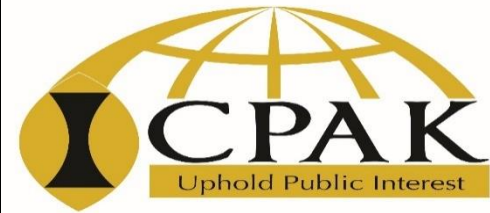


IPSAS & PFM WORKSHOP

Accrual Based Accounting: Benefits, Challenges, Recommendations and Requirements for Presentation

Isiolo, Northern Kenya, 26th – 28th April, 2017

Session Outlook



Content

**Accrual or
Cash
Criteria**

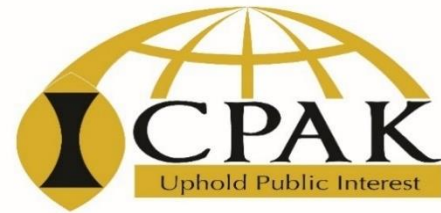
**modified
cash or
modified
accrual
basis**

**Reporting
on the cash
basis**

**Progression
to Accrual
Accounting**

**Cash-basis
V. Accrual-
basis**

What is Public Accountability



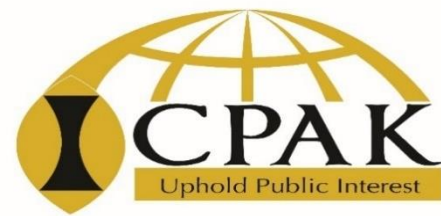
Credible reporting

- ▶ Those responsible for delivering a public service or using public authority have a duty to report both the financial and the non-financial results on public funds entrusted to them.

Transparency

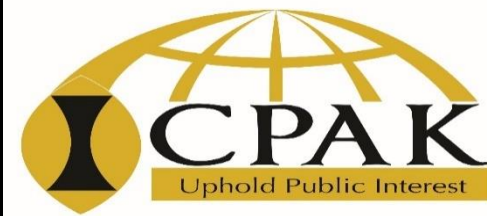
- ▶ Transparency implies that one can see clearly into the activities of government.

Why Public Accountability



- Ever growing financial reporting requirements of donors;
- A uniform reporting framework - comparability;
- Transparency in the financial dealings of public institutions - disclosure;
- Improved interpretation of financial reports – Context & decision making;
- Consistency in preparation & reporting of financial information;
- Enhanced scrutiny – better systems, better audits;
- A basis for evaluating performance – budgets vs actual – financial, outputs and outcomes.

Accounting Standards: National and International



Each country has the right to develop its own National Accounting Standards

For private sector enterprises

And for government organisations

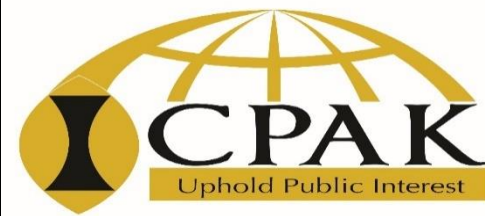
But for the last over 40 years, International Accounting Standards have been progressively developed

International Accounting Standards

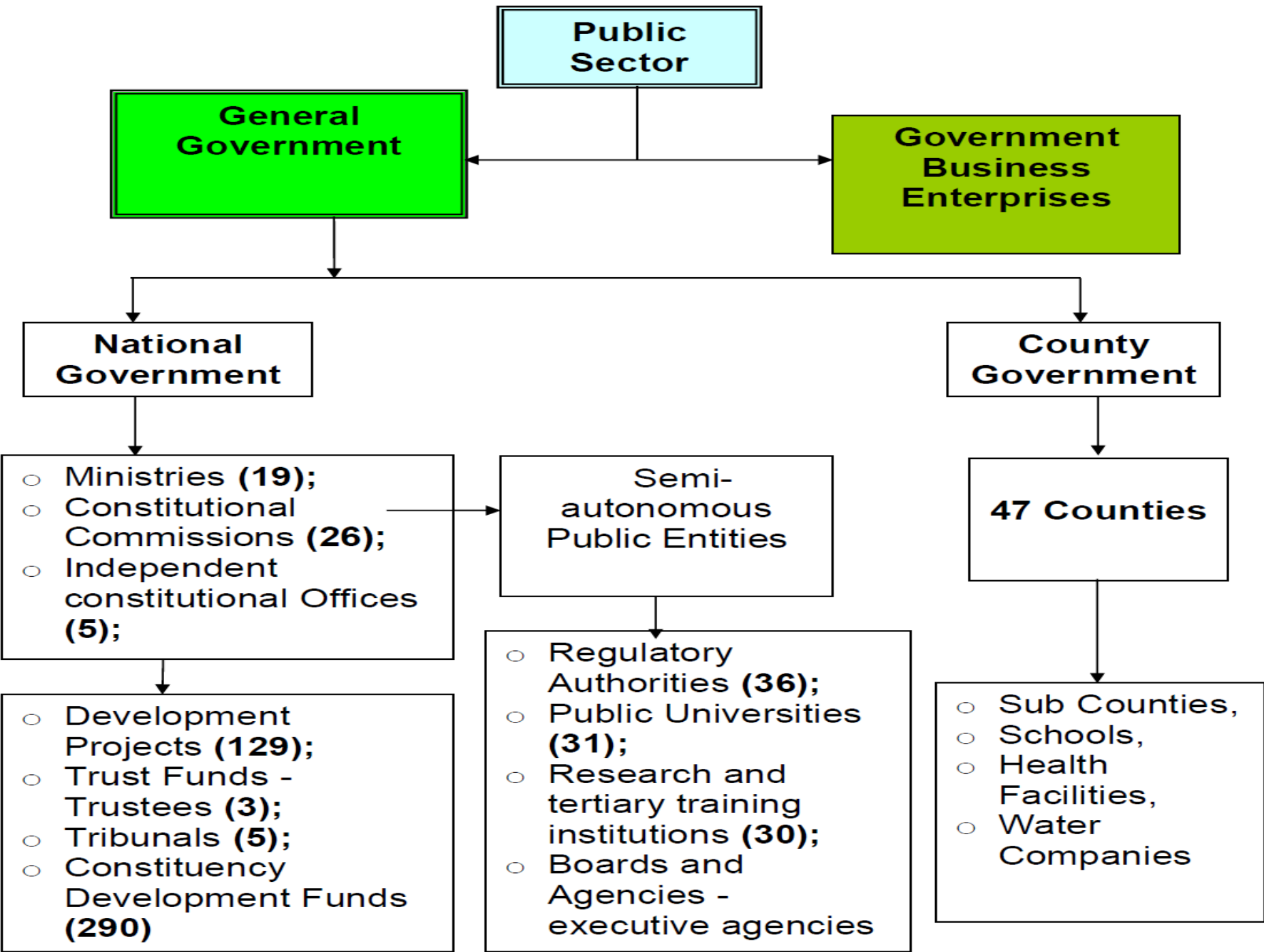
Convergence of the Standards used by different countries

