SUBSIDIES</b>
1417000	Voluntary Transfers other than grants	2600000	<b>GRANTS</b>
1418000	Other receipts not classified elsewhere	2610000	Exchequer transfers
1419000	Interest Income	2620000	Grants and Other Transfers to International Organizations
1420000	County Government Own Source Revenue	2630000	Subsidies to Public Corporations
1421000	Dividends	2640000	Subsidies to Private Enterprises

1422000	Donations	<b>2700000</b>	<b>SOCIAL BENEFITS</b>
1423000	Sale of Royalties	2710000	Social Contributions
1424000	Concession in Leases	2720000	Social support transfers (Inua Jamii)
1425000	Extraordinary Items	2730000	Other Transfers and Contingencies Relief
1500000	<b>OTHER COMPREHENSIVE INCOMES</b>	<b>2800000</b>	<b>FINANCIAL GUARANTEE EXPENSE</b>
1510000	Gains/(Losses) on Sale of Assets	2810000	Financial Guarantee Expense
1520000	Gains/(Losses) on Sale of Investments at FVTSD	<b>2900000</b>	<b>TAX EXPENSES</b>
1530000	Gain/(Loss) on Foreign Exchange Transactions	2910000	Tax Expense
1540000	Gains/(Losses) on reclassification of financial assets		
1550000	Gains/(Losses) on Investment at FVTSD		
1560000	Gains/(Loss) on Sale of Assets		
1570000	Gains/(Loss) on Sale of Investments		

### 3.6.2.2 Transactions in Financial & Non-Financial Assets & Financial Liabilities

Code	Description	Code	Description
<b>3000000</b>	<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>	<b>4000000</b>	<b>TRANSACTIONS IN FINANCIAL ASSETS</b>
<b>3100000</b>	<b>ACQUISITION OF NON-FINANCIAL ASSETS</b>	<b>4100000</b>	<b>ACQUISITION OF FINANCIAL ASSETS</b>
3110000	Acquisition of Fixed Assets	4110000	Domestic Lending and On-lending
		4120000	Domestic Equity Participation
3120000	Acquisition of Stores, Stock, and Commodities	4140000	Other Domestic Accounts Receivable
<b>3500000</b>	<b>SALE OF NON-FINANCIAL ASSETS</b>	4150000	Foreign Lending and On-Lending
3510000	Receipts from the Sale of Fixed Assets	4160000	Foreign Equity Participation
3520000	Receipts from the Sale of Inventories	4170000	Other Foreign Accounts Receivable
3530000	Disposal and Sale of Non-Produced Assets	<b>4500000</b>	<b>DISPOSAL OF FINANCIAL ASSETS</b>
<b>5000000</b>	<b>TRANSACTIONS IN FINANCIAL LIABILITIES</b>	4510000	Repayment from Domestic Lending and On-Lending
<b>5100000</b>	<b>INCURRENCE OF FINANCIAL LIABILITIES</b>	4520000	Repayment of Principal from Foreign Lending & On-Lending
5110000	Domestic Borrowing	4530000	Sales and Disposals of Equity Holdings
	Currency and Deposits, Accounts Payable,	4540000	Reimbursements and Refunds
5120000	Clearing Transfers, and Other Liabilities	4550000	Returns of Equity Holdings
<b>5500000</b>	<b>SETTLEMENT OF FINANCIAL LIABILITIES</b>		
5510000	Repayments on Borrowings from Domestic		
5520000	Principal Repayments on Guaranteed Debt		
5610000	Repayments on Borrowings from Other Domestic Creditors		

### 3.6.2.3 Assets and Liabilities

Code	Description	Code	Description
<b>6000000</b>	<b>ASSETS</b>		<b>LIABILITIES</b>
<b>6100000</b>	<b>NON-CURRENT ASSETS</b>	<b>6300000</b>	<b>CURRENT LIABILITIES</b>
6141000	Land Tangible natural resources held for conservation	6308100	Payables
6142000			
6144000	Intangible assets & Goodwill	6308100	Social Benefits Liabilities
6204700	Investment Property	6308100	Provisions
6114000	Railway Infrastructure	6304000	Lease Liabilities
6115000	Electricity Generation & Other Infrastructure	6303000	Public Debt
6111000	Building & Building Improvements	6306000	Financial Guarantee Liability
6110000	Heritage and Cultural Assets	6308000	Employee Benefit Obligations
6111000	Biological Assets		
6112000	Property, Plant and Equipment	6309000	Deferred Tax Liabilities
6208600	Prepayments		<b>LONG-TERM LIABILITIES</b>
6204500	Investment in Associates		
6204600	Investments in Joint Ventures	6308100	Social Benefits Liabilities
		6308100	Provisions
		6304000	Lease Liabilities
6204000	Loans and Advances	6303000	Public Debt
6208100	Receivable from Binding Arrangements	6306000	Financial Guarantee Liability
6208200	Receivable from Non-Binding Arrangement	6308000	Employee Benefit Obligations
6200000	<b>CURRENT ASSETS</b>	6309000	Deferred Tax Liabilities
		6308000	Other Liabilities
		<b>8000000</b>	<b>NET WORTH</b>
6120000	Inventories	8101000	Consolidated Fund (national exchequer acc)
6208200	Current Tax Assets	8102000	County Revenue Fund
6204000	Prepayments	8103000	Receivers of Revenue
6120000	Inventories	8103000	E-citizen (revenue accounts)
6206000	Assets held for Sale	8104000	East Africa Visa
6207000	Investments	8105000	Special Funds
6208000	Net Investment in Finance Lease	8106000	Designated Accounts
6204000	Loans and Advances	8107000	Accumulated surpluses/deficits
6210000	Receivable from Non-Binding Arrangements	8108000	Revaluation Reserves -PPE
6211000	Receivable from Binding Arrangement	8109000	Revaluation Reserves – Defined Benefit Plan
6202000	Cash and Cash Equivalents	8110000	Other Reserves
		8111000	Total Equity attributable to taxpayers
		8112000	Non-Controlling private interest

### 3.6.3 How the Economic segment works

The economic segment defines the accounting nature of transactions, including revenue, expense, investment, and financing fund flows, as well as assets, liabilities, and reserves. The classification in this revised economic SCOA segment is in accordance with GFSM 2014 and will also enable reporting under International Public Sector Accounting

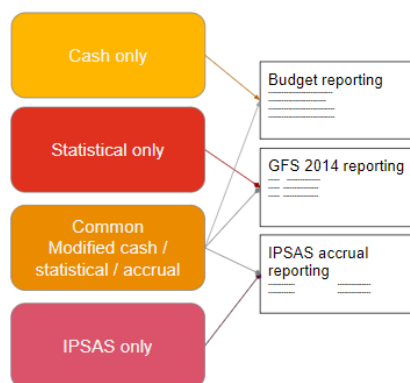
Standards (IPSAS). This classification supports both the current budgeting (on a Cash Basis of Accounting) and financial reporting (on an Accrual-Based Accounting basis).

Budget - Cash basis	Reporting - Accrual basis
<p>Budgets and cash accounting-based financial statements lay out a <i>public entity's spending</i> and <i>cash receipts</i>.</p> <p>Measures financial results for a period as the difference between cash received and cash paid.</p>	<p>Accrual accounting measures a <i>public entity's financial performance</i> and presents its <i>financial position</i>.</p> <p>Distinguish expenditure that provides economic benefits or service potential in the short term (i.e., for current consumption) from that which will benefit the entity well into the future (i.e., capital expenditure).</p> <p>Reflects an entity's obligations (including long-term obligations such as pension and financial liabilities) in the financial statements.</p>

The classification and the sub-segments of the economic segment were initially inspired by IPSAS and the Government Financial Statistics Manual 2001 (GFSM 2001). The sub-segments relate in a parent-child hierarchical manner. Depending on the level, the account is used to record accounting transactions or to aggregate totals and subtotals.

The setup of revenues and expenses is done according to nature (rather than function). Other segments can be combined with the economic segment to produce functional revenue and expense reports.

To support different reporting needs, accounts in the economic segment have been divided into various groups, as follows:



GOVERNMENT ledgers are the basis of dedicated reporting. The ledgers applicable to GOVERNMENT are **accrual-based ledgers (for reporting)** and **cash-based ledgers** (for budget accounting). Each ledger is populated using transactions on ledger-dedicated accounts, which are:

- Accrual-only accounts => accrual-based ledger
- Cash-only accounts => cash-based ledger
- Common accounts => accrual-based ledger and cash-based ledger
- Reporting accounts => those are technical accounts that have been set up purely for cash reporting purposes and don't contain any transactions

The interpretation of "Cash-only" refers to accounts that are used solely for cash-based accounting and reporting. These accounts are excluded from GFS reporting and are also not relevant for IPSAS accounting and reporting.

To the extent possible, all accounts have been mapped to the fixed GFS structure. However, the GFS structure cannot be fully populated based on the SCOA (e.g., the other economic flows).

### 3.6.4 Similarities, differences, and purpose of the different frameworks

The table below illustrates the IPSAS and GFS guidelines:

	<b>GFS</b>	<b>IPSAS</b>
<b>Objectives</b>	Evaluate economic impact	Evaluate financial performance and position
<b>Reporting Entity</b>	Institutional units and sectors. Consolidation based on industries.	Economic entity and consolidation based on control.
<b>Recognition criteria</b>	Economic events recognized	Past events with probable outflows recognized (past economic events, where the amount can be reliably estimated, and future outflows are probable).
<b>Valuation (Measurement)</b>	Current market prices	Current operational value, historic cost, and cost to fulfilment
<b>Revaluation</b>	Record all revaluations and changes in volume in the Statement of Other Economic Flows	Realized and unrealized gains and losses
<b>Presentation</b>	GFS sets out a minimum level of detail for a comprehensive list of standard line items that all entities must report in their GFS statements.	IPSASs establish a minimum set of standard line items while providing principles and guidance on further line items that a reporting entity may need to report

### 3.6.5 Distinguishing between AIA and Sale of Property and Other Property Income

In simple terms, AIA is revenue held by the revenue-generating entity to defray its budget-associated expenditures. AIA is mainly provided for in the Appropriation Act and includes the Sale of Goods and Services. For example, a hospital that raises funds through user fees may be permitted, through the legal framework, to use those funds to finance its costs. The PFM Act, however, requires that these funds be channeled through the County Revenue Fund (CRF) before being sent back to the entity, for example, the hospital in the above example.

Appropriations in Aid – or AIA – was established in the Constitution in Article 206:

**206.** (1) There is established the Consolidated Fund into which shall be paid all money raised or received by or on behalf of the national government, except money that—

(a) is reasonably excluded from the Fund by an Act of Parliament and payable into another public fund established for a specific purpose; or

(b) may, under an Act of Parliament, be retained by the State organ that received it for the purpose of defraying the expenses of the State organ.

AIA is further defined in Section 2 of the Public Finance Management Act, 2012, and Regulation 60 of the Public

*Section 2: “any revenue, which a [national or county] government entity receives and is approved by Parliament for application by that entity to finance its activities”*

*Regulation 60 “The following shall be the basic principles in deciding whether sums shall be applied as Appropriation-in-Aid—*

*(a) receipts arising directly out of expenditure on a service, the primary purpose of which is not collection of revenue (including user charges, user fees, and sale of stores) and may be Appropriated in Aid of the vote from which expenditure on the service is met;*

*(b) Appropriations in Aid shall be applied against a vote;*

*(c) where miscellaneous receipts are individually and collectively small, and circumstances of receipt unimportant in themselves, such receipts may be credited to Appropriations in Aid; and*

*(d) sums due as Appropriations in Aid in the previous year shall be credited to the Appropriations in Aid head of the year in which they are actually received.*

*(2) Despite the provision under paragraph (1), the Cabinet Secretary/ County Executive Committee Member may designate any type of Appropriations in Aid as revenue in furtherance of certain [county] government policies.”*

Finance Management (National Government) Regulations, 2015.

#### 3.6.5.1 Sale of Assets

GFS introduced a new classification dedicated to net investment in non-financial assets resulting from transactions, as they are not classified as revenue or expense in the GFS 2014 framework. This classification includes consumption of

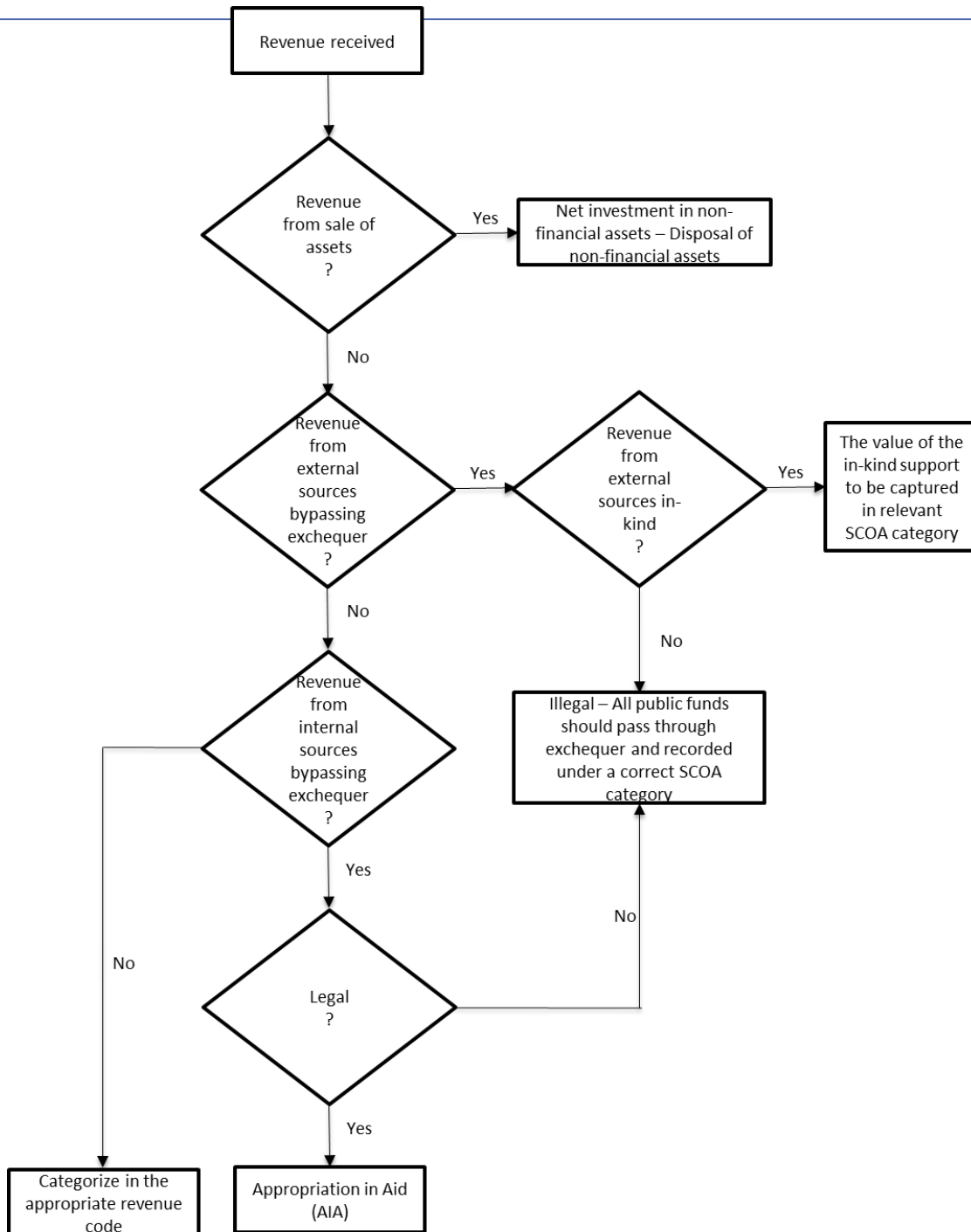
fixed capital because it represents a decline in the value of fixed assets (See Figure 1). All sales of assets should therefore be classified here.

IPSAS considers a surplus or loss from the sale of an asset to be the difference between the sale price and the book value. When profits result from the sale of an asset, these profits can be categorized as revenue. Conversely, if a loss occurs, it can be classified as an expense.

The current challenge is that when some government agencies sell assets, they categorize those funds as AIA and use them to offset their costs (See Box 2 above). Funds from the Sale of Assets are not AIA and should not be treated as such.

