



FINANCIAL STATEMENTS PRESENTATION – ANNUAL FS, PROJECTS FS & TRANSFERS

Key Requirements

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Key requirements as per amended templates

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Financial Statements Presentation – IAS 1 and IPSAS 1

Financial Statements Presentation

- **Include Various Slides – For IAS 1 and IPSAS 1**

Annual Financial Reporting Templates

Annual Financial Reporting Templates

Detailed Walkthrough of the current template:

- For illustration purpose, we will go through the IPSAS template which has borrowed 90% of the IFRS.



IPSAS Accrual
Template

Annual Financial Reporting Templates

Detailed Walkthrough of the current template:

- Entities should use the correct template as stipulated in the Gazette Notice.
- IPSAS Accrual – Non- Commercial entities
- IFRS – Full – Commercial Entities.
- Any deviation or use of a different template/reporting framework other than the ones gazetted should obtain approval from the Director General, DAS & QA.

Annual Financial Reporting Templates

Areas of non Compliance by some entities:

- Comment under A/c Policies on compliance with the relevant reporting framework.
- Non inclusion of material disclosures such as: Entity's Risk Management, PPE disclosures, Related Parties disclosures, All bank details of where cash and cash equivalent is being held.
- Some entities did not customize the template to fit their operations.

Annual Financial Reporting Templates

Areas of non Compliance by some entities:

- Some Financials still had irrelevant or blank notes.
- Poor formatting of the end financial statements that was submitted for quality review.

Project Financial Reporting Template

Project Financial Reporting Templates

Key Notes:

- The project financial reporting templates is based on IPSAS Cash
- IPSAS Cash basis requirements are as follows:

Cash Basis IPSAS

Objective:

- To prescribe the manner in which general purpose financial statements should be presented under the ***cash basis of accounting.***
- Compliance with the requirements and encouragements of this Standard will enhance ***comprehensive and transparent financial reporting of the cash receipts, cash payments and cash balances of the entity***

Cash Basis IPSAS

Objective:

- It will also **enhance comparability** with the entity's own financial statements of previous periods and with the financial statements of other entities which adopt the cash basis of accounting.

Cash Basis IPSAS

Objective:

- The IPSASB has developed standards specifically for jurisdictions that continue to prepare financial statements on a cash basis.
- IPSAS Financial Reporting Under the Cash Basis of Accounting is in two parts: Part 1 addresses ***mandatory reporting requirements***, and Part 2 sets out ***encouraged disclosures*** to support information reported under Part 1

Cash Basis IPSAS

Objective:

- The standard encourages an entity to ***voluntarily disclose accrual-based information.***
- An entity in the process of moving from cash accounting to accrual accounting ***may wish to include particular accrual-based disclosures*** in the process of transition

Cash Basis IPSAS

Mandatory Reporting Requirements – Part I

- Statement of cash receipts and payments -
 - ❖ Recognises **all cash receipts, cash payments and cash balances** controlled by the entities,
 - ❖ Separately identifies **payments made by third parties** on behalf of the entity.

Cash Basis IPSAS

Mandatory Reporting Requirements – Part I

- Accounting policies and explanatory notes -
 - ❖ *Basis of preparation,*
 - ❖ *Specific accounting policies,*
 - ❖ *Any other explanations necessary for the fair presentation of cash receipts, payments and balances.*

Cash Basis IPSAS

Mandatory Reporting Requirements – Part I

- ***Comparison of budget and actual*** either as a separate additional FS or as a budget column
- ***Notes to the financial statements*** may provide additional information about liabilities such as payables, borrowings, non-cash assets such as receivables, PPE, investments.
- Notes should be presented in a ***systematic manner*** and items in the R & P should be cross referenced to the notes.

Cash Basis IPSAS

Mandatory Reporting Requirements – Part I

- Financial Statements should provide information that is ***Understandable, Relevant to decision makers and Reliable.***
- An entity should disclose ***significant terms*** and condition - compliance with ions in the notes.

Cash Basis IPSAS

Encouraged Disclosures– Part II

- Nature and amount of extraordinary items on the face of statement of R & P or on the Notes.
- An assessment of ability to continue as a **going concern** by those responsible for financial statements preparation.
- Related party disclosures.

Cash Basis IPSAS

Encouraged Disclosures– Part II

- Information about **assets and liabilities** of the entity/project.
- Multi period budgets

Project Financial Reporting Templates

Key Features and when to use it:

- The project financial reporting templates should be used where an entity has received funds from a development partner,
- The development partner requires a separate financial statements for the project as per the grant/donor agreement- Usually referred as ***Special Purpose Project Financial Statements*** which is audited in accordance with the ISA 800.

Project Financial Reporting Templates

Key Components:

- Project Information and Overall Performance,
- Responsibilities of Project Financial Statements Preparation,
- Statement of receipts and payments,
- Statement of Financial Assets and Liabilities,
- Statement of Cash flows,
- Comparison of budget and actual statement,

Project Financial Reporting Templates

Key Components:

- Notes to the project financial statements,
- Other information such as – Listing of assets acquired by the DP funds, Pending Bills,
- Detailed explanations of variances,
- Follow up of auditors recommendations.

Project Financial Reporting Templates

Key Features and when to use it:

- The agreement with the development partners may be between the Entity or through the parent ministry, but the implementation is by the GOE,
- Entities Key Management should review **all** the grant agreements they have with all the development partners (USAID, EU, DFID, World Bank, IDB etc) to check for compliance with key clauses.