Convergence between Private Sector and Public Sector standards

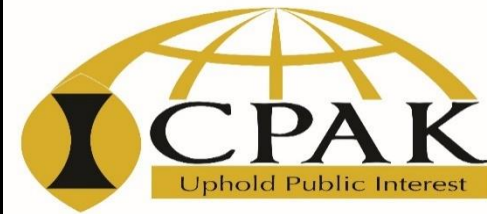
What is IPSAS



- IPSAS – (International Public Sector Accounting Standards);
- ▶ Important facts
 - Issued by IFAC – (International Federation of Accountants Committee);
 - Has two standards : - Cash based IPSAS and Accrual Basis IPSAS;
 - IFAC is comprised of 164 members and associates in 125 countries and jurisdictions, representing more than 2.5 million accountants;
 - IPSASB develops high quality accounting standards for public sector entities worldwide.



Cash or accrual?



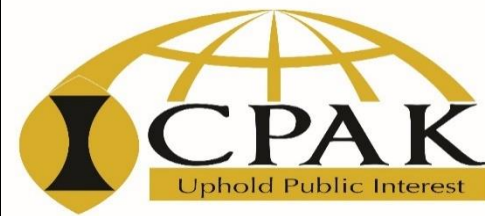
Cash

GAAP

Accrual

LEFT, RIGHT OR YIELD?

Basis accounting adopted by IPSASB Kenya



Cash based IPSAS

- ❖ County Governments, National Government: Ministries, Projects, Commissions, Funds;

