FIELD TEST IN (COUNTRY?) OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS: COMPILATION GUIDE FOR DEVELOPING COUNTRIES PUBLISHED BY THE INTERNATIONAL CONSORTIUM OF GOVERNMENTAL FINANCIAL MANAGEMENT

July 2013

ICGFM Accounting Standards Committee
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1. INTRODUCTION

Since establishing an international public sector accounting standard (IPSAS) setting body in the 1990s, the IPSAS Board has published a Cash Basis IPSAS\(^1\) and a series of accrual IPSASs. Implementing the Cash Basis IPSAS is generally the first step many countries take on the way to adopting the accrual IPSAS. Part 1 of the Cash Basis IPSAS is required while Part 2 is optional.

Many developing countries throughout the world have had difficulty implementing the Cash Basis IPSAS since it was originally published in 2003 by the IPSAS Board. Similar difficulties were experienced by the International Monetary Fund (IMF) in implementing accrual accounting for their Government Finance Statistics Manual\(^2\) (GFSM) published in 2001. To assist in the implementation of the GFSM, the IMF published a *GFS: Compilation Guide for Developing Countries*\(^3\) in September 2011. In May 2013, the International Consortium on Governmental Financial Management (ICGFM) published a companion document in draft to assist in the implementation of the IPSAS\(^4\). This document (titled *IPSAS: Compilation Guide for Developing Countries*) is available on their website: [www.icgfm.org](http://www.icgfm.org) under *Ad Hoc Accounting Standards Committee*. The ICGFM Compilation Guide provides a practical, step by step guide towards adoption of the IPSAS and other international good practice.

The ICGFM Compilation Guide describes six levels for governments whose financial statements are broadly to be produced:

1. Preparing a Statement of Cash Position, as well as a Comparative Statement of Budget to Actual Amounts, for select entities within the **Central Government**;
2. Expanding the coverage to include a Statement of Cash Receipts and Payments, as well as a Comparative Statement of Budget to Actual Amounts, as prescribed in Part 1 of the Cash Basis IPSAS;
3. Expanding the coverage to include **financial assets and liabilities for Central Government** as an option in Part 2 of the Cash Basis IPSAS. This is generally referred to as the Modified Cash or Modified Accrual Basis. Consolidated financial statements need not be prepared at this stage.
4. Separately preparing financial statements for **Government Business Enterprises** (GBEs) in accordance with the International Accounting Standards (IASs) published by the IAS Board as if the GBEs were part of the private sector.
5. Expanding the coverage to include **all assets and liabilities** for **General Government** (national, state, and local).
6. Preparing consolidated financial statements for the **Whole of Government**.

Compliance with the requirements of the ICGFM Compilation Guide will enhance comprehensive and transparent financial reporting by government entities. It will also permit comparability with the financial statements of other entities which adopt the Guide. The purpose of this report is to field test the adequacy of the ICGFM Compilation Guide in assessing a country’s ability to comply with the Cash Basis IPSAS. This field test was conducted on the financial statements prepared as of 30 June 2012 by the Republic of (country?).

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\(^3\) *GFS: Compilation Guide for Developing Countries*, IMF, Washington, D.C., September 2011.
Where the financial statements do not comply with the requirements of the Cash Basis IPSAS as identified in the ICGFM Compilation Guide, comments are made to identify the gap between the published statements and the pertinent paragraphs in the Cash Basis IPSAS. This report identifies which stage the Republic of [country?] has achieved on their way to implementing the IPSAS. An Annex is provided to identify the ICGFM Checklist used in this evaluation of the ICGFM Compilation Guide.

2. EVALUATION OF THE ICGFM COMPILATION GUIDE

This section of the report evaluates the financial statements published by the Republic of [country?] for the year ended June 30, 2012 against the key requirements contained in the ICGFM Compilation Guide. For each of these requirements (written in **bold italics**), the published financial statements are assessed as follows:

- The key requirement is clearly achieved by the published financial statements. No improvement is necessary.
- The key requirement is not clearly achieved by the published financial statements. Some minor improvements may be considered necessary.
- The key requirement is not achieved or complied with by the published financial statements. Improvements may be necessary to ensure that the published financial statements comply with good international practice.

