



INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA

With you.... CPA Nancy Muhoya

Credibility

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Professionalism

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AccountAbility

Annual Report and Financial Statements



Course objectives

- Understand the purpose of the annual report
- The key statements required for compliance
- The key elements of the financial statements
- Illustration of the financial statements

1. Key Entity Information and Management



Background Information

- Principal activities e.g Providing health and medical services
- Key management e.g PS/ Directors
- Fiduciary Oversight Arrangements e.g audit and finance committees, development partner's oversight activities etc

1. Key Entity Information and Management...Contd



- Entity Headquarters
- Entity Contacts
- Entity Bankers
- Independent Auditors (e.g KENAO) Principal Legal Advisor i.e the Attorney General
- Principal Legal Advisor i.e the Attorney General

2. Statement of Entity Management Responsibilities



- The FS have to have a statement of Entity Management Responsibilities & either the Principal Secretary and the Principal Accounts Controller will sign the financial statements for them to be valid.

Entity's Management Responsibilities...



- The PS is responsible for the preparation & presentation of the entity's FS this includes;
 - Maintaining adequate financial management arrangements and ensuring they remain effective throughout the reporting period
 - Maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the entity.
 - Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the FS

Entity's Management Responsibilities...cont



- Ensuring FS are free from material misstatements whether due to error or fraud
- Safeguarding assets of the entities
- Selecting and applying appropriate accounting policies
- Making accounting estimates that are reasonable

Audit opinion page



Types of audit opinions

- Unqualified
 - Qualified
 - Adverse
 - Disclaimer of opinion
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- Every entity should endeavour to receiving a clean audit opinion

3. Statement of Receipts and Payments



- **Receipts**

Includes all monies received by the entity from the government and any other sources

- **Payments**

- **Includes all monies paid out for goods and services received by the government entity**

4. Statement of Assets and Liabilities



- **Assets**

Most assets for Cash Basis IPSAS are off balance sheet items. We are however still required to manage and maintain the appropriate assets listing or support such as

- **Cash and Cash equivalents (Bank Reconciliations)**
 - **Bank balances**
 - **Cash Balances**
 - **Cash Equivalents**
 - **Outstanding Imprests**
- **Fixed assets Register**
- **Inventories Register if applicable**
- **Receivables/Debtors listings if any, etc**

4. Statement of Assets and Liabilities



- **Liabilities**

Liabilities for Cash Basis IPSAS are off balance sheet items. These are referred as Pending Bills. The standards require these to be fully disclosed as an appendix to the financial statements. These bills are paid in the subsequent financial year. Such pending bills may include:

- **Payables to suppliers or service providers**
- **Any loans/debts**
- **etc**

5. Statement of Cashflows



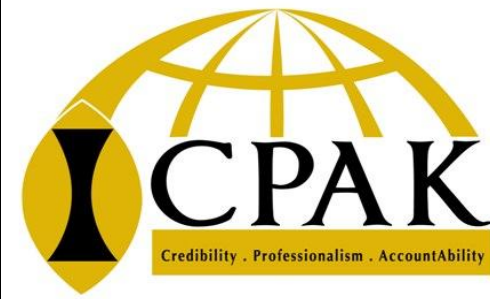
- **Receipts for operating Income**

The receipts include all revenues received from all sources.

These may include:

- **Tax Revenues**
- **Exchequer releases**
- **Domestic and foreign grants**
- **Reimbursements and Refunds**
- **Other Revenues**
- **etc**

6. Presentation of Budget Information



- ❑ **Annual Budget** – approved budget for one year. It does not include published forward estimates or projections for periods beyond the budget period
- ❑ **Appropriation** – is an authorization granted by the National Assembly to allocate funds for purposes specified by the legislature or similar authority
- ❑ **Approved budget** – the expenditure authority derived from laws, appropriation bills, government ordinances and other decisions related to the anticipated revenue or receipts for the budgetary period

Budget Information

Continued ...



- ❑ Original budget – is the initial approved budget for the budget period
- ❑ Final Budget – is the original budget adjusted for all reserves, carry over amounts, transfers, allocations, supplemental appropriations, and other authorized legislative or similar authority changes applicable to the budget period

Comparison of Budget and Actual Amounts



- ❑ The comparison of budget and actual amounts shall present separately for each level of legislative oversight:
 - (a) The original and final budget amounts
 - (b) The actual amounts on a comparable basis; and
 - (c) By way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts

Significant accounting policies



- Statement of compliance
- Tax revenues
- Recognition of revenues and expenses
- In-kind contributions
- Cash and cash equivalents
- Pending bills
- Budget
- Comparative figures
- Subsequent events

Notes to the financial statements



- Tax revenues
- Social security contributions
- Proceeds from domestic and foreign grants
- Transfers from other Govt Institutions
- Proceeds from domestic borrowing
- Etc etc

Appendices



- Eg pending bills for cash basis IPSAS
- PPE for cash basis IPSAS