



IPSAS Workshop

Recommended Practice Guidance (RPG)

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April 2019




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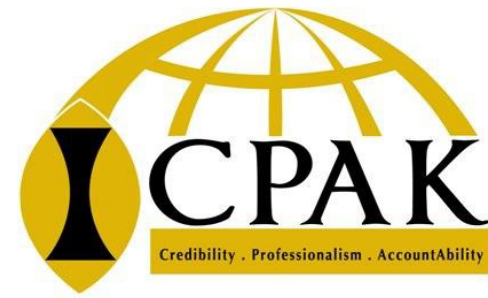
- Recommended Practice Guidance (RPGs) are developed and approved by the International Public Sector Accounting Standards Board. (IPSASB).
- IPSAS and RPGs are for use by all public sector entities including national, regional and local governments and related agencies.
- While IPSAS guide the preparations of financial statements, RPGs provide best practice guidance in preparation of general purpose financial report.
- Compliance with RPG is not mandatory for an entity to assert compliance with IPSAS.

Definitions



- ***Current policy assumptions*** are those based on legislation in force at the reporting date.
- ***Inflows*** are cash and cash equivalents projected to be received over a time horizon
- ***Outflows*** are cash and cash equivalents projected to be paid over a time horizon
- ***A projection*** is a forward-looking financial information prepared on the basis of an entity's current policy assumptions about future economic conditions.
- ***Long-term fiscal sustainability*** is the ability to meet service delivery and financial commitments now and in future.

RPG 1 – Long-term Sustainability of finances



- RPG 1 provides guidance on reporting on the long-term sustainability of a public sector entity's finances.
- Long-term fiscal sustainability information is broader than information derived from financial statements.
- Long-term fiscal sustainability information includes projected inflows and outflows related to provision of goods and services and programs providing social benefits using current policy assumptions over a specified time horizon.

RPG 1 – Long-term Sustainability of finances



- The relevance of long-term fiscal sustainability information is considered in the context of an entity's funding and capacity to determine service delivery levels.
- Applicable to:
 - Entities which have significant tax and/or other revenue raising powers;
 - Entities which have powers to incur significant debt; or
 - Entities which have the power and ability to determine the nature, level and method of service delivery including the introduction of new services.

RPG 1 – Long-term Sustainability of finances.....Cont.



- long-term fiscal sustainability information will usually include the following components:
 - Projections of future inflows and outflows, displayed in tables/graphs and narratives explaining the projections.
 - Discussions on the dimensions of long-term sustainability (revenue; service; debt...etc.)
 - Discussion on the principles, assumptions and methodology underlying the projections.

RPG 1 - Disclosures



- Adequate information should be provided to users to enable them assess the long-term sustainability of the entity's finances.
- Key disclosures include:
 - a) Name of the entity
 - b) The financial statements referred to
 - c) Date of projections
 - d) Reference to sources of all information obtained from other entities
 - e) The entity controlling the reporting entity

RPG 1 – Disclosures – Cont...



Narrative discussions on projections should include disclosures on:

- a) Sources of revenue inflows from taxation and other sources
- b) Sources of significant outflows including capital expenditure
- c) Explanations of changes in projections at the reporting date
- d) Time horizon used in the projections
- e) Sensitivity analysis on all key indicators

RPG 2 – Financial Statement Discussion and analysis



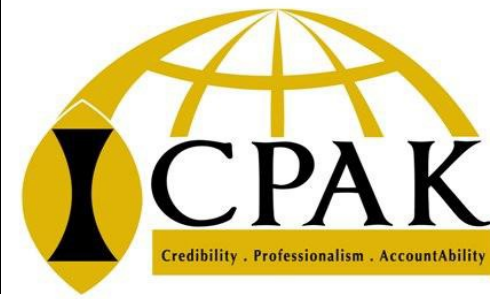
- Financial statement discussion and analysis is an explanation of the significant items, transactions and events presented in the entity's financial statements.
- Financial statement discussion and analysis assist users to understand the financial position, financial performance and cash flows presented in the general purpose financial statements.
- An explanation of the significant items, transactions and events presented in an entity's financial statements and the factors that influenced them.

RPG 2 – Financial Statement Discussion and analysis- Cont...



- Components should include:
 - a) Explanation of the entity's operations and the environment in which it operates;
 - b) Information about the entity's objectives and strategies;
 - c) Analysis of the entity's financial statements; changes and trends in an entity's financial position, financial performance and cash flows;
 - d) Description of the entity's principal risks and uncertainties; strategies for bearing or mitigating those risks and uncertainties.

RPG 2 – Financial Statement Discussion and analysis- Cont...



- a) Overview of entity's operations and environment include:
 - ✓ Entity's mission and vision;
 - ✓ Entity's governance;
 - ✓ Entity's relationship with other entities, and how the relationships could affect financial position, performance and cash flows; and
 - ✓ Entity's main operations, service delivery methods etc.
- b) Analysis include analysis of changes and trends in an entity's financial position, performance and cash flows.

RPG 3 – Reporting service performance information



- Service information includes explanations on the **services that an entity provides**; its **objectives** in relation to service performance and the **extent** to which the objectives have been **achieved**.
- Service information assist users assess the entity's efficiency and effectiveness.

RPG 3 – Reporting service performance information – Cont..



- **Service information to display includes the below:**
 - Service performance objectives – e.g. reducing inputs/ increasing output
 - Performance indicators – Intended outcomes and actual outcomes
 - Total cost of services

RPG 3 -Reporting Service performance



Public benefit entities are defined as 'reporting entities whose primary objective is to provide goods or services for the general public or social benefit and where any risk capital has been provided with a view to supporting that primary objective rather than with a view to a financial return to equity shareholders'.

RPG 3 -Reporting Service performance

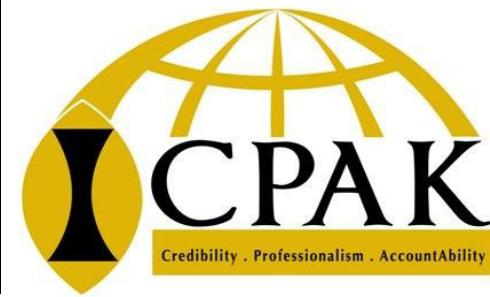


PBEs within the scope of this Standard will need to provide users with:

- Sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and
- Information about what the entity has done during the reporting period in working towards its broader aims and objectives.

This is more like articulating the strategic objectives of an organisation.

RPG 3 -Reporting Service performance



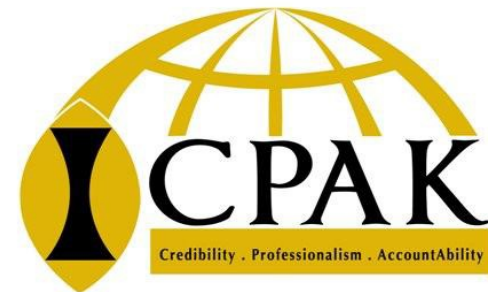
This RPG applies to:

- (a) All not-for-profit public benefit entities; and
- (b) Public sector public benefit entities required by legislation to provide information in respect of service performance in accordance with generally accepted accounting practice (GAAP).
- If an entity is required by legislation to report service performance information on only some of its activities, this Standard applies only to those activities.

Interactive Session



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