



Feedback from FiRe Award 2018 and 2019 Updates

Submissions from Public Sector Entities

The 5th Public Sector Accountants Conference
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Overview of the Presentation

- Introduction
- Scoring Criteria (weighting)
- New standards and requirements
 - Evaluation tool (checklist)
 - Plenary discussion

Introduction

The presentation aims to give participants an overview of FiRe Award and feedback from the 2018 FiRe Award Public Sector findings.

Recent developments in the standard setting arena and other developments within the legal and regulatory space will be highlighted as well.

Partners in FiRe Award

ICPAK has over the years promoted FiRe Award together with CMA, NSE and the PSASB.

The Award was funded for the first time in the year 2001, 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.

Growing numbers

Last year alone, 416 entities from the public sector participated, out of 508.

602 from the public sector have been evaluated this year and 85 from the private sector.

Objective of FiRe Award

The primary objective of the Award is to strengthen financial markets and attract investment and sustainable capital flows.

The Award also seeks to improve the quality of financial reports in the public sector to enhance transparency, accountability and disclosure on utilization of public resources.

Objective of FiRe Award

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.

These are used in the public sector for decision making as well and inform planning for national and regional development.

Objectives of the Award

The Award is premised on three key objectives, namely;

- i. the promotion of financial reporting excellence,
- ii. fostering of sound corporate governance practices and
- iii. enhancing corporate investment and environmental reporting.

Evaluation process

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 (IFRS), best practices in governance and corporate citizenship as well as other requirements that are specific to a particular reporting entity.

Evaluation panel 2019 – public sector



Eligibility for participation

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 and public entities.

Eligibility for participation

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 Standards Setting organizations which operate under IFAC, the umbrella body of PAOs across the globe.

Eligibility for participation

ICPAK is a member of both this organization and the regional Pan African Federation of Accountants for which PAOs across the continent are affiliated.

Compliance with SMOs

One of the key requirements for the members of these international organizations is compliance with the Statements of Member Obligations (SMOs).

These spell out the benchmarks and duties of the current and future member organizations.

They help to spell out standard ways of operation and compliance by all member PAOs.

Compliance with SMOs

STATEMENTS OF MEMBERSHIP OBLIGATIONS 1-7

(REVISED)

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Compliance with SMOs

STATEMENT OF MEMBERSHIP OBLIGATIONS 5

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS AND OTHER PRONOUNCEMENTS ISSUED BY THE IPSASB

Obligation

1. In accordance with the IFAC Constitution, paragraph 2.3.b., IFAC member bodies are required to comply with the Statements of Membership Obligations (SMOs).

Scope

2. This SMO is issued by the IFAC Board and sets out requirements of an IFAC member body with respect to International Public Sector Accounting Standards (IPSASs), and other pronouncements issued by the International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting body supported by IFAC.³⁵ To understand and address the requirements, it is necessary to consider the entire text of the SMO.
3. The IPSASB focuses on the accounting and financial reporting needs of (a) national, regional, and local governments, (b) related governmental agencies, and (c) the constituencies they serve. It addresses these needs by issuing and promoting benchmark guidance and facilitating the exchange of information among accountants and those who work in the public sector, or rely on its work.

Compliance with SMOs

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.

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
Total Marks Awarded	200

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.

Some public sector entities are registered under the Companies Act, and some are listed at the Nairobi Securities Exchange (NSE).

Overview of entities evaluated - 2019

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
	Total		602

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 was amended to prescribe;

the manner, in which general-purpose financial statements should be presented under the cash-basis of accounting

Changes to IPSAS Cash Checklist

Cash-Basis IPSAS

This is intended 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- 1st January 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.

Changes to the IFRS Checklist

The two standards introduce a raft of presentation and disclosure requirements

(including to IFRS 7 Financial Instruments – Disclosures)

Changes to the IFRS Checklist

These were incorporated in the updated checklist for FiRe Award 2019, alongside any related amendments to other existing standards.

Changes to the IFRS Checklist

Standards issued but not yet effective for periods ending no later than 31 March, 2019 have not been incorporated in the checklist.

However, evaluators noted the following for early adopters.

Changes to the IFRS Checklist

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.

Changes to the IFRS 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.

Changes to the IFRS 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 were incorporated in the checklist.

Changes to the IFRS Checklist

- ▶ Clarifications to IFRS 15 'Revenue from Contracts with Customers'
- ▶ Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

Changes to the IFRS Checklist

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]

Changes to the IFRS Checklist

- ▶ Transfers of Investment Property (Amendments to IAS 40)
- ▶ Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28)
- ▶ *Other Annual Improvements to IFRS and related Standards*

Other Changes

Companies Act

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

Other Changes

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 January 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 st Jan 2019
IPSAS 41- Financial Instruments	1 st Jan 2022
IPSAS 42- Social Benefits	1 st Jan 2022

New developments - Standards

IFRS

Standard	Application Date
IFRS 16- Leases	1 st January 2019
IFRS 17- Insurance contracts	1 st January 2022

New developments - Standards

PROJECTS UNDER IPSAS

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

FiRe Award 2019



Q&A

60
MINUTES
50TH SEASON