### *3.6.5.2 Other Property Income*

Like the Sale of Assets, Other Property Income is often used as AIA (See Box 2 above). This is highly irregular and should be discontinued.



## 3.6.6 Guidance

### 3.6.6.1 Category 1: Revenues

Revenue is:

*Increase the entity's net financial position, excluding increases arising from ownership contributions (IPSAS Conceptual Framework, para 5.29).*

IPSAS 47 clarified and refined the accounting principles and concepts to account for revenue transactions in the public sector. This standard increased transparency related to the substance of an entity's revenue transactions by introducing a more robust and objective approach to the recognition and measurement of revenue.

It requires one to identify the revenue transaction and then make a decision on whether there exists a binding arrangement or not. A binding arrangement is an arrangement that confers both rights and obligations, enforceable through legal or equivalent means, on the parties to the arrangement. Revenues with Binding Arrangement (confers both enforceable rights and enforceable obligations) are accounted for as per IFRS 15. A binding arrangement in IPSAS 47 is broader than a contract in IFRS 15 since public sector entities do enter into arrangements that are in substance the same as contracts involving third party beneficiaries but are not legal contracts.

Revenues without binding arrangement are accounted for on a cash basis. A significant volume of revenue transactions in the public sector are expected to be without binding arrangements, such as taxes. In a transaction without binding arrangements, the entity does not have both an enforceable right and an enforceable obligation, but may have an:

- Unenforceable right, and unenforceable obligation e.g. a donation, where an entity (aid organization) is not able to enforce payment from a resource provider (donor), and is not required to use the donation in a specific way;
- Enforceable right, but unenforceable obligation – e.g., income taxes, where an entity (national government) is able to enforce payment from a tax payer, but is not required to use the tax revenue to provide specific services to the tax payer;
- Unenforceable right, but enforceable obligation – e.g., an education grant, where an entity (university) is not able to enforce payment from a resource provider (national government), but is required to provide the grant to students that meet predetermined eligibility criteria.

Government revenue is received from the Receivers of Revenue and deposited in the National Exchequer Account from the following holding accounts:

- The Deposit Accounts at the Central Bank of Kenya through which domestic loan proceeds from Treasury Bonds, Treasury Bills, and commercial financing are held before deposit to the National Exchequer Account,
- The Overdraft account at the Central Bank of Kenya
- The Receivers of Revenue collection accounts at the Central Bank of Kenya,
- Special Project Accounts (externally funded) at the Central Bank of Kenya,
- E-Citizen revenue Accounts

For example, the Receivers of Revenue appointed by the Cabinet Secretary, National Treasury, and Economic Planning to receive national government revenue pursuant to Section 75 (1) of the Public Finance Management Act, 2012, for the FY 2023/2024 were as follows:

No	Code	Receiver of Revenue
1	01101	Principal Secretary to the National Treasury – Taxes
2	01102	Principal Secretary to the National Treasury – Public Debt
3	01103	Principal Secretary to the National Treasury – Pensions
4	01104	Director General - Public Investment and Portfolio Management- Dividends, Interest
5	01200	Principal Secretary/State Department for Lands and Physical Planning- Stamp duty, rent, conveyance, valuation, registration

No	Code	Receiver of Revenue
6	02300	Chief Registrar/The Judiciary- Interest, fines, penalties, forfeiture, etc
7	01400	Principal Secretary/State Department for Internal Security and National Administration
8	01900	Solicitor General, State Law Office- marriages, societies, public trustee,
9	02400	Principal Secretary/Ministry of Defence – Reimbursements
10	01800	Principal Secretary/ Blue Economy and Fisheries – Fishing rights
11	01500	Principal Secretary/ State Department for Mining
12	02500	Principal Secretary/ State Department for ASALs – agricultural produce
13	02200	Principal Secretary to the State Department for Immigration and Citizen Services – Births, IDs, Visas, passports, work permits, EAC Tourist Visa
14	02000	Business Registration Services-official receiver, company registration, business name searches

### Classification

The classification of Revenues follows closely follows the requirements of IPSAS 47, Revenues with broad elements for Revenues without binding arrangements and Revenues with binding arrangements. *Presentation of Financial Statements*. The classification of Revenues without binding arrangements is as follows:

Chapter	Economic Classification of National Government Revenues Without Binding Arrangements
1100000	Tax revenues
1200000	Social Security Contributions
1300000	Grants
1400000	Other Revenue
1500000	Other Comprehensive Incomes

#### 6.6.2 Tax Revenue

The approach adopted in the GFS system is to sub-classify taxes mainly by the base on which the tax is levied. Taxes are grouped into six major categories: (i) taxes on income, profits, and capital gains; (ii) taxes on payroll and workforce; (iii) taxes on property; (iv) taxes on goods and services; (v) taxes on international trade and transactions; and (vi) other taxes. There is no public sector-specific reason for IPSAS to depart from this sub-classification.

Following this principle, the classification of tax revenue is as follows:

Sub-Chapter	Economic Classification of Tax Revenue
1110000	Taxes on Income, Profits, and Capital Gains
1120000	Taxes on Payroll and Workforce
1130000	Tax on Property Income
1140000	Taxes on goods and services
1150000	Taxes on international trade and transactions
1160000	Other Taxes (not elsewhere classified)

### 6.6.2.1 Taxes on Income, Profits and Capital Gains

Taxes on income, profits, and capital gains generally are levied on (i) interest, dividends, rent, and royalty incomes; (ii) capital gains and losses, including capital gain distributions of investment funds; (iii) profits of corporations, partnerships, sole proprietorships, estates, and trusts; (iv) taxable portions of social security, pension, annuity, life insurance, and other retirement account distributions; and (v) miscellaneous other income items.

These taxes are further subdivided into individual and corporation taxes.

Following this principle, the classification of Taxes on Income, Profits, and Capital Gains is as follows:

Item	Economic Classification of Taxes on Income, Profits, and Capital Gains
1110100	Receipt of Income Tax from individuals
1110200	Income Tax from Corporations and Other Enterprises
1110300	Receipts from Withholding Tax
1110400	Exemptions on Income Tax
1110500	Income Tax Share of LATF

### 6.6.2.2 Taxes on Payroll and Workforce

This category comprises taxes collected from employees or the self-employed, either as a percentage of payroll size or as a fixed amount per person, and that are not earmarked for social security schemes.

Item	Economic Classification of Taxes on Payroll and Workforce
1120100	Payable by Individuals- PAYE

### 6.6.2.3. Tax on Property Income

This item includes taxes on the use, ownership, or transfer of wealth.

However, taxes on immovable property that are levied based on a presumed net income are recorded as taxes on income, profits, and capital gains. Also, Taxes on capital gains resulting from the sale of property are included in taxes on income, profits, and capital gains.

Following this principle, the classification of Tax on Property Income is as follows:

Item	Economic Classification of Taxes on Property Income
1130100	Recurrent Taxes on Immovable Property
1130200	Receipts from Taxes on Financial and Capital Transactions
1130300	Receipts from Other Taxes on Property
1130400	Taxes on financial and capital transactions

#### *Recurrent taxes on immovable property*

This item covers taxes levied regularly on the use or ownership of immovable property, which includes land, buildings, and other structures. The taxes can be imposed on proprietors, tenants, or both. The amount of the tax is usually a percentage of the assessed property value, based on a notional rental income, sales price, capitalized yield, or other characteristics such as size or location.

*Receipts from taxes on financial and capital transactions*

This item covers taxes on transfers of property at death and on gifts made during a person's lifetime. Taxes on the transfer of property at death include estate taxes, which are usually based on the size of the total estate, and inheritance taxes, which may be determined by the amount received by beneficiaries and/or their relationship to the deceased.

*Receipt from other taxes on property*

This item covers taxes levied regularly on net wealth, which is usually defined as the value of a wide range of movable and immovable property less liabilities incurred on that property. It includes taxes on net wealth levied to meet emergency expenditures or to affect the redistribution of wealth; taxes on property, such as betterment levies, that take account of increases in land values due to government permission to develop the land or the provision by government of additional local facilities; taxes on the revaluation of capital; and any other exceptional taxes on particular items of property. Also includes any recurrent taxes on property, such as recurrent gross taxes on personal property, jewelry, cattle, other livestock, other particular items of property, and external signs of wealth.

*Taxes on financial and capital transactions*

This item includes taxes on the transfer of ownership of property, except for those classified as gifts, inheritances, or estate transactions. Included are taxes on the issue, purchase, and sale of securities, taxes on checks and other forms of payment, and taxes levied on specific legal transactions, such as the validation of contracts and the sale of immovable property.

#### 6.6.2.4 Taxes on goods and services

Included in this item are all taxes levied on the production, extraction, sale, transfer, leasing, or delivery of goods and rendering of services. Also included are taxes on the use of goods and on permission to use goods or perform activities. Taxes on goods and services include:

- Value-added taxes
- General sales taxes, whether levied at the manufacturer/production, wholesale, or retail level;
- Single-stage taxes and cumulative multistage taxes, where “stage” refers to the stage of production or distribution;
- Excises;
- Taxes levied on the use of motor vehicles or other goods;
- Taxes levied on permission to use goods or perform certain activities;
- Taxes on the extraction, processing, or production of minerals and other products.

Following this principle, the classification of Taxes on goods and services is as follows:

<b>Item</b>	<b>Economic Classification of Taxes on goods and services</b>
1140100	VAT on Domestic Goods and Services
1140200	VAT on Imported Goods and Services
1140300	Excise Taxes
1140400	Taxes on Specific Services
1140500	Receipts from Permission to Use the Goods or to Perform Services and Activities
1140600	Royalties
1140700	Taxes on Goods and Services Collected as AIA
1140800	Other Taxes on Goods and Services

#### *VAT on domestic goods and services*

This item includes value-added tax levied on domestically produced goods and services. It is in addition to any other taxes, such as customs and import duties, or taxes on exports. It is levied on the production, leasing, delivery, sale, purchase, or other change of ownership of a wide range of goods and the rendering of a wide range of services.

#### *VAT on imported goods and services*

This item includes value-added tax levied on imported goods and services, in addition to any other applicable taxes, such as customs and import duties. It is levied on the delivery, sale, purchase, or other change of ownership of a wide range of goods and the rendering of a wide range of services.

#### *Excise Taxes on wealth*

Excises are taxes levied on particular products or a limited range of products that are not classifiable elsewhere under Sub-Chapter 114. Included are special taxes on individual products, such as sugar, beetroot, matches, and chocolates; taxes levied at varying rates on a specific range of goods; and taxes imposed on tobacco products, alcoholic beverages, motor fuels, and hydrocarbon oils. If a tax collected principally on imported goods also applies or would apply, under the same law, to comparable domestically produced goods, then the revenue therefrom is classified as arising from excises rather than from import duties. This principle applies even if there is no comparable domestic production or if such production is not feasible. Taxes on electricity, gas, and energy are considered taxes on goods and are classified under excises.

#### *Taxes on specific services*

One of the regulatory functions of government is to prohibit the ownership or use of certain goods or the pursuit of certain activities unless specific permission is granted, typically through the issuance of a license or other certificate, for which a fee is required. Suppose the issue of such permits involves little or no work on the part of the government, with licenses being granted automatically upon payment of the due amounts. In that case, they are likely simply a device to raise taxes, even though the government may provide a certificate or authorization in return.

#### *Receipts from Permission to Use the Goods or to Perform Services and Activities*

The category includes taxes on the use of motor vehicles or the permission to use them. It does not include taxes on motor vehicles as property or net wealth or tolls for the use of roads, bridges, and tunnels. Business and professional licenses are included in this category. Such permits can take the form of taxes on permission to conduct a business in general or a specific business or profession. General business taxes or licenses, levied in a fixed amount, on a schedule according to the type of business, or based on various indicators such as floor space, installed horsepower, capital, or shipping tonnage, would be included. It would not cover business taxes levied on gross sales, which would be classified under general taxes on goods and services.

#### *Taxes on Goods and Services Collected as AIA*

These are taxes on goods and services collected by entities directly without passing through the exchequer and used by such entities to support their activities, and which are permitted for use as Appropriation in Aid.

### Other taxes on goods and services

This item includes taxes on the extraction of minerals, fossil fuels, and other exhaustible resources from deposits owned privately or by another government and any other taxes on goods or services not included in the categories above. Taxes on the extraction of exhaustible resources are typically a fixed amount per unit of quantity or weight, but can also be a percentage of the value. The taxes are recorded when the resources are extracted.

#### 6.6.2.6 Taxes on International trade and transactions

This category comprises taxes levied under the customs tariff book, including import duties applied to imported goods and surcharges. This category also includes withholding taxes levied on services rendered by “non-resident”<sup>1</sup> Individuals or business enterprises can reverse charge VAT on those services, and demurrage charges on imported goods collected by KRA on behalf of the government. Export taxes and price adjustment taxes also fall under this category. Rebates on exported goods are treated as “negative tax” and are debited to the relevant ledger account. Airport taxes and air space navigation charges are also included in this category.

Following this principle, the classification of Taxes on International trade and transactions is as follows:

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<sup>1</sup> Non-resident = in terms of taxation laws, this technically means a person who is not ordinarily resident in the country and therefore not a locally established taxpayer.

<b>Item</b>	<b>Economic Classification of Taxes on International Trade and Transactions</b>
1150100	Customs and Other Import Duties
1150200	Exports Levies
1150300	Exemptions on Customs and Other Import Duties
1150400	Other Taxes on International Trade and Transactions (IDF Fee)

*Receipts from customs and other import duties*

This item covers revenue from all levies collected on goods entering the country or services delivered by non-residents to residents. The levies may be imposed for revenue or protection purposes and may be determined on a specific or ad valorem basis. Still, they must be restricted by law to imported products. Included are duties levied under the customs tariff schedule and its annexes, including surtaxes based on the tariff schedule, consular fees, tonnage charges, statistical taxes, fiscal responsibilities, and surtaxes not based on the customs tariff schedule.

*Export Levies*

This category includes all levies based on whether goods are being transported out of the country or services are being delivered to non-residents by residents. Rebates on exported goods that are repayments of previously paid general consumption taxes, excises, or import duties are deducted from the gross amount receivable from the respective taxes, not from amounts receivable in this category.

### 6.6.2.7 Exemptions on Customs and Other Import Duties

This category covers exemptions granted from levies on customs and other import duties, as specified under code 1150100.

### 6.6.2.8 Other Taxes on International Trade and Transactions (IDF Fee)

This category covers taxes that are not specifically covered under codes 1150100 and 1150200. Included in this category is the tax charged on the import declaration.

### 6.6.2.9 Receipt on Social Security Contributions

Social contributions are actual or imputed receipts, either from employers on behalf of their employees or from employees, self-employed individuals, or non-employed persons on behalf of their dependents or survivors, that secure entitlement to social benefits for the contributors, their dependents, or their survivors. The contributions may be compulsory or voluntary. Social contributions are classified as social security contributions or other social contributions, depending on the type of scheme to which they are allocated.

Following this principle, the classification of Receipt on Social Security Contributions is as follows:

<b>Sub-Chapter</b>	<b>Economic Classification of Receipt on Social Security Contributions</b>
1210000	Receipts from Employee Social Contributions

*Social Security Contribution*

Following this principle, the classification of Employee Social Contributions is as follows:

<b>Item</b>	<b>Economic Classification of Receipts from Employee Social Contribution</b>
1210100	Affordable Housing Levy Contributions
1210200	Social Health Insurance Fund Contributions
1210300	Contributions to Social & Welfare Schemes

#### *Affordable Housing Levy Contribution*

Included in this category are the compulsory and voluntary employee contributions to the affordable housing levy, currently pegged at 1.5% of the employee's monthly gross salary. The employer adds another 1.5%. The amount is a tax-allowable expense.

#### *Social Health Insurance Fund Contributions*

Included in this category are the compulsory and voluntary employee contributions to the social health insurance fund. Employees currently contribute 2.75% of their gross salary. The amount is a tax allowable expense.

#### *Contributions from Government. Employees for Social & Welfare Schemes*

Included in this category are the voluntary employee contributions for social welfare schemes organized at the entity or government-wide level.

### **6.6.3 Grants**

This item consists of all voluntary receipts from third parties. Thus, an entry should be made under this item when the government does not provide anything of similar value directly in return for the transfer from the other party, and the transfer is voluntary.

Grants are noncompulsory recurrent or development transfers received by a government unit from either another government unit or an international organization.