For this report, the ICGFM Compilation Guide describes three stages for governments whose financial statements are broadly to be produced on the cash basis:

(1) Stage One: a Comparative Statement of Budget to Actual Amounts is provided, for individual entities, including (or as a separate statement) a Statement of Cash Position. A discussion and analysis is provided on the financial statements and notes to the accounts including accounting policies. General considerations for financial statements of governments are also provided.

(2) Stage Two: Expanding the coverage to include a **Statement of Cash Receipts and Payments**, as well as a **Comparative Statement of Budget to Actual Amounts**, as prescribed in Part 1 of the Cash Basis IPSAS. Consolidated financial statements need not be prepared at this stage unless capacity exists.

(3) Stage Three: Expanding the coverage to include **financial assets and liabilities for central government**. This is generally referred to as the Modified Cash or Modified Accrual Basis. Consolidated financial statements need not be prepared at this stage unless capacity exists.

In addition, the ICGFM Compilation Guide provides a fourth stage for evaluating the degree that the GBEs comply with the accrual IAS/IFRS. These standards require a full set of financial statements: **Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows.**
Applying the above criteria to the financial statements (year ended June 30, 2012) for the Republic of (country?), produced the following scores for each stage:

<table>
<thead>
<tr>
<th>ICGFM Requirements</th>
<th>Central and Decentralized Governments</th>
<th>GBEs</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>General</td>
<td>Stage One</td>
</tr>
<tr>
<td><strong>Green (met)</strong></td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td><strong>Yellow (partially met)</strong></td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td><strong>Red (not met)</strong></td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Work in Progress</td>
<td>Partially Met</td>
</tr>
</tbody>
</table>

The above summary gives a good measure of the value that the ICGFM Compilation Guide provides. The detail associated with the scoring is provided below:

**a) General Considerations**

**Summary**

In general, the published financial statements (for the year ended June 30, 2012) scored as follows:

<table>
<thead>
<tr>
<th>General Considerations</th>
<th>General</th>
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<tbody>
<tr>
<td><strong>Green</strong></td>
<td>10</td>
</tr>
<tr>
<td><strong>Yellow</strong></td>
<td>4</td>
</tr>
<tr>
<td><strong>Red</strong></td>
<td>2</td>
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</table>

For 10 of the 16 ICGFM general considerations, the published financial statements fully comply with the ICGFM Compilation Guide. For a further four requirements, the published financial statements partially comply. Two of the 16 requirements are not met by the published financial statements. However, meeting these requirements would require only relatively minor changes.

Thus, these considerations were **largely met** by the published financial statements of the Republic of (country?) for the year ended June 30, 2012. To fully comply, the following actions are needed:

1. The published financial statements should include a clear list of ministries, departments, and agencies whose results are consolidated. The nature of this consolidation should also be clearly stated.
The accounting policies included in the published financial statements should be expanded and include a range of definitions of the terms used in these Accounts.

**Detailed analysis**

In this section, each of the key requirements of the General Considerations (in **bold** type and *italics*) in the ICGFM Compilation Guide is evaluated. In each case, the extent to which the published financial statements (for the year ended June 30, 2012) comply with this requirement is indicated.

The published financial statements provide only one page on the accounting policies which are followed. These could be expanded to include the definitions of a range of terms included on pages 9 and 10 of the ICGFM Compilation Guide.

2.1 **The general purpose financial statements should be presented to the legislative body annually.** When, in exceptional circumstances, an entity’s reporting date changes and the annual financial statements are presented for a period longer or shorter than one year, an entity should disclose in addition to the period covered by the financial statements:

(a) The reason(s) for a period other than one year being used; and
(b) The fact that comparative amounts may not be comparable.

