PKF



PKF NPO & PBO Insights Publication 5

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2026 YEAR-TO-DATE REVIEW AND 2027 OUTLOOK FOR THE NPO SECTOR

Transition from NGO's to PBO's

Public Benefit Organisations (PBO) Regulations 2026

On 18 March 2026, the Cabinet Secretary for Interior and National Administration published the Public Benefit Organizations (PBO) Regulations, 2026 through a Gazette Notice and subsequently transmitted them to the National Assembly for review.

The Parliamentary Committee on Delegated Legislation approved the Regulations on **9 April 2026**, thereby facilitating the full implementation of the **Public Benefit Organizations Act, 2013 (PBO Act)** and the transition from the repealed NGO legal framework to the new PBO regime.

Extension of Transition Date

The transition deadline from Non-Governmental Organizations (NGOs) to Public Benefit Organizations (PBOs) has been **extended by one year, from 14 May 2026 to 13 May 2027 via a gazette notice issued by the Cabinet Secretary**. The Gazette Notice advised entities that were previously registered as NGOs under the repealed Act to take advantage of the transition period to apply for registration under the new Public Benefit Organizations (PBO) framework and ensure compliance with the revised regulatory requirements.

Clarity on the Financial Reporting Framework

Section 26(b) of the **Public Benefit Organizations (PBO) Regulations, 2026** empowers the **Public Benefit Organizations Regulatory Authority (PBORA)**, in consultation with ICPAK, to prescribe the accounting and financial reporting standards that Public Benefit Organizations must apply in the preparation and presentation of their financial statements.
PBORA and ICPAK are currently engaging to provide clarity on the applicable financial reporting framework. It is widely anticipated that the **International Non-Profit Accounting Standards (INPAS)** will be adopted as the prescribed framework for qualifying PBOs.
In addition, **guidance** is expected on the transition process, implementation requirements, and practical application of the standards.

The forthcoming guidance will be particularly important for organizations that are not currently reporting under a recognized **non-profit reporting framework**, as it will help them assess the implications for their financial reporting policies, systems, internal controls, governance processes, and stakeholder reporting requirements. **Further discussion on INPAS and its implementation considerations is provided below.**

Advisory on Automatic Transmission

On 14 May 2026, the Public Benefit Organizations Regulatory Authority (PBORA) issued Advisory No. 1 of 2026 on Automatic Transition, requiring eligible organizations to update their records and submit the prescribed information and supporting documentation for inclusion in the official Public Benefit Organizations (PBO) Register. Specifically, affected organizations are required to provide the following:

- Particulars of the organization and the governing body.
- Revised constitution in accordance with the Act.
- Minutes containing two resolutions:
  - Entry into the PBO Register as a PBO in accordance with the PBO Act, 2013 and Regulation 43.
  - Amendment of the Constitution to align with the PBO Act requirements.
- Copy of Certificate of Registration as a Non-Governmental Organization under the repealed Act.

In addition to the requirements set out in the Advisory, Regulation 43 requires organizations to submit the following information and supporting documentation:

- The information prescribed under Form 1 of the Second Schedule;
- A certified copy of the organization's constitution or constitutive document;
- Particulars of the organization's governance structure and governing body.

The Advisory also stated that organizations would be required to submit the prescribed information and supporting documentation through the eCitizen platform, using a link to be provided by PBORA. Following verification of the submissions, the Authority will issue a registration certificate in accordance with

the PBO Act, bearing a new registration number that reflects the organization's PBO status and registration in the updated PBO Register. Notwithstanding this change, the certificate will retain the organization's original registration date and registration number under the repealed Act to ensure continuity of its legal and regulatory history.

eCitizen platform transition link

On 6 May 2026, PBORA migrated its eCitizen portal from ngoboard.ecitizen.go.ke to pbora.ecitizen.go.ke, reflecting the transition from the NGO regulatory framework to the Public Benefit Organisations (PBO) regime.
PBORA is currently developing a dedicated ecitizen module to facilitate the transition process and the submission of the required information and supporting documentation. Once the module is operational and the corresponding link is communicated by PBORA, affected organisations will be able to commence the submission process in accordance with the PBO Act and the PBO Regulations, 2026.

