



INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) SEMINAR

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Session Focus



- **Preparation and Presentation of Financial (Cash/Accrual) and Application of IPSAS Financial Statement requirement to public sector entities**
- **IPSAS 22: “Disclosure of Financial Information about the General Government Sector”**

- The constitution of Kenya (Chapter 12) provides the foundational and overarching framework for public financial management
- **Article 226(1)(a)** exclusively provides that an Act of Parliament shall provide for the keeping of financial records and the auditing of accounts of all governments and other public entities, and prescribe other measures for securing efficient and transparent fiscal management
- Sec. 192 of PFMA 2012 establishes the PSASB and mandates it to provide frameworks and set generally accepted standards for development and management of accounting and financial systems by all state organs and public entities
- Section 81(3) and 83(2)(b) requires Accounting officers of National Government entities prepare annual and quarterly financial reports according to standards prescribed by PSASB

- Section 164(1) and 166(1) of the PFM Act requires Accounting officers of a County Government entity prepare annual and quarterly financial reports according to standards prescribed by PSASB
- Sections 82 and 165 provides for similar requirements for receivers of revenues for both National and County Government entities respectively
- **Gazette Notice No 5440** - all Accounting officers to comply and provides for the development of Standard Templates for ease of conformity and compliance

Purpose of adopting IPSAS



- To conform to high quality, credible, internationally recognized standards
- To provide users public sector financial reports with relevant and transparent information to make decisions and hold officials to account
- Standardize financial reporting to ease of audit
- Provides a consistent and objective approach to deal with public sector specific issues, e.g. concepts level, compliance with budget, non-exchange transactions
- Offers a platform for credible basis for reporting statistics
- Facilitates government wide consolidation of Financial Statements

IPSAS Adoption & Road map



- ❑ The PSASB **adopted** the financial reporting standards applicable to public sector entities as follows:
 - National & County Governments –IPSAS Cash basis of accounting;
 - Semi Autonomous Government Agencies (SAGAs) – IPSAS accrual; and
 - State Corporations (Commercial) – IFRS

The Guidelines (PSASB)



To comply with IPSAS (Cash/Accrual), the PSASB has provided that all public sector entities provide the information in their financial reports in the standard formats/templates provided

[Annual Reporting Template for MDAs Updated for June 2018.doc](#)

[IPSAS Accrual template for SC SAGAs 2017-2018 - Revised.docx](#)

Cash Basis IPSAS



This Standard comprises two parts (I & II):

- **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.

It defines the cash basis of accounting, establishes requirements for the disclosure of information in the financial statements and supporting notes, and deals with other specific reporting issues.

- **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.

Cash Basis IPSAS



- **Mandatory**
 - Consolidated Statement of Cash Receipts and Payments
 - Statement of Comparison of Budget and actual amounts
 - Notes to Financial Statements

- **Voluntary**
 - Statement of Cash Assets and Fund Balances
 - Statement of Outstanding Invoices (Liabilities)
 - Statement of Unjustified Advances and Loans
 - Non-financial assets disclosure notes
 - Statement of Contingent Liabilities

Accrual Based IPSAS



A complete set of financial statements comprises:

- (a) A statement of financial position;
- (b) A statement of financial performance;
- (c) A statement of changes in net assets/equity;
- (d) A cash flow statement;
- (e) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements; and
- (f) Notes, comprising a summary of significant accounting policies and other explanatory notes.

Audit Opinion



Audit Opinion	Comment
<p>1. Unqualified 'The accounts give a true and fair view'</p>	<ul style="list-style-type: none">• A 'clean' opinion – this is the opinion everyone wants to see• May Contain Emphasis of Matters• May Contain Other Matters
<p>2. Qualified Opinion Except for..., the financial Statements are fairly presented</p>	<p>There are specific material misstatements, such as an incorrect accounting policy, debtors which are not recoverable, an undisclosed fraud or insider loan.</p>
<p>3. Adverse Opinion The Financial Statements are not fairly stated</p>	<p>There are so many fundamental misstatements in the accounts that they are completely wrong and misleading</p>
<p>4. Disclaimer of Opinion 'I am not able to express an opinion</p>	<p>There are so many missing documents or explanations that we do not have enough information to form an opinion</p>

**IPSAS 22—DISCLOSURE OF FINANCIAL INFORMATION
ABOUT THE GENERAL GOVERNMENT SECTOR**

Objective and scope



- **Introduction**
 - IPSAS 22 was issued in December 2006 and applies to annual periods beginning on or after 1 January 2008.
- **Objective & Scope**
 - IPSAS 22 offers governments the option to elect to disclose financial information about the general government sector (GGS). The standard outlines the disclosure requirements for this information
 - This standard applies to governments that prepare and present financial statements under the accrual basis of accounting and elect to disclose information about GGS .

Definitions



- General Government Sector (GGS): comprises all organizational entities of the general government as defined in statistical bases of financial reporting.

- The General Government Sector

The GGS is defined in the SNA 93* (and updates) as consisting of:

- 1) all resident central, state, and local government units
- 2) social security funds at each level of government
- 3) non-market non-profit institutions controlled by government units

* SNA 93: System of National Accounts 1993 prepared by the United Nations and other international organizations

General Government Sector



The GGS comprises those non-profit entities that undertake non-market activities and rely primarily on appropriations or allocations from the government budget to fund their service delivery activities. The statistical bases of financial reporting may also provide information about:

- the corporations sector of government that primarily engages in market activities
- the public sector as a whole.

Corporations sector of government



- The corporations sector of government that primarily engages in market activities is usually characterized as :
 - the public financial corporations (PFC) sector
 - the public nonfinancial corporations (PNFC) sector
 - PFC: the public financial corporations sector comprises:
 - resident government-controlled financial corporations
 - quasi-corporations
 - non-profit institutions
- that primarily engage in financial intermediation and the provision of financial services for the market.
- Comprised in the PFC-sector are government-controlled banks, including central banks, and other government financial institutions that operate on a market basis

Corporations sector of government



- PNFC: the nonfinancial corporations sector comprises:
 - resident government-controlled non-financial corporations
 - quasi-corporations
 - non-profit institutionsthat produce goods or nonfinancial services for the market.
- Comprised within the PNFC-sector are entities such as publicly owned utilities and other entities that trade in goods and services.

Accounting Policies



- Financial information about the GGS should be disclosed in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the government, with following exceptions :
 - the requirements of IPSAS 6 Consolidated and Separate Financial Statements do not apply in respect of entities in the PFC and PNFC-sector.
 - the investments in the PFC and PNFC-sector should be recognized as an asset and should be accounted at the carrying amount of the net assets of its investees.

Disclosures



- Disclosures made about of the general government sector shall include as a minimum :
 - Assets by major class, showing separately the investment in other sectors
 - Liabilities by major class
 - Net assets/equity
 - Total revaluation increments and decrements and other items of revenue and expense recognized directly in net assets/equity
 - Revenue by major class
 - Expenses by major class
 - Surplus or deficit
 - Cash flows from operating activities by major class
 - Cash flows from investing activities
 - Cash flows from financing activities

Disclosures Cont...



- The manner of presentation of the GGS disclosures shall be no more prominent than the government's financial statements prepared in accordance with IPSASs.
- Significant controlled entities that are included in the GGS shall be disclosed and disclosure of any changes in those entities from the prior period must be made, together with an explanation of the reasons why any such entity that was previously included in the GGS is no longer included.
- A reconciliation between the GGS disclosures and the consolidated financial statements of the government should be performed, showing separately the amount of the adjustment to each equivalent item in those financial statements.

Thank you