Accrual based IPSAS

- ❖ SAGAs non-commercial

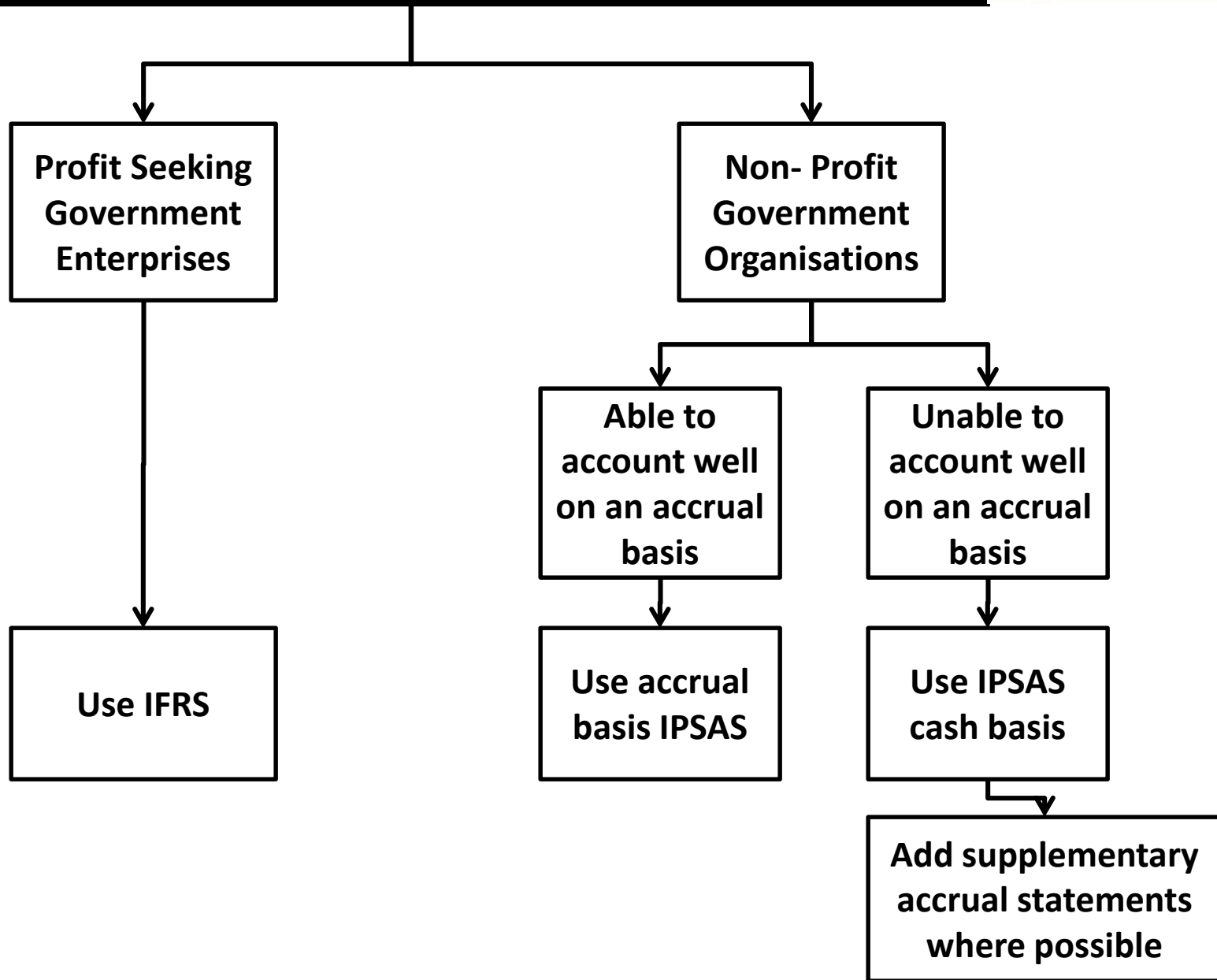
IFRS

- ❖ SAGAs commercial

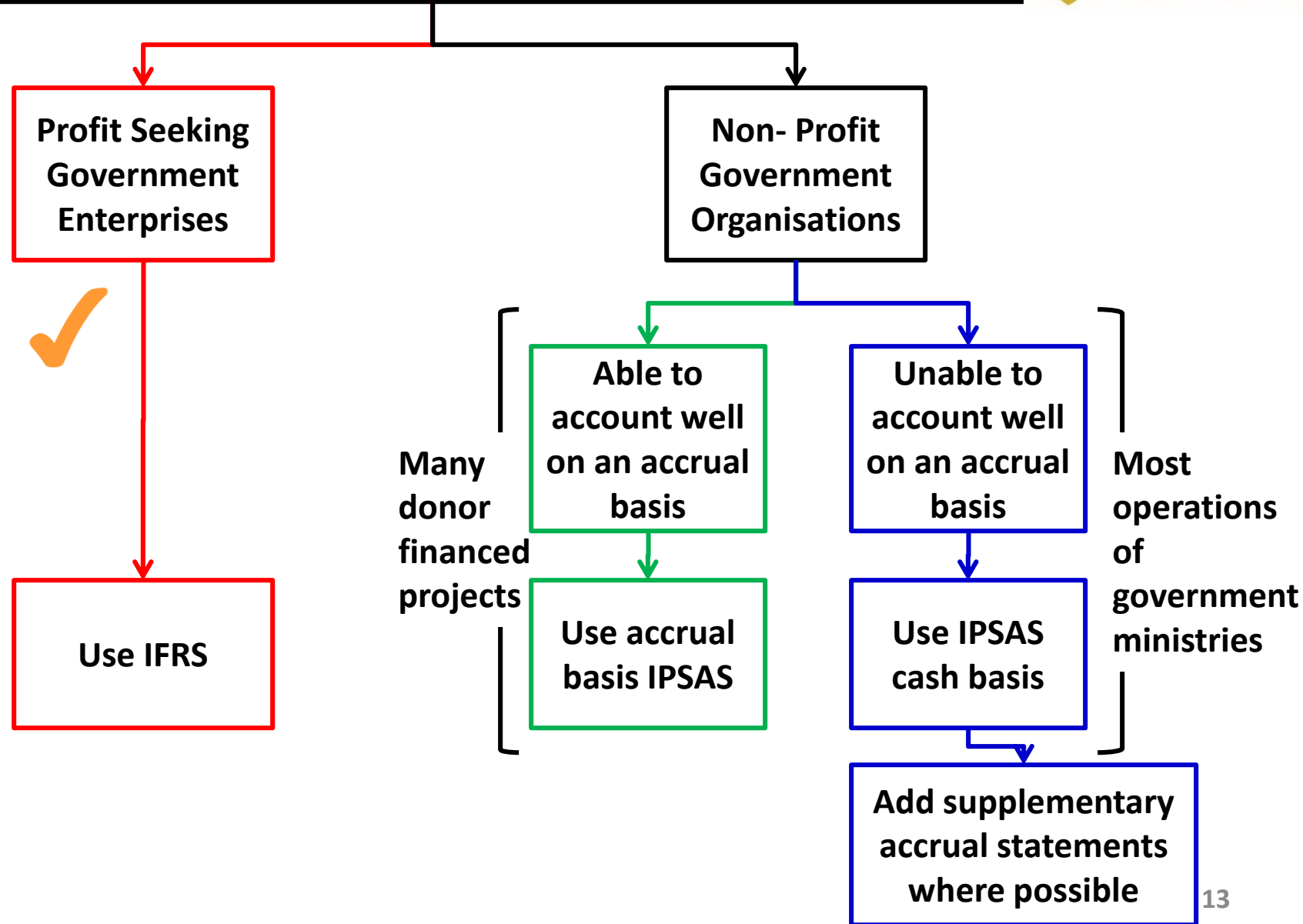
#	Title	Based on	#	Title	Based on
IPSAS 1	Presentation of Financial Statements	IAS 1	IPSAS 10	Financial Reporting in Hyperinflationary Economies	IAS 29
IPSAS 2	Cash Flow Statements	IAS 7	IPSAS 11	Construction Contracts	IAS 11
IPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8	IPSAS 12	Inventories	IAS 2
			IPSAS 13	Leases	IAS 17
			IPSAS 14	Events After the Reporting Date	IAS 10
IPSAS 4	The Effects of Changes in Foreign Exchange Rates	IAS 21	IPSAS 15	Financial Instruments: Disclosure and Presentation (superseded by IPSAS 28 and IPSAS 30)	
IPSAS 5	Borrowing Costs	IAS 23			
IPSAS 6	Consolidated and Separate Financial Statements	IAS 27			
IPSAS 7	Investments in Associates	IAS 28	IPSAS 16	Investment Property	IAS 40
IPSAS 8	Interests in Joint Ventures	IAS 31	IPSAS 17	Property, Plant and Equipment	IAS 16
IPSAS 9	Revenue from Exchange Transactions	IAS 18	IPSAS 18	Segment Reporting	IAS 14
			IPSAS 19	Provisions, Contingent Liabilities and Contingent Assets	IAS 37
			IPSAS 20	Related Party Disclosures	IAS 24

#	Title	Based on	#	Title	Based on
IPSAS 21	Impairment of Non-Cash-Generating Assets	IAS 36	IPSAS 31	Intangible Assets	IAS 38
IPSAS 22	Disclosure of Financial Information About the General Government Sector	n/a	IPSAS 32	Service Concession Arrangements: Grantor	IFRIC 12
IPSAS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)	n/a	IPSAS 33	First-time Adoption of Accrual Basis IPSASs	(IFRS 1)
IPSAS 24	Presentation of Budget Information in Financial Statements	n/a	IPSAS 34	Separate Financial Statements	IAS 27
IPSAS 25	Employee Benefits	IAS 19	IPSAS 35	Consolidated Financial Statements	IFRS 10
IPSAS 26	Impairment of Cash-Generating Assets	IAS 36	IPSAS 36	Investments in Associates and Joint Ventures	IAS 28
IPSAS 27	Agriculture	IAS 41	IPSAS 37	Joint Arrangements	IFRS 11
IPSAS 28	Financial Instruments: Presentation	IAS 32	IPSAS 38	Disclosure of Interests in Other Entities	IFRS 12
IPSAS 29	Financial Instruments: Recognition and Measurement	IAS 39	IPSAS 39	Employee Benefits	IAS 19
IPSAS 30	Financial Instruments: Disclosures	IFRS 7	IPSAS 40	Public Sector Combinations	IFRS 3 (partially)

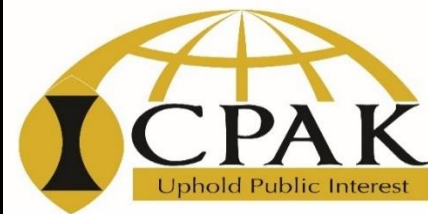
Which standards should Governments use for their general purpose financial statements?



