



# FiRe Award

## Promoting Transparency & Accountability in the Co-operative Sector

Monday, 25 July 2016

# Overview of the Presentation

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1. Introduction
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# Introduction

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## ❑ **Vision**

- ❑ To be the leader in East Africa in financial reporting, practice of corporate governance and corporate social investment.

## ❑ **Mission**

- ❑ To enhance accountability, transparency and integrity in compliance with international financial reporting standards and other disclosures on governance, social and environmental reporting by private, public and other entities domiciled in East Africa.

# Introduction (continued)

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- ❑ In 2002, to improve the standards of annual and financial reporting in Kenya, the Institute of Certified Public Accountants of Kenya, the Capital Market Authority and the Nairobi Securities Exchange founded the Financial Reporting (FiRe) Award.
- ❑ In 2009, the Award was transformed into a regional event against the backdrop of the East African Community cooperation to pave way for participation by country institutions in East Africa. The aim was to ensure that institutions regionally are managed in accordance with the Globally Accepted Reporting Standards, best practises and reporting on Corporate Governance and Corporate Social Investment and Environmental Reporting.

# Introduction (continued)

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- The Award provides an opportunity for organisations to benchmark their annual and financial reports against the FiRe Award criteria, which is based on world best practice as guidelines for preparing reports. These guiding principles include International Financial Reporting Standards (IFRSs), best practices in governance and corporate citizenship as well as other requirements that are specific to a particular reporting entity. The Award is open to all entities that produce an annual report and various categories have been established overtime to appreciate the diverse nature of organisations and there disclosure requirements. The Awards are not only a competition but also a measure of the standards achieved in Financial Reporting.
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- The Key objectives of this Award are three-fold:
  - i. Promotion of Financial Reporting excellence
  - ii. Fostering of sound corporate governance practices
  - iii. Enhancing corporate social investment and environmental reportin

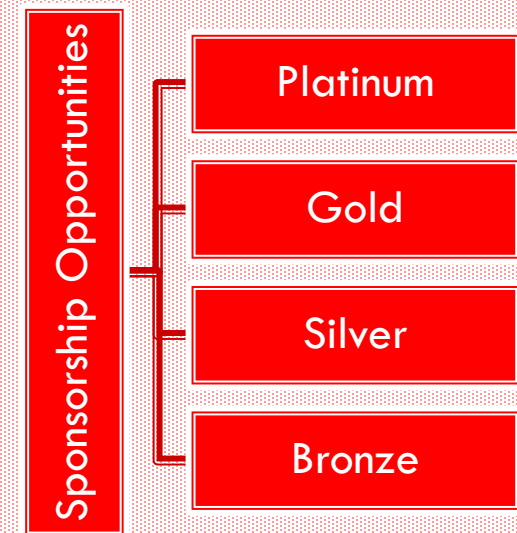
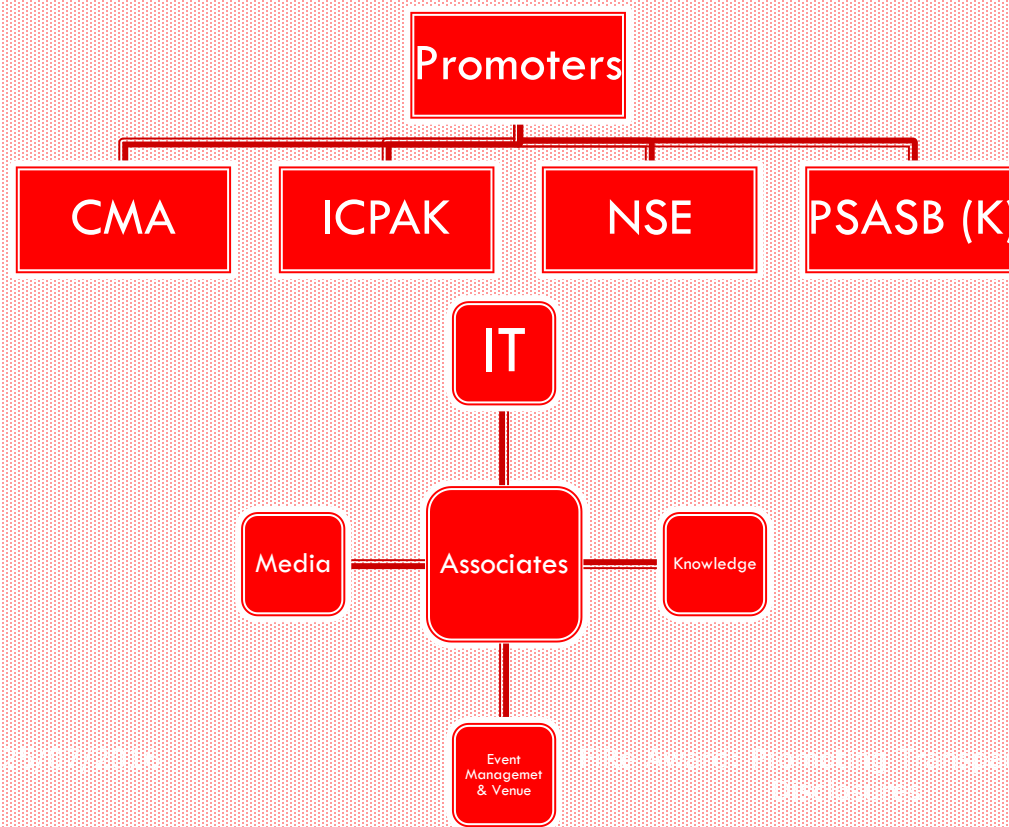
# Why FiRe Award?