Grants are classified first by the type of unit paying the grant and then by whether the grant is a direct or sector budget support, as well as whether it is an institutional grant primarily supporting development projects. Other recurrent and development grants and transfers are included in this item.

Grants are recorded when all requirements and conditions for receiving them are satisfied and the receiving unit has an unconditional claim.

Grants-in-kind should be valued at their current operating value (COV). If COV prices are not available, the value should be the explicit costs of replacement that will be incurred.

Following this principle, the classification of revenue from grants and transfers is as follows:

<b>Sub-Chapter</b>	<b>Economic Classification of revenue from grants</b>
1310000	Grants received from a foreign government
1320000	Grants received from international institutions
1330000	Grants received from other levels of government

#### **6.6.3.1 Grants received from foreign government**

This represents grants received from foreign governments to support national budgets or sector budgets directly or in kind.

Following this principle, the classification of grants from foreign governments is as follows:

<b>Item</b>	<b>Economic Classification of grants from a foreign government</b>
1310100	Grants from Foreign Governments. - Cash through Exchequer
1310200	Grants from Foreign Governments. - Direct Payments

*Grants from foreign governments – cash through the exchequer*

These are cash grants received from foreign governments through the Exchequer for onward exchequer transfers by the National Treasury.

Grants from foreign governments – direct payments

These are grants received directly by an entity from foreign governments in the form of direct payments. These are treated as Appropriations in Aid (AIA).

Grants received from international organizations

This represents grants received from international institutions, either to support the national budget or sector budgets directly or in kind.

Following this principle, the classification of grants from international institutions is as follows:

<b>Item</b>	<b>Economic Classification of grants from international institutions</b>
1320100	Grants from International Organizations - Cash through the Exchequer
1320200	Grants from International Organizations - Direct Payments

Grants from foreign governments – cash through the exchequer

These are cash grants received from foreign governments through the Exchequer for onward transfers by the National Treasury.

Grants from foreign governments – direct payments

These are external grants received from international organizations, which are made directly to the National Treasury or institutions on their behalf. These are treated as Appropriations in Aid (AIA).

Grants from other levels of government

This represents grants received by entities from other levels of government in the form of other cash and direct payments, and is further classified as follows:

<b>Item</b>	<b>Economic Classification of grants from other levels of government</b>
1330100	Grants received by the National Government from other National Government entities
1330200	Grants received by the County government from other County government entities
1330300	Grants received by the County government from a National Government entity (Conditional)
1330400	Grants received by Fund Accounts from the National Government
1330500	Grants to other National Government entities from Fund Accounts
1330600	Grants from one public entity to another public entity.

Grants received by the National Government from other National Government entities

These are grants received by central government ministries and agencies from other levels of government.

Grants received by the County government from the National government entity (conditional)

These are grants received by the County government from national government entities, as per the County Government Additional Allocation Act.

Grants received by Fund Accounts from the National Government

These are grants received by Fund accounts from the National government to finance the activities of the Fund.

Grants to and from one public entity to another public entity.

These are grants issued or received from one public entity to another public entity, with the transfer of funds to undertake specific public activities.

#### ***10.6.1.4 Other Revenues***

<b>Sub-Chapter</b>	<b>Economic Classification Exchequer Transfers</b>
1410000	Exchequer Transfers
1420000	County Government own source Revenue

Government revenue is received through designated Receivers of National Government Revenue as appointed by the Cabinet Secretary to the National Treasury, according to Article 209 of the Constitution. The Receivers of Revenue are responsible for receiving, accounting for, and remitting the revenues to the Consolidated Fund. Section 50 (6) of the PFM Act, 2012 also requires the National Treasury to remit the proceeds of any loan raised under the provisions of the PFM Act, 2012 into the Consolidated Fund. The Receivers of Revenue may appoint Collectors of Revenue (Kenya Revenue Authority, e-Citizen) to help in revenue collection and administration.

#### ***Recurrent grants***

Article 221 of the Constitution requires that at least two months before the end of a financial year, the Cabinet Secretary responsible for the National Treasury shall submit to the National Assembly estimates of the revenue and expenditure for the national government. When the estimates of national government expenditure, the equitable share for county governments, and estimates for the Judiciary and Parliament have been approved by the National Assembly, the Appropriation Act, Division of Revenue Act, and County Allocation of Revenue Act are enacted. This enables the National Treasury and the Controller of the Budget to transfer funds as Recurrent grants or Development grants to National and County government public entities. The public entities receipt the same as revenue.

#### ***Deemed Income – Development Grants***

The only development revenue that is recognized as revenue is that part that has been consumed.

#### ***Conditional Additional Allocation***

These are additional allocations made by the national government to the county government to support crucial services.

#### ***6.6.4 Non-Tax Revenue – Includes Revenue with Binding Arrangements***

The classification of other revenues is as follows:

<b>Sub-Chapter</b>	<b>Economic Classification of Other Revenues</b>
1413000	Property Income
1414000	Sale of goods and services
1415000	Fines, penalties, and forfeits
1416000	Gain on sale of non-financial assets

1417000	Voluntary Transfers other than Grants
1418000	Other Receipts Not Elsewhere Classified
1418000	Interest income

*Property Income*

Property income includes a variety of forms of revenue earned by a general government unit when it places financial and/or non-produced assets that it owns at the disposal of other units. Revenue in this category may take the form of interest, dividends, or rent.

Following this principle, the classification of property income is as follows:

Item	Economic Classification of Property Income
14130100	Interest received
14130200	Profits and dividends
14130300	Withdrawals from Income of Quasi-corporations
14130400	Rental income on land, houses, and buildings
1510500	Other Property Income collected as AIA

*Interest received*

This item consists of the receipts associated with ownership of interest-bearing financial instruments, such as bank deposits, loans extended to others, and bills and bonds issued by others. A financial instrument is a legal right or obligation with a monetary value, or a record of a monetary transaction.

*Profits and dividends*

This item consists of the receipts associated with ownership of a productive unit, typically a state-owned enterprise. Dividends come in the form of receipts from shares and the distribution of profits to the owner. Gains/losses associated with valuation changes should not be included in the amount reported here. This is relevant for other realized and unrealized gains and losses. For entities using the modified cash basis accounting, realized valuation changes should be included in the value of the asset sold, and unrealized modifications should not be recorded in the government account. However, the realized valuation change should be recorded separately under the relevant heading for entities using accrual accounting, such as trading entities.

*Withdrawals from Income of Quasi-corporations*

This item comprises transfers from quasi-corporations related to unconditional withdrawals by the government, excluding borrowings.

*Rent on land, houses, and buildings.*

This item consists of the receipts due to the ownership of land. Suppose it is not possible to distinguish receipts due to ownership of land from receipts due to ownership of fixed structures on that land (for example, a building). In that case, the whole amount should be recorded under sales of goods and services produced by the government (excluding capital assets). This item also includes all receipts due to ownership of sub-soil assets and other commercially exploitable naturally occurring *assets such as virgin forests, game, and fisheries.*

*Other Property Income collected as AIA*

This relates to income from property that is received directly by an entity and used in support of that entity's activities as Appropriation in Aid.

*Sale of goods and services*

This category consists of sales by government units, provided that the government has produced the good or service. It is essential to note that sales of capital assets are not included in this category, but rather under *sales of capital assets*, even if a government unit has produced them. *Sales of capital assets* are excluded from this category. (Capital assets are goods that are expected to be used during more than one reporting period and from which future economic benefits or service potential are expected to flow, but excluding assets below the capitalization threshold as provided for under

the Government financial procedures manual. Expenditure above this limit should be included as capital assets. Examples of capital assets are buildings, vehicles, used machinery, and so on.)

Rental received from the ownership of buildings and fixed structures is classified as *sales of goods and services produced by the government (excluding capital assets)*, even though a sale of a building or fixed structure is recorded under *sales of capital assets*. This is because receipts from ownership of buildings imply the provision of a service in the form of the use of a building.

Following this principle, the classification of revenue from the sale of goods and services is as follows:

Item	Economic Classification of revenue from the Sale of goods and services
1414100	Sales by market establishments
1414200	Administrative fees
1414300	Administrative charges collected as AIA
1414400	Incidental Sales by Non-Market Establishments
1414500	Incidental Sales by Non-Market Establishments Collected as AIA
1414600	Receipts from the Sale of Incidental Goods

#### *Sales by market establishments*

A market establishment implies a Budget Agency that sells its goods or services at economically significant prices. The fee charged must be in line with prices in the private market. An example of a sale of a market establishment is if a government unit provides rental services by making a building or a house available to another party. Rental of floor space for vending machines and sales of farm products of farms acquired for land distribution are other examples of sales receipts belonging to this category. The provision of hospital services should also be recorded here, as well as the sale of any other goods or services at market prices. Sales of items purchased from another economic unit and then resold should also be included under this item.

#### *Administrative fees*

This item consists of receipts collected for sales of regulatory or administrative services and is sometimes referred to as license fees. In this category, the government must exercise some regulatory or administrative function. For example, it may verify the competence of the license holder or the safe functioning of the equipment used. It is essential to note that if the amount collected is not in proportion to the cost of producing the service, the item should be recorded here, not under tax receipts. (Taxes are defined above.)

Administrative fees collected are considered sales by the government. Examples are trading, games, fishing, and driver's licenses, as well as court fees, passport fees, identity document fees, and examination fees.

#### *Administrative Charges collected as AIA*

This category relates to administrative fees received within the definition of Item 14202 above, but which are received by the entity directly without passing through the exchequer and are authorized for use to fund the entity's activities.

#### *Incidental Sales by Non-Market Establishments*

This category pertains to the sale of goods and services by an entity that is sold at a price that is not determined by market forces. Generally, entities within the general government that provide chargeable goods or services offer them at prices below the market price, as their primary aim is not to generate a profit. Such sales are recorded under this category.

#### *Incidental Sales by Non-Market Establishments Collected as AIA*

This category relates to sales by non-market establishments, as defined in Item 14204 above, which are received directly by the entity without passing through the exchequer and are authorized for use to fund the entity's activities.

*Receipts from the Sale of Incidental Goods  
Fines, Penalties, and Forfeitures*

This item consists of all compulsory receipts imposed by a court or quasi-judicial body. Out-of-court settlements are also included in this category. As with taxes, this item consists of compulsory transactions where the recipient government unit does not provide anything in return for these receipts.

Following this principle, the classification of revenue from fines, penalties, and forfeitures is as follows:

<b>Item</b>	<b>Economic Classification of revenue from fines, penalties, and forfeitures</b>
1530100	Fines
1530200	Penalties
1530300	Forfeitures

*Voluntary transfers other than grants*

This category includes gifts and voluntary donations from individuals, private nonprofit institutions, nongovernmental foundations, corporations, and any other source, excluding governments and international organizations.

Following this principle, the classification of voluntary transfers other than grants is as follows:

<b>Item</b>	<b>Economic Classification of Voluntary Transfers Other Than Grants</b>
1540100	Current Grants from International NGOs paid through the Exchequer.
1540200	Capital Grants from International NGOs are paid through the Exchequer.
1540300	Current Grants from International NGOs collected as AIA
1540400	Capital Grants from International NGOs collected as AIA
1540500	Other Voluntary Transfers for Current purposes
1540600	Other Voluntary Transfers for Capital purposes

*Current Grants from International NGOs paid through the Exchequer.*

This relates to contributions received from international organizations in support of government recurrent expenditure, such as contributions received by the government for food, blankets, and medical supplies for relief purposes, which are received through the exchequer.

*Capital Grants from International NGOs are paid through the Exchequer.*

This relates to contributions received from international organizations in support of government capital expenditure and received through the exchequer, such as contributions received by the government for the construction or purchase of hospitals, schools, museums, theaters, and cultural centers and gifts of land, buildings, or intangible assets such as patents and copyrights.

If it is not clear whether the transfer is current or capital, it is classified as current.

*Current Grants from International NGOs collected as AIA*

This relates to contributions received from international organizations in support of government recurrent expenditures, such as contributions received by the government for food, blankets, and medical supplies for relief purposes, which are received directly by a general government entity.

*Capital Grants from International NGOs collected as AIA*

This relates to contributions received from international organizations in support of government capital expenditure and received directly by a general government entity, such as contributions received for the construction or purchase of hospitals, schools, museums, theaters, and cultural centers and gifts of land, buildings, or intangible assets such as patents and copyrights.

If it is not clear whether the transfer is current or capital, it is classified as current.

*Other Voluntary Transfers for Current purposes*

This category refers to transfers received by the government to support its recurrent budget from sources other than those mentioned under Items 14401 to 14404.

*Other Voluntary Transfers for Capital purposes*

This category relates to transfers received by the government to support its capital expenditure budget from other sources, voluntarily, other than those mentioned under Items 14401 to 14404.

*Other receipts not elsewhere classified*

The classification of other receipts not elsewhere classified is as follows:

<b>Item</b>	<b>Economic Classification of other receipts not elsewhere classified.</b>
1550100	Paid to Exchequer
1550200	Receipts Not Classified Elsewhere

*Paid to Exchequer*

Included in this category are revenues received directly into the agency bank accounts, for which the source and revenue type could not be established. These items may be reclassified to an appropriate category once adequate details necessary for reclassification of the revenues are available within the financial year.

*Receipts Not Classified Elsewhere*

This Chapter includes revenues that do not fit into any other category. Items that might appear here are insurance payments received for damage to government property other than payments from a judicial process, and any revenues for which adequate information is not available to permit their classification elsewhere. Receipts under this category typically relate to extraordinary expenses of a one-time nature. Sales of used military equipment should be recorded under this Miscellaneous Item, as these are not capital in nature. Note that purchases of military equipment are recorded under goods and services and not under the acquisition of fixed assets. On the contrary, the purchase of police equipment should be recorded under the acquisition of fixed assets.

**6.6.5 Other revenue**

The classification of other revenue is as follows:

<b>Sub-Chapter</b>	<b>Economic Classification of Other Revenue</b>
1610000	Dividends
1620000	Donations
1630000	Net gains/(losses) on financial instruments
1640000	Sale of Royalties
1650000	Concession in Leases
1660000	Extraordinary items

*Dividends*

Dividend revenue from investments is recognized when the government's rights as a shareholder to receive payment have been established.

*Other Comprehensive Incomes*

The classification of other revenue is as follows:

<b>Sub-Chapter</b>	<b>Economic Classification of Other Comprehensive Incomes</b>
1710000	Revaluation of Pension Plans
1720000	Revaluation of Physical Assets
1730000	Gains on foreign currency translations
1740000	Other movements

### **COUNTY OWN SOURCE REVENUE**

County-own source revenues have been classified as per the powers and functions of County Governments contained in the fourth schedule of the Kenya Constitution.