This requirement is generally complied with.

2.4 **The financial statements should be presented for audit within six months of the end of period to which they refer so that audited financial statements can be presented to the legislative body within nine months.**

The published financial statements are submitted for audit within four months of the end of the financial year. The audited financial statements are submitted to Parliament within six months of the end of the financial year end.

2.9 **An entity should disclose the date when the financial statements were authorized for issue and who gave that authorization.**

The Secretary to the Treasury signs and dates the published financial statements. Although they agree with this requirement, it should be issued to Parliament with the annual report of the Auditor General which is also signed and dated.

2.11 **An entity should disclose the following, as notes to the financial statements, if not disclosed elsewhere in information published with the financial statements:**

(a) The domicile and legal form of the entity, and the jurisdiction within which it operates;
(b) A description of the nature of the entity’s operations and principal activities;
(c) A reference to the relevant legislation governing the entity’s financial operations; and
(d) The name of the controlling entity and the ultimate controlling entity of the economic entity.

The published financial statements do not fully disclose all of this information. Also, it would be more significant for financial statements of MDAs.

2.13 **Where combined or consolidated financial statements are provided covering more than one entity, the nature of the consolidation and the entities which are combined or consolidated should be clearly disclosed.**
The published financial statements include a list of ministries, departments and agencies. However, the nature of their consolidation is not clearly stated. This requirement is under consideration for FY 2012-2013.

2.19 The format, presentation and classification of items in the financial statements should be retained from one period to the next unless:
   a. A significant change in the nature of the operations of the entity or a review of its financial statement presentations demonstrate that the change will result in a more appropriate presentation of events or transactions
   b. The relevant laws or regulations require such changes; or
   c. A change in presentation is required by a future amendment to this Guide or an IPSAS.

This has been largely achieved by the published financial statements in recent years. Although the current statements are informative, they could be improved since they are confusing in some instances.

2.23 Comparative information should be disclosed in respect of the previous period for all numerical information required by this Guide to be disclosed in the financial statements. Comparative information should be included in narrative and descriptive information when it is relevant to an understanding of the current period’s financial statements.

Comparative information for the previous year is provided in the two main financial statements, the notes to the accounts and the additional statements.

2.28 When the presentation or classification of items required to be disclosed in the financial statements is amended, comparative amounts should be reclassified, unless it is impracticable to do so, to ensure comparability with the current period, and the nature, amount of, and reason for any reclassification should be disclosed. When it is impracticable to reclassify comparative amounts, an entity should disclose the reason for not reclassifying and the nature of the changes that would have been made if amounts were reclassified.

It is assumed that this requirement would be complied with in practice. However, it is not specified in the accounting policies.

2.30 The financial statements should be clearly identified and distinguished from other information in the same published document.

This requirement is complied with in practice for the published financial statements.

2.32 Each component of the financial statements should be clearly identified. In addition, the following information should be prominently displayed and repeated when it is necessary for a proper understanding of the information presented:
   a. The name of the reporting entity or other means of identification;
   b. Whether the financial statements cover an individual entity or a group of entities;
   c. The reporting date or the period covered by each financial statement;
   d. The reporting currency; and
   e. The level of precision used in the presentation of figures in the financial statements.

These requirements are complied with in practice for the published financial statements.

2.36 The classifications used in the financial statements should be the same as those used in the government’s annual budget.

This requirement is complied with in practice for the financial statements.
2.40 This Guide requires the reporting of cash receipts, payments and balances on a gross basis.

This requirement is complied with in practice for the published financial statements. However, there is some question about the full reporting of Payments by Third Parties and those from self-generated resources by extra-budgetary and decentralized entities.

2.45 The Accountant General should provide a commentary with the financial statements to explain the context for any significant developments and set the financial results for the year within the context of trends over the last few years.

This requirement is complied with in practice for the published financial statements.

2.52 The financial statements should be signed by the relevant Accounting Officer.

This requirement is complied with in practice for the published financial statements which are signed by the Accountant General.

