

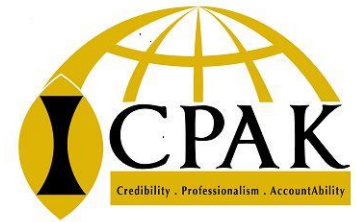
Status updates from IPSAS Board and FiRe Award overview

Presentation by:
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Annual Financial Reporting Week

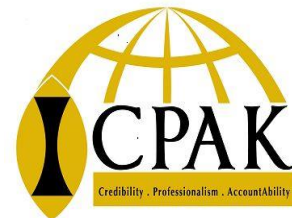
10th – 14th September 2018
Hilton Hotel, Nairobi

Presentation Outline



- ☐ Legal foundation –Constitution & PFM Act
- ☐ Why IPSAS
- ☐ PSASB Guidelines and updates
- ☐ FiRe Award Overview

Legal Foundation



- 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.

Legal Foundation



- The PFM Act (2012) creates 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
- In 2015/16, the CS for the National Treasury issued circulars to all Accounting officers to comply with the same and provides Standard Templates for ease of conformity and compliance

Purpose of adopting IPSAS



- To conform to high quality, credible, internationally recognized standards
- To provide users of public sector financial reports with relevant and transparent information to make decisions and hold officials to account
- Standardize financial reporting to ease audit exercise
- 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

Application –General purpose accounts



- General purpose accounts are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs
- Users of general purpose accounts include
 - ✓ Tax payers and rate payers
 - ✓ Members of the legislature
 - ✓ Creditors
 - ✓ Suppliers
 - ✓ The media, and
 - ✓ Employees

Complete set of financial statements



- Statement of financial position
- Statement of financial performance
- A statement of changes of net assets/equity
- Statement of cash flows
- Statements of appropriation/ comparative budgets (if applicable)
- Notes to the financial statements - comprising of a summary of significant accounting policies and other explanatory notes.

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.

Titles page



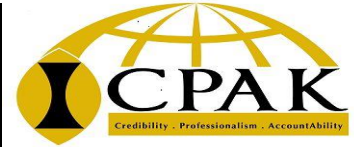
- Name of entity whose reports and financial statements are being presented
- Clearly define the financial period for which the financial statements are being presented
- A declaration to the fact that the reports are presented in accordance of either cash or accrual method under IPSAS

I: Key entity information



- Background information –establishment/creation and who is responsible for policy and strategic direction of the entity
- Principal activities/mission –for SAGAS (accrual basis)
- Key management –defines organs responsible for the entities management e.g. board, council and other functions of management
- Fiduciary management – key personnel who held office during the year being reported

I: Key entity information



- Fiduciary oversight arrangements e.g. audit and finance committees activities, parliamentary committees activities, development partners oversight activities and any other oversight activities
- Physical address for the entity headquarters
- Entity contacts
- Entity bankers
- Independent auditors, and
- Principal legal advisor

II: Reports –Cash based method



- A forward by the CS/CEC Finance
- Include the following at minimum
 - ✓ Summary of budget performance against actual
 - ✓ Key achievements for the entity
 - ✓ Emerging issues related to entity
 - ✓ Implementation challenges and recommended way forward

II: Reports –Accrual based method



- List of Board of Directors
- Management Team
- Chairman's statement
- Report of CEO
- Corporate governance statement
- Corporate social responsibility statement
- Report of the directors

III: Statement of Entity Management /Directors Responsibilities



- ❑ At a minimum, the statement MUST provide:
 - A declaration of the accounting officer's responsibility for the entity financial statements
 - A declaration that the accounts present a true and fair view of the entity's state of affairs for and as at the end of the year under review
 - Responsibilities include:
 - ✓ Maintain adequate & effective financial management arrangements
 - ✓ Maintain proper records & accurate disclosures
 - ✓ Design, implement and maintain internal controls
 - ✓ Safeguards assets of the entity
 - ✓ Selects and applies appropriate accounting policies, and
 - ✓ Making reasonable accounting estimates

IV: Report of Independent Auditors



- ❑ At a minimum, it presents:
 - A declaration that the auditor has audited the listed accompanying financial statements
 - Assignment of the management's responsibility
 - A declaration of the auditors responsibility as solely to render an opinion
 - The auditor's opinion on the audited accounts. This shall be one of the four:
 - ✓ Unqualified opinion
 - ✓ Qualified opinion
 - ✓ A disclaimer opinion
 - ✓ Adverse opinion

V: Statement of Receipts & Payments – Cash Basis



- This captures the sources of receipts & payments for the entity
- Summarizes the surpluses or deficit for the year

