



# **International Public Sector Accounting Standards (IPSAS) Workshop NAKURU**

**Theme: Increasing Accountability Through Quality Public  
Sector Accounting**

## **Presentation under IPSAS**

# Learning Outcome

- At the end of this session, delegates should:-
  - α Understand and describe the components of financial statements
  - α Appreciate key standards with impact on financial statements
  - α View of the key pronouncements by PSASB in 2018
  - α Get understanding of outstanding gaps in financial reporting under IPSAS .

# Content



# IPSAS 1

## **Effective date**

- Issued in May 2000 and effective for annual periods beginning on or after January 1, 2008.

## **Scope**

- All financial statements (FS) prepared in accordance with IPSAS

## **Objective**

- To set out the manner in which general-purpose financial statements shall be prepared under the accrual basis of accounting, including guidance for their structure and the minimum requirements for content.

# Objectives of GPFR

- To provide information useful for **decision making**, and to **demonstrate the accountability** of the entity for the resources entrusted to it, by providing:-
  - a. information about the **sources, allocation**, and **uses** of financial resources;
  - b. information about **how** the entity **financed its activities** and **met its cash requirements**;
  - c. information that is useful in evaluating the entity's **ability to finance** its activities and to **meet its liabilities and commitments**;
  - d. information about the **financial condition** of the entity and **changes** in it; and
  - e. aggregate information useful in evaluating the **entity's performance** in terms of service costs, efficiency, and accomplishments.

# Components of Financial Statements

- A complete set of financial statements comprises:
  - Statement of financial position
  - Statement of financial performance
  - Statement of changes in net assets/equity
  - Cash flow statement
  - **When the entity makes its approved budget publicly available, a comparison of budget and accrual amounts**
  - Notes, comprising a summary of significant accounting policies and other explanatory notes

# Overall Consideration



# Compliance with IPSAS

- An entity whose financial statements comply with IPSAS shall make an **explicit and unreserved statement** of such compliance in the notes.
- Financial statements shall not be described as complying with IPSAS unless they comply with **all the requirements** of IPSAS.



# Going Concern

- Management should make an assessment of the entity's ability to continue as a going concern
- Management takes into account **all available information about the future**, which is at least, but is not limited to, twelve months from the reporting date
- Management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing
- Disclose that fact, if financial statements not prepared on a going concern basis, the basis on which you prepared the financial statements and the reason why the entity is not regarded as a going concern

# Consistency & Frequency of Presentation

- Retain the same presentation and classification of items unless
  - Change will result in more appropriate presentation as required by IPSAS 3
  - Change required by an IPSAS
- Present a complete set of financial statements (including comparative information) at least annually.
- If FS are presented for a period longer or shorter than one year, disclose:
  - that fact and the reason for using a longer or shorter period.
  - the fact that comparative amounts presented in the financial statements (and notes) are not entirely comparable.

# Comparative Information

- Enhancing the inter-period comparability of information allowing the assessment of trends in financial information for predictive purposes.
- Comparative narrative and descriptive information relevant to Accounting policy applied retrospectively or retrospective restatement of items or reclassifies items then present statements of financial position as at:
  - the end of the current period,
  - the end of the previous period
  - the beginning of the earliest comparative period.

# Materiality & Aggregation

- Separate presentation of material items of dissimilar nature or function
- Materiality depends on the size and nature of the omission or misstatement judged in its context.
- Immaterial items need not be presented separately
  - Aggregate with amounts of similar nature or function
  - If sufficiently material after aggregation, separate presentation in notes required

# Fair Presentation

- Achieved by appropriate application of IPSAS
- Requires faithful representation of effects of transactions, events and conditions in accordance with recognition criteria set out in the Framework

# Accrual Basis of Accounting

- Prepare its financial statements, except for cash flow information, using the accrual basis of accounting.
- Recognises items as assets, liabilities, equity, income and expenses when they satisfy the definitions and recognition criteria


# Statement of Financial Position

- Include line items that present assets:
  - Property, plant and equipment;
  - Investment property;
  - Intangible assets;
  - Financial assets
  - Investments accounted for using the equity method;
  - Biological assets;
  - Inventories;
  - Trade and other receivables;
  - Current tax recoverable; and
  - Cash and cash equivalents; etc.

