

# IPSAS 22: General Government Sector (GGS) and disclosures

Presentation by:

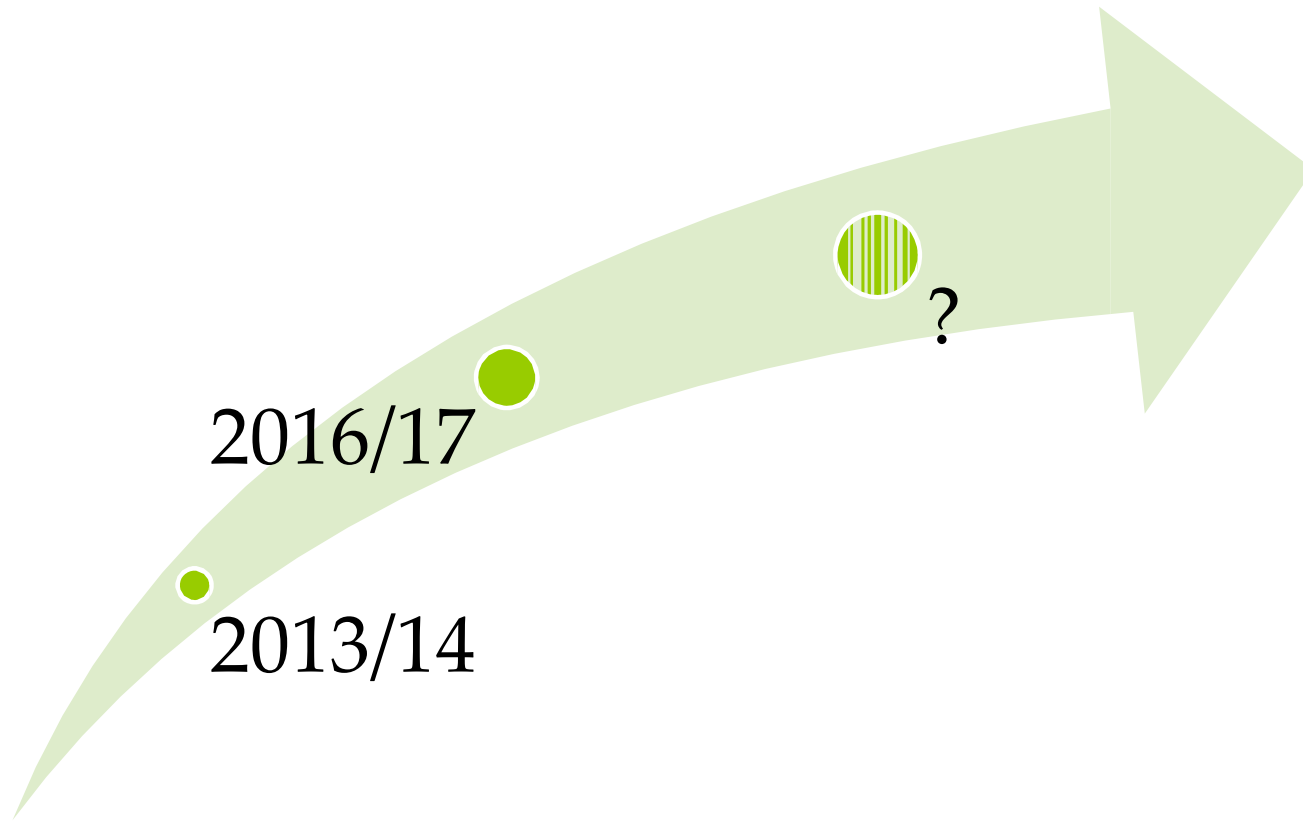
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# Presentation agenda