Sub-Chapter: County Own Source Revenue

<b>Item</b>	<b>Economic Classification of County Own Source Revenue</b>
1581000	County Taxes (Revenue) and Agricultural Services -Cess
1582000	County Health Services
1583000	Outdoor Advertising, Trade development & regulation
1584000	Public entertainment & Public Amenities
1585000	Other County Own Source Revenue

<b>Sub-Item</b>	<b>Economic Classification of County Taxes (Revenue) and Agricultural Services-Cess</b>
1581001	Taxes on Immovable Property
1581002	Stand premium on Town plots.
1581003	Plot rates – Local Authority taxes
1581004	Tax on property transfer and sales
1581005	Taxes on specific county-related services
1581006	Betting tax
1581007	Casino tax
1581008	Entertainment Tax
1581009	Penalty and interest on county taxes
1581010	License Fees
1581011	Surcharge Fees
1581012	Agency fees
1581013	Lottery permit fee
1581014	Other Administrative Fees – Revenue
1581015	Other Administrative Charges – A in A
1581016	Game Park fees

1581017	Single Business Licenses
1581018	Parking fee
1581019	Market fee
1581020	Fines, penalties, forfeitures, and other charges
1581021	Land rates
1581022	Land rates penalties
1581023	Land rates interest
1581024	Land valuation fees
1581025	Land registration fees
1581026	Land search fees
1581027	Land boundary dispute fees
1581028	Land adjudication and case fees
1581029	Plot application fee
1581030	Plot transfer fee
1581031	Plot subdivision fee
1581032	Document search fee
1581033	Consent to charge fee/Property certification fee (Use as Collateral)
1581034	Technical services fees/ Physical planning & development
1581035	Beacon search pointing fees
1581036	Survey fee
1581037	Sale of county planning documents
1581038	Occupational permits/Certificate fee
1581039	Enforcement/Demolition charges
1581040	Architectural designs by county officers
1581041	Hoarding fees
1581042	Land amalgamation fee
1581043	Other property charges
1581044	Construction site board fee
1581045	Building plan preparation fee
1581046	Building plan approval fee
1581047	Building inspection fee
1581048	Renovation permit fee
1581049	Poll rates
1581050	Poll rates penalties

1581051	Poll rates interest
1581052	Other local levies
1581053	Hotel Levy
1581054	Miscellaneous fees & charges
1581055	Administrative services fees
1581056	Refuse collection fee
1581057	Dumpsite fees/Tipping charges
1581058	Garbage collection fees
1581059	Public cemetery fees
1581060	Disposal of carcasses fee
1581061	Noise control fee
1581062	Annual waste collection permit
1581063	Recycling/Incinerator permit
1581064	Waste policy management fines
1581065	Solid Waste Management Fee
1581066	Dog licenses
1581067	Slaughtering fee
1581068	Hides & Skins administration fee
1581069	Manure sale fee
1581070	Agricultural Cess
1581071	Tea Cess
1581072	Coffee Cess
1581073	Rice Cess
1581074	Wheat & Maize Cess
1581075	Sugarcane Cess
1581076	Potatoes Cess
1581077	Milk Cess
1581078	Fish Cess
1581079	Sand Cess
1581080	Miraa/Muguka Cess
1581081	Fruits & Vegetables/Produce Cess
1581082	Pyrethrum Cess
1581083	Wattle Bark Cess
1581084	Log Cess

1581085	Charcoal Cess
1581086	Water Cess
1581087	Livestock Cess
1581088	Pozzolana Cess
1581089	Manure Cess
1581090	Poultry Cess
1581091	Ballast Cess
1581092	Other Cess
1581093	Forest receipts
1581094	Receipts from the sale of agricultural goods
1581095	Weighbridge charges
1581096	Produce inspection fees

<b>Sub-Item</b>	<b>Economic Classification of County Health Services</b>
1582001	Public health & sanitation services fees
1582002	Malaria prevention services fees
1582003	Inoculation fee
1582004	Rodent/Pest control/Fumigation fees
1582005	Mortuary fees
1582006	Research and attachment fees
1582007	Meat inspection fees
1582008	Food quality inspection
1582009	Food preparation premises hygiene services fees
1582010	Health clearance fees
1582011	Sanitary inspection fees
1582012	Medical certificate fees
1582013	General hospital fees
1582014	Public health facilities' operations fees
1582015	Health center service fees
1582016	Maternity services fees
1582017	Laboratory service fees
1582018	Public health license
1582019	Slaughterhouse inspection
1582020	Ambulance services

1582021	Public cemetery
1582022	Public toilets
1582023	Burial fees
1582024	Hearse services fee
1582025	Other health & sanitation charges

<b>Sub-Item</b>	<b>Economic Classification of County Outdoor Advertisement, Trade &amp; Development</b>
1583001	Receipt from permission to use goods or perform a service
1583002	Liquor license
1583003	Licenses under the Stage Plays and Cinema Act
1583004	Receipts from the use of goods & services
1583005	Timber royalties
1583006	Royalties on fuel wood
1583007	Royalty on carbon dioxide gas
1583008	Royalties on mineral extraction
1583009	Royalty on oil exploration
1583010	Royalties on oil exploration training fees
1583011	Royalties on Geothermal Development
1583012	Receipts from royalties – other
1583013	Mining royalties
1583014	Magadi soda royalty
1583015	Base Titanium royalty
1583016	Sales of goods and services
1583017	Sales of market establishment
1583018	Administrative fees
1583019	Slaughterhouse, Stage fees
1583020	Business permits
1583021	Business permits late payment penalties.
1583022	Business permit application fees
1583023	Local levies
1583024	Hotel levies
1583025	Engineering works levy
1583026	Business subletting/transfer fees
1583027	Isolation fees (Surcharge on business permit)

1583028	Agency fees
1583029	Weights & measures fees
1583030	Advertising fees
1583031	Various fees
1583032	Ambulant hawkers' licenses
1583033	Court fines
1583034	Impounding charges
1583035	Sales of county laws
1583036	Tender documents sale
1583037	Natural resources exploitation fees
1583038	Sand fee
1583039	Quarry extraction fees
1583040	Clinker extraction fees
1583041	Garbage dumping fees
1583042	Game and Nature Park fees
1583043	Sale of County assets
1583044	Sale of old vehicles
1583045	Sale of plant & machinery
1583046	Sale of buildings
1583047	Sale of incidental assets
1583048	Sale of biological assets
1583049	Market/Trade Centre & vehicle parking fees
1583050	Market entrance/ gate fees
1583051	Market plot rent
1583052	Market shops rent
1583053	Market kiosks rent
1583054	Market stall rent
1583055	Market shelter rent
1583056	Incidental sales from non-market establishments - Revenue
1583057	Incidental sales from non-market establishments – A in A
1583058	Sales from incidental goods
1583059	Vehicle parking fees
1583060	Bus Park fee
1583061	Seasonal parking fees

1583062	Other vehicles' parking fees
1583063	Street parking fees
1583064	Clamping fees
1583065	Towing fees
1583066	Storage fees
1583067	Transit toll charges
1583068	Right of Way/Way-leave fee
1583069	Removal and Storage Charges
1583070	Street light pole advertisement fee
1583071	Road cuttings & reinstatements
1583072	Street pavement encroachment fine
1583073	Sign boards & Advertisement fee
1583074	Clamp tampering fee
1583075	Motorcycle sticker
1583076	Loading zone fees
1583077	Parking bay hire
1583078	School fees
1583079	Nursery school fees
1583080	Training & Learning Center fees
1583081	Vocational/Training School fees
1583082	Other education-related fees
1583083	Library services fee
1583084	Education sponsorship fee
1583085	Children's alimentionation fee (porridge fee)
1583086	Registration fees – learning institution
1583087	Other education revenues
1583088	Examination & Tuition Fees
1583089	Educational visits fees
1583090	Course fees and hostel charges

<b>Sub-Item</b>	<b>Economic Classification of Public Entertainment &amp; Public Amenities</b>
1584001	Rents on land
1584002	Rent on County office & commercial buildings

1584003	Rent on County Houses
1584004	Ground/Plot Rent
1584005	Booths/Stand Rent
1584006	Temporary occupational license
1584007	Other property income (Revenue)
1584008	Other property income (A in A)
1584009	Other land revenue
1584010	Lease/Rental of County infrastructure assets
1584011	Lease of water distribution network
1584012	Lease of Sewerage collection/treatment facility
1584013	Chamber hire
1584014	County premises occasionally hire
1584015	County vehicle hires
1584016	Social premises use hire.
1584017	Social Hall hire
1584018	Stadium hire
1584019	Stadium entrance fee
1584020	County property damages/eviction fee
1584021	Water connection fee
1584022	Industrial water connection charge
1584023	Metered water charge/rates
1584024	Meter rent
1584025	Meter sales
1584026	Meter cleaning services
1584027	Reconnection fees
1584028	Connection separation charges
1584029	Penalties for illegal connection
1584030	Water Kiosk sales
1584031	Sewerage connection fee
1584032	Sewerage connection charge
1584033	Exhauster Services charge
1584034	Receipts from solid waste management
1584035	Firefighting services
1584036	Fire special services

1584037	Boating fees/Lease
1584038	Storage charges

Sub-Item	Economic Classification of Other County Own Source Revenue
1585001	Receipts from Health Insurance
1585002	Funds received from the national government Fund's
1585003	Property Income
1585004	Dividends and Profits – Public Financial Enterprises
1585005	Dividends and Profits – Public Non-Financial Enterprises
1585006	Dividends and Profits – Other
1585007	Sales of Tender Documents
1585008	Refund from Insurance Providers
1585009	Other local levies
1585010	Insurance claims recovery
1585011	Donations
1585012	Fundraising events
1585013	Other miscellaneous revenue

### 3.6.6.2 Parent 2: Expenditure

Expense is:

*Decrease in the net financial position of the entity, other than decreases arising from ownership contributions (IPSAS Conceptual Framework para 5.30).*

Governments are under growing pressure to manage their funds effectively and show that their management has been effective. Article 201 of the Kenya Constitution 2010 states that the following principles shall guide all aspects of public finance in the Republic –

- a) there shall be openness and accountability, including public participation in financial matters;
- b) the public finance system shall promote an equitable society, and in particular-
  - i. the burden of taxation shall be shared fairly;
  - ii. revenue raised nationally shall be shared equitably among national and county governments; and
  - iii. **expenditure** shall promote the equitable development of the country, including by making provision for marginalized groups and areas;
- c) the burden and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations;
- d) public money shall be used in a prudent and responsible way; and
- e) financial management shall be responsible, and fiscal reporting shall be clear.

To achieve this, the government needs complete information about its expenses and expenditures to assess its revenue requirements, the sustainability of its programs, and flexibility.

The term expenditure is differentiated from the term disbursements/transfer payments. Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or

incurrence of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners. A public entity will incur disbursements, expenditures, and expenses. The accrual basis of accounting influences the definitions adopted and determines the recognition criteria for transactions or events included in a public entity's financial statements.

### Materiality and Aggregation

The analysis of expenses in the statement of financial performance may be given by nature or function. Public entities in Kenya are required to present their financial statements in a standardized format. The National Treasury will determine materiality and aggregation/disaggregation as needed. Items that are material by virtue of their size but which have the exact nature may be aggregated. Immaterial amounts should be aggregated with amounts of a similar nature or function and need not be presented separately.

### Economic Classification of Expenditures

The classification of Expenditures follows closely the requirements of IPSAS 1, *Presentation of Financial Statements*. The Economic Classification of Expenditure is as follows:

Chapter	Economic Classification of Expenditure
2100000	Compensation of employees
2200000	Use of goods and services
2300000	Transfer expenses & subsidies
2400000	Other operating expenses
2500000	Depreciation
2600000	Finance costs
2700000	Minority interest

#### 6.6.2.1 Compensation of employees

Government units need to distinguish between the two components of gross remuneration: salaries and social contributions.

Salaries are paid to employees in the current accounting period, but the social contribution is paid into a pension fund on their behalf. Thus, salaries affect the disposable income immediately available to households, whereas social contributions are not available until a later period. Therefore, the economic effects of the two transactions are different.

Employee entitlements to salaries and wages, annual leave, extended service leave, retiring leave, and other similar benefits are recognized as expenditures when they accrue to employees. Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported as the present value of the estimated future cash outflows.

Termination expenses are recognized only when there is a demonstrable commitment to either terminate employment before the expected retirement date or as the expense arises as a result of an offer to encourage voluntary redundancy. Termination expenses settled within 12 months are reported at the amount expected to be paid; otherwise, they are reported as the present value of the expected future cash outflows.

Sub-Chapter	Economic Classification for Compensation of Employees
2110000	Salaries and Wages -

2120000	Social Contributions
2130000	Pensions- Defined benefit plans
2140000	Pensions- Defined contribution plans
2150000	Other employee entitlements

### Salary and Wages

This item includes all payments of salaries to all government-salaried employees except social contributions. The item, salaries include:

- Salaries payable at regular weekly, monthly, or other intervals. This includes payments by results and piecework payments, as well as enhanced payments or special allowances for working overtime, at night, at weekends, or in other unusual hours. It also encompasses allowances for working away from home or in disagreeable or hazardous conditions, as well as expatriation allowances for working abroad. Remuneration to staff members employed on a contractual basis and who are not on the government payroll is included under **Item Code 2110200**.
- Supplementary allowances payable regularly, such as housing allowances or allowances to cover the costs of travel to and from work.
- Salaries payable to employees who are away from work for short periods, for example, holiday leave
- Ad hoc bonuses or other exceptional payments made, for example, under incentive schemes
- Salaries payable to government employees engaged in a current or capital project, for example, building a new road.

The item salaries do not include:

- Reimbursements of payments incurred by employees on tools, equipment, uniforms, and other items that are needed to enable them to carry out their work. For example, uniforms provided to police officers do not fall under the *category of employee compensation, but rather under the category of goods and services*. Similarly, allowances to employees to purchase items such as uniforms, which will be used primarily at work, are classified as *goods and services*.
- Payments for travel and subsistence while on government duty away from the duty station. These are classified under goods and services depending on how the travel and substance were utilized.
- Purchases of services provided by people who are not government employees, for example, consultants, architects, and occasional workers. These are classified under goods and services.
- Social benefits to former employees. Retirement and medical payments to retired employees and their families do not constitute compensation for work but are unrequited transactions.

It is essential to note that only the remuneration of employees should be included under the item 'Compensation of Employees'. In practice, this typically means payments from the government's payroll systems. Payments to people who are not employees constitute purchases of services and are recorded under *goods and services*. Examples of such individuals include consultants, architects, engineers, and occasional workers who are not on the government's payroll.

The following is the classification of salaries and wages:

Item	Economic Classification of Salaries and Wages
2110100	Basic Salaries - Permanent Employees
2110200	Basic Wages - Temporary Employees

Item	Economic Classification of Salaries and Wages
2110300	Personal Allowances are paid as part of the salary.
2110400	Personal Allowances paid as reimbursements
2110500	Personal Allowances provided in kind

### *Social contributions*

This item is the second component of the broad payment category, *compensation of employees*. The item includes the government's contribution (but not the employees' contribution) to social insurance schemes paid on behalf of current employees. These social insurance schemes include social security funds, unemployment insurance funds, pension and provident funds, as well as medical aid schemes. *Social contributions* are typically made on behalf of current employees, but can also be paid on behalf of former employees.

The classification of social contributions is as follows:

Item	Economic Classification of Social Contributions
2120100	Employer Contributions to Compulsory National Social Security Schemes
2130200	Employer Contributions to Compulsory Health Insurance Schemes
2130300	Employer Contributions to Social Benefit Schemes Outside Government

- **Compulsory National Social Security Schemes:** This category consists of contributions payable to social security schemes as part of the government's contribution to the employee's compulsory contribution to the government-approved social security funds, such as the National Social Security Fund and Local Government Security Fund. The National Social Security Fund Act provides that the pension contribution for each employee is at the rate of twelve percent (12%) of the employee's salary, made up of two equal portions of six percent (6%) from the employee and six percent (6%) from the employer subject to an upper limit of Kshs 2160.
- **Compulsory Health Insurance Schemes:** This category consists of contributions (if any) payable to health insurance schemes as part of the government's contribution to the employee's compulsory contribution to the government-approved health insurance schemes, such as the National Hospital Insurance Fund.
- **Employer Contributions to Social Benefit Schemes outside Government:** This category comprises contributions made to social benefit schemes as part of the government's contribution to the employee's private social security funds.

### *6.6.2.2 Use of Goods and Services*

This item includes expenditures for all goods and services to be used by a government unit, excluding purchases of capital assets.<sup>2</sup> Purchases of capital assets fall under Category 3: Investment in assets.

All goods to be used by a government unit other than capital assets are included under this category.

The items, *goods, and services* include the following:

<sup>2</sup> (Capital assets are goods that are expected to be used during more than one reporting period and from which future economic benefits or service potential are expected to flow, but excluding assets below the capitalization threshold. The capitalization threshold as provided for under the Government financial procedures manual is Kshs 100,000. Expenditure above this limit should be included as capital assets. Examples of capital assets are buildings, vehicles, used machinery, and so on.).

Goods to be included in *goods and services* are, for example, petrol, coal, small tools and equipment, stationery, foodstuffs, and electricity. In addition, goods purchased for resale fall under this category, such as postcards to be resold by government-owned museums. Examples of services to be included are hostels, canteens, transportation, communication, banking, business services, consultants' fees, market research, staff training, as well as the rental of buildings, other fixed structures, equipment, and vehicles.

Consultants' fees comprise the payments to experts engaged for a specific period to complete a given set of tasks. This includes costs, such as those incurred by individuals contracted to write a policy document, as well as other similar expenses.