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- ❖ Improvement in compliance levels with the IFRSs, Corporate Governance and Corporate Social Investment best practices. (Through the individual feedback).
- ❖ Fostering investor confidence-through participation, the entities assures the entire public (investing community).
- ❖ By virtue of submitting financial statements, participants names are published in the website and FiRe Award booklet, thus raising their profile.

# Structure

- ❑ The Award structure has three main categories of partnership to the Award and these include: Founding partners (promoters), associate partners and sponsors.



# Award Scheme

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- ❑ Participation in the FiRe Award is on a voluntary basis, free of any charges. Organisations that wish to participate submit seven (07) copies of their latest annual reports and audited financial statements.
- ❑ The reports received, are grouped into eight broad categories: Insurance; Banks; Industrial, Commercial and Services Sector; Small and Medium Enterprises (SMEs); Savings and Credit Cooperatives (Saccos’); Not-for-Profit; Ministries Departments & Agencies and County Governments.
- ❑ The Reports undergo a rigorous evaluation exercise by high calibre panellists selected from the diverse stakeholders in the reporting field.
- ❑ Each institution that submits its financial accounts receives from the FiRe Award Evaluators, a confidential feedback report highlighting non compliance and improvement areas noted.

# Evaluation Scope

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## **Financial reporting perspective**

- ❑ The financial statements are evaluated to determine if they have been prepared in accordance with all the provisions of International Financial Reporting Standards/ International Public Sector Accounting Standards, the provisions of regional Companies Acts, the Public Finance Management Act, the Banking Act, the Co-operatives Act, the Sacco Societies Act, and any other relevant regulatory provisions with respect to financial reporting of the entity.

## **Environmental Social (Sustainability)& Governance perspective**

- ❑ With respect to this, the founding partners of the Award have collaborated with experts in the fields of ESG to develop detailed evaluation criteria/checklists that characterize best practice. All submitted reports are evaluated against these benchmarks and marks are awarded according to the degree of conformity. It is paramount to note that panellists involved in the evaluation of these reports in relation to corporate governance and social investment are experts selected from the respective fields.