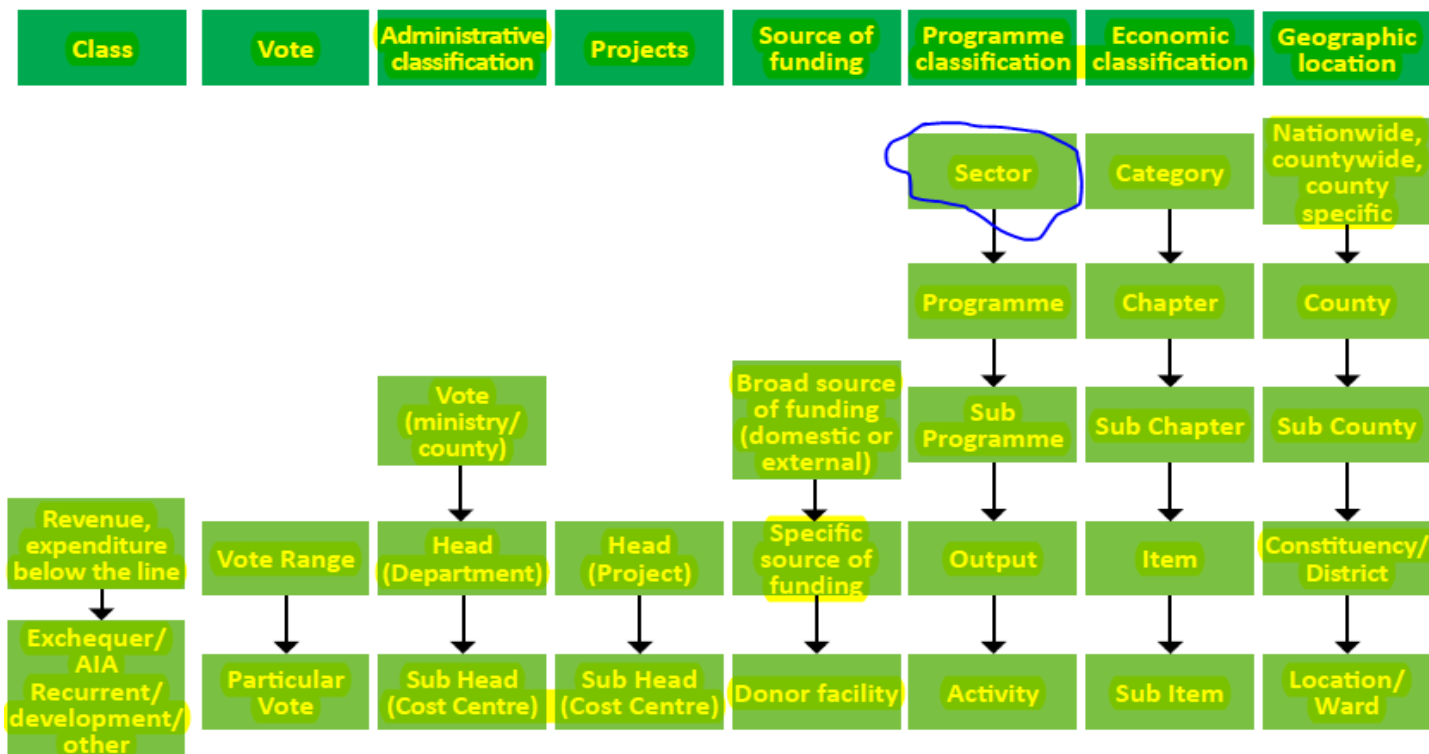


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# IPSAS Journey...