2.54 The opinion of the Supreme Audit Institution should be provided in the same document and alongside the financial statements.

This requirement is not complied with in practice for the published financial statements.

b) Stage One—Performing Gap Analysis

At Stage One of the ICGFM Compilation Guide, the technical aspects of the published financial statements (for the year ended June 30, 2012) scored as follows:

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<th>Stage One</th>
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<tr>
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<tr>
<td>Yellow</td>
<td>1</td>
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<tr>
<td>Red</td>
<td>0</td>
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Compliance with each of the two key requirements at this stage was partially met by the published financial statements for FY 2011-2012. If beginning and ending cash balances were included in the Cash Statement, the requirements would be fully met.

In this section, each of the two key requirements of Stage One of the ICGFM Compilation Guide is considered. In each case the extent to which the published financial statements (for the year ended June 30, 2012) comply with this requirement is indicated.

3.2 The structure for the financial reports is as follows:
   (a) Supreme Audit Institution's Opinion on Fair Presentation
   (b) Financial Statement Discussion and Analysis
This requirement is complied with in practice for the published financial statements except the auditor’s opinion is not attached.

3.4 An entity will generally prepare general purpose financial statements which include the following components:
   (a) A Statement of Cash Position; and
   (b) A Comparative Statement of Budget and Actual Amounts.

This requirement is complied with in practice for the Budget to Actual Comparative Statement. Although the Cash Statement included a breakout of revenues and expenses, it did not include beginning and ending cash balances.

c) Stage Two—Cash Basis Financial Statements for Central Government

Summary

At Stage Two of the ICGFM Compilation Guide, the published financial statements (for the year ended June 30, 2012) scored as follows:

<table>
<thead>
<tr>
<th></th>
<th>Stage Two</th>
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</thead>
<tbody>
<tr>
<td>Green</td>
<td>13</td>
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<tr>
<td>Yellow</td>
<td>4</td>
</tr>
<tr>
<td>Red</td>
<td>4</td>
</tr>
</tbody>
</table>

For 13 of the 21 ICGFM key requirements at this stage, the published financial statements fully comply with the ICGFM Compilation Guide. For a further four requirements, the published financial statements partially comply. Four of the 21 requirements are not met by the published financial statements.

Thus Stage Two of the ICGFM Compilation Guide is partially met by the published financial statements (for the year ended June 30, 2012). Full compliance with each of these requirements for FY 2011-2012 would indicate that the Republic of (country?) was meeting the requirements in Part 1 of the Cash Basis IPSAS.

Compliance would require more attention to the reporting of cash balances as follows:
   (1) Significant cash balances that are not available for use by the entity;
   (2) Significant cash balances that are subject to external restrictions;
   (3) Undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities; and
   (4) Reflecting beginning and ending cash balances with adjustments for exchange rate differences.
Detailed analysis

In this section, each of the key requirements of Stage Two of the ICGFM Compilation Guide is considered. In each case the extent to which the published financial statements (for the year ended June 30, 2012) comply with this requirement is indicated.

4.2 The structure for the financial reports prepared on the cash basis of accounting is as follows:

(a) Supreme Audit Institution’s Opinion on Fair Presentation
(b) Financial Statement Discussion and Analysis
(c) Financial Statements
   (i) Comparative Statement of Budget and Actual Amounts
   (ii) Statement of Cash Receipts and Payments
(d) Notes to the Financial Statements.

This requirement is complied with in practice for the published financial statements except the auditor’s opinion is not attached.

4.6 The “Statement of Cash Receipts and Payments” should provide a clear comparison of actual cash receipts and payments with the budget agreed by the legislative body and comparative figures for the previous reporting period, it should also present the following amounts for the reporting period:

(a) Total cash receipts of the entity compared to the annual budget agreed by the legislative body, showing separately a sub-classification of total cash receipts using a classification basis appropriate to the entity’s operations;
(b) Total cash payments of the entity compared to the annual budget agreed by the legislative body, showing separately a sub-classification of total cash payments using a classification basis appropriate to the entity’s operations;
(c) Beginning and closing cash and bank balances of the entity; and
(d) Separately identifies payments made by third parties on behalf of the entity.

