



FINANCIAL REPORTING AWARD

## FiRe Award and IASB / IPSAB Updates **Financial Reporting Week 2019**

CPA Cliff Nyandoro  
FiRe Award Secretariat

10 September 2019

# Overview of the Presentation

---

- Introduction
  - Update on new standards
- Update on the Companies Act 2015
  - Evaluation tool
  - Scoring Criteria (weighting)
  - Plenary discussion

# Introduction

---

The update is aimed at giving participants an overview of the recent developments in the standard setting arena and other developments within the legal and regulatory space.

# Introduction

Background information on FiRe Award - Word

CPA Cliff Nyandoro

File Home Insert Design Layout References Mailings Review View Foxit PDF Tell me what you want to do

Share

Clipboard Font Paragraph Styles Editing

Find Replace Select


07/10/2019

Page 1 of 1 434 words English (United States)

Disclosures

8:32 AM 6/22/2018

90%



FINANCIAL REPORTING AWARD

The Institute of Certified Public Accountants of Kenya (ICPAK) has over the years promoted the Financial Reporting (FiRe) Award alongside other key players namely, the Capital Markets Authority (CMA), the Nairobi Securities Exchange (NSE) and the Public Sector Accounting Standards Board (PSASB).

That Award was founded and held for the first time in the year 2002 with 105 entities participating at that time. This has grown over the years to involve many more participants across various sectors, from both the private and public sectors. This year alone, close to 320 entities are set to participate and the majority of these being from the public sector.

The primary objective of the award is to strengthen financial markets and attract investment and sustainable capital flows. In order to achieve this objective, business entities would have to make disclosure of their activities to enable a wide range of stakeholders use such information in making sound economic decisions.

The award is premised on three key objectives, namely: the promotion of financial reporting excellence, fostering of sound corporate governance practices and enhancing corporate investment and environmental reporting.

The Award is a result of a rigorous evaluation process using globally accepted principles and best practice standards. These guiding principles include International Financial Reporting Standards (IFRSs), best practices in governance and corporate citizenship as well as other requirements that are specific to a particular reporting entity. The Award is open to all organizations that prepare annual reports and financial statements and is not only viewed as a competition amongst entities, but also serves as a healthy gauge for the compliance trends among corporate entities.

# Introduction


Background information on FiRe Award - Word

CPA Cliff Nyandoro

File Home Insert Design Layout References Mailings Review View Foxit PDF Tell me what you want to do

Find Replace Select

Clipboard Font Paragraph Styles Editing



It is in this respect that organizations within the Kenyan market and across the East African region are encouraged to adopt and comply with new accounting standards released by the international standard setting organizations which operate under the International Federation of Accountants (IFAC) which is the umbrella body of Professional Accounting Organizations (PAOs) across the globe. ICPAK is a member of both this global organization, as well as the regional Pan African Federation of Accountants (PAFA) for which PAOs across the African Continent are affiliated

One of the key requirements for the members of these international organizations is compliance with the Statements of Member Obligations (SMOs), which spell out the benchmarks and duties of the current and future member organizations. These help to spell out standardized ways of operation and compliance by all member PAOs.

The FiRe Award is thus a critical process in ensuring that organizations within the East African region comply with the professional financial reporting standards, even as they seek to improve their governance systems.

07/10/2019

Page 1 of 1 168 words English (United States)

Disclosures

5 90%

8:33 AM 6/22/2018

# 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>

# Update on financial reporting standards

---

- IFRS 9 Financial instruments
- IFRS 15 Revenue from contracts with customers
- IFRS 2 Share-based payment transactions
- Annual improvements 2014 – 2016 cycle
- IAS 40 – Investment Property
- IFRIC 22 – Foreign currency transaction

# Update on Companies Act 2015

---

Key issues focus on the role of the Company's Directors and disclosures on the financial statements and annual reports.



# Overview of entities being evaluated

S/NO	Category	Standards applied	Number
1	National Government MDAs	IPSAS Cash	60
2	Development Projects	IPSAS Cash	20
3	County Governments	IPSAS Cash	94
4	Constituency Development Funds	IPSAS Cash	190
5	State Corporations and SAGAs	IPSAS Accrual/ IFRS	238
	<b>Total</b>		<b>602</b>

# Brief Background of County Governments

## Nature of audit opinions from the Office of the Auditor General:

The tables below show a trend analysis of audit opinions from FY 2013/2014- FY 2017/2018 for both County Executives and Assemblies respectively.

### County Executives:

Opinion	2013/14	2014/15	2015/16	2016/17	2017/18
Unqualified	-	-	-	-	2
Qualified	2	5	8	22	36
Adverse	6	17	12	12	4
Disclaimer	39	25	27	13	5
Total	47	47	47	47	47

# Brief Background of County Governments

- ❖ **Nature of audit opinions from the Office of the Auditor General:** The tables below show a trend analysis of audit opinions from FY 2013/2014- FY 2017/2018 for both County Executives and Assemblies respectively.
- ❖ **County Assemblies**

Opinion	2015/16	2016/17	2017/18
Unqualified	-	-	1
Qualified	15	23	31
Adverse	17	18	12
Disclaimer	15	6	3
Total	47	47	47

# Changes to IPSAS Cash Checklist

## **Cash-Basis IPSAS**

Financial Reporting under the Cash-Basis of Accounting is amended to prescribe the manner, in which general-purpose financial statements should be presented under the cash-basis of accounting to achieve transparency in the financial reporting of the cash receipts, cash payments, and cash balances of the governments.

