

IPSAS 1: PRESENTATION OF FINANCIAL STATEMENTS

Presentation by:

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Presentation Outline



- ❑ Overview of IPSAS 1
- ❑ FIRE Awards 2018 feedback
- ❑ PSASB 2018 illustrative financial statements template
- ❑ Related frameworks affecting financial reporting

IPSAS 1 Overview



- ❑ IPSAS 1 – Presentation of financial statements was initially developed in 2000 and reviewed in 2005 and the amendment became effective in 1/1/2008
- ❑ The review was to converge the standard with the IAS 1 reviews
- ❑ The amendment excluded reporting on selection and application of accounting policies now covered under IPSAS 3
- ❑ A statement as to the surplus or deficit (previously under IPSAS 3) was introduced in IPSAS 1

IPSAS 1 Overview



- ❑ It is applicable to all general purpose financial statements prepared & presented under the accrual basis of accounting in accordance with IPSASs.
- ❑ Fundamental principles underlying the preparation of financial statements must be presented i.e.:
 - ✓ going-concern assumption,
 - ✓ consistency of presentation and classification,
 - ✓ Accrual basis of accounting
 - ✓ Aggregation and materiality

IPSAS 1 Overview



- ❑ It provides for the following disclosures:
 - ✓ The accounting policies applied
 - ✓ Any judgements made in application of the policies which significantly affects the financial statements
 - ✓ Key assumptions relating to the future & other sources of uncertainty on the estimates
 - ✓ Domicile and legal form of the entity
 - ✓ Description of the nature of the entity's operations
 - ✓ Relevant legislations governing the entity
 - ✓ Name of the controlling entity

Financial Statements



- ☐ The standard is not applicable to condensed interim financial information
- ☐ The standard applies to all entities whether/not they are supposed to prepare consolidated financial statements or separate financial statements as per IPSAS 6

Financial Statements



- ❑ A complete set of financial statements must be published, this include:
 - ✓ Statement of financial position
 - ✓ Statement of financial performance
 - ✓ Statement of changes in net assets/equity
 - ✓ Cashflow statement
 - ✓ A comparison of budget and actual amounts (for publicly available budgets)
 - ✓ Notes comprising significant accounting policies and other explanatory notes

Financial Statements



- ❑ A statement of compliance to IPSAS should only be made if the entity has complied
- ❑ Assets & liabilities, revenues & expenses should not be offset unless permitted/required by other IPSAS
- ❑ Relevant comparative prior period information for information in financial statements and notes
- ❑ In case of changes in classification/presentation of items, comparative information shall be reclassified and such disclosure shall be disclosed
- ❑ Expenditures may be classified by function

Financial Statements



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2018 FIRE Awards



- ❑ Public sector entities have been participating in FIRE for the last 3 years now (from 2016)
- ❑ A total of 598 annual reports were received for Public sector entities
- ❑ The entities are assessed on among other things:
 - ✓ Auditors report
 - ✓ Compliance with IPSAS/IFRS
 - ✓ Compliance with PFM & other regulations
 - ✓ Governance, management and board reports
 - ✓ Social responsibility & environmental reporting
 - ✓ Design, layout, presentation of performance & notes

IPSAS Cash feedback



- ❑ Applicable for ministries, departments & independent offices. The feedback was as follows:
- ✓ Improved formatting of financial statements
- ✓ Clear cross-referencing, notes agreeing with figures
- ✓ Customization of accounting policies
- ✓ Explained variances on the budgeted amounts vs actual
- ✓ Non-disclosure of date & person authorizing report
- ✓ Big time lag between approval report & opinion date
- ✓ Statements not signed by the responsible officers

IPSAS Cash feedback



- ✓ Non-disclosure of undrawn future borrowings & grants
- ✓ Variances between closing cash and cash equivalents last year and the opening balance for current year
- ✓ No disclosure of restrictions on cash balances
- ✓ Non-disclosure of any cancelled external assistance or returned by entities (mainly for projects)
- ✓ Extra-ordinary items not identified & separately presented
- ✓ Prior year corrections not explained (lumpsum figure)

IPSAS Accrual feedback



- ❑ Applicable for semi autonomous government entities. The feedback was as follows:
- ✓ Cross referencing of figure to notes not well done
- ✓ Use of indirect method for cashflows as opposed to direct method as recommended by the standard
- ✓ Non disclosure of relevant accounting policies
- ✓ Statement of compliance to IPSAS made without strict compliance to the standards
- ✓ Non-customization of the accounting policies

IPSAS Accrual feedback



- ✓ Failure to disclose the depreciation method applied
- ✓ Minimal disclosures on related party transactions
- ✓ No evidence of assessment of the going concern
- ✓ Non-disclosure of risks faced by the entity (both qualitative and quantitative)
- ✓ Unexplained budget variations
- ✓ Non disclosure of judgements, key assumptions and the sources of estimation that are material

PSASB 2018 Template



- ❑ PSASB revised the financial reporting templates applicable from June 2018 as follows:
 - ✓ Removal of the OAG report from the template
 - ✓ Enhanced notes on related parties & related party transactions
 - ✓ New/revised standards were incorporated
 - ✓ Reporting of exchequer issues for counties as per county revenue allocation act
 - ✓ Elaborate information on corporate governance
 - ✓ Detailed notes to financial statements to include significant accounting policies & disclosure notes

RPG 1



- ❑ Concerned with the reporting for long-term sustainability of entity finances.
- ❑ RPG 1 requires a discussion on:
 - ✓ Current policies, economic and demographic assumptions
 - ✓ Updates of the projections and frequency of reporting
 - ✓ Impact of legal requirements and policy frameworks
 - ✓ Reasonability of assumptions
 - ✓ Sensitivity analysis
 - ✓ Inflation and discount rates

RPG 2



- ❑ It provides guide for preparation and presenting financial statement discussion and analysis (FSDA)
- ❑ FSDA helps users understand the financial statements
- ❑ It presents the following information:
 - ✓ Overview of operations of the entity
 - ✓ The entity's objectives and strategies
 - ✓ Analysis of the entity's financial statements including significant changes and trends
 - ✓ A description of significant risks and uncertainties facing the entity

RPG 3



- ☐ It provides guidance on reporting service performance information (SPI) for general purpose financial reports
- ☐ Service information report should be reported annually either as part of the financial statements or separately
- ☐ SPI enable users assess finances in relation to its objects
- ☐ For each service the following must be disclosed:
 - ✓ Service performance objectives
 - ✓ Performance indicators
 - ✓ Total costs of the services

Conceptual framework



- ❑ It defines the following:
 - ✓ Objectives of financial reporting by public sector entities
 - ✓ Reporting entity
 - ✓ Elements used in financial statements
- ❑ It further identifies the following:
 - ✓ The qualitative characteristics of general purpose financial reports
 - ✓ Criteria to be met for an item to be recognized in financial statements
 - ✓ Measurement concepts applied in selection of IPSAS and where there are no IPSAS

Q&A



❑ Any comments, questions, feedback.....

Q&A



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