Impact of the Full Implementation of the Public Benefit Organizations Act, 2013 - Q4 2026 and 2027

- Once PBORA issues guidance on the prescribed financial reporting framework, together with transition and implementation requirements, PBOs will need to assess the impact on their financial reporting policies, accounting systems, internal controls, governance structures, stakeholder reporting practices, and emerging narrative reporting obligations.
- PBOs should begin preparing a compliance readiness checklist and ensure that all prescribed information and supporting documentation required for registration and transition are readily available. Early preparation will help organizations avoid last-minute compliance challenges and delays in obtaining their PBO registration certificates.
- Organizations should review their constitutions and governing documents to ensure alignment with the requirements of the Act and Regulations. Where amendments are necessary, PBOs should formally approve the changes through the appropriate governance processes, update their registration records, and submit the required documentation to PBORA to facilitate the issuance of registration certificates reflecting their PBO status.
- PBOs should closely monitor communications and advisories issued by PBORA, particularly regarding the rollout of the dedicated online registration and submission portal. Timely action once the platform becomes operational will be critical to meeting transition timelines and regulatory obligations.

Transition from The Trustees (Perpetual Succession) Act and the Trustee Act to the Trust Administration Act 2026

The Trust Administration Act, 2026, which was assented to on 8 September 2026 and came into force on 25 September 2026, has effectively repealed and replaced both the Trustees (Perpetual Succession) Act and the Trustee Act. The Trust Administration Act 2026 was introduced to consolidate laws relating to registration, incorporation, management and regulations of trusts and trustees. Existing trusts must comply with the new regime within 24 months of the Act coming into force.

The Act formally recognizes three categories of trusts, namely charitable trusts, non-charitable purpose trusts and family trusts, and establishes detailed requirements regarding settlers, trustees, beneficiaries and the newly introduced role of an enforcer. It further provides that a written trust must be registered or incorporated to be enforceable and creates clear rules on trustee appointments, qualifications, powers and fiduciary responsibilities. The incorporated trusts enjoy separate legal personalities, perpetual succession and the capacity to sue, be sued and own property in their own name.

A major change under the Act is the introduction of a centralized regulatory and registration system administered by the Registrar of Trusts within the Business Registration Service.

The Act also introduces mandatory annual returns, electronic filing, prescribed record-keeping requirements, accounting records, and extensive compliance obligations relating to beneficial ownership disclosures, anti-money laundering requirements and trust governance.

The Act significantly strengthens transparency, accountability and enforcement mechanisms.

Trustees are subject to statutory duties of care, skill, diligence and good faith, with substantial penalties for breaches, including fines, imprisonment and disqualification. Trusts must maintain registers of beneficial owners, file updates within prescribed timelines and retain key records for at least seven years.

The Registrar is granted powers to issue directives, impose administrative sanctions, and disqualify non-compliant trustees, while courts are given enhanced powers over trustee appointments, vesting orders, dispute resolution and restoration of dissolved trusts. These changes align trust administration with modern governance, compliance and beneficial ownership transparency standards.

Enhanced Financial Reporting Obligations for Trusts

Section 64 of the Trust Administration Act, 2026 introduces formal financial reporting and record-keeping requirements for trustees.

Trustees are now required to maintain sufficient accounting records that accurately reflect all transactions, provide a reliable representation of the trust's financial position, and support the preparation of financial statements that present a true and fair view of the trust's affairs.

A notable development under the Act is the requirement for trusts to prepare financial information in accordance with prescribed financial reporting standards. This represents a significant step towards strengthening accountability, transparency, and consistency in the financial reporting of trusts. Further clarity is expected once the implementing regulations are issued, including guidance on the specific financial reporting framework that trusts will be required to adopt and the extent of reporting obligations applicable to different categories of trusts. Under the previous legislative framework, trusts were not subject to a prescribed financial reporting standard. Reporting practices were typically guided by the provisions of the trust deed or other governing documents, often resulting in varying approaches to financial reporting and differing levels of disclosure. The new framework is expected to establish a more structured and consistent reporting environment. By introducing standardized financial reporting requirements, the Act will enhance the quality and comparability of financial information, while providing regulators, beneficiaries, donors, lenders, and other stakeholders with greater confidence in the stewardship and financial management of trust assets.