Which standards should Governments use for their general purpose financial statements?

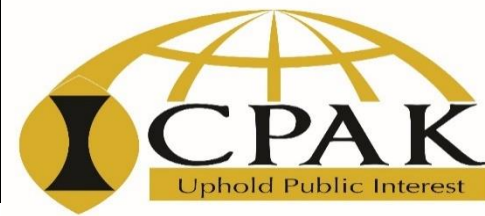


What about reporting on the modified cash or modified accrual basis?



- IPSAS Board does not recommend reporting of general purpose financial statements on a modified cash or modified accrual basis.
- If a government organisation can report on a **full accrual basis** then it should do so...(e.g. donor financed projects).
- If not, then it should report on the **full cash basis** with the cash flow statement as the main financial statement.
- Supplementary statements of fixed assets, debtors and creditors, loans, etc can be included, if available.
- In this way, a government can have a staged progression towards accrual accounting, as envisaged under PFMRP.

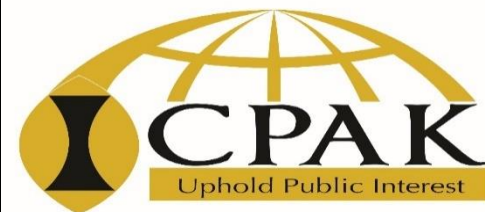
What about reporting on the modified cash or modified accrual basis?



In other words....

- A government which has plans to move towards accrual accounting will probably maintain its accounting records on a modified accrual basis for a number of years.
- But it should not produce its general purpose financial statements on the modified accrual basis. It should report the Cash Statement as its main report, with supplementary accrual based reports, until the time that it is fully able to report according to accrual based standards.
- To do this properly it needs a staged plan for progression to accrual accounting (see later).
- The modified cash basis of accounting is not recommended, as it does not assist progression towards IPSAS.

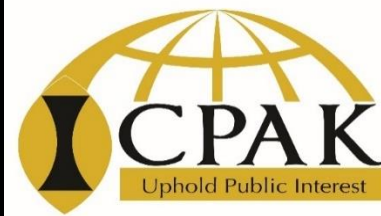
Reporting on the cash basis (IPSAS statement: Financial Reporting under the Cash Basis of Accounting)



The standard has two parts:

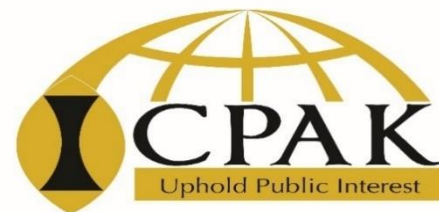
- **Part 1 is mandatory**. It sets out the requirements which are applicable to all entities preparing general purpose financial statements under the cash basis of accounting.
- ‘The requirements in this part of the Standard must be complied with by entities which claim to be reporting in accordance with the International Public Sector Accounting Standard *Financial Reporting Under the Cash Basis of Accounting*.’

Reporting on the cash basis (IPSAS statement: Financial Reporting under the Cash Basis of Accounting)



- The standard has two parts:
- **Part 2 is not mandatory.** ‘It identifies additional accounting policies and disclosures that an entity is encouraged to adopt to enhance its financial accountability and the transparency of its financial statements. It includes explanations of alternative methods of presenting certain information.’

Reporting on the cash basis (IPSAS statement: Financial Reporting under the Cash Basis of Accounting)



PART 1: (MANDATORY)

An entity should prepare and present general purpose financial statements which include the following components:

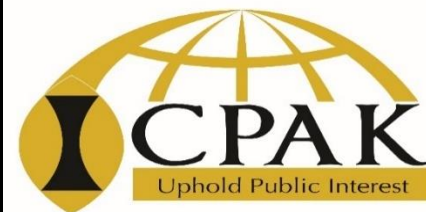
1. Statement of Cash Receipts and Payments which:

- (i) Recognizes all cash receipts, cash payments and cash balances controlled by the entity; and
- (ii) Separately identifies payments made by third parties on behalf of the entity;

2. Accounting Policies and Explanatory Notes; and

3. Comparison of Budget and Actual Amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments.

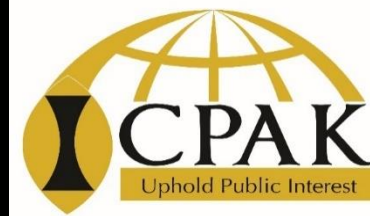
Reporting on the full cash basis (IPSAS statement: Financial Reporting under the Cash Basis of Accounting)



1. Information to be Presented in the Statement of Cash Receipts and Payments:

- (a) **Total cash receipts** of the entity showing separately a sub-classification of total cash receipts using a classification basis appropriate to the entity's operations;
- (b) **Total cash payments** of the entity showing separately a sub-classification of total cash payments using a classification basis appropriate to the entity's operations; and
- (c) **Beginning and closing cash balances** of the entity.