The items, *goods, and services* also include:

- Reimbursements of payments incurred by employees on tools, equipment, uniforms, and other items that are needed to enable them to carry out their work. Uniform allowances are also included here if the employee is required to use it to purchase a uniform that will be used at work.
- Reimbursement of payments incurred by employees when they take up new jobs or are required by their employers to move their homes, for example, payments for travel and moving.
- Payments for travel and subsistence while on government duty away from the duty station. Daily subsistence and out-of-town allowances fall under this category.
- Bursaries and other direct support are paid to employees to study at universities or other tertiary institutions. For a payment to be classified as a bursary, it must comply with all the conditions and objectives outlined in the department's bursary policy. Additionally, all conditions outlined in the contract with the bursary holder must have been met. Direct support includes fees, textbooks, and accommodation at the university residence. An employee bursary is classified as *a good or service because the budget agency will ultimately benefit from the increased knowledge gained by the employee.*
- Subscription fees to international organizations if the payment is in proportion to the benefit and the purpose is to obtain something in return. If the payer receives something in return for the fee, for example, gains access to a network or obtains information in exchange for subscribing to the international organization, the transaction should be classified as a good or service, provided that the cost is in proportion to the benefit. Suppose the purpose is to support the organization, or the cost of subscribing far exceeds the benefit. In that case, the transaction should be classified as *a transfer to foreign governments and international organizations.*

The classification of the use of goods and services is as follows:

Sub-Chapter	Economic Classification of Use of goods and services
2210000	General goods & services
2220000	Routine Maintenance
2230000	Amortization and net impairment of non-financial assets
2240000	Impairment of financial assets
2250000	Cost of concessionary lending
2260000	Audit fees

#### *General goods and services*

Includes the following:

Item	Economic Classification of general goods and services
2210100	Utilities, Supplies, and Services
2210200	Communication
2210300	Domestic Travel Subsistence and Other Transportation Costs

2210400	Foreign Travel Subsistence and other transportation costs
2210500	Printing, Advertising, and Information Supplies and Services
2210600	Rentals/Leasing of Produced Assets
2210700	Training Costs
2210800	Hospitality supplies and services
2210900	Insurance costs
2211000	Specialized materials and supplies
2211100	Office and general supplies and services
2211200	Fuel oil and lubricants
2211300	Bank charges
2211400	Professional services and consultancies

*Utilities, supplies, and services*

This account will include the cost of metered Water, utilized other than for bottled drinking water (which will be treated as a beverage), and the cost of energy services, which will encompass electricity, firewood, charcoal, fuels, gas, etc.

*Communication*

This account shall be charged with the cost of telephones, whether fixed or Mobile lines, telegraphs, or Faxes. Included here, too, shall be the cost of equipment, if in the form of cables. Large switchboards shall not be included here. These shall be included under the acquisition of assets: 2314 ICT (Equipment, Software, and Other ICT Assets).

This account shall also be charged with the costs of postage, stamped envelopes, postal registry, and money order fees, as well as postage meter impressions and parcels delivered by post or courier, under the ICT program, including recurrent costs for information and communications technology, Internet, Email, and LAN maintenance.

*Domestic Travel Subsistence and other transportation costs*

This account shall be charged with expenses related to in-country official travel, including per diem, transportation (bus and taxi fares or fuel), accommodation, and other related costs. Additionally, this account shall be charged with expenses related to overseas travel, including per diem, air tickets, local transportation, accommodation, meals, and warm clothing.

This account will also be charged with the costs of freight, haulage & clearing of goods and supplies procured by government units to their place of work. Included herewith will be the cost of vehicle hire for persons and/or goods.

This account shall also be charged with the cost of gasoline, petrol, diesel, grease, Oil, etc., if these costs are incurred while in a travel status.

*Foreign Travel Subsistence and other transportation costs*

This account shall be charged with expenses related to out-of-country official travel, including per diem, transportation (bus and taxi fares or fuel), accommodation, and other related costs. Additionally, this account shall be charged with expenses associated with overseas travel, such as per diem, air tickets, local transportation, accommodation, meals, and warm clothing.

*Printing, Advertising, and Information Supplies and Services*

Radio/TV/Newspaper/Newsletters/ etc. advertisements designed to promote a unit or a particular program being undertaken by the unit (for sensitization purposes), provided such program does not have its own budget. Advertisement expenses relating to recruitment shall be charged to this account.

*Rental/Leasing of produces assets.*

This account is to be used to record Rent for produced assets received from Government units, including buildings (such as barracks and dormitories), Plant, Equipment, Machinery, etc. Charged here too, real estate taxes paid on leased

premises as part of the lease agreement, and commissions paid to real estate agents for negotiating leases and subletting rented property.

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#### *Training costs*

This account shall be used whenever a distinct course is identified or routine meetings occur, and the costs included shall be those related to specialized training programs, whether on a group or individual basis, including the cost of materials and related educational materials, travel expenses, etc.

This account shall also be charged with costs incurred at Workshops and/or Seminars. The costs included will be those incurred as a direct result of such workshops and seminars, including the hire of a venue, projectors, LCDs, transport for participants, banquets, and meals. The Workshops/Seminars can range from Sensitization Sessions to instructional meetings, both internal and external.

#### *Hospitality supplies and services*

This account shall be charged with the cost of consumable medical services and goods associated with health and hygiene, such as medication, laundry costs, etc.

This account shall also be charged with expenses related to the provision of official entertainment, whether within the country or abroad. Official entertainment can range from a simple provision of soft drinks to large international banquets, provided that they are given in their own right, i.e., not under an item with its budget line.

Expenses related to the purchase of clothing and uniforms necessary for employees to perform their duties should be charged to this account. This should also include uniform allowances or reimbursement paid to employees if they are required to use it to purchase a uniform that will be worn at work.

#### *Insurance Cost*

This account shall be debited with Insurance premium payments for Property, Vehicles, Equipment, Plant, aircraft, boats, etc. Included here, too, will be premiums paid for insurance against fidelity, burglary, cash shortages, and other similar risks.

#### *Specialized materials and supplies*

Charges to this account include costs directly associated with the provision of security by the state security organs. This shall consist of the procurement of weapons: e.g., bullets, rockets, missiles, and related warheads, etc. It shall not be charged with the salaries, uniforms, and other recurrent items paid in respect of servicemen. Also excluded from here are weapons or armored vehicles acquired by police and internal security organizations, which are treated as acquisitions of fixed assets.

Charges to this account also include payments for the security and guarding of government units' properties (whether empty or occupied), installations, and equipment.

This account is also to be charged with the cost of consumable veterinary drugs and agricultural supplies (including laboratory supplies) provided to the final user by departments responsible for buying, stocking, selling, or distributing them. Note that costs incurred to acquire these drugs and agricultural supplies in bulk for future use are not debited to this account but rather debited to inventories. It is when these drugs and supplies are issued to the final users that this account will be debited and inventories credited.

This account is also to be charged with a general supply of goods and services, including sanitary, foodstuffs, etc. This account should be debited when goods are acquired for immediate use by the final user. Still, if they are acquired in bulk for future use, then they should initially be debited to the inventory account, and when issued from the stock to the final user, the inventory account will be credited, and this account will be debited.

#### *Office and general supplies and services*

Expenses charged under this account shall be supplies used as record books, binders, forms, printing and printing supplies, letterheads, envelopes, paper (writing, photocopying, duplicating, etc.), business cards, inks, pens, pencils, typewriters and adding machine ribbons, rubber stamps, staples, office pins, markers, etc. Also included here will be the cost of document production and binding into hard copies. Charges under this account shall also be subscriptions or payments for Periodicals, newspapers, and books supplied on a periodical and regular basis.

#### *Fuel Oil and Lubricants*

Included in this category are the costs of refined fuel and lubricants for transportation and production, as well as other fuels such as wood, charcoal, and cooking gas.

## Routine Maintenance

This includes the following:

Item	Economic Classification of Routine Maintenance
2220100	Routine Maintenance -Property, plant & equipment
2220200	Routine Maintenance -Road Infrastructure
2220300	Routine Maintenance -Electricity Infrastructure
2220400	Routine Maintenance – Heritage assets
2220500	Routine Maintenance - Buildings
2220600	Routine Maintenance – Leased Assets
2220700	Routine Maintenance – Public-Private Partnership
2220800	Routine Maintenance and Repairs - Other Assets

### Routine Maintenance – Property, plant, and equipment

This account should also be charged for maintenance of vehicles, ICT equipment, furniture (Including cycles), repairs (e.g., Garage services), etc.

### Maintenance and repairs

This account includes the cost of materials, supplies, and parts used in the repair, minor rehabilitation, or restoration of infrastructure, such as buildings, Grounds, Roads, Bridges, etc. Additionally, it covers expenses for repairs and maintenance of equipment and machinery, as well as furniture and fixtures.

The cost associated with purchasing spare parts for vehicles, machinery, and equipment should be charged here. Such costs include vehicle tires, brake parts, electrical coils, and other related components.

Under this account shall be included small equipment, which, although not consumables, cannot be classified as fixed assets. Examples include small calculators, stapling machines, pen holders, punches, paper trays, pin and staple holders, and more.

Under this account shall be included small tools and equipment used in production that cannot be classified as fixed assets. Examples include items such as spanners, pliers, and test tubes.

### Amortization and net impairment of non-financial assets

This includes the following:

Item	Economic Classification of Amortization & Net Impairment
2230100	Amortizations
2230200	Net Impairment of non-financial assets

This account shall be associated with holding/translation losses/(gains) arising from variations in exchange rates for transactions denominated in foreign currencies. The gains arising from exchange rate variations should be credited to this account, whereas the losses should be debited to the same account.

### Transfer Expense & Subsidies

IPSAS 48, *Transfer Expenses*, defines a transfer expense as an expense arising from a transaction, other than taxes, in which an entity provides a good, service, or other assets to another entity, without directly receiving any good, service, or other asset in return. IPSAS 48, *Transfer Expenses*, provides two accounting models based on the existence of a binding arrangement. The accounting treatment for transfer expenses is determined by whether the transaction results in an enforceable right for the transfer recipient to satisfy their obligation.

Most transactions in the public sector in Kenya involve transfer expenses arising from transactions without a binding arrangement. The public entity would first need to consider whether it has a constructive or legal obligation (such as the Appropriation Act, a Relevant Act, or a contract) related to the transaction. If so, the public entity recognizes an expense and a provision under IPSAS 19, *Provisions, Contingent Liabilities, and Contingent Assets*. The subsequent transfer of resources to the transfer recipient settles the provision.

Sub-Chapter	Economic Classification of Transfer Expenses & Subsidies
2310000	Exchequer transfers
2320000	Social support transfers (Inua Jamii)
2330000	Grants and Other Transfers to International Organizations
2340000	Other Transfers and Contingencies Relief
2350000	Subsidies to Public Corporations
2360000	Subsidies to Private Enterprises

## Exchequer Transfers

Article 206 (1) of the Constitution of Kenya established the Consolidated Fund into which shall be paid all money raised or received by or on behalf of the National Government except money that:

- a) is reasonably excluded from the Fund by an Act of Parliament and payable to another public fund established for a specific purpose.
- b) may, under an Act of Parliament, be retained by the State organ that received it to defray the expenses of the State organ. Such includes Appropriation in Aid (AIA).

The National Treasury prepared and submitted to the National Assembly for approval “Estimates of Revenue, Grants, and Loans of the Government of Kenya for the year ending 30th June 2024”. Revenues raised are then deposited in the National Exchequer Account.

Section 17 of the Public Finance Management Act, 2012 mandates the National Treasury to account for the Consolidated Fund in the National Exchequer Account at the Central Bank of Kenya. The Consolidated Fund receives the proceeds of taxation (income tax, value-added tax, customs duties, excise tax), tax-type revenues such as fines, penalties, fees, license fees, dividends, visa fees, and certain other government receipts, as well as all loans and grants raised by the National Government.

Further, Article 206 (2) of the Constitution of Kenya stipulates that money may be withdrawn from the Consolidated Fund only:

- a) in accordance with an appropriation by an Act of Parliament;
- b) in accordance with Article 222 or 223; or
- c) as a charge against the Fund as authorized by the Constitution or an Act of Parliament.

Furthermore, Section 17(4) of the Public Finance Management Act, 2012, requires the National Treasury to seek approval from the Controller of Budget for any withdrawal from the Consolidated Fund. The entities that received funds from the Consolidated Fund include National Government Ministries, Departments, and Agencies, as well as county governments. These entities are responsible for the administration of their respective budgets.

Therefore, payments from the Consolidated Fund are transfers issued to government departments to finance their net expenditures. Parliament votes on the necessary financial provisions typically through the “Estimates of Recurrent/Development Expenditure for the year” process, which confers formal statutory authority through the Appropriation Acts that follow. Sometimes, there is a need for an additional allocation of expenditure, and a Supplementary Estimates is voted.

Item	Economic Classification of Exchequer Transfers
2310100	Transfers to MDAs - Recurrent
2310200	Transfers to MDAs -Development
2310300	Transfers to County Governments -CRF
2310400	Transfers to Consolidated Fund Services

#### 10.6.2.3.2 Social Support Transfers

The goal of social protection is to ensure that all Kenyans live in dignity and can fully utilize their human capabilities for their own social and economic well-being. As part of the government's initiatives to improve and enhance social protection, much focus and attention have been placed on the cash transfer social assistance programs through the establishment of the National Safety Net Program (NSNP).

Item	Economic Classification of Social Support Transfers
2320100	Inua Jamii social support program
2320200	Other social support programs

#### Grants to International organizations

This item includes grants provided to international organizations. If the payment is in proportion to the benefit and the purpose is to obtain something in return, such as information or access to a network, the transaction should be classified as a goods and services transaction.

The following is the classification of grants to international organizations:

Item	Economic Classification of grants to international organizations
2330100	Membership Fees and Dues
2330200	Subscription to International bodies

#### Other transfers and emergency reliefs

Following is the classification of Transfers to other Ministries, Departments, and Agencies:

Item	Economic Classification of Transfers to Other Ministries, Departments, and Agencies
2640100	Scholarships and Other Educational Benefits
2640200	Emergency Relief and Refugee Assistance
2640300	Grants to Small Businesses, Cooperatives, and Self-Employed
2640400	Other Current Transfers, Grants, and Subsidies
2640500	Other Capital Grants and Transfers

#### 10.6.2.3.3 Subsidies to Public Corporations

For a country to realize its full economic potential, education is paramount. A population with the ability to read and write is crucial for economic growth. In Kenya, free primary education was introduced in 1963; however, it was not until 2003 that the Free Primary Education program was fully implemented.

The government launched the Free Day Secondary Education program, aimed at reducing financial barriers to secondary education and ensuring a hundred percent transition from primary education. This initiative subsidizes school fees and provides essential study materials, particularly textbooks, to students who previously could not afford secondary education. The program has several positive outcomes, most notably a significant increase in enrollment.

<b>Item</b>	<b>Economic Classification of Subsidies to Public Corporations</b>
2350100	Free primary education
2350200	Free day junior school education
2350300	Free day secondary school education

### Subsidies to Private Enterprises

Following is the classification of subsidies to Private Enterprises:

<b>Item</b>	<b>Economic Classification of Subsidies to Private Enterprises</b>
2360100	Subsidies to Private Enterprises – Non-Financial
2360200	Subsidies to Private Enterprises - Financial

### *Other Operating Expenses*

This item includes the total value of Other Operating Expenses.

The following is the classification of other operating expenses:

<b>Sub-Chapter</b>	<b>Economic Classification of Other Operating Expenses</b>
2410000	Budgetary contingency reserve
2420000	Other expenses

### Budget contingencies reserve

A budgetary contingencies reserve is a portion of a budget set aside to cover unexpected costs or risks that were not initially anticipated when the budget was planned. These reserves help ensure that a public entity can handle unforeseen expenses or financial shortfalls without disrupting the overall financial plan.

### *Depreciation*

Depreciation refers to the process of allocating the cost of a tangible fixed asset over its useful life. It is an accounting method used to spread the expense of an asset over several periods, reflecting the wear and tear, obsolescence, or reduction in value of an asset as it is used over time. Depreciation is significant because it allows the public sector to match the cost of using an asset with the revenue it generates.

There are several methods used to calculate depreciation, including:

- Straight-line depreciation (annual depreciation charge is calculated by dividing the cost of the asset by the useful life). Same depreciation charges each year.
- Reducing balance depreciation (a more accelerated method where depreciation is higher in the earlier years).

- Sum-of-the-years'-digit depreciation (a more accelerated method where depreciation is higher in the earlier years).
- Units of production depreciation (depreciation is based on the asset usage or output, such as the number of units it produces).