VI: Statement of Assets/Financial position



- ❑ Presents a summary of:
 - Assets of the entity for cash basis method
 - Financial position of the entity for accrual basis method

VII: Statement of changes in Net Assets (Accrual method)



- Presents the changes in the assets of the entity for those reporting under the accrual method

Statement of Cash flows



- Presents the cash flows of the entity for the accounting period under review

VIII: Summary statement of Appropriation Recurrent & Development



- Presents the appropriations/budgetary allocations combined under Cash basis method
- Also presents summary statement of appropriation for recurrent and development separately

VIII: Statement of comparisons of Budget and Actual amounts



- Presents comparative budgets for the entity for the financial period under review

IX: Significant Accounting Policies and Notes to the accounts



- Highlights the principal accounting policies used in preparation of the accounts
- Provides detailed notes to the accounts

IPSAS and new developments



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IPSAS Summary

In this guide we summarize the provisions of all IPSAS standards, recommended practice guidelines (RPGs) and the conceptual framework, outstanding at January 1, 2017.

This summary is intended as general information and is not a substitute for reading the entire standard, recommended practice guideline and conceptual framework.

IPSAS	Pronouncement	Based on
IPSAS 1	Presentation of Financial Statements	IAS 1
IPSAS 2	Cash Flow Statements	IAS 7
IPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8
IPSAS 4	The Effects of Changes in Foreign Exchange Rates	IAS 21
IPSAS 5	Borrowing Costs	IAS 23
IPSAS 6	Consolidated and Separate Financial Statements	IAS 27
IPSAS 7	Investments in Associates	IAS 28
IPSAS 8	Interests in Joint Ventures	IAS 31
IPSAS 9	Revenue from Exchange Transactions	IAS 18
IPSAS 10	Financial Reporting in Hyperinflationary Economies	IAS 29
IPSAS 11	Construction Contracts	IAS 11
IPSAS 12	Inventories	IAS 2
IPSAS 13	Leases	IAS 17
IPSAS 14	Events After the Reporting Date	IAS 10
IPSAS 15	Financial Instruments: Disclosure and Presentation — superseded by IPSAS 28 and IPSAS 30	

IPSAS and new developments



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IPSAS 15	Financial Instruments: Disclosure and Presentation — superseded by IPSAS 28 and IPSAS 30	
IPSAS 16	Investment Property	IAS 40
IPSAS 17	Property, Plant and Equipment	IAS 16
IPSAS 18	Segment Reporting	IAS 14
IPSAS 19	Provisions, Contingent Liabilities and Contingent Assets	IAS 37
IPSAS 20	Related Party Disclosures	IAS 24
IPSAS 21	Impairment of Non-Cash-Generating Assets	IAS 36
IPSAS 22	Disclosure of Financial Information About the General Government Sector	N/A

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IPSAS	Pronouncement	Based on
IPSAS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)	N/A
IPSAS 24	Presentation of Budget Information in Financial Statements	N/A
IPSAS 25	Employee Benefits — superseded by IPSAS 39	
IPSAS 26	Impairment of Cash-Generating Assets	IAS 36
IPSAS 27	Agriculture	IAS 41
IPSAS 28	Financial Instruments: Presentation	IAS 32
IPSAS 29	Financial Instruments: Recognition and Measurement	IAS 39
IPSAS 30	Financial Instruments: Disclosures	IFRS 7
IPSAS 31	Intangible Assets	IAS 38
IPSAS 32	Service Concession Arrangements: Grantor	IFRIC 12

IPSAS and new developments



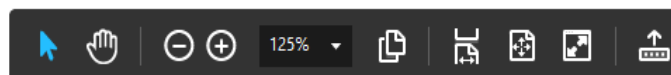
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IPSAS 33	First-time Adoption of Accrual Basis IPSASs	N/A
IPSAS 34	Separate Financial Statements	IAS 27
IPSAS 35	Consolidated Financial Statements	IFRS 10
IPSAS 36	Investments in Associates and Joint Ventures	IAS 28
IPSAS 37	Joint Arrangements	IFRS 11
IPSAS 38	Disclosure of Interests in Other Entities	IFRS 12
IPSAS 39	Employee Benefits	IAS 19
IPSAS 40	Public Sector Combinations	IFRS 3
RPG 1	Reporting on the Long-Term Sustainability of an Entity's Finances	N/A
RPG 2	Financial Statement Discussion and Analysis	N/A
RPG 3	Reporting Service Performance Information	N/A
	The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities	N/A
	Financial Reporting under the Cash-Basis of Accounting	N/A



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FIRE AWARD Overview

Please refer to separate presentation attached

Monday, 24 September 2018

And finally.....

