



2011 FIRE AWARD: ADJUDICATORS' COMMENTS

Sponsored by:

**The Nairobi Securities Exchange
The Capital Markets Authority
The Institute of Certified Public
Accountants of Kenya**

Participants this year

- **Rwanda companies and the Ministry of Commerce – welcome to the competition**
- **Companies from Uganda and Tanzania**
- **Companies, SMEs, SACCOs & Not-for-profit organisations from Kenya**

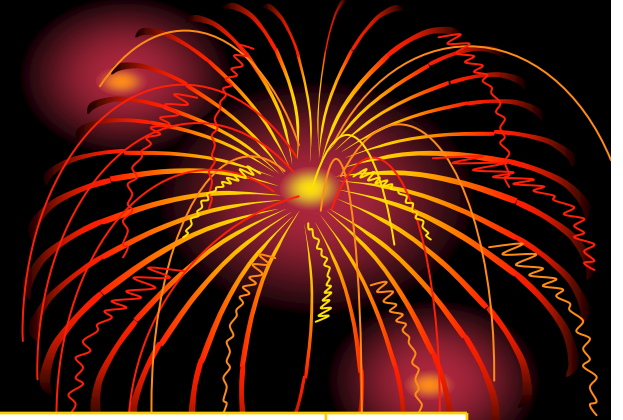


Competition now 25 years old: 1986 criteria



1	Compliance with the Kenya Companies Act	30
2	Compliance with Kenyan Accounting Standards	30
3	Compliance with International Accounting Standards	20
4	Clarity of presentation of the information	10
5	Quality of the format adopted for the financial statements	10
	TOTAL	100

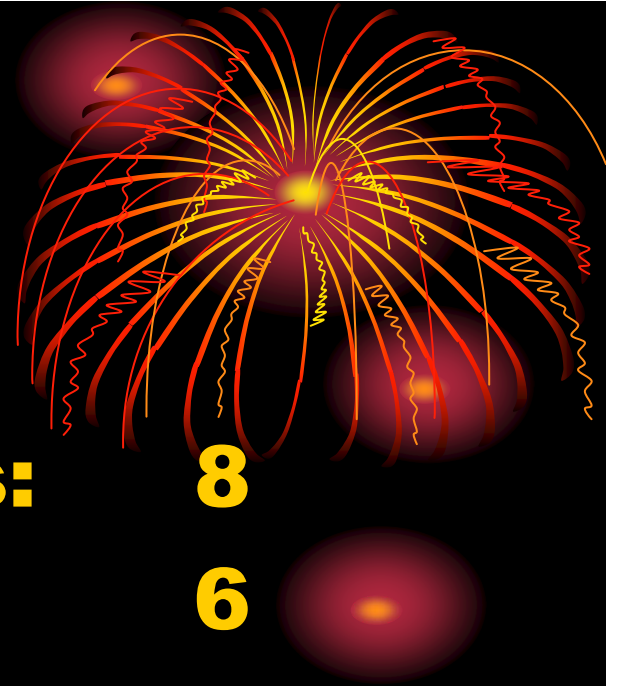
2011 criteria



1	Compliance with IFRSs	100
2	Clarity of the statement of accounting policies	10
3	Clarity of the notes to the financial statements	10
4	Compliance with regulatory accounting requirements	10
5	Board & management reports	15
6	Presentation of performance data	10
7	Design, layout & visual appearance of annual report	5
8	Corporate governance disclosure	30
9	Social responsibility & environmental reporting	10
	TOTAL	200

Overall winners

- **Agricultural companies:** 8
- **Banks:** 6
- **Industrial, commercial & service companies:** 9
- **Insurance companies:** 2
- **TOTAL** 25



2011 Winners include:

- **A company from Tanzania;**
- **A Government Department from Rwanda that has prepared its accounts in accordance with International Public Sector Accounting Standards;**
- **Watch out Kenya – you are going to be overtaken.**



The US?

- **“We believe in the vision of a single set of high-quality global accounting standards. *Achieving that vision will require more consistent application of international standards across jurisdictions that adopt them.* The potential SEC staff approach is a fair starting point – and one that can be built upon to make progress towards this ultimate objective”.**



See you next year



- **Make sure you enter – it is the ONLY way you can win;**
- **The celebration dinner may be in Dar, Kampala or Kigali;**
- **Book your air-tickets in advance for the MOTHER of all corporate competitions in the region.**

BANKING SECTOR:

- **Winner:**
Standard Chartered Bank Kenya Limited
186.9 Marks.
- **Second Place:**
NIC Bank Limited.
178.3 Marks.
- **Third Place:**
Barclays Bank Kenya Limited
176.3 Marks.