# Statement of Financial Position (continued)

- Liabilities
  - Trade and other payables;
  - Provisions;
  - Financial liabilities
  - Liabilities for current tax,
  - Deferred tax liabilities
  - Liabilities included in disposal groups classified as held for sale
  - Finance lease obligations
- Equity
  - Net assets residual interest
  - Increased by surplus and
  - Reduced by deficit
  - Share capital (if any- some public sector entities will not have share capital)





**A financial asset is classified as current when it is held primarily for the purpose of being traded and it is expected to be realised between 12 and 24 months after the reporting period.**

- A) True
- B) False

## CURRENT ASSETS IF;

- Involved in normal operating cycle
- Held primarily for trading purposes
- Expected to be realised within 12 months
- Cash or a cash equivalent

## CURRENT LIABILITIES IF;

- Involved in normal operating cycle
- Held primarily for trading purposes
- Due to be settled within 12 months
- **No unconditional right to defer settlement for at least 12 months**

# Statement of Financial Performance

- All items of revenue and expenses recognized in the period shall be included in surplus or deficit unless an IPSAS requires otherwise
- As a minimum, the face of the statement of financial performance shall include line items that present the following amounts for the period:
  - Revenue;
  - Finance costs;
  - Share of the surplus or deficit of associates and joint ventures accounted for using the equity method;
  - Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinuing operations; and
  - Surplus or deficit.

# Classification of Expenses

- Analysis of expenses in the statement of financial performance may be given by
  - i. nature; or
  - ii. function.
- If presented by function, classification of expenses by nature should be provided as additional notes.

# Nature

Revenue		X
Employee benefits costs	X	
Depreciation and amortization expense	X	
Other expenses	X	
Total expenses	<hr/>	(X) <hr/>
Surplus		<hr/> <hr/> X

# Function

Revenue	X
Expenses:	
Health expenses	(X)
Education expenses	(X)
Other expenses	(X)
	<hr/>
Surplus	X
	<hr/> <hr/>

# Other Comprehensive Income

- IPSAS 1 does not discuss the concept of OCI, however under the Implementation guidance (IG4), these items are presented directly in the statement of changes in net assets/equity. They include:
  - i. changes in revaluation surplus
  - ii. actuarial gains and losses on defined benefit plans
  - iii. gains and losses arising from translating the financial statements of a foreign operation
  - iv. gains and losses on re-measuring available-for-sale financial
  - v. the effective portion of gains and losses on hedging instruments in a cash flow hedge.

# Statement of Changes in Net Assets

- An entity shall present a statement of changes in net assets/equity showing on the face of the statement:
  - a. Surplus or deficit for the period;
  - b. Each item of revenue and expense for the period that, as required by other Standards, is recognized directly in net assets/equity, and the total of these items;
  - c. Total revenue and expense for the period (calculated as the sum of (a) and (b)), showing separately the total amounts attributable to owners of the controlling entity and to minority interest; and
  - d. For each component of net assets/equity separately disclosed, the effects of changes in accounting policies and corrections of errors recognized in accordance with IPSAS 3.



# Statement of Changes in Net Assets (continued)

- An entity shall also present, either on the face of the statement of changes in net assets/equity or in the notes:
  - a. The amounts of transactions with owners acting in their capacity as owners, showing separately distributions to owners;
  - b. The balance of accumulated surpluses or deficits at the beginning of the period and at the reporting date, and the changes during the period; and
  - c. To the extent that components of net assets/equity are separately disclosed, a reconciliation between the carrying amount of each component of net assets/equity at the beginning and the end of the period, separately disclosing each change.

# Notes

- Present information in systematic order and cross reference to “main” statements. Normally presented in the following order:
  - Statement of compliance with IPSAS
  - Bases of measurement and significant accounting policies applied
  - Management’s judgements in applying accounting policies with significant effects on amounts recognised
  - Supporting information required by IPSAS for items presented in the “main” statements
  - Other disclosures e.g. contingent liabilities, related parties etc.

# IPSAS 2

## **Effective date**

- IPSAS 2 is effective for annual periods beginning on or after July 1, 2001.