The depreciation rates per class of assets are indicated below as per the approved Road Map to Accrual Accounting:

Asset Category	Valuation Method	Ownership	Depreciation Method	Depreciation Rate@ Sub-Item	Capitalization threshold
<b>Non-Produced Fixed Assets</b>					
<b>Land (IPSAS 45)</b>					
Freehold	Historical cost/Ministry of Lands Valuation	Title/Vesting Documents or Control of Access	Nil	Nil	1 Kshs
Leasehold	Historical cost/Ministry of Lands Valuation	Title/Vesting Documents or Control of Access	Reducing balance	Amortization for the remaining period	1 Kshs
Community	Historical cost/Ministry of Lands Valuation	Title/Vesting Documents or Control of Access	Nil	Nil	1 Kshs
<b>Tangible natural resources</b>					
Natural resources with finite lives	Historical Cost/Current Operational Value (deemed cost at point of initial recognition)	Title/Vesting Documents or Control of Access	Based on the type of asset	Based on the type of asset	1 Kshs
Natural resources with infinite lives	Historical Cost/Current Operational Value (deemed cost at point of initial recognition)	Title/Vesting Documents or Control of Access	Assess impairment	Based on impairment	1 Kshs
<b>Other naturally occurring assets</b>	Historical Cost/Current Operational Value (deemed cost at point of initial recognition)	Title/Vesting Documents or Control of Access	Based on the type of asset	Based on the type of asset	1 Kshs
<b>Intangible assets (IPSAS 31)</b>					
Software purchased	Historical Cost/Current	Receipts/Vesting Order	Amortization for the		Kshs 1

	Operational Value		remaining period		
			Below 5 years		
			5 – 8 years	12.5% 20%	
Easements, Licenses, & Rights	Historical Cost/Current Operational Value	Receipts/Vesting Order	Number of years in the contract	As applicable	Kshs 1
Patents	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance Below 7 years 7-10 years	10% 14.3%	Kshs 1
Copyrights	Deemed cost	For 50 years after the author/recording/work dies/ends	As applicable	As applicable	Kshs 1
Industrial Design	Deemed cost	Owned for 5 years & below Owned for 5 to 15 years	Reducing balance	6.67% 20%	Kshs 1
Utility models	Deemed cost	Owned for 5 years & below Owned for 5 to 15 years	Reducing balance	6.67% 20%	Kshs 1
Other intellectual	Deemed cost	Owned for 5 years & below Owned for 5 to 15 years	Reducing balance	6.67% 20%	Kshs 1
<b>PRODUCED FIXED ASSETS</b>					
<b>Roads Infrastructure IPSAS 45</b>					
Land under the road and within road reserves	Historical Cost/Current Operational Value	Title/Vesting Documents or Control of Access	Reducing balance	Amortization for the remaining period	1 Kshs
Roads and Bridges	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Seal Coat – 20% Gravel – 20% Asphalt – 10% Concrete – 3.3 Bridge Timber - 10% Bridge Metal – 3.33%	1 Kshs

				Bridge Concrete – 2%	
				Bridge Movable- 2% Timber redecking – 8.33% Concrete redecking – 4% Formation – 2% Pavement (structure) – 2% Pavement (surface) – 10% Tunnels – 4% Drainage – 10% Culverts/Subways -4% Capital Work in Progress – 0%	
Road Traffic Control installations	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Signals – 6.67% Traffic facilities -6.67%	1 Kshs
Road amenities	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Street Trees & Vegetation – 2% Bike lanes-10% Public Art – 2% Parklet – 10% Outside seating - 25% Sidewalk -10%	1 Kshs
Work in Progress	Historical Cost/Current Operational Value	Receipts/Vesting Order	N/A	N/A	1 Kshs
<b>Railway Infrastructure</b>					
<b>IPSAS 45</b>					
Land under railways/railway reserves	Historical cost/Current Operational Value	Title/Vesting Documents or Control of Access	Reducing balance	2%	1 Kshs
Railways and Bridges	Historical Cost/Current	Receipts/Vesting Order	Reducing balance	SGR -2%	1 Kshs

	Operational Value			Meter Gauge 2%	
				Railway Infrastructure 2%	
				Buildings 2%	
				Capital Work in Progress 0%	
Railway Traffic Control Installations	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	2%	1 Kshs
Railways amenities	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	2%	1 Kshs
<b>Electricity Generation &amp; Other Infrastructure</b> <b>IPSAS 45</b>					
Electricity Generation	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Geothermal stations 10% Hydro stations 10% Wind farms 10% Solar Generations 10%	1 Kshs
Electricity Distribution	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Electricity distribution networks 10%	1 Kshs
<b>Water Infrastructure</b> <b>IPSAS 45</b>	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Collection 2% Purification 10% Storage 10% Pipeline 10% Drainage 10%	1 Kshs
<b>Solid Waste &amp; Sewage Disposal</b> <b>IPSAS 45</b>	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Buildings 2% Waste facilities 10% Pipe network 10% Drainage 10%	1 Kshs

<b>Sea Walls &amp; Jetties</b> <b>IPSAS 45</b>	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Buildings 2% Sea Walls & Jetties 5%	1 Kshs
<b>Other Infrastructure</b> <b>IPSAS 45</b>	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	10%	1 Kshs
<b>Leased assets (under finance lease/right of use)</b> <b>IPSAS 43</b>					
Leased assets	Present Value	Lease agreement	Reducing balance	Based on the lease period	1 Kshs
Right of Use	Present Value	Lease agreement	Reducing balance	Based on the lease period	1 Kshs
<b>Heritage and cultural assets</b> <b>IPSAS 45</b>					
Historical sites	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Finite useful life- based on the type of asset Indefinite useful life- assess for impairment	1 Kshs
Archaeological sites	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Finite useful life- based on the type of asset Indefinite useful life- assess for impairment	1 Kshs
Paleontological items	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Finite useful life- based on the type of asset Indefinite useful life- assess for impairment	1 Kshs
Monuments	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Finite useful life- based on the type of asset Indefinite useful life- assess for impairment	1 Kshs
National Library Collections	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Finite useful life- based on the type of asset	1 Kshs

				Indefinite useful life- assess for impairment	
National Archives	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Finite useful life- based on the type of asset Indefinite useful life- assess for impairment	1 Kshs
Other heritage assets	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Finite useful life- based on the type of asset Indefinite useful life- assess for impairment	1 Kshs
<b>Biological assets</b>					
<b>IPSAS 27</b>					
Livestock	Fair value less costs to sell	N/A	N/A	N/A	1 Kshs
Crops	Fair value less costs to sell	N/A	N/A	N/A	1 Kshs
Agricultural produce	Fair value less costs to sell	N/A	N/A	N/A	1 Kshs
Trees & Plants	Fair value less costs to sell	N/A	N/A	N/A	1 Kshs
Fish in aquaculture	Fair value less costs to sell	N/A	N/A	N/A	1 Kshs
Other biological	Fair value less costs to sell	N/A	N/A	N/A	1 Kshs
<b>Public-Private Partnership assets</b>					
PPP Assets created by a Private Entity					
Public Assets Used by Private Entity					
<b>BUILDINGS &amp; BUILDING IMPROVEME</b>					
Permanent	Historical Cost/Current Operational Value	Title/Vesting Documents or Control of Access	Reducing balance	Housing Stock 2% School property 2% Hospitals 2% Prisons 2% Fire Stations 2%	Kshs 1

				Police Stations 2%	
				Offices' 2%	
Semi-Permanent	Historical Cost/Current Operational Value	Title/Vesting Documents or Control of Acc	Reducing balance	5%	Kshs 1
Temporary	Historical Cost/Current Operational Value	Title/Vesting Documents or Control of Access	Reducing balance	10%	Kshs 1
<b>Property, Plant, and Equipment IPSAS 45</b>					
Motor Vehicles and other transport equipment	Historical Cost/Current Operational Value	Logbook/Vesting Documents or Control of Access	Reducing balance	Saloon vehicles 16.67% Heavy-duty utility vehicles 12.5% Lorries 10% Aircraft 10% Ships 10% Others 10%	Kshs 1
Computers and other ICT equipment	Historical Cost/Current Operational Value	Receipts/Vesting Documents or Control of Access	Reducing balance	Computers 33.3% Laptops 33.3% Printers 33.3% Others 33.3%	Kshs 1
Office equipment	Historical Cost/Current Operational Value	Receipts/Vesting Documents or Control of Access	Reducing balance	Safes 12,5% Air conditioners 12.5% Shredders 12.5% Storage Equip 12.5% Others 12.5%	Kshs 1
Furniture and Fittings	Historical Cost/Current Operational Value	Receipts/Vesting Documents or Control of Access	Reducing balance	Furnishings 12.5% Desks 12.5% Tables 12.5% Chairs 12,5% Bookshelves 12.5% Others 12.5%	Kshs 1

	Historical Cost/Current Operational Value	Receipts/Vesting Documents or Control of Access	Reducing balance	Plant & Equipment	Kshs 1
Plant & Machinery					
<b>Inventories</b> <b>IPSAS 12</b>	Lower of cost or net realizable/current replacement cost	Receipts/Vesting Documents or Control of Access	N/A	Consumable stores Finished goods Raw materials Goods in transit	Kshs 1
<b>Service Concession Arrangements</b> <b>IPSAS 32</b>	Fair Value	N/A	N/A	Tangible Intangible (Depreciation based on underlying assets)	Kshs 1

IPSAS 45 states that the depreciation method shall reflect the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the public entity. The depreciation method shall be reviewed at least at each annual reporting date, and if there has been a significant change in the expected pattern of the consumption of the future economic benefits or service potential embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in accounting estimate in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

All four methods will be available in IFMIS, but the default depreciation method will be reducing balance depreciation.

### Impairment

A public entity is required to determine whether an item of property, plant, and equipment is impaired annually in accordance with IPSAS 21 *Impairment of Non-Cash Generating Assets* and IPSAS 26 *Impairment of Cash Generating Assets*.

### Depreciation Classification

Sub-Chapter	Economic Classification of Depreciation
2510000	Depreciation expenses
2520000	Eliminated on revaluation
2530000	Eliminated on disposal
2540000	Net impairment losses

### Finance Costs

Finance costs refer to the expenses incurred by a public sector entity for borrowing money. It is the amount the public sector entity must pay on outstanding debt, such as Treasury Bills and Bonds, Sovereign Bonds, bilateral loans, and multi-lateral loans, to the lender as compensation for the use of the borrowed funds. Interest expenses are typically recorded on the Statement of Financial Performance as operating or non-operating expenses, depending on the nature of the debt.

Sub-Chapter	Economic Classification: Finance Costs
-------------	--

2610000	Interest on foreign borrowing
2620000	Interest on domestic borrowing
2630000	Interest on borrowing from other government units

## 3.7 Project segment

A separate segment for Projects has been created. Projects will be linked to implementing Ministries through the Vote and Admin segments; however, they will not be hard-coded per ministry, unlike the current setup. This will provide flexibility of tracing project in case of Government reorganization

This segment should be used to capture all projects, including those funded by the Government of Kenya and those supported by donors.

The project code will be unique and transferrable from one implementing entity to another, in case of restructuring of government

### 3.7.1 The structure of the Project segment

The project segment has two levels and six digits. The 6 digit project code consists of 2 digits representing the year of the project agreement, 4 digits for the specific project code.

The structure of the segment is as follows:

Segments	Sub-Segments	Definition & Content	No. of levels	No. of digits
Project		- Provides for classification of expenditures by projects, i.e., against which government project the transaction is recorded	2	6
	Year of inception	-To capture the latter year in FY i.e 2024/2025 to capture 25		2
	Project ID	- 0001		4

### 3.7.2 High-level project segment codes

Once the codes are done, the table will be added

### 3.7.3 How the project segment works

By selecting a code in this segment, users identify the Project for which funds are received or for which a particular expense is incurred.

Below is the numbering outline for the segment with illustrative coding:

NB: Table to be updated Example

From **Box 1: Sample transaction**, specify the Project served by the transaction as follows:

16                    2016  
 0001                Project XYZ

Figure 12: Project code segment

Segment	No. of digits									
Class	1	X.X.XXX. XXX								
Vote	5	X.X.XXX. XXX								
Administrative	10	X.X.XXX. XXX	X							
Source of Funds	9	X.X.XXX. XXX	X	XXX XX						
Programme	12	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX					
Economic	7	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX				
Project	6	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXX. XXX	16.001		
Geographical Location	13	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXX. XXX	XXXX.XX .XX		
Extended Reporting	4	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXX. XXX	XXXX.XX .XX	X.X.X.XX .XX	

## 3.8 Geographic location segment

Geographical categorization within the Government of Kenya has been varied and non-standardized over time. Currently, there are at least three different geographical classifications that serve as service delivery units. A large proportion of these identified areas, though they have the same name, do not refer to the same geographical zone. This varied categorization poses a challenge for stakeholders who want to track total expenditures for a specific area. Further to the aforementioned, it is necessary to add three more values/ sub-Segments; Location, Sub-Location and Village. This will help in aggregating various spending spheres of the Government (s).

There is an ongoing effort to harmonize geographic categorization across the various government spheres in the country.

This segment will be updated once the harmonization of Locations, Sub-locations and Village data is complete.

*Box 2: Structure of the Geographical Categorization of the Spheres of Government*

Sub-county National: As gazetted in the Kenya Gazette Vol. CXIX—No. 80 **No. 5853**, the National Government has established administrative unit levels as follows:

County  
Sub-County  
Divisions  
Locations  
Sub-locations

Sub- County: These are established through the County Government Act and are as defined in the legal framework of the Counties. The administrative unit levels are as follows:

County  
Sub-County  
Ward  
Village

### 3.8.1 The structure of the Geographic Location segment

The geographic location segment has three levels and eight digits, and the structure is as follows:

Segments	Sub-Segments	Definition & Content	No. of levels	No. of digits
Geographical Location		- The Geographical Location segment defines the location of the source of revenue and the location of the beneficiary of government expenditure	6	13
	National/County	- Categorizes Geographical locations into Nationwide and county-specific		5
	Constituency/Sub-County	- To be realigned to the Sub-county according to the harmonized constitutional and legal alignment		2
	Ward	- To be realigned to the ward according to the harmonized constitutional and legal alignment		2
	Location	- To be realigned to the location according to the harmonized constitutional and legal alignment		1
	Sub -Location	- To be realigned to the Sub-location according to the harmonized constitutional and legal alignment		1
	Village	- Lowest geographical location identifiable on SCOA		2

NB: Additional three (3) levels (Location, Sub-Location and Village) introduced and digits are four (4) totalling to thirteen (13). This was to facilitate the National Government Entities and County Government Entities to trace expenditures and report upto Village level.

Each transaction will be aligned to a National Code (all transactions here are coded National – transactions abroad are located under the Vote segment). Thereafter, a constituency, sub-county ward , location, sub-location and village are selected to indicate where the financial transaction is being implemented.

By selecting a code in this segment, each transaction is categorized hierarchically, through assignment to the National or County, Constituency/district, ward, location, sub-location and finally a village.

#### Example

From **Box 1: Sample transaction**, specify the Geographical Location served by the transaction as follows:

```
00000    Nation-Wide
01        National Government
08        Nairobi Area
X         Location
```

X

Sub-Location

XX

Village

Figure 11: Geographic code segment

Segment	No. of digits									
Class	1	X.X.XXX. XXX								
Vote	5	X.X.XXX. XXX								
Administrative	10	X.X.XXX. XXX	X							
Source of Funds	9	X.X.XXX. XXX	X	XXX XX						
Programme	12	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX					
Economic	7	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX				
Project	6	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXX. XXX			
Geographical Location	13	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXX. XXX	XXXXX.X X.XX	0000.01.08. x.x.xx	
Extended Reporting	4	X.X.XXX. XXX	X	XXX XX	XXXXX.XX X.XX	XX.XX.X X.XX	XX.XXXX. XXX	XXXXX.X X.XX	X.X.X.XX.X X	

**Note: Details of this will be added once the excel codes are completed**

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### 3.9. Extended reporting

Several requests for reports that inform policy-making, support negotiations, or guide related decisions will be encountered during the administration of the IFMIS modules and will continue to be made. These include, but are not limited to, providing reports on government expenditure on ICT, HIV/AIDS, Climate Change, and Gender-Specific initiatives, among others. These transactions are characterized by the relatively widespread distribution of their possible components across most of the seven segments of the SCOA. This wide distribution makes it difficult to create the aforementioned reports. For instance, the whole of the government’s expenditure on ICT can be analyzed as follows:

Example of how ICT expenses are dispersed in the SCOA:

S/n.	SCOA Segment	Remarks
	Class	Expenditures in ICT may be incurred under either recurrent or development budgets.
	Source of Funds	Funding initiatives may be sourced from other domestic and external sources. For example, salary and recurrent components are typically locally funded, while project and capital components may be financed either locally or by external partners.
	Funds	Funds for ICT may be derived from any Public Fund being legally operated by any government agency.
	Vote and Administrative	<ul style="list-style-type: none"> <li>ICT support units are strewn across ALL MDAs and Counties.</li> <li>Specific votes champion ICT policy in government, e.g., the Ministry of ICT and similar departments in the counties.</li> <li>IFMIS serves all the government, but its costs are retained at the National Treasury.</li> </ul>
	Programme	<ul style="list-style-type: none"> <li>The General Administration programme, which houses ICT support units in MDAs, is pervasive.</li> <li>The Ministry of ICT and related SAGAs are generally in the GECLA sector.</li> <li>The Programme “Primary Education” run by the Directorate of Basic Education is championing the rollout of the “Laptops for Class 1 Pupils” initiative of the Jubilee Administration.</li> <li>IFMIS and related services are anchored in PFM programmes of the National Treasury.</li> </ul>
	Geography	Expenditures may fall across any ward(s) or nationally.
	Economic	<ul style="list-style-type: none"> <li>Compensation for the officers in ICT units cuts across.</li> <li>Specific ICT items like Software licenses, Purchase of Computers &amp; Printers, Connectivity charges may be used by any MDA/County.</li> </ul>

From the table above, the following conclusions are made:

- All financial data needed on the subject is adequately and very likely, appropriately captured on the system and can be drawn out in a report.
- Adequate insight is needed formulate such a report given the dispersion of data captured across the SCOA.