Impact of Full Implementation of the Trust Administration Act, 2026 - Q4 2026 and 2027

- We expect the issuance of implementing regulations to provide operational guidance and support the full implementation of the Act.
- The regulations are expected to clarify the prescribed financial reporting standards applicable to trusts. This will be particularly significant for trusts that are not currently reporting under a recognized financial reporting framework, as they may need to undertake a comprehensive assessment of the implications of adopting the prescribed standards. Such an assessment may extend to financial reporting processes, accounting policies, internal controls, information systems, governance arrangements, and ongoing reporting obligations.
- The Act introduces a requirement for the filing of annual returns within 30 days of the anniversary of the trust's registration or incorporation on . This represents a notable change from the repealed framework, under which trusts were generally required to submit only financial statements.
- The Act also introduces electronic filing and permits records to be maintained in electronic format. This is expected to improve administrative efficiency and regulatory compliance, replacing a process that was previously largely paper-based and manual.

Adoption of International Non-Profit Accounting Standard (INPAS) by ICPAK

The not-for-profit sector has long experienced inconsistencies in financial reporting due to the use of adapted IFRS® Accounting Standards and local frameworks that do not fully address the accounting complexities associated with grants, donations, and restricted funds.

The International Non-Profit Accounting Standard (INPAS) addresses® longstanding challenges in non-profit financial reporting by providing a globally harmonized, accrual-based framework specifically tailored to the unique operating environment of not-for-profit organizations. As a standalone reporting

framework, INPAS is designed to enhance consistency, transparency, accountability, and comparability in financial reporting across the sector.

While substantially based on the IFRS for SMEs® Accounting Standard, INPAS incorporates targeted modifications and additional guidance to address transactions and reporting matters unique to non-profit organizations. Key areas covered include the recognition and measurement of grant and donation income, accounting for restricted and unrestricted funds, enhanced narrative reporting, and the alignment of donor and financial reporting requirements.

The standard permits national regulatory and professional bodies to issue implementation guidance that reflects local legal, regulatory, and reporting requirements while remaining aligned with the overarching principles of INPAS.

Following the official launch of INPAS, ICPAK formally adopted the framework on 21 October 2025 and designated 1 January 2026 as the effective date for voluntary adoption in Kenya. To facilitate a smooth and coordinated transition, ICPAK committed to developing a comprehensive adoption roadmap to guide not-for-profit organizations through the implementation process.

Subsequently, on 30 July 2026, ICPAK launched the National Roadmap for the Adoption of the International Non-Profit Accounting Standard (INPAS) in Kenya. The roadmap outlines a phased implementation approach aimed at providing organizations with sufficient time to build capacity, strengthen reporting systems, and progressively align their financial reporting practices with the new framework.

The adoption strategy is structured around three key phases:

Phase 1 (Effective 1 January 2026): Awareness creation, stakeholder engagement, capacity building and voluntary early adoption.

Phase 2 (Effective 1 January 2027): Structured implementation, enhanced narrative reporting, and broader sector-wide adoption. Voluntary early adoption allowed.

Phase 3 (Effective 1 January 2028): Full sector integration, institutionalization of INPAS, and achievement of consistent reporting practices across the not-for-profit sector. This represents the effective date for Mandatory Financial Statement reporting requirements.

1 January 2029 represents the effective date for mandatory narrative reporting as this will be the comparative information for 31 December 2030.

The roadmap also provides implementation guidance tailored to the diverse legal structures and reporting obligations of not-for-profit organizations. Adoption requirements vary depending on an entity's legal form and applicable regulatory framework.

Implications of adoption of INPAS by ICPAK

The adoption of INPAS by ICPAK introduces an additional prescribed financial reporting framework for eligible entities, alongside IFRS Accounting Standards and the IFRS for SMEs Accounting Standard.

As highlighted above, Section 26(b) of the Public Benefit Organizations (PBO) Regulations, 2026 empowers PBORA, in consultation with ICPAK, to prescribe the accounting and financial reporting framework applicable to PBOs. It is anticipated that International Non-Profit Accounting Standards (INPAS) will be adopted as the prescribed reporting framework. PBORA is expected to issue further guidance on implementation, including the categories of organizations affected, transitional arrangements, and the mandatory effective date for adoption. This guidance will be critical in helping PBOs prepare for compliance and manage the transition to the new reporting framework.

Potential Implications of INPAS Adoption by ICPAK in 2026-Q4 2026 and 2027

- Following formal adoption or endorsement of INPAS, qualifying non-profit organizations will need to assess the impact of transitioning from their current reporting framework to INPAS. This may require changes to accounting policies, financial statement disclosures, reporting processes, and internal controls.
- Organizations will need to evaluate whether their finance systems, chart of accounts, and reporting structures can capture the additional financial and non-financial information required under INPAS, including enhanced disclosures on restricted funds, grant funding, beneficiaries, and program performance.