Reporting on the full cash basis (IPSAS statement: Financial Reporting under the Cash Basis of Accounting)



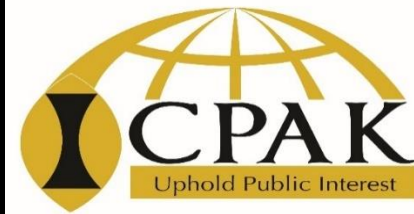
- Total cash **receipts** and total cash **payments**, and cash receipts and cash payments for each sub-classification of cash receipt and payment, should be reported on a **gross** basis, not a net basis...
- For example, show:

Sale of fixed assets	60,000	('gross figure')
Purchase of fixed assets	(250,000)	('gross figure')

- Do not simply report:
- Net purchase of fixed assets: (190,000) ('net figure')

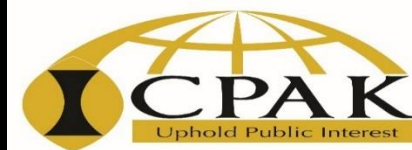
(There are some exceptions to this general rule)

Reporting on the full cash basis (IPSAS statement: Financial Reporting under the Cash Basis of Accounting)



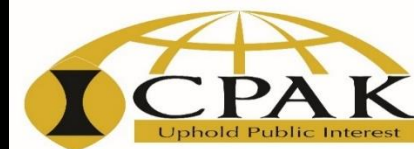
- Payments made by third parties on behalf of the reporting entity should be disclosed in separate columns on the face of the statement of cash receipts and payments
 - This includes amounts paid by **donors** on behalf of the reporting entity
 - Use the normal classification basis appropriate to the entity's operations.

Illustration: Statement of Cash Receipts and Payments: Receipts



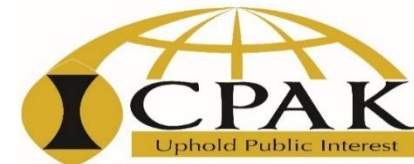
	<i>2016</i>			<i>2015</i>		
	Total Sh. million	Govt Sh.million	3rd parties Sh. million	Total Sh.million	Govt Sh.million	3rd parties Sh.million
RECEIPTS						
Tax Receipts	2,540	2,540		2,248	2,248	
Income tax	600	600		531	531	
Domestic sales tax	370	370		327	327	
Import sales tax	820	820		726	726	
Excise duties	100	100		88	88	
Import duty	650	650		575	575	
Non-Tax Receipts	250	250		221	221	
Administrative fees and charges	250	250		221	221	
Grants	900		900	796		796
Bilateral Agencies	900		900	796		796
Loans Received	850	350	500	752	310	442
Domestic	350	350		310	310	
Foreign Multilateral	500		500	442		442
Capital Receipts	20	20		18	18	
Disposal of land	20	20		18	18	
Total receipts	4,560	3,160	1,400	4,035	2,796	1,239

Illustration: Statement of Cash Receipts and Payments: Payments



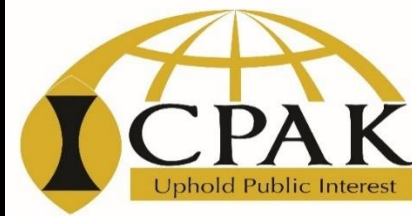
	2016			2015		
	Total Sh. million	Govt Sh.million	3rd parties Sh. million	Total Sh.million	Govt Sh.million	3rd parties Sh.million
PAYMENTS						
Operations	1,540	1,220	320	1,363	1,080	283
Salaries, wages & personnel cost	780	605	175	690	535	155
Travel expenses	90	90		80	80	
Utilities and rental of property	170	130	40	150	115	35
Transport and maintenance costs	160	130	30	142	115	27
Office materials	80	80		71	71	
Other materials	90	90		80	80	
Other operational expenditure	170	95	75	150	84	66
Transfers	220	220		195	195	
Grants to government institutions	220	220		195	195	
Capital expenditure	1,450	370	1,080	1,283	327	956
Construction	1,300	340	960	1,150	301	850
Purchase of equipment	150	30	120	133	27	106
(continued on next page..)						

Illustration: Statement of Cash Receipts and Payments: Payments



	2014			2013		
	Total Sh. million	Govt Sh.million	3rd parties Sh. million	Total Sh.million	Govt Sh.million	3rd parties Sh.million
PAYMENTS (continued...)						
Loans	1,280	1,280		1,133	1,133	
Domestic debt interest	400	400		354	354	
Foreign debt interest	320	320		283	283	
Repayment of domestic debt	110	110		97	97	
Repayment of foreign debt	450	450		398	398	
Other payments	15	15		13	13	
Movement in advances/deposits	15	15		13	13	
Total payments	4,505	3,105	1,400	3,987	2,748	1,239
INCREASE IN CASH	55			49		
Cash at 1 July	50			44		
Cash at 30 June	105			93		

Reporting on the full cash basis (IPSAS statement: Financial Reporting under the Cash Basis of Accounting)



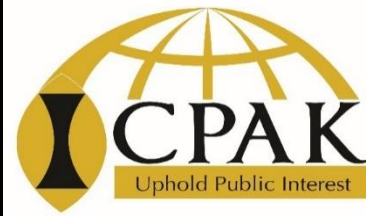
2. Accounting Policies and Explanatory Notes

The **notes to the financial statements** of an entity should:

- (a) Present information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and other events; and
- (b) Provide additional information which is not presented on the face of the financial statements but is necessary for a fair presentation of the entity's cash receipts, cash payments and cash balances.

Notes to the financial statements should be presented in a systematic manner. Each item on the face of the statement of cash receipts and payments and other financial statements should be cross referenced to any related information in the notes.

Reporting on the full cash basis (IPSAS statement: Financial Reporting under the Cash Basis of Accounting)

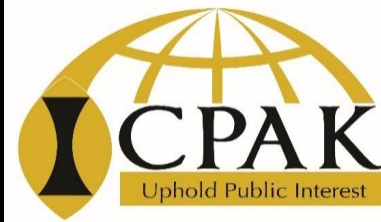


2. Accounting Policies and Explanatory Notes

Selection and Disclosure of Accounting Policies:

- General purpose financial statements should present information that is:
 - (a) Understandable;
 - (b) Relevant to the decision-making and accountability needs of users; and
 - (c) Reliable:
 - (i) Represents faithfully cash receipts, cash payments and cash balances of the entity and the other information disclosed;
 - (ii) Neutral, that is, free from bias; and
 - (iii) Complete in all material respects.