## **Scope**

- All financial statements (FS) prepared under the accrual basis of accounting in accordance with IPSAS

## **Objective**

- To require the presentation of information about historical changes in a public sector entity's cash and cash equivalents by means of a cash flow statement that classifies cash flows during the period according to operating, investing, and financing activities.

# IPSAS 3

## **Effective date**

- IPSAS 3 was issued in May 2000 and became effective for annual periods beginning on or after January 1, 2008.

## **Scope**

- Applicable to all financial statements (FS) in selection and applying accounting policies and accounting for changes in policies and prior period errors under IPSAS.

## **Objective**

- To prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and the corrections of errors.

# IPSAS 14

## **Effective date**

- Annual periods beginning on or after January 1, 2008.

## **Scope**

- All financial statements (FS) prepared under the accrual basis of accounting in accordance with IPSAS

## **Objective**

- To prescribe when an entity shall adjust its financial statements for events after the reporting date and disclose that an entity should give about the date when the financial statements were authorized for issue, and about events after the reporting date.

# IPSAS 18

## **Effective date**

- Periods beginning on or after July 1, 2003.

## **Scope**

- All financial statements (FS) prepared under the accrual basis of accounting in accordance with IPSAS

## **Objective**

- To establish principles for reporting financial information by segments to better understand the entity's past performance and to identify the resources allocated to support the **major activities** of the entity, and enhance the transparency of financial reporting and enable the entity to better discharge its accountability obligations.

# IPSAS 20

## **Effective date**

- Annual periods beginning on or after January 1, 2004.

## **Scope**

- All financial statements (FS) prepared under the accrual basis of accounting in accordance with IPSAS

## **Objective**

- To ensure that financial statements disclose the existence of related-party relationships and transactions between the entity and its related parties.

# IPSAS 24

## Effective date

- Annual periods beginning on or after January 1, 2009.

## Scope

- IPSAS 24 applies to public sector entities, other than **GBEs**, that are required or elect to make publicly available their approved budget.

## Objective

- To ensure that public sector entities discharge their **accountability obligations** and **enhance the transparency** of their financial statements by **demonstrating compliance** with the approved budget for which they are held publicly accountable and, where the budget and the financial statements are prepared on the same basis, their **financial performance** in achieving the **budgeted results**.



# FINANCIAL STATEMENTS

## CASH BASED FINACIAL STATEMENTS

- a) STATEMENT OF RECEIPTS AND PAYMENTS
- b) STATEMENT OF ASSETS**

## **ACCRUAL BASED FINANCIAL STATEMENTS;**

- a) STATEMENT OF FINANCIAL PERFORMANCE**
- b) STATEMENT OF FINANCIAL POSITION**

# a) STATEMENT OF RECEIPTS AND PAYMENTS-CASH BASED

	Note	2014-2015	2013-2014
		Kshs	Kshs
<b>RECEIPTS</b>			
Tax Receipts	1	xxx	xxx
Social Security Contributions	2	xxx	xxx
Proceeds from Domestic and Foreign Grants	3	xxx	xxx
Exchequer releases	4	xxx	xxx
Transfers from Other Government Entities	5	xxx	xxx
Proceeds from Domestic Borrowings	6	xxx	xxx
Proceeds from Foreign Borrowings	7	xxx	xxx
Proceeds from Sale of Assets	8	xxx	xxx
Reimbursements and Refunds	9	xxx	xxx
Returns of Equity Holdings	10	xxx	xxx
Other Receipts	11	xxx	xxx
<b>TOTAL RECEIPTS</b>		xxx	xxx
<b>PAYMENTS</b>			
Compensation of Employees	12	xxx	xxx
Use of goods and services	13	xxx	xxx
Subsidies	14	xxx	xxx
Transfers to Other Government Units	15	xxx	xxx
Other grants and transfers	16	xxx	xxx
Social Security Benefits	17	xxx	xxx
Acquisition of Assets	18	xxx	xxx
Finance Costs, including Loan Interest	19	xxx	xxx
Repayment of principal on Domestic and Foreign borrowing	20	xxx	xxx
Other Payments	21	xxx	xxx
<b>TOTAL PAYMENTS</b>		xxx	xxx
<b>SURPLUS/DEFICIT</b>		xxx	xxx