# Scoring Criteria

CRITERIA	TOTAL MARKS
Compliance with IFRS/IPSAS & Other Technical Pronouncements (including Report of the Independent Auditor)	100
Clarity of Statement of Accounting Policies	10
Clarity of notes to Financial Statements	10
Compliance with Reporting Requirements of the PFM Act or any other regulatory requirements	10
Board & Management reports	15
Presentation of performance data	10
Design, layout & visual appearance of the annual report including typeface	5
Governance Report	30
Social Responsibilities & Environmental Reporting	10
<b>Total Marks Awarded</b>	<b>200</b>

# FiRe Award Growth

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# Weaknesses in Financial Reporting - Sacco

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1. Use of Mkopo template – very few Sacco's check the illustrative issued by ICPAK to ensure that financial statements are consistent with the illustrative in terms of presentation and disclosures
2. Prior year adjustments – majority of Sacco's have prior year restatements. However, in most cases, there is little narrative to explain the reasons for such restatements.
3. Inconsistencies between the financial statements and other reports accompanying audited financial statements
4. Very few Sacco's include governance reports and environmental and sustainability (CSR) reports

# Weaknesses in Financial Reporting – Sacco (continued)

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5. Disclosure on related party balances – need to improve
6. Accounting policies – the accounting policies should be contextualised to the entities.
7. Investments in other entities – A number of Sacco's have subsidiaries (investment vehicles). There is need to enhance disclosures around these. Also consider including summary financial statements of the subsidiaries as appendices.
8. Very few Sacco's include governance reports and environmental and sustainability (CSR) reports
9. Use of charts and graph for performance data (including 5 year comparatives).

# Sacco's as public interest entities

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- Public interest entities defined as:
  - Listed entities; and
  - Entities:-
    - defined by regulation or legislation as a public interest entity, or for which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities.
- IFRS requires Sacco's to comply with full IFRS because they have public accountability

- ❑ FiRe Award category for Saccos was introduced in 2010.
- ❑ Trend of this growth is shown below:-

# Improvement areas/Value adds

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- Use of narratives as part of the disclosures, at times figures only do not “make much sense” to readers of the financial statements.
- Boilerplate accounting policies – contextualise the policies to the entity
- Numbering and separate identification of financial statements.
- The role of audit committee; management committee and the supervisory committee
- Summary on performance of the entity
- Other information accompanying audited financial statements
  - Need for consistency with the audited financial statements. It is important to note that auditors are required to read any information accompanying audited financial statements. Therefore before the financial statements are signed off, please ensure that the chairman’s report, the supervisory report and all other reports are availed to the auditor.
  - Key management vs fiduciary management
  - Enhanced disclosure on the oversight arrangements

# FiRe Award 2016

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- ❑ The Excellence in Financial Reporting (FiRe) Award marks the fifteenth (15) year since its inception.
- ❑ The theme of this year is ***“Accountable Governance for Excellence and Reliable Financial Reporting in East Africa”***.
- ❑ 2015/16 has seen the confidence of our financial sector tested to the core. It calls for rethinking how we communicate financial information as well as need to reinvent governance. We have seen a number of business reform laws aimed at strengthening governance and accountability. The theme aims to enhance accountability through reporting that inspires confidence.

# FiRe Award 2016 (continued)

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- ❑ FiRe Award Conference shall be held on **Thursday October 27<sup>th</sup> 2016** at the Safari Park Hotel & Casino, Nairobi.
- ❑ The Topics to be addressed during the Conference include:
  1. Will your Governance stand the tides???
  2. Sustainability reporting – how is your organisation impacting the future?
  3. Towards IPSAS Accrual – Transparency and Accountability in Government Accounting
  4. Informative value of the auditors report
- ❑ Gala Dinner (Black tie/ African themed event) shall be held on **Friday, 28<sup>th</sup> October 2016** at Windsor Golf & Country Club Nairobi.
- ❑ Please mark the dates....

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For more information, please visit our website  
[www.fireaward.org](http://www.fireaward.org)

For inquiries, please get in touch with  
CPA Catherine Muema via email  
[catherine.muema@icpak.com](mailto:catherine.muema@icpak.com)

# Interactive Session

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# Presenter's Contacts

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CPA Nebart Avutswa  
Institute of Certified Public Accountants of  
Kenya (ICPAK)

Tel: +254 (0) 20 2304226,2304227

[nebart.avutswa@icpak.com](mailto:nebart.avutswa@icpak.com)

[www.icpak.com](http://www.icpak.com)



**Thank you**

Looking forward to reviewing your annual reports  
and audited financial statement for FiRe Award  
2016!!!