Parts (a) and (b) of this requirement are met by the published financial statements. Part (c) is not provided in the Statement of Cash but is included in a separate Statement of Balances. Although Part (d) is not included, a separate schedule of donor loans and grants is prepared.

4.7 Total cash receipts and total cash payments, and cash receipts and cash payments for each sub-classification of cash receipt and payment, should be reported on a gross basis, except that cash receipts and payments may be reported on a net basis when:

(a) They arise from transactions which the entity administers on behalf of other parties and which are recognized in the “Statement of Cash Receipts and Payments”; or
(b) They are for items in which the turnover is quick, the amounts are large, and the maturities are short.

This requirement appears to be complied with for the published financial statements. However, this could be made explicit in the accounting policies.

4.8 Line items, headings and sub-totals should be presented in the “Statement of Cash Receipts and Payments” when such presentation is necessary to present fairly the entity’s cash receipts, cash payments and cash balances.

This requirement is complied with in practice for the published financial statements.

4.12 The entity should disclose separately on the face of the “Statement of Cash Receipts and Payments”, total external assistance received in cash during the period compared to the budget for such funds.
(a) Where external assistance is received from more than one provider, or for more than one project, the significant individual providers of assistance and the amounts for each project should be disclosed separately, either on the face of the “Statement of Cash Receipts and Payments” or in the notes to the financial statements. The currency in which the assistance was provided should be reported and the exchange rate used if appropriate.

(b) Where external assistance is received in the form of loans and grants, the total amount received during the period as loans and the total amount received as grants should be shown separately, either on the face of the “Statement of Cash Receipts and Payments” or in the notes to the financial statements.

This requirement is complied with in practice for the published financial statements, except that the currency in which the assistance was provided is not reported nor any exchange rates identified. Loans and grants by donors are shown in a separate schedule.

4.14 The budgetary information in the financial statements should be presented in the same format as the annual budget agreed by the legislative body.

This requirement is complied with in practice for the published financial statements.

4.17 The notes to the financial statements of an entity should:

(a) Present information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and other events; and

(b) Provide additional information which is not presented on the face of the financial statements but is necessary for a fair presentation of the entity’s cash receipts, cash payments and cash balances and adequately account to the legislative body for the funds received and disbursed.

This requirement is largely addressed with the published financial statements. However, the detail provided in the accounting policies is rather limited.

4.18 Notes to the financial statements should be presented in a systematic manner. Each item on the face of the “Statement of Cash Receipts and Payments” and other financial statements should be cross referenced to any related information in the notes.

This requirement is complied with in practice for the published financial statements except they could be more explicit.

4.19 General purpose financial statements should present information that is

(a) timely – the audited financial statements are made public promptly after the end of the financial year to which they refer;

(b) understandable – the financial statements are clear and the key aspects and terms are explained;

(c) open – the key financial information of interest citizens and their elected representatives is made publicly available; and

(d) consistent – the information is consistent from one year to the next, between accounts within the same financial statements and between related financial statements as well as reliable and free from material error.

This requirement is largely complied with in practice for the Published financial statements. However, there may be inconsistencies between some of the figures in the published statements.

4.21 The accounting policies section of the notes to the financial statements should describe each specific accounting policy that is necessary for a proper understanding of the financial statements.
Limited detail is provided on the accounting policies.

4.22 Inappropriate accounting treatments are not rectified either by disclosure of the accounting policies used, or by notes or explanatory material.

This requirement appears to be complied with in practice for the published financial statements.

4.25 The notes to the financial statements should provide details of cash and cash equivalents on hand and the balances held at the Central Bank as well as the total balances of accounts held at other banks.