# b) STATEMENT OF ASSETS-CASH BASED

	Note	2014-2015	2013-2014
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
Cash and Cash Equivalents			
Bank Balances	22A	Xxx	xxx
Cash Balances	22B	Xxx	xxx
Total Cash and cash equivalent		<u>Xxx</u>	<u>xxx</u>
Accounts receivables – Outstanding Imprests	23	Xxx	xxx
<b>TOTAL FINANCIAL ASSETS</b>		Xxx	xxx
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – Deposits and retentions	24	xxx	xxx
<b>NET FINANCIAL ASSETS</b>		XXX	XXX
<b>REPRESENTED BY</b>			
Fund balance b/fwd	25	Xxx	xxx
Surplus/Deficit for the year		Xxx	xxx
<b>NET FINANCIAL POSSITION</b>		XXX	XXX

# STATEMENT OF FINANCIAL PERFORMANCE- ACCRUAL

Revenue from non-exchange transactions		YR 2	YR 1	IPSAS 1.102 (a) IPSAS 1 108, IPSAS 23.105 (a)
Property taxes revenue	3	XXX	XXX	IPSAS 1.104, IPSAS1.106, IPSAS 23.105(a) (i)
Public contributions and donations	4	XXX	XXX	IPSAS 1.104, IPSAS1.106, IPSAS 23.105 (a) (ii)
Fines, penalties and levies	5	XXX	XXX	IPSAS 1.104, IPSAS1.106, IPSAS 23.105 (a) (i)
Licenses and permits		XXX	XXX	IPSAS 1.104, IPSAS1.106, IPSAS 23.105(a) (i)
Transfers from other governments – gifts and services-in-kind	6	XXX	XXX	IPSAS 1.104, IPSAS1.106, IPSAS 23.105(a) (ii)
		XXX	XXX	
Revenue from exchange transactions				
Rendering of services	7	XXX	XXX	IPSAS 9.39 (b) (i)
Sale of water and electricity	8	XXX	XXX	IPSAS 9.39 (b) (ii)
Rental revenue from facilities and equipment	9	XXX	XXX	IPSAS 9.39 (b) (i) (ii)
Finance income - external investments	10	XXX	XXX	IPSAS 9.39 (b) (iii)
Finance income - outstanding receivables	11	XXX	XXX	IPSAS 9.39 (b) (iii)
Agency fees		XXX	XXX	IPSAS 1.106
Other income	12	XXX	XXX	IPSAS 1.104
		XXX	XXX	IPSAS 1 108
Total revenue		XXX	XXX	IPSAS 1.104

# STATEMENT OF FINANCIAL PERFORMANCE- ACCRUAL

Expenses		YR 2	YR 1	
Bulk purchases of water and electricity	13	XXX	XXX	IPSAS 1.109 - 112, IPSAS 1.106
Employee costs	14	XXX	XXX	
Remuneration of councilors	15	XXX	XXX	
Depreciation and amortization expense	16	XXX	XXX	
Repairs and maintenance	17	XXX	XXX	
Contracted services	18	XXX	XXX	
Grants and subsidies	19	XXX	XXX	
General expenses	20	XXX	XXX	
Finance costs	21	XXX	XXX	IPSAS 1.102 (b)
Collection cost		XXX	XXX	IPSAS 1.109 - 112, IPSAS 1.106
Total expenses		XXX	XXX	IPSAS 1.104
Other gains/(losses)				IPSAS 1.104
Gain on sale of assets	22	XXX	XXX	IPSAS 1.107(c)
Gain on foreign exchange transactions		XXX	XXX	IPSAS 1.104
Unrealized gain on fair value of investments	23	XXX	XXX	IPSAS 1.104
Impairment loss	24	(XXX)	(XXX)	IPSAS 1.107(a)
Surplus before tax		XXX	XXX	IPSAS 1.102 (d)
Taxation	25	(XXX)	(XXX)	IPSAS 1.06
Surplus for the period		XXX	XXX	IPSAS 1.102 (d)
Attributable to:				
Surplus/(deficit) attributable to minority interest		XXX	(XXX)	IPSAS 1.103 (a), IPSAS 6.54
Surplus attributable to owners of the controlling entity		XXX	XXX	IPSAS 1.103 (b)
		XXX	XXX	

