



International Public Sector Accounting Standards (IPSAS) Workshop

14th -15th July 2016

Nairobi Safari Club, Nairobi

Session 2: FiRe awards in the Public Sector

1. Objective
2. Scope
3. Definitions & Purpose of FS
4. Responsibility and content
5. Overall Considerations

Introduction



Initially FiRe awards focused on Private sector and a few public sector entities and other not for profit making organizations that prepare financial statements in accordance with IFRSs.

Introduction



In June 2014 The Public Sector Accounting Standards Board required state corporations to use IFRS or IPSAS accrual and IPSAS Cash as the applicable reporting framework.

The Board issued illustrative financial statements for the year ended 30 June 2014 as guidance.

Introduction



Following these events, ICPAK and the Accountant General in Treasury decided to have a separate category for Public Sector entities in the FiRe awards in order to promote the quality of Financial Reports. The two groups were mainly those who apply IPSAS accrual and IPSAS Cash.

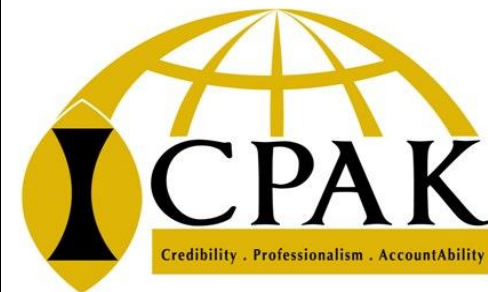
Introduction



IPSAS Accrual is mainly for state corporations and other entities that target profit making while IPSAS Cash is for Ministries, Departments and Other Agencies.

A total of 132 entries were received for IPSAS Accrual and 73 entries for IPSAS Cash.

Scoring criteria Accrual



CRITERIA	TOTAL MARKS
Compliance with IFRS/IPSAS & Other Technical Pronouncements	70
Report of the Independent Auditor	30
Clarity of Notes, including Significant Accounting Policies	10
Compliance with Reporting Requirements of the PFM Act or any other regulatory requirements	30
Board & Management reports	10
Presentation of performance data	10
Design, layout & visual appearance of the annual report including typeface	05
Governance Report	30
Social Responsibilities & Environmental Reporting	05
Total Marks Awarded	200

Findings



1. Annual Reports

- Majority of IPSAS Accrual entities did not prepare a statement of financial performance in accordance with IPSAS 1.
- Entities did not disclose date when financial statements were approved and authorized for issue and no signatures.

Findings



1. Annual Reports

- Many entities also failed to separately identify financial statements and presented other unnecessary reports.
- For IPSAS Cash entities, many failed to present a comparison of the budget amounts with actual amounts.

Findings



2. Notes

- Less discussion on going concern.
- Did not provide information on new standards and their effective dates.
- Poor discussion of accounting policies and missing supporting schedules.
- Boiler plate discussion.

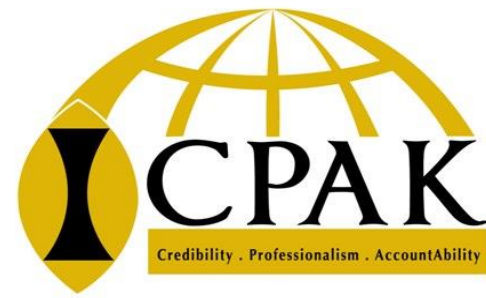
3. Auditor's Report

- ✓ The report of the Auditor General failed to indicate the addressee as required by the circumstances of the engagement (ISSAI 700.22).
- ✓ The report of the Auditor General failed to clearly identify the entity to which the report relates in subsequent pages.

4. Compliance with PFM act and other legislation

- ✓ This was okay, but still requires improvements with regards to companies Act, CMA corporate governance and State corporations Act in terms.

Findings



5. Other Reports

-Management Discussion and Analysis

Most entities failed to provide comprehensive discussion on assessment of the economy, sector changes, company performance, risk and the future of the organisation. Further, very few entities presented ratio analysis and graphical presentation of the results.

Findings



5. Other Reports

Governance - Most issues on corporate governance, which would be applicable to state corporations were not disclosed e.g. issues on independence of the board, conflict of interest, induction and training of new board members, frequency of board meeting, board committees, communication policies, risk management and relationship with stakeholders.

Findings



5. Other Reports

Environmental and social sustainability reporting – More than 80% of these entities failed to provide disclosures on environment, corporate social responsibility and employees' welfare.

5. Other Reports

Quality of layout – Many of the reports had poor layouts and were not desirable for readers.

Way Forward



1. Public Sector entities and their prepares require training on IPSAS.
2. Good systems are required to be in place to collect the relevant information for reporting and done on a timely basis

Way Forward



3. Enhance notes to financial statements.
4. Instead of boiler plate notes and policies, contextualize them.
5. For IPSAS Cash entities provide budget vs actual analysis

Way Forward



6. Audit report needs to be signed and clearly indicate to whom it is addressed.

2015 Winners



Kenya Roads Board for IPSAS Accrual
and National Land Commission for
IPSAS Cash.

Counties and ministries are yet to
improve their compliance levels so we
need to improve in their reports too.