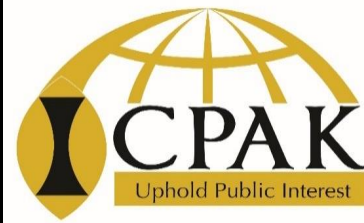
Reporting on the full cash basis (IPSAS statement: Financial Reporting under the Cash Basis of Accounting)



3. Presentation of Budget Information in Financial Statements

- An entity should present a comparison of budget and actual amounts, either as a separate additional financial statement, or as additional budget columns in the statement of cash receipts and payments.
- All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget.
- If the comparison of budget and actual is shown as a separate additional financial statement, it must be reconciled to the statement of cash receipts and payments.

Reporting on the full cash basis (IPSAS statement: Financial Reporting under the Cash Basis of Accounting)

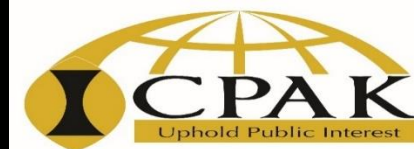


3. Presentation of Budget Information in Financial Statements

The comparison of budget and actual amounts shall show separately:

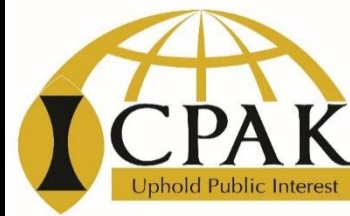
- (a) The original and final budget amounts;
- (b) The actual amounts on a comparable basis; and
- (c) By way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and the actual amounts.

EXAMPLE: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
For Government X for the Year Ended June 30, 2016
Budget Approved on the Cash Basis - Classification of Payments by Functions



(in thousands of currency units)	Actual Amounts	Final Budget	Original Budget	Difference
CASH INFLOWS				
Taxation	X	X	X	X
Aid agreements				
International agencies	X	X	X	X
Other grants and aid	X	X	X	X
Proceeds: borrowing	X	X	X	X
Proceeds: disposal of plant and equipment	X	X	X	X
Trading activities	X	X	X	X
Other receipts	X	X	X	X
Total receipts	X	X	X	X
CASH OUTFLOWS				
Health	(X)	(X)	(X)	(X)
Education	(X)	(X)	(X)	(X)
Public order/safety	(X)	(X)	(X)	(X)
Social protection	(X)	(X)	(X)	(X)
Defense	(X)	(X)	(X)	(X)
Housing and community amenities	(X)	(X)	(X)	(X)
Recreational, cultural and religion	(X)	(X)	(X)	(X)
Economic affairs	(X)	(X)	(X)	(X)
Other	(X)	(X)	(X)	(X)
Total payments	(X)	(X)	(X)	(X)
NET CASH FLOWS	(X)	(X)	(X)	(X)

Reporting on the full cash basis (IPSAS statement: Financial Reporting under the Cash Basis of Accounting)



Other General Considerations

Reporting Period

- General purpose financial statements should be presented at least annually.

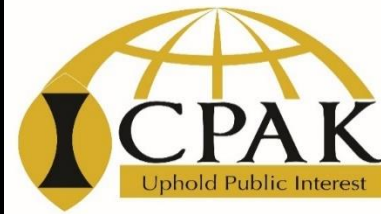
Timeliness

- An entity should be in a position to issue its financial statements within six months of the reporting date, although a timeframe of no more than three months is strongly encouraged.

Information about the Entity

- An entity should disclose its domicile and legal form, the jurisdiction within which it operates, a description of its principal activities, reference to relevant legislation and the name of its controlling entity and the ultimate controlling entity.

Reporting on the full cash basis (IPSAS statement: Financial Reporting under the Cash Basis of Accounting)



Other General Considerations

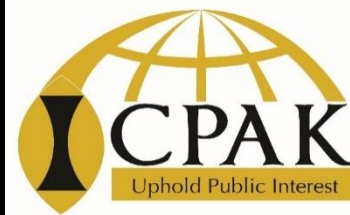
Restrictions on Cash Balances and Access to Borrowings

- An entity should disclose the nature and amount of: significant cash balances that are not available for use, or subject to external restrictions.
- It should also disclose undrawn borrowing facilities, indicating any restrictions on the use of these facilities.

Consistency of Presentation

- The presentation and classification of items in the financial statements should be retained from one period to the next unless there is a significant change in the nature of the operations of the entity.

Reporting on the full cash basis (IPSAS statement: Financial Reporting under the Cash Basis of Accounting)



Other General Considerations

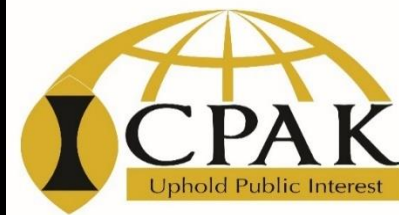
Comparative information

- Comparative information for the previous period should be disclosed for all numerical information required by the Standard.

Identification of Financial Statements

- Each component of the financial statements should be clearly identified and distinguished from other information in the same published document. The following information should be prominently displayed:
 - Name of the reporting entity
 - Reporting date or period
 - Reporting currency; and
 - Level of precision used (e.g. '000, millions, etc)

Reporting on the full cash basis (IPSAS statement: Financial Reporting under the Cash Basis of Accounting)



PART 2: ENCOURAGED ADDITIONAL DISCLOSURES

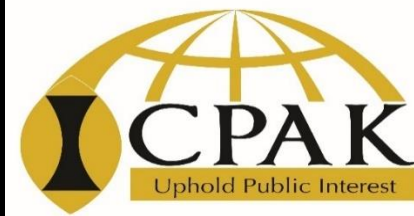
- Encouraged to Present the Statement of Cash Receipts & Payments in the format of **IPSAS Accrual Standard 2: Cash Flow Statement** (operating cash flows, investment cash flows and financing cash flows.) – see next slide
- Encouraged to disclose Memorandum Statements of Fixed Assets, Other Assets, Liabilities, Public Debt, and other items that are discussed in the IPSAS Accrual accounting standards.
- These additional disclosures will facilitate the gradual progression to accrual based accounting.