This requirement is not adequately complied with in practice for the published financial statements. Further, details of amounts held at the Reserve Bank of (country?) are not provided.

4.27 An entity should disclose in the notes to the financial statements, together with a commentary, the nature and amount of:

(a) Significant cash balances that are not available for use by the entity;
(b) Significant cash balances that are subject to external restrictions; and
(c) Undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities.

These disclosures are not currently provided in the published financial statements.

4.29 Details of the payments and receipts of primary service delivery units should be made public.

These disclosures are routinely provided in (country?).

4.32 Details of secret payments may not be provided in full in the financial statements or not in the level of detail provided for other payments. Where this is the case, summary details should be provided with a brief explanation of why such information is not being provided.

Appropriate details for the Ministry of Defence and the National Security Council appear to be provided in the published financial statements.

4.34 When an error arises in relation to a cash balance reported in the financial statements, the amount of the error that relates to prior periods should be reported by adjusting the cash at the beginning of the period. Comparative information should be restated, unless it is impracticable to do so.

This requirement appears to be complied with in practice for the published financial statements.

4.35 An entity should disclose in the notes to the financial statements the following:

(a) The nature of the error;
(b) The amount of the correction; and
(c) The fact that comparative information has been restated or that it is impracticable to do so.

This requirement appears to be complied with in practice for the published financial statements.

4.38 Cash receipts and payments arising from transactions in a foreign currency should be recorded in an entity's reporting currency by applying to the foreign currency amount the exchange rate between
the reporting currency and the foreign currency at the date of each receipt and payment.

This requirement appears to be complied with for the published financial statements. However, an accounting policy should detail this requirement.

4.39 Cash balances held in a foreign currency should be reported using the closing rate at the end of the reporting period.

This requirement appears to be complied with for the published financial statements. However, an accounting policy should detail this requirement.

4.40 An entity should disclose the amount of exchange differences included as reconciling items between opening and closing cash balances for the period.

This requirement appears not to be complied with for the published financial statements.

4.41 When the reporting currency is different from the currency of the country in which the entity is domiciled, the reason for using a different currency should be disclosed. The reason for any change in the reporting currency should also be disclosed.

This requirement appears to be complied with as necessary for the published financial statements.

d) Stage Three—Modified Accrual Financial Statements for Central Government

Summary

At Stage Three of the ICGFM Compilation Guide, the published financial statements (for the year ended June 30, 2012) scored as follows:

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<th>Stage Three</th>
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<tr>
<td>Yellow</td>
<td>10</td>
</tr>
<tr>
<td>Red</td>
<td>4</td>
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</table>

For 10 of the 14 ICGFM requirements at this stage, the published financial statements partially complied with the ICGFM Compilation Guide. Four of the 14 requirements are not met by the published financial statements. Since Part 2 of the Cash Basis IPSAS is optional, it was not anticipated that the Republic of (country?) would comply with each of its provisions. However, the detailed evaluation below gives an indication of where further efforts are needed as they continue their efforts to adopt pertinent portions of the accrual IPSASs.

Detailed analysis
In this section, each of the key requirements of Stage Three of the ICGFM Compilation Guide is considered. In each case the extent to which the published financial statements (for the year ended June 30, 2012) comply with this requirement is indicated.

5.3 The structure for the financial reports prepared on the modified accrual basis of accounting is as follows:

(a) Supreme Audit Institution’s Opinion on Fair Presentation
(b) Financial Statement Discussion and Analysis
(c) Financial Statements
   (i) Statement of Cash Receipts and Payments
   (ii) Comparative Statement of Budget and Actual Amounts
   (iii) Intermediate Statement of Financial Position
   (iv) Intermediate Statement of Financial Performance
   (v) Intermediate Statement of Changes in Net Assets
(d) Notes to the Financial Statements

The core statements and notes from this requirement are currently provided in the published financial statements with the deficiencies noted in Stage 2. However, a Statement of Balances was provided in lieu of a Statement of Financial Position and the other two statements (Intermediate Statement of Financial Performance and Intermediate Statement of Changes in Net Assets) were not provided.