- Boards, management, finance teams, and those charged with governance may require training and capacity building to understand the new reporting requirements and ensure consistent application of the standards.
- INPAS introduces greater emphasis on narrative reporting and reporting on an organization's impact, outcomes, and stewardship of resources. As a result, organizations may need to develop systems for collecting, monitoring, and reporting non-financial information alongside financial results.
- Donor reporting, annual reports, and statutory financial statements may become more aligned under a single reporting framework, improving consistency, comparability, and transparency for donors, regulators, beneficiaries, and other stakeholders.
- Organizations may incur initial implementation costs relating to staff training, policy reviews, system modifications, external advisory support, and updating governance documentation. However, these costs are expected to be offset over time through improved reporting efficiency and stakeholder confidence.
- Early preparation will be critical. Organizations should consider performing a gap assessment, reviewing existing reporting practices against INPAS requirements, and developing an implementation roadmap ahead of any mandatory effective date.

Key pronouncements to watch out for in Q4- 2026 and 2027

- PBORA guidance on the applicable financial reporting framework for PBOs, including clarification of the prescribed reporting standards, transition requirements, implementation guidance, and the mandatory effective date for adoption. This guidance will be critical in helping PBOs assess readiness and plan for any changes to their financial reporting, governance, and compliance processes.
- Guidance from the Registrar of Trustees on the prescribed financial reporting standards for trusts under the Trust Administration Act, 2026. The anticipated regulations are expected to clarify the reporting framework to be adopted by trusts, the scope of application, and any transitional provisions necessary to facilitate compliance with the new financial reporting requirements.

Two-Year Transition to Narrative Reporting

INPAS introduces a mandatory requirement for non-profit organizations (NPOs) to prepare and publish a Narrative Report alongside their financial statements. Together, these documents form the organization's General Purpose Financial Report (GPFR). Recognizing that many organizations may require time to establish appropriate reporting systems and collect relevant non-financial information, INPAS provides a two-year transitional period during which an NPO may continue to publish only its General-Purpose Financial Statements. Upon expiry of this grace period, organizations are required to comply fully with both the financial statement and narrative reporting requirements of the standard. Where full compliance has not been achieved, the organization must explicitly disclose that it has not met all the requirements of INPAS.

The transitional period is intended to give organizations sufficient time to develop reporting processes, gather the necessary data, and prepare comparative information required for meaningful narrative reporting.

Transition Timeline			
Reporting	Financial	Narrative	Compliance
year	Statements	Report	Status
Year 1	Required	Optional	Transitional relief available
Year 2	Required	Optional	Transitional relief available
Year 3 and thereafter	Required	Required	Full INPAS Compliance required

Full INPAS compliance Illustrative example:
For organizations adopting INPAS for the first time in 2027, the transition period would ordinarily cover the 2027 and 2028 reporting periods. Full compliance with INPAS, including publication of both the financial statements and the Narrative Report, would be expected from 2029 onwards. However, because comparative information is required for the preceding period, entities will need to capture and report the relevant narrative disclosures for 2028.

In practical terms, this means that while mandatory reporting takes effect for periods ending in 2029, organizations should treat 1 January 2028 as the effective date for implementing the systems, processes and data collection required to support mandatory narrative reporting and the related comparative disclosures.

The objective of the Narrative Report is to provide users with information that helps them assess the organization's performance, achievements, stewardship, and future direction, while also providing context to the financial statements.

Key Principles of Narrative Reporting

Section A3 of INPAS sets out the following key principles for the preparation and presentation of the Narrative Report:

- Information should support accountability and decision-making.
- Reporting should be tailored to the needs of primary users, including resource providers, the public, regulators and oversight bodies.
- Sensitive information may be aggregated where appropriate.
- Reports should be concise and avoid unnecessary duplication of information presented elsewhere.
- Forward-looking information may be included where relevant.
- Comparative information is encouraged to enhance users' understanding of trends and performance.

Minimum Content Areas

While INPAS prescribes minimum disclosure requirements, organizations are encouraged to provide additional information where it enhances transparency and accountability, provided the minimum content requirements are met. The Narrative Report should, at a minimum, address:

- Organizational overview and objectives.
- Description of principal activities, programs, and outputs.
- Review of performance and financial position.
- Key risks, uncertainties, and future plans.
- Governance and management commentary.
- Impact reporting and other accountability information.