# Changes to IPSAS Cash Checklist

## **Cash-Basis IPSAS**

The amendments are however effective for periods beginning on or after January 1, 2019, thus have not been incorporated in the updated checklist. There are no cases of early adoption of these standards since this is advised by PSASB through the issued financial reporting templates.

# Changes to IPSAS Accrual Checklist

## ▶ **IPSAS Accrual**

The following standards became effective for periods beginning on or after 1 January 2017, and have been incorporated in the updated checklist .

- ▶ IPSAS 33 First-time Adoption of Accrual Basis IPSASs
- ▶ IPSAS 34 Separate Financial Statements
- ▶ IPSAS 35 Consolidated Financial Statements
- ▶ IPSAS 36 Investments in Associates and Joint Ventures
- ▶ IPSAS 37 Joint Arrangements
- ▶ IPSAS 38 Disclosure of Interests in Other Entities
- ▶ IPSAS 39 Employee Benefits- 1<sup>st</sup> Jan 2018

# Changes to the IFRS Checklist

- ▶ **1. New or Revised Standards - IFRS 9 (2014) Financial Instruments [supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013)] and IFRS 15 Revenue from Contracts with Customers** became effective to annual periods beginning on or after 1 January 2018.
- ▶ The two standards introduce a raft of presentation and disclosure requirements (including to IFRS 7 Financial Instruments – Disclosures), and have been incorporated in the updated checklist for FiRe Award 2019, alongside any related amendments to other existing standards.
- ▶ ***Standards issued but not yet effective for periods ending no later than 31 March, 2019 have not been incorporated in the checklist. However, evaluators will need to note the following for early adopters. IFRS 16 Leases - Applicable to annual reporting periods beginning on or after 1 January 2019 (Optional for 2018 year ends); and IFRS 17 Insurance Contracts - Applicable to annual reporting periods beginning on or after 1 January 2021 (Optional for 2018 year ends)***

# Changes to the IFRS Checklist

- ▶ **2. New or Revised Interpretations-** IFRIC 22 Foreign Currency Transactions and Advance Consideration became effective to annual reporting periods beginning on or after 1 January 2018 and have been incorporated in the checklist.
- ▶ IFRIC 23 Uncertainty over Income Tax Treatments is applicable to annual reporting periods beginning on or after 1 January 2019 (Optional for 2018 year ends), thus not included in the updated checklist. However, the evaluator will need to note this and ensure compliance for early adopters, where applicable.



# Changes to the IFRS Checklist

## ▶ 3. Amendments

The following amendments became effective on or after 1 January 2018 and will be incorporated in the checklist.

- ▶ Clarifications to IFRS 15 'Revenue from Contracts with Customers'
- ▶ Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- ▶ Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) [Optional for financial periods beginning on or after 1 January 2018]
- ▶ Transfers of Investment Property (Amendments to IAS 40)
- ▶ Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28)

# Other Changes

## Companies Act

Extracted the relevant disclosure requirements in the companies Act 2015, and revised the companies Act evaluation checklist.

## PFM Act Requirements

Enhanced the checklist with relation to PFM Act and Regulations to provide more clarity to evaluators

## Public Audit Act

Updated the checklists with the relevant sections of the Act and ISAs

# New developments - Standards

## **CASH BASIS IPSAS**

Applicable from Jan 2019

Major changes-

- Consolidated financial statements
- External Assistance
- Third party payments

# New developments - Standards

## ► IPSAS- ACCRUAL BASIS

Standard	Application Date
IPSAS 40- Public Sector Combinations	1 <sup>st</sup> Jan 2019
IPSAS 41- Financial Instruments	1 <sup>st</sup> Jan 2022
IPSAS 42- Social Benefits	1 <sup>st</sup> Jan 2022

# New developments - Standards

## IFRS

Standard	Application Date
IFRS 16- Leases	1 <sup>st</sup> Jan 2019
IFRS 17- Insurance contracts	1 <sup>st</sup> Jan 2021

# New developments - Standards

## ▶ **PROJECTS UNDER IPSAS**

- ▶ Measurement
- ▶ Revenue
- ▶ Non exchange expenses
- ▶ Leases
- ▶ Infrastructure Assets
- ▶ Heritage Items

# Q&A

60  
MINUTES  
50<sup>TH</sup> SEASON



# Presenter's Contacts

---

CPA Cliff Nyandoro  
Institute Of Certified Public Accountants  
Of Kenya (ICPAK)  
Tel: +254 (0) 20 2304226,2304227  
[cliff.nyandoro@icpak.com](mailto:cliff.nyandoro@icpak.com)  
[www.icpak.com](http://www.icpak.com)