5.9 The “Intermediate Statement of Financial Position” should provide a clear comparison of actual financial assets and financial liabilities at the end of the reporting period with those of the previous period. The “Intermediate Statement of Financial Position” should also present the following amounts for the reporting period:

(a) Total financial assets of the entity showing separately the following balances and a sub-classification using a classification basis appropriate to the entity’s operations:
   (i) Cash, including cash equivalents and bank balances of the entity;
   (ii) Receivables; and
   (iii) Advances, loans and investments.
(b) Total financial liabilities of the entity showing separately the following balances and a sub-classification using a classification basis appropriate to the entity’s operations:
   (i) Public debt and loans received analysed to show total domestic debt and total debt denominated in foreign currencies; and
   (ii) Sundry creditors.
(c) Net assets and the funds by which these are represented including the common fund and other funds as appropriate.

This requirement is not complied with.

5.14 The “Intermediate Statement of Financial Performance” should provide a clear comparison of actual financial results (surplus or deficit) at the end of the reporting period with those of the previous period. The “Intermediate Statement of Financial Performance” should also present the following amounts for the reporting period:

(a) Total financial income of the entity showing separately the following balances and a sub-classification using a classification basis appropriate to the entity’s operations:
   (i) Taxes;
   (ii) Social contributions
   (iii) Grants; and
   (iv) Other income.
(b) Total financial expenses of the entity by economic classification showing separately the following balances and a sub-classification using a classification basis appropriate to the entity’s operations:
   (i) Compensation of employees;
   (ii) Purchase of goods and services;
(iii) Interest;
(iv) Subsidies;
(v) Grants;
(vi) Social benefits; and
(vii) Other expenses.

(c) Surplus or deficit by which these are represented including the common fund and other funds as appropriate.

This statement is not provided in the published financial statements.

5.16 The “Intermediate Statement of Changes in Net Assets” should provide a clear comparison of the changes in net assets (including accumulated surplus or deficit) at the end of the reporting period with those of the previous period. The “Intermediate Statement of Changes in Net Assets” should also present the following amounts for the reporting period:

(a) Reserves for foreign exchange rate differences due to foreign operations as well as any other equity reserves;
(b) Unrealized gain or loss on revaluation of property or investments; and
(c) Changes in net assets by which these are represented including the common fund and other funds as appropriate.

This statement is not provided in the published financial statements.

5.18 The notes to the financial statements should provide details of investments, outstanding loans, advances, imprests and other monies which may be owed to the government. Details should also be provided of any suspense accounts which have not been cleared.

This requirement is partially addressed by the notes to the published financial statements.

5.22 The notes to the financial statements should provide details of contingent liabilities.

This requirement is not addressed in the notes to the published financial statements. Details of significant loan guarantees, export credit guarantees or court cases are not provided.

5.25 The notes to the financial statements should provide details of provisions.

This requirement is not currently addressed in the notes to the published financial statements.

5.27 The notes to the financial statements should provide details of the total of domestic debt and the total debt denominated in each significant foreign currency. Details should also be provided of each individually material debt or loan agreement indicating the provider, original value, amount outstanding at the end of the period, the interest rate, and the remaining term of the debt.

This disclosure is largely addressed by the published financial statements. However, the total debt denominated in each significant foreign currency, the original value, the interest rate, or the remaining term of the loan are not provided.

5.30 An entity should disclose in the notes to the financial statements the amount of any debt cancelled during the period.

This disclosure does not appear to be made in the published financial statements.

5.32 A summary should be provided of any arrears of revenues; further details should be provided for
the main types of taxes and non-tax revenue, with the latter detailed by ministry, department and agency. Comparable figures should be provided for the previous financial year.

This disclosure is not clearly made in the published financial statements.