# Standard Chart of Accounts



Source: GoK, 2012<sup>2</sup>

# Government Sectors –(BPS 2018)



	2017/18 Printed Estimates			2018/19 Ceiling			2019/20 Projection			2020/21 Projection		
	Rec.	Dev.	Total	Rec.	Dev.	Total	Rec.	Dev.	Total	Rec.	Dev.	Total
Agriculture, Rural & Urban Development	17,311	21,086	38,397	17,096	21,885	38,981	18,507	23,336	41,842	19,306	24,497	43,802
Energy, Infrastructure & ICT	67,222	348,522	415,744	77,750	321,883	404,633	81,554	338,936	420,490	84,941	337,319	422,260
General Economic & Commercial Affairs	9,610	10,185	19,794	9,094	11,916	21,010	9,645	13,341	22,986	9,788	13,776	23,564
Health	30,721	30,979	61,700	34,807	35,179	69,987	37,417	35,403	72,820	37,725	35,420	73,146
Education	350,149	24,839	374,987	400,736	27,541	428,277	419,767	26,559	446,326	432,571	26,813	459,384
Governance, Justice, Law & Order	176,137	26,414	202,551	168,720	24,927	195,648	175,062	26,452	201,514	179,783	23,464	203,247
Public Admin. & International Relations	165,720	104,471	270,191	166,023	107,538	273,583	177,273	110,254	287,527	175,582	109,425	285,006
National Security	130,178	45	130,223	125,697	45	125,742	139,688	45	139,733	143,799	45	143,844
Social Protection, Culture & Recreation	20,652	25,526	46,178	29,434	23,492	52,959	31,277	25,005	56,282	31,362	24,952	56,314
Environment Protection, Water & Natural Resources	22,788	50,798	73,586	22,921	54,287	77,708	23,908	56,279	80,187	24,087	58,559	82,646
<b>TOTAL</b>	<b>990,487</b>	<b>642,865</b>	<b>1,633,352</b>	<b>1,052,279</b>	<b>628,693</b>	<b>1,688,528</b>	<b>1,114,098</b>	<b>655,609</b>	<b>1,769,707</b>	<b>1,138,944</b>	<b>654,269</b>	<b>1,793,214</b>

# Government Sectors reports



1. Health Sector
  2. Social Protection, culture and recreation
  3. Public administration and international relations
  4. Governance justice law and order
  5. General economic and commercial affairs
  6. Environmental protection water and natural resources
  7. Energy ICT and infrastructure
  8. Agriculture and rural development
  9. Education
  10. National Security
- ▣ <http://www.treasury.go.ke/component/jdownloads/category/194-2018.html?Itemid=-1>

# GFSM (2014)



- The *Government Financial Statistics Manual (GFSM) 2014* recommends disseminating fully **integrated flows and stock positions, recorded** on an **accrual basis**, while **maintaining cash- flow data** to allow an assessment of the **liquidity constraints of government**.
- Implementation of the fully integrated system described in the *Manual* will take some time and will need to progress at a pace determined by the differing needs and circumstances of the country involved.
- *In particular, many countries will need to revise their underlying accounting systems to reflect the **accrual basis** of recording and revised classifications.*

# Introduction



- ❑ The General Government Sector comprises all organizational entities of the general government as defined in statistical bases of financial reporting.
- ❑ GGS comprises government controlled entities primarily engaged in nonmarket activities. The GGS comprise entities that fulfill the core functions of government as their primary activity.
- ❑ This Standard establishes requirements for preparing and presenting information about the GGS.



# Introduction



- ❑ The objective of this Standard is to prescribe disclosure requirements for governments which elect to present information about the general government sector (GGS) in their consolidated financial statements.
- ❑ The disclosure information about GGS can provide a better understanding of the relationship between the market and nonmarket activities of the government.

# Scope



- ❑ IPSAS 22 applies to a government that prepares consolidated financial statements under the accrual basis of accounting and elects to disclose financial information about GGS.
- ❑ Governments raise funds from taxes, transfers and a range of nonmarket and market activities to fund their service delivery activities. They operate through a variety of entities to provide goods and services to their constituents.
- ❑ Governments Financials under IPSASs provide an overview of the assets controlled, liabilities incurred, the cost of services provided, taxation and other revenues generated to fund the provision of those services.

# Scope



- ❑ Financial statements for a government, which delivers services through controlled entities, whether primarily dependent on the government budget to fund their activities or not, are consolidated financial statements.
- ❑ In some jurisdictions a national government controls state/provincial and local government entities, and therefore its financial statements consolidate those levels of government, but in other jurisdictions they do not.