INSURANCE COMPANIES:



- **Winner:**
UAP Insurance Company Limited.
175.8 Marks.
 - **Second Place:**
Heritage Insurance (Kenya) Limited.
158.3 Marks.
 - **Third Place:**
East Africa Reinsurance Company Limited.
154.8 Marks.
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COMMERCIAL, INDUSTRIAL & SERVICES:



- **Winner:**

**Bamburi Cement Limited
181.1 Marks.**

- **Second Place:**

**Simba Cement Limited
167.7 Marks.**

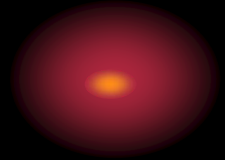
- **Third Place:**

**Athi River Mining Limited
154.8 Marks.**

HOW TO WIN THE FIRE AWARD



- **The devil is in the detail**



IAS 1: Identification of the financial statements (1)



- **49: An entity shall clearly identify the financial statements and distinguish them from other information in the same published document.**
- **50: IFRSs apply only to financial statements, and not necessarily to other information presented in an annual report, a regulatory filing, or another document. Therefore, it is important that users can distinguish information that is prepared using IFRSs from other information that may be useful to users but is not the subject of those requirements.**

IAS 1: Identification of FSs (2)

- **51: An entity shall clearly identify each financial statement and the notes. In addition, an entity shall display the following information prominently, and repeat it when necessary for the information presented to be understandable:**
(a) the name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period; (b) whether the financial statements are of an individual entity or a group of entities; (c) the date of the end of the reporting period or the period covered by the set of financial statements or notes; (d) the presentation currency, as defined in IAS 21; and (e) the level of rounding used in presenting amounts in the financial statements.

IAS 1: Identification of FSs (3)



- **52: An entity meets the requirements in paragraph 51 by presenting appropriate headings for pages, statements, notes, columns and the like. Judgement is required in determining the best way of presenting such information. For example, when an entity presents the financial statements electronically, separate pages are not always used; an entity then presents the above items to ensure that the information included in the financial statements can be understood.**
- **53: An entity often makes financial statements more understandable by presenting information in thousands or millions of units of the presentation currency. This is acceptable as long as the entity discloses the level of rounding and does not omit material information.**

IAS 1: Participant



- **The report does not clearly identify the financial statements and distinguish them from other information.**
- **Individual pages carry the footer "Annual Report and Financial Statements". The contents page refers to "Financial Statements and Notes", which suggests that the Notes do not form part of the financial statements. This is reinforced by the "Notes" themselves being called "Notes to the Consolidated Financial Statements".**

IAS 1: Presentation of Financial Statements



- **Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements.**

NOTES (1): Participant

- **Note 4: the analysis of sensitivity does not distinguish between the affect on profit or loss and the effect on other comprehensive income. The bank has substantial investments in AFS assets which are exposed to fair value interest rate risk.**



NOTES (2): Participant



- **The analysis of exposure to foreign currencies omits the off balance sheet exposure. Note 20 suggests this exposure is significant.**

NOTES (3) : Participant



- **Too many 'estimates and judgements are disclosed'.**
- **IAS 1 requires that only judgements having "the most significant effect" and estimates that have "a significant risk of resulting in a material adjustment ..." be disclosed.**

NOTES (4): : Participant



- **Note 12: includes "gains less losses on disposal of available for sale securities". This should be a reclassification adjustment, and hence should appear as a debit in other comprehensive income, but does not. The amount is material.**

NOTES (5): Participant



- **Note 35: the 5 year summary of historical information does not include the "experience adjustments"**
- **Accounting Policy (k) on page 62 incorrectly defines an interest rate option, apparently, as the right to buy a financial instrument at a predetermined price**

NOTES (6) : Participant

- **Accounting Policy (y) on page 65 is not an accounting policy (it is an assertion).**



IAS 1

- **§13: Many entities present, outside the financial statements, a financial review by management that describes and explains the main features of the entity's financial performance and financial position, and the principal uncertainties it faces**



ISA 720: THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS



- **If, on reading the other information, the auditor identifies a material inconsistency, the auditor shall determine whether the audited financial statements or the other information needs to be revised.**

AUDITOR'S REPORT

- **Failure of the Audit report to state the responsibility of the auditor - wording does not follow ISA 700: it is not a generic description of an audit**
- **Report on legal requirements: states that they are required to report, but does not include such a report (i.e. the words "we confirm that" are missing)**



IAS 1

- **§ 14: Many entities also present, outside the financial statements, reports and statements such as environmental reports and value added statements, particularly in industries in which environmental factors are significant and when employees are regarded as an important user group**



IAS 1



- **§ 16: An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRSs unless they comply with all the requirements of IFRSs.**

Precision in wording

- **Regulatory reserve wrongly described as "statutory credit risk reserve": there is no statutory requirement for such a reserve - it arises from Prudential Regulations.**



STATEMENT OF CHANGES IN EQUITY: precision

- **Transfers between reserves (viz. excess depreciation and 'statutory' reserve) have been presented as a component of other comprehensive income, which they are not. In my view they should be presented under transactions with owners, recorded directly in equity**



IAS 7 Cash flows



- **Failure to separately disclose and classify cash flows from operating activities or otherwise specify; interest receipts and payments (for a bank, the indirect method of presenting cash flows is inappropriate)**