INPAS recognizes that certain information may be withheld from the Narrative Report where its disclosure could reasonably prejudice the organization's ability to fulfil its mission, compromise confidentiality obligations, or put individuals at risk.

Reporting Approach

Where information is considered sensitive, the organization should:

- Provide the required narrative reporting information to the greatest extent possible without disclosing sensitive details.
- Aggregate, summaries, or anonymize information where appropriate.
- Avoid disclosures that indirectly reveal the nature or substance of sensitive information.
- Explain, where relevant, that certain information has been excluded due to confidentiality, security, privacy, or operational considerations and describe the information that has been provided instead.

Important Consideration

The sensitive information exemption should not be used to conceal poor performance, governance weaknesses, financial difficulties, or other adverse matters that are relevant to users of the financial statements and narrative report.

Preparing for Mandatory Narrative Reporting Under INPAS-2027 and 2028

As organizations prepare for the anticipated implementation of INPAS, early planning will be critical to ensuring compliance with the enhanced narrative reporting requirements and related disclosure obligations.

- PBOs should undertake a comprehensive readiness assessment by conducting gap analyses, strengthening monitoring and evaluation frameworks, and identifying areas requiring improvement in data collection and reporting processes.
- Organizations should establish relevant financial and non-financial Key Performance Indicators (KPIs) and evaluate whether existing systems are capable of capturing, validating, and reporting the information required to support narrative reporting.
- Greater integration between program, beneficiary, operational, and financial data will be essential to enable more meaningful reporting on organizational performance, outcomes, and impact.

- PBOs should invest in capacity building by providing targeted training to management, finance teams, program staff, and governing boards to ensure a common understanding of the new reporting requirements and accountability expectations.
- Organizations should also develop and formalize the policies, templates, reporting methodologies, and internal procedures necessary to support consistent and compliant narrative reporting.

Key tax considerations for Not-for-Profit Organizations (NPOs) in 2027

Public Benefit Organisations (PBOs) in Kenya continue to face scrutiny from the Kenya Revenue Authority (KRA), particularly in relation to their eligibility for income tax exemption and their ongoing compliance with applicable tax laws. Whilst the Income Tax Act, CAP 470 (ITA) provides an exemption framework for PBO's, obtaining and retaining a tax exemption certificate, it requires PBO's to demonstrate that their activities and the use of funds is solely for the purposes of the relief of the poverty or distress of the public, or for the advancement of religion or education.

Income Tax Exemption Application

During the exemption application and renewal process, KRA examines whether PBOs meet the provisions of Paragraph 10 of the First Schedule to the Income Tax Act (ITA). The exemption application and renewal process involves a detailed review of the organisation's operations, financial statements, project reports, sources of funding and expenditure records. The objective is to establish whether the organisation's activities genuinely fall within the purposes recognised by the law and whether its resources are applied consistently for those purposes. Organisations that fail to demonstrate compliance with the relevant statutory requirements may have their applications declined or their existing exemptions withdrawn.

Scrutiny of PBOs with a valid tax exemption certificate

PBO's with a valid exemption certificate are also not excluded from compliance reviews by the KRA. These organisations continue to face scrutiny where KRA is keen to ensure they remain compliant in other taxes which are not exempted. Recently, KRA has been seen extending their review beyond the organisation's eligibility for income tax exemption to the tax treatment of other income streams. Such other income includes interest from fixed deposits and dividend income earned from subsidiaries.

Recent case law however suggests that what is key is not the source of income, but how the income is expended. The expenditure should be directed towards achievement of the charitable activities of the institution which could be relief of the poverty or distress of the public, or for the advancement of religion or education.

What PBO's must do to remain tax compliant

To remain compliant, PBO's should maintain documentation showing how grants, donations, interest, dividends and other income are applied towards charitable activities. Additionally, PBO's should assess their activities periodically to ensure they remain consistent with the provisions of Section 10 of the ITA.

Environmental, Social and Governance and Sustainability Developments in 2026 and Outlook for 2027

Adoption Roadmap in Kenya

Kenya is transitioning towards more structured sustainability reporting through the adoption of International Financial Reporting Standards (IFRS) S1, General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2, Climate-related Disclosures. The standards require organisations to disclose material sustainability-related risks and opportunities, with particular emphasis on climate-related matters, across four pillars: Governance, Strategy, Risk management, and Metrics and targets.