# STATEMENT OF FP- ACCRUAL

Assets		YR 2	YR 1	
<b>Current assets</b>				
Cash and cash equivalents	26	XXX	XXX	IPSAS 1.88 (i)
Receivables from exchange transactions	27	XXX	XXX	IPSAS 1.88 (h)
Receivables from non-exchange transactions	28	XXX	XXX	IPSAS 1.88 (g)
Current portion of long-term receivables from exchange transactions	27	XXX	XXX	IPSAS 1.88 (g)
Inventories	29	XXX	XXX	IPSAS 1.88 (f)
Investments	30	XXX	XXX	IPSAS 1.88 (b)
		XXX	XXX	IPSAS 1.70, IPSAS 1.76
<b>Non-current assets</b>				
Property, plant and equipment	31	XXX	XXX	IPSAS 1.88 (a)
Investments	30	XXX	-	IPSAS 1.88 (e), IPSAS 7.44
Intangible assets	32	XXX	XXX	IPSAS 1.88 (c)
Investment property	33	XXX	XXX	IPSAS 1.88 (b)
Long term receivables from exchange transactions	27	XXX	XXX	IPSAS 1.88 (g)
		XXX	XXX	IPSAS 1.70, IPSAS 1.76
<b>Total assets</b>		XXX	XXX	IPSAS 1.89

# STATEMENT OF FP- ACCRUAL

Liabilities		YR 2	YR 1	
<b>Current liabilities</b>				
Trade and other payables from exchange transactions	34	XXX	XXX	IPSAS 1.88 (k)
Refundable deposits from customers	35	XXX	XXX	IPSAS 1.89
Provisions	36	XXX	XXX	IPSAS 1.88 (l)
Finance lease obligation	41	-	XXX	
Current portion of borrowings	42	XXX	XXX	
Deferred income	37	XXX	XXX	IPSAS 1.89
Employee benefit obligation	40	XXX	XXX	IPSAS 1.88 (m)
Payments received in advance		XXX	XXX	IPSAS 1.89
Taxation		XXX	XXX	IPSAS 1.88 (m)
		XXX	XXX	IPSAS 1.70
<b>Non-current liabilities</b>				
Non-current employee benefit obligation	40	XXX	XXX	IPSAS 1.88 (m)
Non-current provisions	39	XXX	XXX	IPSAS 1.88 (l)
Borrowings	42	XXX	XXX	
Service concession liability	46	XXX	-	
Deferred tax liabilities	25	XXX	XXX	
		XXX	XXX	IPSAS 1.70
<b>Total liabilities</b>		XXX	XXX	IPSAS 1.89
<b>Net assets</b>		XXX	XXX	IPSAS 1.88 (o)
Reserves		XXX	XXX	IPSAS 1.88 (o), IPSAS 1.94 (f), IPSAS 1.95 (a)
Accumulated surplus		XXX	XXX	IPSAS 1.88 (o), IPSAS 1.94 (f), IPSAS 1.95 (a)
Minority interest		XXX	XXX	IPSAS 6.54
<b>Total net assets and liabilities</b>		XXX	XXX	IPSAS 1.89

# KEY AMENDMENTS BY PSASB

In June 2018, PSASB issued a circular covering the changes in the financial reporting templates;

1. Removal of the auditor's sample report.
2. Related parties and related party transactions
3. New and revised standards applicable in 2017/18 and going forward;
  - IPSAS 39 : Employee benefits
  - IPSAS 42 : Social Benefits
  - Approved budgets templates etc
4. Other amendments- including elaborate details under corporate governance, more elaborate notes to financial statement ,detailed significant accounting policies.



# FiRe Award 2018

## Public Sector Evaluation Report

- ∞ A total of 508 annual reports and audited financial statements of public sector entities were received and evaluated. This excludes the 94 from counties which were evaluated after the Awards.
- ∞ Most public sector entities are availing annual reports and audited financial statements on their websites.
- ∞ Some entities publish AFS without the complete OAG's report – *we could not confirm whether this is intentional or an oversight.*