**Statement of receipts and payments on slides 22 - 24
shown as Cash Flow Statement, IPSAS 2**



CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts	3690
Taxation	2540
Sales of goods and services	250
Grants	900
Payments	(2,495)
Employee costs	(780)
Suppliers	(760)
Interest paid	(720)
Grants to government institutions	(220)
Other payments	(15)
Net cash flows from operating activities	1,195
CASH FLOWS FROM INVESTING ACTIVITIES	
Construction & purchase of plant and equipment	(1,450)
Proceeds from sale of land	20
Net cash flows from investing activities	(1,430)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from borrowings	850
Repayment of borrowings	-560
Net cash flows from financing activities	290
Net increase/(decrease) in cash	55
Cash at July 1	50

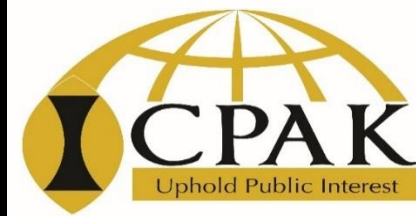
Consolidating results of government organisations using different bases of accounting



Problem:

- A ministry keeps its accounting records on the cash basis and has projects which keep their records on the accrual basis.
- How can the results of the ministry and its projects be consolidated?

Consolidating results of government organisations using different bases of accounting

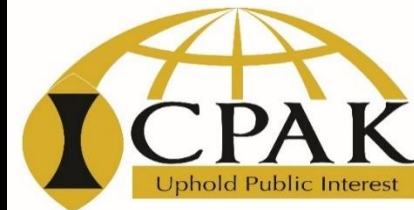


Solution:

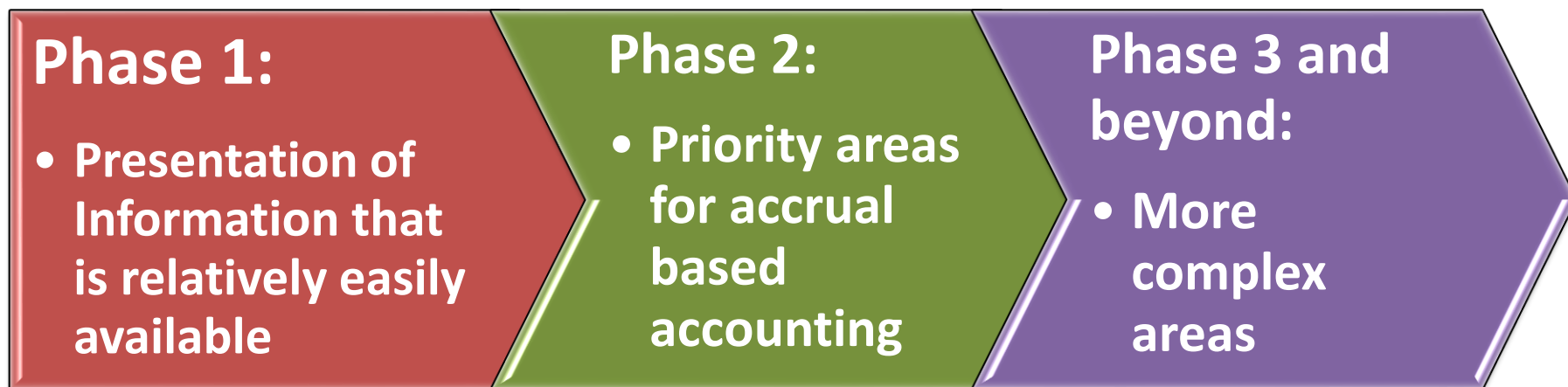
The Ministry and its projects will all produce cash flow statements as part of their accounts

The cash flow statements can be added together to produce a consolidated cash flow statement for the whole of the ministry's operations

Progress towards accrual accounting

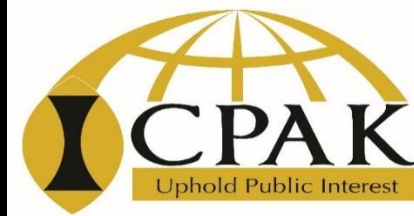


- In order to progress from cash based accounting to accrual based accounting, the government needs to follow a staged transition, such as the following:



Progress towards accrual accounting

Phase 1: Presentation of information that is relatively easily available



IPSAS 1

- **Presentation of Financial Statements**
 - Shows the format of the financial statements

IPSAS 2

- **Cash Flow Statements**
 - Shows the need for, and format of, the Cash Flow Statement

IPSAS 3

- **Accounting Policies, Changes in Estimates and Errors**
 - Identifies areas requiring accounting policies

IPSAS 22

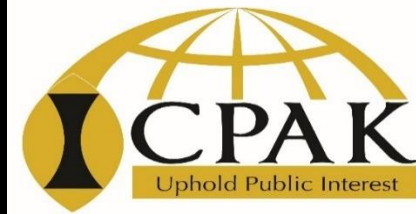
- **Disclosure of Financial Information about the General Government Sector**
 - Prescribes disclosure requirements for governments which present information about the general government sector in their financial statements

IPSAS 24

- **Presentation of Budget Information in Financial Statements**
 - Statement of original and revised budget figures required in order to place the actual expenditure figures in better context

Progress towards accrual accounting

Phase 2: Priority areas for accrual based accounting



IPSAS 11

- **Construction Contracts**

- Provides guidance on the types of construction contracts that can arise in the public sector, and specifies the basis for accounting

IPSAS 12

- **Inventories**

- Provides guidance on accounting for inventory cost and its subsequent recognition as an expense, including any write-down to net realisable value.

IPSAS 17

- **Property Plant and Equipment**

- Valuation of assets, determination of their carrying amounts and depreciation / impairment charges. Requires a major project to value all government assets.

IPSAS 19

- **Provisions, Contingent Liabilities and Contingent Assets**

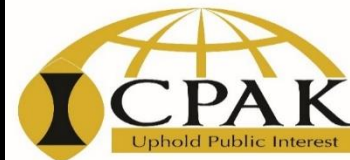
- Identifies when provisions should be made, how they should be measured and shown in the accounts. Also contingent liabilities and contingent assets.

IPSAS 23

- **Revenue from Non-exchange Transactions (Taxes and Transfers)**

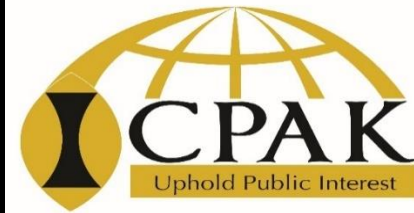
- Prescribes requirements for the financial reporting of such revenue.

