



# **IPSAS WORKSHOP**

**Preparation of Financial Statements Under various IPSAS  
Presentation of Budget Information (IPSAS 24)**

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# Presentation of Budget Information (IPSAS 24)



- ☐ **Required disclosures**
- ☐ **Comparison of budget and actual amounts**
- ☐ **Material differences; Assets and liabilities**
- ☐ **Practical Implementation challenges**
- ☐ **Questions & Answers**

# Required Disclosures

## IPSAS 24



- ❑ Public entities are required by law to make public their approved budgets while others freely opt to do so to enhance their public accountability and transparency.
- ❑ A public entity which makes public its approved budget is required by IPSAS 1 and 24 to present a comparison of (original or final) budget amount and actual amount in its primary financial statements
- ❑ Provide a note, an explanation of material differences between the budget and actual amounts, unless such explanation is included in other documents issued with the financial statements and a cross reference to those documents is made in the notes to the F/statements.

# Required Disclosures

## IPSAS 24



- ☐ Fiscal Transparency is a major contributor to the cause of good governance. It leads to an informed public debate on the design and results of fiscal policy and makes governments more accountable for the implementation of fiscal policy
- ☐ Fiscal transparency requires disclosure of more than just budget (and actual) figures.
- ☐ It also requires disclosure of information on the macroeconomic assumptions behind budget figures F/statements.

# Required Disclosures

## IPSAS 24



The IMF Code of Good Practices on Fiscal Transparency recommends four key objectives:

- The roles and responsibilities in government should be clear
- The public should be provided with full information on past, current and projected fiscal activity of government in a timely manner
- Budget preparation, execution and reporting should be undertaken in an open manner; and
- Fiscal information should attain widely acceptable standards of data quality and be subject to independent assurances of integrity

# IPSAS 24

## Definitions



- ❑ **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

# IPSAS 24

## Definitions



- ❑ **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

# IPSAS 24

## Budget and Actual Amounts



- ❑ An entity shall present a comparison of the budget amounts either as a separate additional financial statement or as additional budget columns in the financial statements
- ❑ An entity shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis



# IPSAS 24

## Budget and Actual Amounts



A comparison of budget and actual amounts shall be presented in the financial statements either as:

1. A separate additional financial statement or
2. Additional budget columns in the financial statements.

The comparison of budget and actual amounts in the financial statements shall present separately for each level of the entity:

- a) The original and/or final budget amounts;
- b) The actual amounts on a comparable basis; and
- c) By way of disclosure note, explanation of material variances between actual and budget amounts.

# IPSAS 24

## Budget and Actual Amounts



- ❑ If a basis other than the accrual basis is adopted for the budget, the major totals presented in the statement of budget and actual comparison will be reconciled to net operating, investing and financing cash flows in the financial statements operating, investing and financing cash flows in the financial statements
- ❑ The reconciliation shall be disclosed as part of the statement of comparison of budget and actual amounts or in the notes to the financial statements.

# IPSAS 24

## Budget and Actual Amounts



- ❑ The use of a columnar format for the financial statements, with separate columns for budgeted amounts, actual amounts and for any variances from the budget or appropriation
- ❑ A statement by the responsible person for the preparation of the financial statements that the budgeted amounts have not been exceeded
- ❑ Where any budgeted amounts or appropriations have been exceeded, or expenses incurred without appropriation or authority, details may be disclosed by way of a note to the relevant item in the financial statements.

# Required Disclosures

## IPSAS 24



### Disclosures of Budgetary Basis, Period and Scope

- ❑ Disclose in notes to the financial statements, information about the basis of preparation of the financial statements and the significant accounting policies adopted
- ❑ Disclose in notes to the financial statements the period of the approved budget. Entities may approve budgets for an annual period or for multi-year periods
- ❑ Identify in notes to the financial statements the entities included in the approved budget (controlled by Government)

**EXAMPLE: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT**  
**For Government X for the Year Ended June 30, 2017**  
**Budget Approved on the Cash Basis - Classification of Payments by Functions**

(in thousands of currency units)	Actual Amounts	Final Budget	Original Budget	Difference
<b>CASH INFLOWS</b>				
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
<b>Total receipts</b>	X	X	X	X
<b>CASH OUTFLOWS</b>				
Health	(X)	(X)	(X)	(X)
Education	(X)	(X)	(X)	(X)
Public order/safety	(X)	(X)	(X)	(X)
Social protection	(X)	(X)	(X)	(X)
Defence	(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)
<b>Total payments</b>	(X)	(X)	(X)	(X)
<b>NET CASH FLOWS</b>	(X)	(X)	(X)	(X)

# PRACTICAL IMPLEMENTATION CHALLENGES –IPSAS 24



- ❑ Disclosures on differences between Original and Final Budget – reasons for policy shifts, natural disaster, other unforeseen events should be issued as notes before, with or at the same time with Financial Statements
- ❑ Link Budget information to service achievements in other documents and reference is required in the Financial statements

# PRACTICAL IMPLEMENTATION CHALLENGES –IPSAS 24



- Identification of Entities included in the Approved Budget as in Para 31, 35 & 45
- Disclosure of Comparative Budget Information is not required – P 52
- Aggregation of Budget Information in line with Chart of Accounts or legislative body approval for Comparison and oversight
- Dual Recording for Budget Basis and Financial Statements Basis if Similar Basis is not applied

# PRACTICAL IMPLEMENTATION CHALLENGES –IPSAS 24



- Loans and Borrowings are only disclosed if they pass through National Treasury
- Grants given Directly to implementing Agencies are not disclosed in Financial Statements
- Assistance received in-kind should be valued and reflected in the Financial Statements
- IT hardware and software Development to automate the process of including budget information



# Conclusion



- Discussion and Questions?