A report drawn this way is likely to be hard-coded and heavily reliant on the support of IT specialists to derive. The pace of arriving at an acceptable output may further depreciate if the eventual users question and alter the parameters populating the data on the report, e.g., to exclude salaries for ICT support units in various or all MDAs, etc. These interrogations, especially between multiple parties seeking to guide the IT specialists in formulating the reports, result in a slow turnaround time for obtaining the information needed to guide other dependent processes.

Analytical reporting, with minimal IT support and high accuracy, is therefore a critical area and a highly demanded service for the majority of SCOA users and their immediate stakeholders. The Extended Reporting segment in the new SCOA provides a mechanism to entrench such a response capacity in the Government IFMIS, using the following approach:

- building an analytical reporting segment in the SCOA,
- implementing that segment with minimal costs in the IFMIS,
- raising the capacity/awareness of users on the existence and operations of the analytical reporting feature.

### 3.9.1 The structure of the Extended Reporting segment

The Extended Reporting segment is an additional segment in the SCOA. However, it is not a transactional segment as is the case with the other segments. Its structure aligns with the current scheme of the SCOA. Adequate coding space has been allocated within this segment to accommodate a wide range of analytical reporting requirements.

The segment consists of three levels and four digits as shown above.

- Level 1 – Shows the main cause/subject of analysis or tracking, e.g., ICT, Gender, Children, or Climate Change
- Level 2 – Shows the major divisions in the subject of analysis, e.g., in ICT, software, security, capacity, etc., are possible expenditure groupings that can be tracked. Expenditure on Gender can be analyzed under the broad categories of male and female.
- Level 3 – Defines specific areas under the divisions. For example, expenditure on Children can be analyzed under the divisions of male and female, as well as in specific areas such as nutrition, vaccinations, sanitation, etc.

Segments	Sub-Segments	Definition	No. of levels	No. of digits
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, HIV/AIDS, etc.	3	4
	Cause	- Shows the main cause/subject of analysis, e.g., climate change		2
	Division	- Shows the major divisions in the cause, e.g., climate change adaptation or climate change mitigation		1
	Area	- Defines specific areas under the divisions, e.g. principle & significant climate change contributions		1

### 3.9.2 How the Extended Reporting segment works

The full illustration of coding for this segment is shown below and modeled for a case of tracking government transactions (receipts and expenditures) under Climate Change finance, Children, HIV&AIDS, and Gender:

	A	B	C	D	E	F	G	H	I	
	Cause	Division	Area	New code	1	2	3		Guidance	
2	1	0	0	0	1000				No Cause Tracked	Use this code while processing budgets that can be adequately reported from the main transactional segments. [Refer: SCOA Manual: Extended Reporting]
3	1	0	1	0	1010				No Cause Tracked	Use this code while processing budgets that can be adequately reported from the main transactional segments. [Refer: SCOA Manual: Extended Reporting]
4	1	0	0	1	1001				No Cause Tracked	Use this code while processing budgets that can be adequately reported from the main transactional segments. [Refer: SCOA Manual: Extended Reporting]
5	1	1	0	0	1100				Climate Change	Use this code while processing budgets that contribute to climate change. [Refer: SCOA Manual: Extended Reporting]
6	1	1	1	0	1110				Adaptation	Use this code while processing budgets that contribute to climate change adaptation activities. [Refer: SCOA Manual: Extended Reporting]
7	1	1	1	1	1111				Principle Adaptation	Use this code while processing budgets that contribute more than 65% to climate change adaptation. [Refer: SCOA Manual: Extended Reporting]
8	1	1	1	2	1112				Significant Adaptation	Use this code while processing budgets that contribute more than 25% to climate change adaptation. [Refer: SCOA Manual: Extended Reporting]
9	1	1	2	0	1120				Mitigation	Use this code while processing budgets that contribute to climate change mitigation activities. [Refer: SCOA Manual: Extended Reporting]
10	1	1	2	1	1121				Principle Mitigation	Use this code while processing budgets that contribute more than 65% to climate change mitigation. [Refer: SCOA Manual: Extended Reporting]
11	1	1	2	2	1122				Significant Mitigation	Use this code while processing budgets that contribute more than 25% to climate change mitigation. [Refer: SCOA Manual: Extended Reporting]
12	1	1	3	0	1130				Cross-cutting (both mitigation and adaptation)	Use this code while processing budgets that contribute to cross-cutting climate change activities. [Refer: SCOA Manual: Extended Reporting]
13	1	1	3	1	1131				Principle Cross-cutting	Use this code while processing budgets that contribute more than 65% to cross-cutting climate change activities. [Refer: SCOA Manual: Extended Reporting]
14	1	1	3	2	1132				Significant Cross-cutting	Use this code while processing budgets that contribute more than 25% to cross-cutting climate change activities. [Refer: SCOA Manual: Extended Reporting]
15	1	1	4	0	1140				Enabling environment	Use this code while processing budgets that contribute to climate change enablers. [Refer: SCOA Manual: Extended Reporting]
16	1	1	4	1	1141				Principle Enabling environment	Use this code while processing budgets that contribute more than 65% to climate change enablers. [Refer: SCOA Manual: Extended Reporting]
17	1	1	4	2	1142				Significant Enabling environment	Use this code while processing budgets that contribute more than 25% to climate change enablers. [Refer: SCOA Manual: Extended Reporting]
18	1	2	0	0	1200				Children	Use this code while processing budgets that contribute more than 25% to climate change enablers. [Refer: SCOA Manual: Extended Reporting]

The role of the reporting segment is to facilitate the process of grouping all budgets and transactions that are aligned to a particular cause or subject and make reporting easy, responsive and accurate. This segment is recommended to be implemented as a mapping table in the IFMIS system. It is easier to implement it in the analytical Hyperion Plan-to-Budget module than in the Oracle E-Business Suite ledger system. This is because:

- It is easier, faster and therefore much less costly to develop the required analytical infrastructure in Hyperion Planning rather than in the Ledger system,
- The P2B module usually extracts expenditure data daily from the ledger and can therefore give a complete view of the budget performance,
- The P2B system has ready developed analytical capability inbuilt similar to Pivot Tables in Excel and is tailored for analytical users. It also has a facility to capture comments, attach documents and breakdown actual line item amounts to smaller figures that may not be suitable for reflection in the budget directly except as aggregate figures.

### 3.9.3 Illustration

The Extended Reporting segment is used for extended analytical reporting purposes only. This means that transactions may not be mandatorily captured against its codes. Such transactions will always default to code 1000 in the illustration above. The envisaged typical stream of events of operating with this analytical segment is as follows:

#### 3.9.3.1 Budgeting

- Capture allocations across the mandatory transactional segments as usual.
- If the allocation is for a cause or subject area such as ICT, HIV&AIDS, Climate Change, etc. and a code already exists for that cause and the user is aware of it, they can also select that code for the given transaction and save their work.
- If the allocation being captured is not being tracked for a specific coded cause, there is no need to make a selection on the Extended Reporting segment. The system will automatically default the segment value to 1000 - No Cause tracked.
- If there was not enough information on the details of a cause during the budget data entry exercise or other factors such as deadline-pressure occasion the user to focus on completing the budget data entry, the user may skip selecting a value for analytical segment meaning that the system will default it to 1000 - No Cause Tracked.

(NB: the aim here is to provide a flexible and interactive way of clustering allocations or related expenditures against the principle purpose for which they were incurred. This is for providing reports to suit certain strategic reporting needs.)

- Should there be need to review certain expenditures and cluster them as about a specific cause, or if the user did not specify any analytical values during budget data capture, the system allows them to map those allocations to the appropriate analytical segment value to reflect the relationship with cause for which they regard essential.

- f) Analytical reports can then be run for the strategic users to use as per their requirements. These reports will provide a breakdown of all items, programs, heads/sub-heads, sources of funding, or geographical wards, along with any comments and attached documents that comprise their data definition, allowing for closer scrutiny by users.
- g) If there is dissatisfaction, the mapping can be redone and the reports re-run. Once satisfied, the code selections can be frozen to avoid manipulation and provide an authoritative reference. This is the typical budgeting process.

### 3.9.3.2 Expenditure

- a) Expenditure should be carried out exclusively in the transactional segments of the SCOA.
- b) During this time, analysis of expenditures will be facilitated by retrieving expenditure data from the budget module and performing analysis based on the code selection of the budgetary segments in the analytical segment.
- c) In later years (after 2 or 3 years), the settings in the analytical segment of the SCOA can be configured into the IFMIS Ledger (Oracle Financials (EBS)). This will occur after the analytical reporting requirements for the Government are refined and standardized through repeated use.
- d) Analytical reports would then also be run against the Extended Reporting segment values from the ledger system.

The analytical needs of users are less compared to transactional ones. The insight needed to flag or cluster allocations or expenditures on the system to facilitate reporting is also considerable. It varies with each analysis subject (e.g., Gender, HIV/AIDS, ICT, Climate Change). Some may require proof from project engineers, like BOQs, etc., to inform accurate clustering.

Awareness and capacity building of users on the analytical capabilities available in the system can be raised through a series of steps as listed below:

1. Pilot with the system administrator first - a select set of causes are assigned codes first, e.g., climate change can be assigned code 1100, HIV/AIDS can be assigned code 1300, Gender can be assigned code 1400, ICT can be assigned code 1700, etc. This is also updated on the system. The criteria for classification are then provided to the system administrator as a basis for clustering the allocations and expenses. Then reports are run based on the clustering.
2. Identify various Cause champions in the MDAs in which they operate.
3. Organize and inform and demonstrate to them, and their Accounting Officers, of the availability and functioning of the Extended Reporting segment.
4. Conduct training on the operation of the Extended Reporting segment
5. The Extended Reporting segment is hereby included in the SCOA manual.

The fewer the number of users and their related needs, the easier it is for the form of capacity building to be adapted to their own readiness. This is useful for making it more meaningful, rather than conducting mass training that is limited in its applicability to many users.

Examples From **Box 1: Sample transaction**, specify the course that the transaction aims to address/ achieve as follows, for analytical reporting:

- 11 Climate change
- 1 Adaptation
- 2 Significant Adaptation

Segments	No. of digits										
Source of Funds	9	2.1.038.017									
Class	1	X.X.XXX.XXX	1								
Vote	5	X.X.XXX.XXX	X	11601							
Administrative	10	X.X.XXX.XXX	X	XXXXX	11601.010.01						
Programme	12	X.X.XXX.XXX	X	XXXXX	XXXXX.XXX.XX	10.07.01.20					
Project	6	X.X.XXX.XXX	X	XXXXX	XXXXX.XXX.XX	XX.XX.XX.XX	16.0001.000				
Geographical Location	13	X.X.XXX.XXX	X	XXXXX	XXXXX.XXX.XX	XX.XX.XX.XX	XX.XXXX.XXX	0000.01.08			
Economic	7	X.X.XXX.XXX	X	XXXXX	XXXXX.XXX.XX	XX.XX.XX.XX	XX.XXXX.XXX	XXXX.XX.XX	Dr:6.1.1.07.01	Cr:6.5.1.02.14	
Extended Reporting	4	X.X.XXX.XXX	X	XXXXX	XXXXX.XXX.XX	XX.XX.XX.XX	XX.XXXX.XXX	XXXX.XX.XX	X.X.X.XX.XX	1112	
Spare	3	X.X.XXX.XXX	X	XXXXX	XXXXX.XXX.XX	XX.XX.XX.XX	XX.XXXX.XXX	XXXX.XX.XX	xxx	000	
Full code	60	2.1.038.017	1	11601	11601.010.01	10.07.01.20	16.0001.000	0000.01.08	Dr:6.1.1.07.01	Cr:6.5.1.02.14	1112

## 3.10 Spare Segment

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This is a segment for future use and will have 3 digits. The segment will be used for future development/enhancement of the SCOA.

## ***4.0 The new SCOA Governance and Maintenance framework***

This section sets out the responsibilities and procedures for requesting and updating new SCOA segment values. The Chart of Accounts needs to be controlled centrally to avoid inconsistencies and errors creeping in.

The purpose of standardized governance of the chart of accounts is to:

- Create and maintain consistency for the structure of the elements and segments of the chart of accounts;
- Create and maintain consistency in how the chart of accounts segments are used to facilitate standard reporting;
- Provide a governance structure that is independent of the maintenance of the accounting system; and
- Utilize the center of expertise's knowledge regarding the various financial and non-financial stakeholders involved with each segment of the chart of accounts.

### ***4.1 The SCOA Technical Committee***

There will be a committee known as the Technical Committee for the Standard Chart of Accounts, which is a structure within the National Treasury.

#### ***4.1.1 Composition***

The SCOA Committee shall consist of:

- i. A chairperson: DG Budget (convener- DG Accounting Services);
- ii. A deputy chairperson to be proposed from the membership below;
- iii. Six other members, each representing the functional areas of Accounting Services, Budget, Intergovernmental relations, IFMIS, Debt department, Macro-Fiscal department, NALM, and GIPE
- iv. Representatives from the Controller of Budget, KNBS, CRA, COG, and a representative of the County Governments; and
- v. such further members as the Permanent Secretary considers necessary

*A member referred to above may nominate an alternate to act in that member's stead if unavailable.*

*The deputy chairperson of the SCOA Committee shall act in the place of the chairperson of the Committee if unavailable.*

The Accounting Services Department is proposed to house the SCOA. The chairperson of the committee can designate staff within the National Treasury to provide secretarial services

#### ***4.1.2 Terms of Reference of SCOA Committee***

We have categorized the TORs of SCOA in three broad areas as follows:

##### ***SCOA framework***

- i. review the classification framework and, where required, make recommendations to the Permanent Secretary on amendments to that framework;

- ii. Approve a designated process and timeframes (i) to propose changes; (ii) to have them reviewed by key stakeholders; and (iii) to sign off and publish changes, so that all users are advised. Any cyclical process for updates should be no more frequent than quarterly.
- 
- iii. Identify the impact of any proposed changes to the SCOA, including whether they fit with the core principles and agreed structure of the SCOA. All changes to the SCOA must be consistent with the configuration, i.e., there will be no departure from how the segments are defined or the parent-child relationship.
  - iv. review the implementation of the standard chart of accounts in government as a whole to ensure the alignment of the standard chart of accounts provided for in this Manual and the standard chart of accounts applicable in the National and County governments;
  - v. Review the usage of chart segments and values annually. Rarely used values may be closed to maintain the efficiency of the Chart

### *Data Migration*

- i. sign off a plan for data migration to ensure that historical data is not lost or corrupted when a new or updated COA is implemented; and
- vi. Sign off on the process of reconfiguring the historical financial reports to align them with the new structure, thus providing useful historical data for comparison purposes.