The Institute of Certified Public Accountants of Kenya (ICPAK) published an Adoption Roadmap below to guide in the implementation:

Entity	Mandatory Adoption Period
Public Interest Entities (PIEs) Listed	On or after 1 January 2027
Large non- PIE enterprises	From 1 January 2028
Public Sector Entities	From 1 July 2028
Small and medium sized enterprises (SMEs)	From 1 January 2029

In an advisory circulated on 14 October 2026, ICPAK defined Large Non-PIE Enterprises as entities that exceed any two of the following thresholds:

- Annual turnover of KES 100 million;
- Total assets of KES 250 million; and
- 250 employees.

European Union Sustainability Reporting Framework

The European Union (EU) continues to refine its sustainability reporting and due diligence framework under a Corporate Sustainability Reporting Directive (CSRD), European Sustainability Reporting Standards (ESRS), and Corporate Sustainability Due Diligence Directive (CSDDD).

Key 2026 developments include Directive (EU) 2026/470, published on 26 February 2026 and effective from 18 March 2026, which amended aspects of EU sustainability reporting and due diligence requirements. On 3 July 2026, the European Commission adopted revised ESRS and a voluntary sustainability reporting standard for smaller entities, intended to simplify disclosures and reduce administrative burdens. The revised standards remained subject to the applicable EU scrutiny process at the time of this review.

Although these requirements do not automatically apply to every Kenyan organisation, they are relevant to businesses with EU parent companies, customers, investors, lenders or supply-chain relationships. Such organisations should understand applicable requirements and prepare reliable sustainability information in response to legitimate reporting requests

ESG Readiness Assessment in Kenya

On 17 September 2026, ICPAK, with participation from the Insurance Regulatory Authority (IRA), launched a national IFRS S1 and S2 sustainability reporting readiness assessment. The findings indicated an emerging level of national preparedness, with a low overall preparedness level, highlighting significant capacity-building and implementation gaps. The assessment deadline was subsequently extended to 17 October 2026, providing additional time for eligible organisations to participate and inform the assessment of national readiness ahead of a planned mandatory adoption of IFRS S1 and S2 by Public Interest Entities on or after 1 January 2027.

The Public Sector Accounting Standards Board (PSASB) announced that IPSASB SRS 1, Climate-related Disclosures, will apply in Kenya from 1 July 2028, with early adoption permitted. Ministries, departments, agencies and county governments should therefore begin strengthening climate-risk assessment, reporting responsibilities and data systems in preparation for implementation.

Outlook for 2027

The year 2027 will mark the first mandatory reporting phase for Kenyan PIEs under IFRS S1 and S2. Affected organisations should complete readiness and gap assessments, assign Board and Management responsibilities, establish reporting controls, assess climate risks, improve Green House Gas (GHG) data systems and develop implementation roadmaps.

Large enterprises and SMEs should use their respective transition periods to build capacity ahead of the 2028 and 2029 adoption dates. Public sector entities should begin preparing for IPSASB SRS 1, while businesses exposed to European markets should monitor applicable regulatory developments and supply-chain reporting expectations. Across sectors, reliable data, professional competence and assurance readiness will become increasingly important.

ESG and Sustainability Reporting: What Should PBOs Be Preparing For?

Although ICPAK's sustainability reporting roadmap does not currently identify Public Benefit Organizations (PBOs) as a distinct reporting category, larger PBOs may fall within the scope of sustainability reporting requirements applicable to Large Non-Public Interest Entities (Non-PIEs) where they meet the prescribed size thresholds. As a result, affected organizations may be required to apply IFRS S1 and IFRS S2 sustainability disclosure standards from 2028.

Even where sustainability reporting is not yet mandatory, PBOs should begin strengthening their governance frameworks for sustainability matters, identifying climate-related and other sustainability risks, and developing systems and processes for collecting and reporting relevant ESG data.

As ICPAK, and other stakeholders, continue to provide guidance on INPAS and sustainability reporting requirements, organizations should closely monitor developments and begin preparing for a more integrated approach to financial and non-financial reporting.

In addition, INPAS Section A3.37 encourages organizations to disclose ESG and sustainability-related information as part of their narrative reporting. This reflects the growing expectation that non-profit organizations demonstrate not only financial stewardship but also their wider environmental, social, and governance impacts.