# Segment reporting



- IPSAS 18 requires the disclosure of certain information about the service delivery activities of the entity and the resources allocated to support those activities for accountability and decision-making purposes.
- Unlike the sectors reported under statistical bases of financial reporting, segments reported in accordance with IPSAS 18 are not based on a distinction between market and nonmarket activities.
- The disclosure of information about the GGS does not replace the segments disclosures under IPSAS 18 because GGS alone does not provide sufficient detail to enable users to evaluate the entity's past performance in major service delivery.

# Segment reporting



- The objectives of FS **prepared in accordance with IPSASs** are to provide information useful for decision- making and to demonstrate the accountability of the entity for the resources entrusted to it and which it controls.
- The purpose of FS under **statistical bases of financial reporting** is to provide information suitable for analyzing and evaluating fiscal policy, especially the performance of the GGS and the broader public sector of any country.
- Statistical bases of reporting require all assets and liabilities (except loans) to be revalued to market value at each reporting date. IPSASs require or permit cost and current values for certain classes of assets and liabilities.

# General Government Sector



**GGS** - consists of all resident central, state and local government units, social security funds at each level of government, and nonmarket nonprofit institutions controlled by government units. Under statistical bases, GGS includes all resident nonmarket nonprofit entities that have their operations funded primarily by the government.

**Public Financial Corporations Sector (PFC)** - comprises resident government controlled financial corporations, quasi-corporations and nonprofit institutions which primarily engage in financial intermediation and the provision of financial services for the market. E.g. government controlled banks, central banks, and other government financial institutions.

# General Government Sector



**Public Non-Financial Corporations Sector (PNFC)** - comprises resident government controlled non-financial corporations, quasi-corporations and nonprofit institutions that produce goods or nonfinancial services for the market.

The GGS typically includes entities such as government departments, law courts, public educational institutions, public health care units and other government agencies. GGS does not include PFCs or PNFCs.

# General Government Sector



Statistical bases of financial reporting define:

- a) Corporations as legal entities created for the purpose of producing goods and services for the market;
- b) Quasi-corporations as enterprises that are not incorporated or otherwise legally established but function as if they were corporations; and
- c) Nonprofit institutions as legal or other entities which produce or distribute goods and services, but which do not generate financial gain for their controlling entity.



# Accounting policies



- Financial information about the GGS shall be disclosed in line with accounting policies in the consolidated financial statements of the government, except:
  - In presenting financial information about the GGS, entities shall not apply the requirements of IPSAS 35- *Consolidated Financial Statements* in respect of entities in the PFCs and public NFCS sectors.
  - The GGS shall recognize its investment in the PFC and public NFCS sectors as an asset and shall account for that asset at the carrying amount of the net assets of its investees.

# Accounting policies



- IPSAS 3 requires the development of accounting policies to ensure that the financial statements provide information that meets a number of qualitative characteristics.
- IPSASs generally apply to all public sector entities. However, it is only possible to disclose a meaningful representation of the GGS for a government – not its individual controlled entities.
- IPSAS 22 specifies requirements for application only by governments which prepare consolidated financial statements under IPSAS accrual basis.

# Disclosures



The manner of presentation of the GGS disclosures shall be no more prominent than the government's financial statements prepared in accordance with IPSASs.

GGS disclosures shall disclose the significant controlled entities included in the GGS **and any changes in those entities from the prior period, together with reasons why any such entity that was previously included in the GGS is no longer included**

# Disclosures



**Reconciliation to the Consolidated Financial Statements** - The GGS disclosures shall be reconciled to the consolidated financial statements of the government showing separately the amount of the adjustment to each equivalent item in those financial statements.

This Standard does not require a reconciliation of the GGS disclosures in the consolidated financial statements with the GGS disclosures under statistical bases of financial reporting.

# Disclosures



GGs Disclosures shall include at least of the following:

- a) Assets by major class;
- b) Liabilities by major class;
- c) Net assets/equity;
- d) Total revaluations and other items of revenue and expense recognized directly in net assets/equity;
- e) Revenue by major class;
- f) Expenses by major class;
- g) Surplus or deficit;
- h) Cash flows from operating, investing & financing activities by major class;

# Disclosures



Illustrative disclosure



**Adobe Acrobat  
Document**

# Interactive Session