### *Capacity building of SCOA users and change management*

- i. Review and approve training and capacity building mechanisms for SCOA users; all users across government should be adequately trained. Training staff is a fundamental requirement when introducing any modification to procedures and processes. The introduction of changes to the SCOA must be communicated effectively to the relevant staff throughout the government.
- vii. The SCOA Committee should ensure development and sign off change management strategy. The change management strategy should:
  - a. securing explicit support from the highest levels of government at an early stage of reform;
  - b. identifying the organizational changes necessary to implement the new processes and changed rules and procedures, clearly articulating the benefits of the changes;
  - c. identifying documentation changes, including input (e.g., payment vouchers) and output documents (e.g., management reports, budget monitoring reports, etc.);
  - d. identifying human capacity development needs and developing a plan, including a training program, to address existing capacity constraints;
  - e. identifying key change agents in the ministry of finance and line agencies; and
  - f. developing a plan for sensitizing various users to the new systems and procedures.
- viii. undertake such other functions relating to the implementation of SCOA as may be directed

## **4.2 Meetings**

The chairperson of the SCOA Committee or the Permanent Secretary may, as required, convene meetings of the Committee, but the Committee must convene regularly as the chair may direct.

## **4.3 Maintaining and Updating the SCOA**

The SCOA Manual is a dynamic document that requires continuous updates to ensure it remains relevant for government financial operations and responsive to the changing information needs of stakeholders on an ongoing basis.

The process for updating the CoA is triggered when a segment value required for budgeting and/or accounting is not found in the existing SCOA. The NGA/CGA will request an update from the respective segment administrator, as detailed in this SCOA Manual.

### ***4.3.1 Responsibilities for maintaining and updating SCOA***

#### ***4.3.1.1 Economic Item Segment***

The significant day-to-day changes will be in respect of adding new Sub-Items in the Economic Item Segment, and the Accountant General Department (AGD). The DG AGD will be responsible for approving these changes. He/ she may delegate the responsibility as appropriate.

Requests will be submitted to AGD via a template provided in Figure 11.1 below. The request form shall be populated manually; however, the IFMIS team will consider developing a web form to facilitate web-based requests. The web form would describe the required sub-item or the Item Itself. The request should detail the reasons and justification for adding the new account (often, this justification will also help define the item and identify whether there is already an item that adequately relates to the particular transaction in question).

The AGD will review the request and ensure the item does not already exist (e.g., under a slightly different name). The account will be added as required, and the Manual will be updated, or advice will be given regarding the correct account to use. This procedure is further illustrated in figure 11.3 below:

#### ***4.3.1.2 Programs, Sub-Programs and COFOG mapping***

Within the general Program (and Sectoral) framework, Ministries will identify their required Programs and Sub-Programs. When a new Program or Sub-Program is needed, the request will be sent to the Budget Supplies Department (BSD), which will be responsible for maintaining this segment. Responsibility for creating a new Budget Agency or making changes to programs, Sub-programs, and COFOG mapping falls under the Director of BSD, who may delegate this responsibility as appropriate.

The request form (template provided under Figure 11.2 below) shall be populated manually; however, the IFMIS team will consider developing a web form to facilitate web-based requests. The web form would describe the required Program or Sub-Program. The Request should detail the reasons and justification for adding the new account (often this justification will also help define the addition and identify whether there is already a program/sub-program which adequately relates to the one requested.

The Directorate of Budget will review the request and ensure the program/sub-program does not already exist (e.g., under a slightly different name). The Directorate of Budget will then map the Sub-Program to the relevant COFOG. The Program and/or Sub-Program will then be added as required, and the SCOA will be updated, or advice will be given regarding the correct Program and/or Sub-Program to use. This procedure is further illustrated in figure 11.3 below.

Line Ministries (and Counties) will request that the Outputs and activities be assigned to specific Sub-Programs; these will be entered centrally into IFMIS by the designated BSD staff. The requesting Ministry will channel the request through the Director, BSD, who will then instruct the IFMIS Department on the amendments to effect.

#### ***4.3.1.3 Vote/ Administrative Classification***

During budget formulation, when a new Ministry or vote needs to be added, this will be handled directly by staff in BSD under the direction of the Director. In coordination with the new Ministry or Vote, they will ensure that all relevant Programs and sub-programs, as well as COFOG mapping, are assigned and the SCOA is updated.

#### ***4.3.1.4 Geographic Segment***

As described in the preceding sections, this segment is used to track revenue and expenses to a specific location or geographic area. This segment is updated should there be changes in the Government structure, as communicated in various statutes, such as the Constitution and Acts of Parliament.

### 4.3.2 Procedure

#### 4.3.2.1 SCOA structural change

No	Procedure Steps	Position Responsible
1	Initiate a request for change to or creation of the coding element and forward to the agency or the county's financial management. First, staff need to fill out the 'Chart of Accounts Maintenance Form' by indicating the new type of request. Then indicate the segment where the value relates.	Users of SCOA
2	Evaluate the change request for need and compliance with SCOA Guidelines.	Agency/ County Financial Management Unit
	Forwards approved request to SCOA Committee Secretarial Team	
3	Evaluate the change request and forward it to the relevant NT functional unit.	SCOA Committee Secretariat
4	Evaluates change request for consistency, completeness, alternatives, need, and compliance with SCOA guidelines	NT functional units depending on the segment
	If the request meets the need standard and SCOA guidelines, it is forwarded to the SCOA Committee for decision.	
5	Review and approve the change request. OR Reviews and disapproves of the change request.	SCOA Committee
6	If approved by the SCOA secretariat, it notifies the agency/ county and respective NT unit to proceed with implementation  If the Disapproved SCOA secretariat notifies the agency, giving rationale and recommended alternative	SCOA Committee Secretariat
7	Coordinate the implementation of approved change and notify the requesting agency when done.	SCOA Committee Secretariat
	Notify all SCOA users of the change and facilitate relevant capacity building	

#### 4.3.2.2 SCOA Modification changes

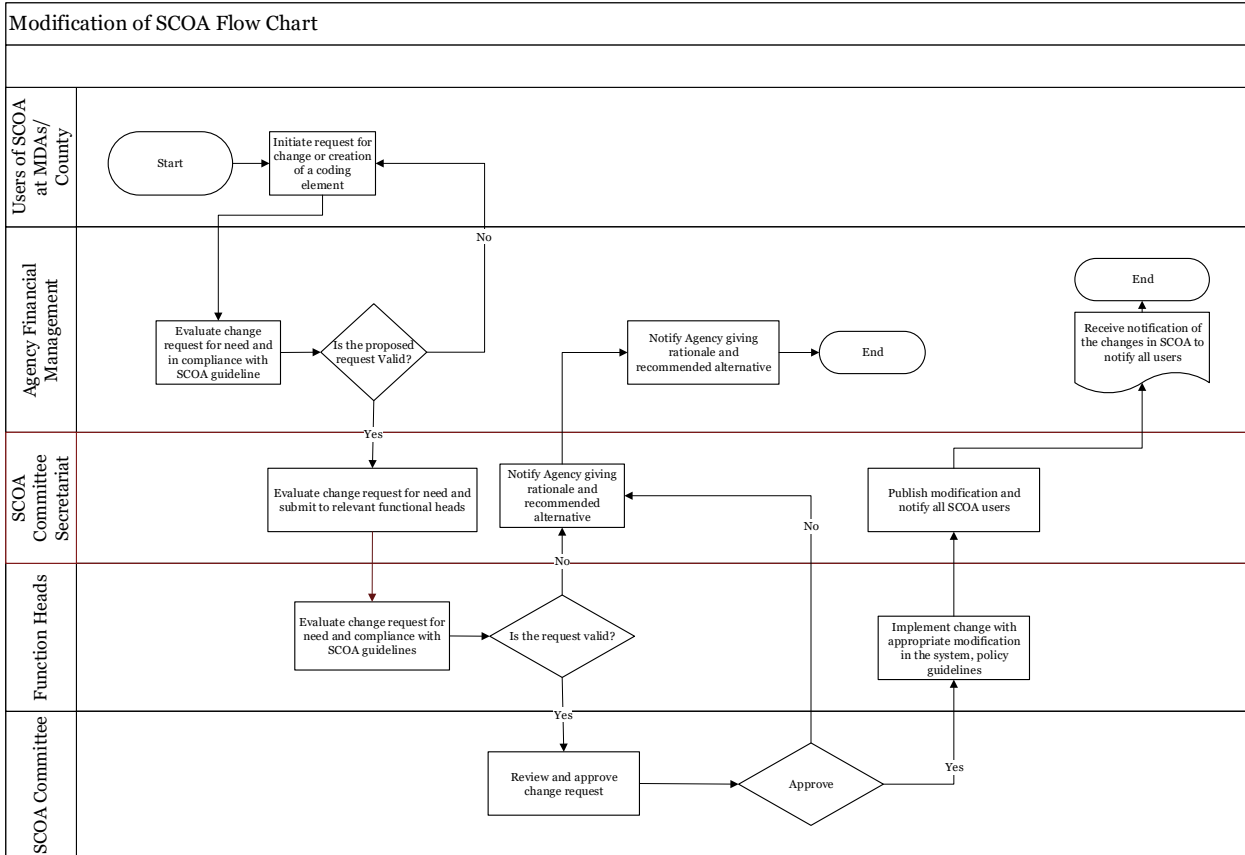
No	Procedure Steps	Position Responsible
1	Initiate a request for change to or creation of the coding element and forward to the agency or the county's financial management. First, staff needs to fill out the 'Chart of Accounts Maintenance Form' by indicating the new type of request. Then indicate the segment where the value relates.	Users of SCOA
2	Evaluate the change request for need and compliance with SCOA Guidelines.	Agency/ County Financial Management Unit
	Forwards approved request to SCOA Committee Secretarial Team	
3	Evaluate the change request and forward it to the relevant NT functional unit.	SCOA Committee Secretariat
4	Review the change request for consistency, completeness, alternatives, need, and compliance with SCOA	NT functional units depending on the segment

No	Procedure Steps	Position Responsible
	guidelines If the request meets the need standard and SCOA guidelines, propose addition	
5	Review and approve the change request. OR Reviews and disapproves change request	Head of functional unit
6	If approved, notifies agency/ county and respective NT unit to proceed with implementation  If Disapproved SCOA secretariat, notifies agency giving rationale and recommended alternative	SCOA Committee Secretariat
7	Coordinate implementation of approved change and notify requesting agency when done  Notify all SCOA users of the change and facilitate relevant capacity building	SCOA Committee Secretariat

### 4.3.3 Process flows

#### 4.3.3.1 SCOA structural changes

This relates to instances where segments are added or deactivated in the SCOA.

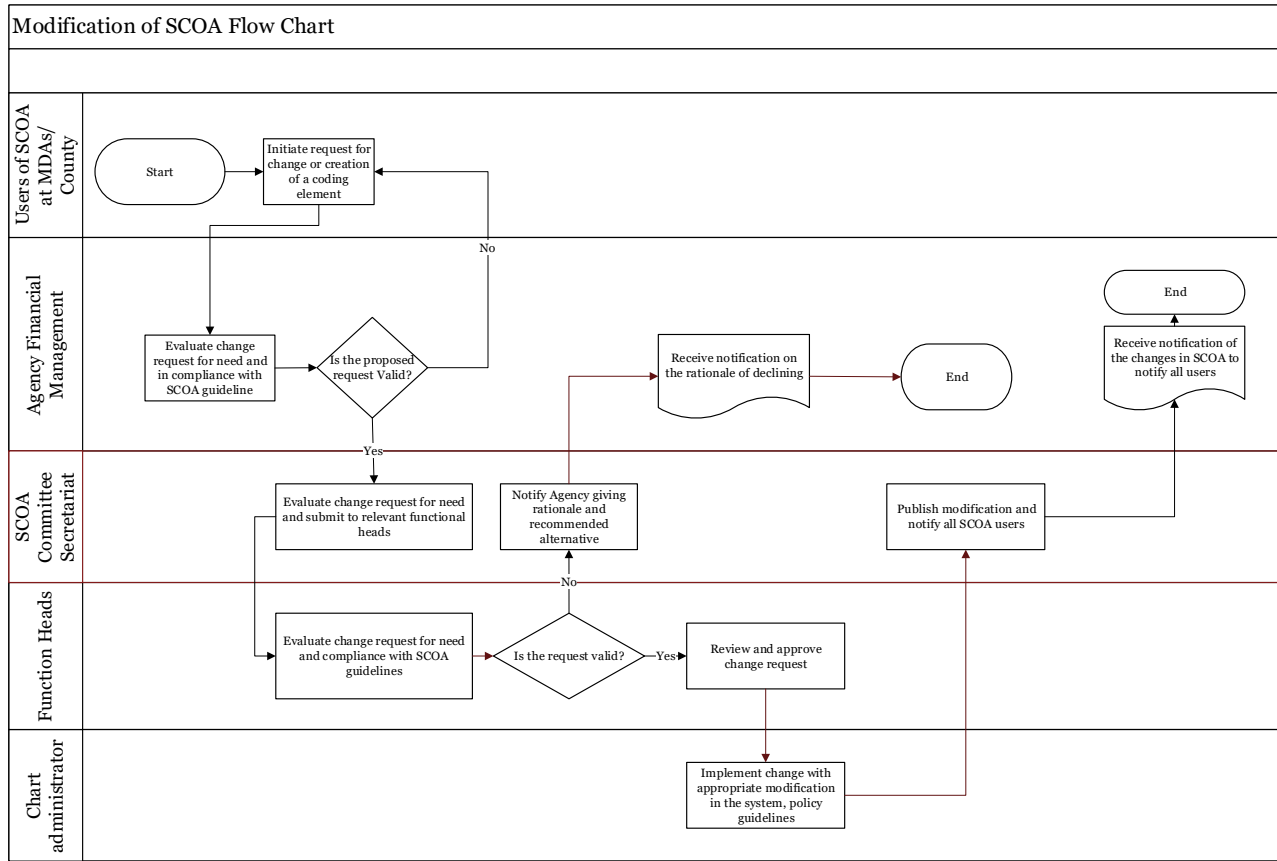


Responsible functional Heads at NT for each of the segments are:

- Programme- BSD
- Economic- AGD
- Vote & Admin- BSD
- Geographic- IGFRD
- Sources of Fund- BSD
- Class- BSD

### 4.3.3.2 SCOA Modifications changes

This relates to changes in SCOA where Accounts are added/ deactivated within existing accounting segments




Responsible functional Heads at NT for each of the segments are:

- Programme- BSD
- Economic- AGD
- Vote & Admin- BSD
- Geographic- IGFRD
- Sources of Fund- BSD
- Class- BSD

### 4.3.4 Templates

Figure xxx: Item addition request form – Economic Item

	<h2 style="margin: 0;">Chart of Account Item Addition Request Form</h2>			
<p>The request should be sent to the Accountant General Department, Ministry of Finance</p>				
<p><b>General Description of reason for addition:</b></p>          				
<b>Class</b>	<b>Chapter</b>	<b>Sub-Chapter</b>	<b>Item</b>	<b>Sub-Item name</b> (Put a brief description here)
<p>Completed by: _____</p> <p>Designation: _____</p> <p>Contact number: _____</p> <p>Email address: _____</p> <p>Request approved by Director of Finance: _____</p>				

Signature

Date

Authorization by Accountant General

Signature:

Date:

\_\_\_\_\_  
\_\_\_\_\_

Chart Amended by Chart Administrator

Signature:

Date:

\_\_\_\_\_  
\_\_\_\_\_

Figure xxx: Item addition request form – Program and Sub-Program

	<p><b>Chart of Account</b></p> <p><b>Item Addition Request Form</b></p> <p><b>Name of Requesting Entity:</b></p> <p>_____</p>
<p>The request should be sent to the Director, Budget Supplies Department, Ministry of Finance</p>	
<p><b>General Description of reason for addition:</b></p>	
<p><b>Program</b></p>	<p><b>Sub-Program</b></p>
<p><b>Output</b></p>	<p><b>Activity</b></p>
<p>Completed by: _____</p> <p>Designation: _____</p> <p>Contact number: _____</p> <p>Email address: _____</p> <p>Request approved by Head of Finance: _____</p>	

Signature

Date

Authorization by Director, Budget Supplies Department

Signature:

Date:

\_\_\_\_\_  
\_\_\_\_\_

Chart Amended by Chart Administrator

Signature:

Date:

\_\_\_\_\_  
\_\_\_\_\_

## *5.0 Appendices*

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SCOA Codes workbook for the codes. Each worksheet contains a separate segment. Workshop to finalize on the excel.