Project Financial Reporting Templates

Key Components - Income:

- Income – From the Development Partner based on ***receipts or confirmed commitments*** by the donors,
- Income will either be restricted or non-restricted and will either be for recurrent or development expenditures.
- What is restricted? – can only be used for a certain cause and if there is deviation from the same the DP can ask for are refund.

Project Financial Reporting Templates

Key Components – Income & Expenditure:

- In these context, we are looking at projects which even though they require a SPFS, they are also part of the entities annual financial statements.
- Restricted Income is recognized when spending is done and any unused income is recognized as unexpended grants/Deferred Income – B/S.
- For unrestricted, any unused funds is surplus.

Project Financial Reporting Templates

Key Components – Income & Expenditure:

- Restricted cash used in excess of receipt should be grant receivables and must be in line with the grant agreement.
- Assets acquired using donor funds are part of the project costs as should be expensed when reporting for the project. However, an inventory listing of the same should be maintained – this is usually drawn from the grant agreement.

Project Financial Reporting Templates

Key Components – Income & Expenditure:

- At the entity level, such assets are recognized as deferred income and are transferred to Statement of Financial Performance over the useful life of the asset.

Project Financial Reporting Templates

Detailed Template



Project Financial
Statements

Project Financial Reporting Templates

Illustration:

Details	Scenario 1	Scenario 2
	US \$	US \$
Receipts from Donors	1,560,000	1,025,000
Expenses	- 1,025,000	- 1,560,000
Fund Balance	535,000	- 535,000
Represented by:		
Cash and Cash Equivalents	250,000	-
Receivables	285,000	- 535,000
	535,000	- 535,000

Transfers – Inter –Entity

Defination of Transfers

Transfers:

- Inflow of future economic benefits or service potential from non- exchange transactions.
- Non-exchange transactions – Transactions that are ***not exchange transactions***. An entity receives value from another entity ***without directly giving approximately equal value*** in exchange or ***gives value*** to another without receiving.

Defination of Transfers

- **Examples include:** Grants, Debt Forgiveness, Donations, off the market portion of concessionary loans, Gifts, Goods and Services In kind,
- Contribution from owners are not transfers and should not be recognized as income.
- Transfers can either have conditions or restrictions.
- Most of the transfers from the GOV have restrictions

Defination of Transfers

- Most of the transfers from the GOK have restrictions while from DP have conditions.
- Restrictions and Conditions definition as per IPSAS 23.

Defination of Transfers

A Condition or a Restriction?

- Condition – Stipulations specifying FEB or SP embodied in the asset is required to be consumed by the recipient as specified or FEB or SP must be returned to the transferor.
- The recipient incurs present obligation to transfer FEB or SP to third parties when it initially gains control of an asset subject to a condition.
- Asset = liability

Defination of Transfers

A Condition or a Restriction?

- Restriction – Do not specify that FEB or SP be returned to the transferor if not deployed as specified.
- Gaining control of an asset subject to a restriction does not impose on the recipient a present obligation to transfer FEB or SP to third parties when control of the asset is initially gained.

Defination of Transfers

Contribution from Owners

- **FEB or SP** that has been contributed to the entity by parties external to the entity, other than those that result in Liabilities of the entity, that establishes a financial interest in the net assets/equity of the entity - which conveys entitlement both to distributions of FEB or SP by the entity during its life/wound up, can be sold, exchanged, transferred or redeemed.
- Contribution from owners **does not give rise to revenue.**

Recognition of Inter-entity transfers

Recurrent:

- Recurrent Transfers should be recognized when the estimates are approved or communication received from the respective ministry – ie commitment is already done by the Transferring ministry.
- Should not be recognized when 'Received' and hence any receivable should be accrued for.
- This is in line with the accrual concept.

Recognition of Inter-entity transfers

Development:

- Transfers relating to development should be recognized as deferred income or released to income statement over the useful life of the asset.
- The deferred income should be part of non current liabilities.
- Deferred income synonymous to Capital Fund can be either disclosed as part of Statement of Changes in Net Assets/Equity.

Recognition of Inter-entity transfers

Development:

- Transfers for both development and recurrent should agree to the transfers recorded by the respective MDAs.
- These should be reconciled on a quarterly basis and eventually on an annual basis.
- Attached is a reconciliation confirmation template to be used on a quarterly basis.

Recognition of Inter-entity transfers

Disclosures of Inter-Entity Transfers in the Financial Statements:

Illustration:

An entity received KES 12,000,000 from National Treasury. KES 10M was for recurrent while KES 2M was for acquisition of Motor Vehicles.

Question:

What disclosures are required in the financial statements and what should be included in the reconciliation templates

Recognition of Inter-entity transfers

Disclosures of Inter-Entity Transfers in the Financial Statements:

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred/ Capital Fund	Total grant income during the year 2016 Shs 000	Total grant income during the year 2015 Shs 000
Ministry of Planning and Devolution	10,000,000	2,000,000	12,000,000	10,000,000
Total	10,000,000	2,000,000	12,000,000	10,000,000

Recognition of Inter-entity transfers

Disclosures of Inter-Entity Transfers in the Financial Statements:

Deferred Income/Capital Fund	FY 2016	FY 2015
	KES	KES
Balance brought forward	6,360,000	6,500,000
Additions during the Year	2,000,000	1,450,000
Transfer to Income Statement	(1,672,000)	(1,590,000)
Balance c/f	6,688,000	6,360,000

Recognition of Inter-entity transfers

Quarterly/Annually Reconciliation Template:

SC & SAGAS Financial Statements					Ministries, Departments and Agencies Financial Statements					
Date	Recur	Dev	Total		Date	Recur	Dev	Total	Variance	Explanations
6/7/16	500	200	700							

Deloitte Q&A