# SCORING CRITERIA

CRITERIA	TOTAL MARKS
Compliance with IFRS/IPSAS & Other Technical Pronouncements	70
Report of the Independent Auditor	30
Clarity of Notes, including Significant Accounting Policies	10
Compliance with Reporting Requirements of the PFM Act or any other regulatory requirements	30
Board & Management reports	10
Presentation of performance data	10
Design, layout & visual appearance of the annual report including typeface	05
Governance Report	30
Social Responsibilities & Environmental Reporting	05
<b>Total Marks Awarded</b>	<b>200</b>

# REPORT OF THE AUDITOR GENERAL

- What we observed:

- The audit reports based on Public Audit Act of 2003 even when the reports are issued after the commencement of Public Audit Act 2015 on 7 January 2016 (section 73).
- The Audit reports yet to authoritatively state (confirm) whether or not public money has been applied lawfully and in an effective way (Article 229(6)).
- Addressee - to whom should the OAG address his/her report? - ISSAI 1700, P11. *When applying paragraph A16 of the ISA and when laws and regulations do not specify the addressee for the auditor's report, public sector auditors address the auditor's report to **those charged with governance or relevant part of the legislature**, as appropriate.*
- Some basis for modification would not arise if the audit process was effectively addressed between the auditee and the auditor – Need for joint trainings of auditors and the auditees on the audit process.

# IPSAS CASH

- Improvement noted from 2017:
- General improvement in formatting of financial statements, including deletion of unnecessary tables.
- Cross referencing – notes agreeing to the numbers in the “primary” financial statements.
- Attempt to customise significant accounting policies as opposed to boiler plate policies.
- A number of entities now including explanation for variances in actual and budgeted amounts.
- Few entities provided explanations between original and final budget including reasons for such changes.

# IPSAS CASH

- Findings:
  - **Annual Reports and Financial Statements**
    - ✓ Most reports failed to disclose the date when the financial statements were authorized for issue and who gave that authorization; and whether another body has the power to amend the financial statements after issuance.
    - ✓ Huge lag between the date of approval of financial statements (30 September 2017) and the opinion date was evident in most entities.
    - ✓ Some entities failed to ensure that the relevant statements and other information in the annual reports and financial statements are signed by those charged with governance (IPSAS 1.4.5).
    - ✓ Most entities failed to present an explanation of whether changes between the original and final budget are a consequence of reallocations within the budget and the actual (IPSAS 1.9.23).

# IPSAS CASH

- Findings:
- **Annual Reports and Financial Statements**
- ✓ Variances between the closing cash and cash equivalents in the statement of cash flows of previous year and brought forward in the statement of cash flow of current year – balancing figure – was evident in some entities.
- ✓ No disclosures of any restrictions on cash balances in most entities annual reports and audited financial statements.
- ✓ Few entities provided disclosures on undrawn borrowings and grants available to fund future operations.
- ✓ No disclosure of any amounts of external assistance cancelled or returned by entities – projects

# IPSAS ACCRUAL

- Improvement noted from 2017:
- Cross referencing – notes agreeing to the numbers in the “primary” financial statements
- Attempt to customise significant accounting policies as opposed to boiler plate policies.
- Increase in the number of entities now including explanation for variances in actual and budgeted amounts.
- General improvement in formatting of financial statements, including deletion of unnecessary tables.
- Attempts to explain variances between final budgets and the actuals on comparable basis.

# IPSAS ACCRUAL

- Findings:
- Annual Reports and Financial Statements
  - Several entities failed to disclose information about the judgements and key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities used in the preparation of the statements (1:137, 140).
  - Use of boiler plate accounting policies - most entities failed to tailor the accounting policies to their entities but instead focused on generic policies as provided in the illustrative financial statements.
  - Majority of annual reports and financial statements failed to disclose new and amendments to standards issues but not yet effective, while few included but date when the entity intends to adopt but failed to provide the impact of adoption on the entities financial statements when they become effective (3:35)



# IPSAS ACCRUAL

- Findings:

- Annual Reports and Financial Statements

- It was not clear in few entities the depreciation method used and there was a mix-up between the policy note and the property, plant and equipment movement schedule (17:88)
- In few annual reports and financial statements, management failed to make an assessment of the entity's ability to continue as a going concern (1:138).
- Limited disclosures on the nature of related party transaction and balances as well as terms of settlement etc.
- Several entities failed to disclose the number of individuals, determined on a full time equivalent basis, receiving remuneration within the category of key management personnel and within each major class (20:34)

# IPSAS ACCRUAL

- Findings:
- Annual Reports and Financial Statements
  - Significant number of entities did not provide qualitative and quantitative disclosure of risks such as credit risk, liquidity risk and market risk and policies on how to manage such risks (30:40-41).
  - Most entities failed to include explanations on the variances between final budget and the actual amounts; others included explanations which were mostly “irrelevant” *e.g. – 30% variance attributed to low absorption*” (24:14).
  - Several entities failed to present an explanation of whether changes between the original and final budget are a consequence of reallocations within the budget, or of other factors (IPSAS 24:29).