Consequently, Kenyan PBOs should anticipate increasing demands from donors, development partners, regulators, beneficiaries, and other stakeholders for transparent reporting on impact, sustainability, and long-term value creation, even where formal reporting requirements have not yet been introduced.

Practical Considerations for PBOs

While sustainability reporting is often associated with commercial entities, its principles are equally relevant to the non-profit sector. Stakeholders increasingly expect organizations to demonstrate:

- Strong governance and oversight of sustainability, social impact, and ethical matters;
- Identification and management of climate-related and other sustainability risks that may affect program delivery and organizational resilience;
- The environmental and social impacts arising from organizational activities and operations;
- Policies and practices relating to diversity, safeguarding, inclusion, human rights, and stakeholder engagement; and
- Clear metrics, targets, and performance indicators that demonstrate progress toward mission objectives, development outcomes, and long-term sustainability goals.

Potential 2027 Outlook for PBOs

- As the regulatory and reporting landscape evolves, forward-looking PBOs should consider integrating ESG and sustainability considerations into their strategic planning, risk management, governance, and reporting processes.
- Early preparation will position organizations to meet future reporting requirements efficiently while strengthening accountability, transparency, donor confidence, and stakeholder trust.

Our services for the NPO sector

Transition from NGO's to PBO's

ESR Kenya LLP, an associate of PKF Kenya LLP, assists Public Benefit Organizations (PBOs) with establishment, regulatory compliance, and governance matters, including:

- Transitioning existing NGOs to the PBO framework, including compliance assessments, preparation of statutory documentation, and drafting of board and member resolutions.
- Registration and incorporation of new PBOs under the Public Benefit Organizations Act, 2013.
- Preparation and submission of annual returns and other regulatory filings.
- Work permit and immigration advisory services for foreign personnel.
- Governance audits, governance framework reviews, and organizational structure assessments to enhance accountability and regulatory compliance.

Trust Establishment and Advisory Services

ESR Kenya LLP provides comprehensive support in the establishment, governance, and administration of trusts, including:

- Drafting trust deeds and facilitating the registration of new trusts.
- Advising on governance structures, trustee responsibilities, and fiduciary duties.
- Providing guidance on legal, regulatory, and compliance requirements applicable to trusts.
- Supporting trustee succession planning, appointments, and governance reviews.
- Assisting with trust administration, record-keeping, and compliance monitoring.
- Advising on trust restructuring, amendments, and dissolution where necessary.

INPAS Transition and Readiness Support

PKF Kenya LLP assists organizations in preparing for the adoption of the International Non-Profit Accounting Standard (INPAS) through a structured transition program that combines technical assessment, implementation support, and capacity building. Our services include:

- INPAS readiness and gap assessments.
- Review of current financial reporting practices, accounting policies, and finance manuals.
- Identification and evaluation of accounting, disclosure, and presentation adjustments required under INPAS.
- Development of transition roadmaps and implementation recommendations.
- Preparation and review of INPAS-compliant financial statements and disclosures.
- Training and capacity building for Boards, management, and finance personnel to support sustainable compliance.

Tax Advisory and Compliance Services

PKF Tax Services Limited supports Public Benefit Organizations (PBOs) in managing their tax compliance obligations and navigating complex tax regulations through the following services:

- Assistance with obtaining and renewing tax-exempt status and related regulatory approvals.
- Tax health checks and compliance reviews to identify risks, gaps, and opportunities for improvement.
- Preparation and review of tax computations and statutory tax filings.
- Advisory on instalment taxes, withholding taxes, and final tax obligations.
- Technical tax advice on transactions, funding arrangements, governance matters, and day-to-day operational tax issues.
- Support during tax audits, reviews, and engagements with tax authorities.

ESG and Sustainability Response

PKF Consulting (K) Limited helps organizations build robust ESG frameworks and prepare for evolving sustainability reporting requirements by providing:

- IFRS Sustainability Disclosure Standards (IFRS S1 and S2) readiness and implementation support.
- ESG strategy formulation, materiality assessments, and climate-related risk assessments.
- Greenhouse Gas (GHG) measurement, accounting, and reporting advisory services.
- Reviews of ESG governance structures, risk management processes, and internal control environments.
- Sustainability readiness assessments for public sector entities and development organizations.
- Training and capacity-building program for Boards, executive leadership, and sustainability teams to enhance ESG oversight and reporting capabilities.

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