Phase 3 and beyond: Other standards to be introduced, where relevant...



- IPSAS 4—The Effects of Changes in Foreign Exchange Rates
- IPSAS 5—Borrowing Costs
- IPSAS 9—Revenue from Exchange Transactions
- IPSAS 13—Leases
- IPSAS 14—Events After the Reporting Date
- IPSAS 16—Investment Property
- IPSAS 18—Segment Reporting
- IPSAS 20—Related Party Disclosures
- IPSAS 21—Impairment of Non-Cash-Generating Assets
- IPSAS 26—Impairment of Cash-Generating Assets
- IPSAS 27—Agriculture
- IPSAS 15, 28, 29, 30 —Financial Instruments
- IPSAS 31—Intangible Assets
- IPSAS 32 — Service Concession Arrangements
- IPSAS 34 - Separate Financial Statements
- IPSAS 35 - Consolidated Financial Statements
- IPSAS 36 - Investments in Associates and Joint Ventures
- IPSAS 37 - Joint Arrangements
- IPSAS 38 - Disclosure of Interests in Other Entities

Cash-basis V. Accrual-basis



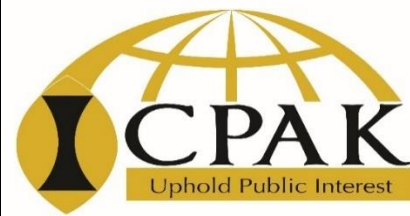
Cash-basis

- A basis of accounting that recognises transactions and other events **when cash is received or paid**.
- Measures financial results for a period as the **difference between cash received and cash paid**.

Accrual-basis

- A basis of accounting under which transactions and other events are recognized **when they occur** (and not only when cash or its equivalent is received or paid).
- Therefore, the transactions and events are **recorded in the accounting records** and recognised in the financial statements **of the periods to which they relate**.
- The elements recognised under accrual accounting are **assets, liabilities, net assets, revenue and expenses**.

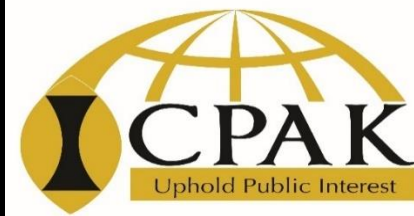
Cash-basis V. Accrual -basis: Practical demonstration



The government wants to build a bridge which will take two years to complete. The government pays the contractor 50 per cent of the costs upfront and the remaining 50 per cent of costs on delivery. The bridge is expected to last 100 years and will cost Kshs 20 Billion.

- ▶ Question: How do you account under cash vs accrual?

Cash-basis V. Accrual -basis: Practical demonstration



Cash basis:

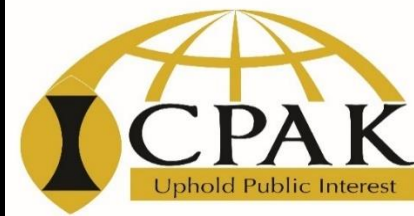
Under cash accounting Kshs 10 Billion hits the statement of financial performance in both years 1 and 2.

Full Accrual:

Under accrual accounting, only Kshs 200,000 hits the statement of financial performance as amortization charge (Depreciation) for 100 years as while the entire amount of Kshs 20B is also accounted for in balance sheet.

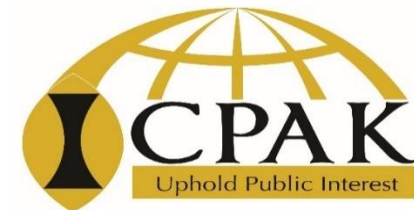
Conclusion: *Cash accounting reflects the cash flows of the transactions while accrual accounting reflects the usage of the asset.*

The benefits of cash accounting



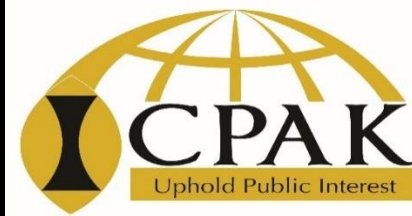
- Simple / Easy to understand by non-accountants
- Is less subject to estimates
- Cash accounting is adapted to the principle of annual parliamentary authority - Useful for assessing compliance with cash budgets / Easy follow up of budget implementation
- Useful for monitoring and estimating a government's cash resources
- Information on cash raised and spent remains the best indicator of the impact of the public sector on the economy

Why adopt accrual accounting in addition?



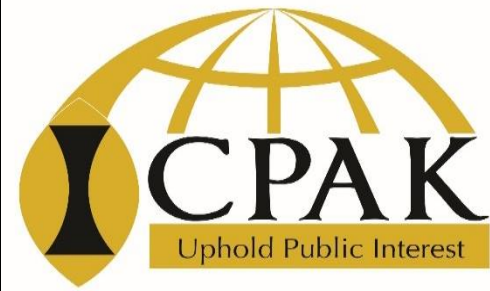
- Both cash and accrual accounting address the question of the « affordability » of a public entity's programmes and operations:
 - Budgets and **cash accounting**-based financial statements lay out a public entity's **spending and how it is financed**
 - **Accrual accounting**-based financial statements provide additional information in describing a public entity's **financial position and actual results**
- Accrual accounting distinguishes expenditure which provides economic benefits in the **short-term** (i.e. for current consumption) from that which will benefit the Ministry (and the citizens) well into the **future** (i.e. capital expenditure).

Types of audit Opinion



- **Unqualified Opinion-** this is a clean opinion, meaning that the financial statements were recorded properly & were in agreement with underlying supporting documents and accounting records
- **Qualified Opinion-** this means that there were certain areas where the Auditor-General was unsatisfied with the veracity of certain expenditures, which may not have been significant
- **Adverse opinion-** means that the Auditor-General was unsatisfied with the veracity of **significant amounts** of expenditure
- **Disclaimer of opinion-** this is serious and means that there was no basis upon which the Auditor-General could have satisfactorily undertaken an audit because the accounting records were unreliable and there were no verifiable supporting documents or adequate explanations for transactions

Conclusion



- Discussion
- Questions?