# IFRS EVALUATIONS

- Findings:
- Annual Reports and Financial Statements
  - Statement of financial position - a number of annual reports and financial statements did not indicate the date of authorisation for issue and whether the entity's owners or others have the power to amend the financial statements after issue.
  - In some annual reports and audited financial statements, management failed to make an assessment of the entity's ability to continue as a going concern.
  - A number of entities failed to disclose of new and amendments to standards issues but not yet effective. Those which disclosed, failed to include the date when the entity intends to adopt the standard and the impact of adoption on the entities financial statements when they become effective.

# IFRS EVALUATIONS

- Findings:

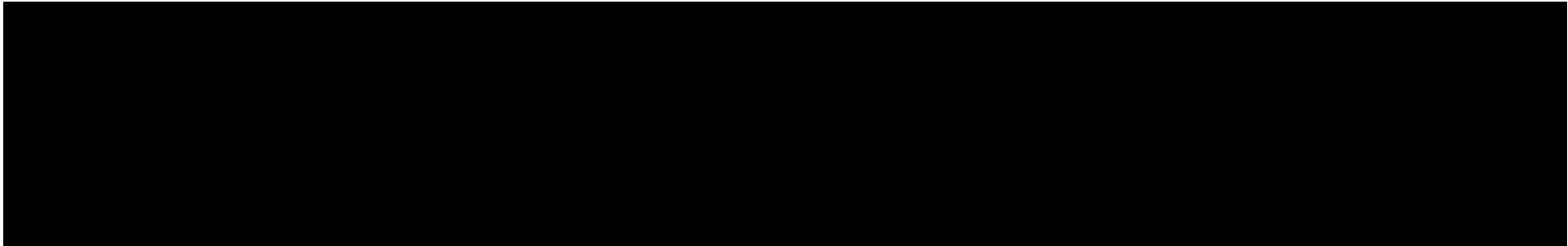
- Annual Reports and Financial Statements

- It was not clear in some entities the depreciation method used and there was a mix-up between the accounting policy and the property, plant and equipment movement schedule.
- Most entities failed to provide details of key management compensation and related party transactions as per IAS 24 requirements.
- The disclosure of related party transactions and balances failed to include the terms of the agreement, the nature of consideration to be provided in settlement and any impaired amounts.
- Most entities did not provide qualitative and quantitative disclosure of risks such as credit risk, liquidity risk and market risk and policies on how to manage such risks – IFRS 7.

# PFM & Other regulatory requirements

## What we observed:-

- General improvement in the inclusion of appendices by most entities. However, majority of entities under IFRS did not include these appendices – *outsourced audits*
- Progress on follow-up of auditor recommendations
  - most entities included this table and indicated that issues had been resolved, whereas same or related issues were present in the current auditor's report as basis for modification
  - Signed off but not dated
  - Highly summarised audit issues and the resolution, it was not possible to know what issues the auditor had raised and how it had been addressed
  - Few entities included a statement to the effect that *"we have responded to the audit queries raised by KENAO at the ministry level. Final report has been presented to PAC and the ministry is waiting for clearance"* – this negates the spirit of this appendix.
- Analysis of pending bills, outstanding imprest and other payables – several entities simply provided a listing... It adds value to include movement schedule.
- We did not see any entity which indicated that they had not complied with PFM and therefore a disclosure of steps to become compliant with the PFM Act in the Annual Report and Financial Statements.
- Very few entities presented a statement of the national government entity's performance against predetermined objectives – *this can be achieved by providing a detailed performance reports template for MDAs and other entities to populate which links the strategies of the entities to its performance and budget(s)*



# Presenter's Contacts

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