5.35 The financial statements of the common fund should include, as notes to the accounts, summaries of reported losses and those written off or abandoned, with details by ministry, department and agency. The financial statements of individual ministries, departments and agencies should provide further details of losses of public money with dates, explanations of particulars and nature of each loss and the value of the loss recovered or written off.

This disclosure is not made in the published financial statements.

5.37 The proceeds received from the privatisation of individual agencies or public enterprises should be disclosed. Any amounts outstanding, the name of the company, the investor, year of privatisation, cost and amounts paid with the balance outstanding at start and end of the year with brief remarks should be disclosed.

This disclosure is not made in the published financial statements.

5.38 Details of development expenditures to date should be provided by project and should be compared to Total Estimated Cost. The previous years’ expenditure on each material project should also be disclosed. This will show the total costs to date of individual development or capital projects compared with the overall budget for the project which may cover several years, rather than just the results for the particular reporting period. These details may be provided in the individual financial statements of ministries, departments and agencies rather than in the financial statements of the common fund.

The published financial statements provide details of capital expenditure compared to the budget for each MDA. However, this does not provide expenditure by project. In addition, the expenditure is only provided for the financial year compared with the budget and not the total budget and costs for each project.

5.39 An entity should disclose in the notes to the financial statements the salaries and benefits of senior politicians and senior public officials.

This disclosure is not made in the published financial statements.

e) Stage Four—Full Accrual Financial Statements for GBEs

Summary

At Stage Four of the ICGFM Compilation Guide, the published financial statements (for the year ended December 31, 2012) scored as follows:
Thus Stage Four of the ICGFM Compilation Guide is **partially met** by the published financial statements (for the year ended December 31, 2012). Relatively minor effort is needed for the Republic of (country?) to be in full compliance with the requirements in the IAS/IFRS. When these changes are made, the Republic of (country?) could apply to ICGFM for a Certificate of Conformance on Stage Four.

6.2 **The structure for the financial reports prepared on the full accrual basis of accounting is as follows:**

(a) Supreme Audit Institution’s Opinion on Fair Presentation

(b) Financial Statement Discussion and Analysis

(c) Financial Statements
   (i) Statement of Financial Position;
   (ii) Statement of Comprehensive Income;
   (iii) Statement of Changes in Equity; and
   (iv) Statement of Cash Flow.

(d) Notes to the Financial Statements

The sample of GBE financial statements examined complied with the IAS/IFRS except for the following: 1. Consolidated statements were not prepared, and 2. Some government entities listed as GBEs did not meet all five characteristics since they were heavily subsidized by Central Government.

**Good Practices.**

The IFRS Practice Statement *Management Commentary* provides a broad, non-binding framework for the Financial Statement Discussion and Analysis that relates to financial statements that have been prepared in accordance with International Financial Reporting Standards (IFRSs). A management commentary should provide users of financial statements with integrated information that provides a context for the related financial statements. Such information explains management’s view not only about what has happened, including both positive and negative circumstances, but also why it has happened and what the implications are for the entity’s future. A management commentary complements and supplements the financial statements by communicating integrated information about the entity’s resources and the claims against the entity and its resources, and the transactions and other events that change them. A management commentary should also explain the main trends and factors that are likely to affect the entity’s future performance, position and progress. Consequently, a management commentary looks not only at the present, but also at the past and the future.

3. **CONCLUSION**

The field test on the financial statements published by the Republic of (country?) for FY 2011-2012 indicates that the *IPSAS Compilation Guide for Developing Countries* is ready for finalization by ICGFM with some minor corrections.
ANNEX. Checklists to Certify Conformance with IPSAS Compilation Guide for Developing Countries published by ICGFM

Grading Criteria

A—Has answered “Yes” to all questions in applicable stage except attaching the Auditor’s Opinion. A Certificate of Conformance can be issued.

B—Same as “A” except narrative Financial Statement Discussion and Analysis is not attached. A Certificate of Conformance can not be issued.

C—Same as “B” except Statement of Cash Receipts and Cash Payments or Statement of Cash Flows and disclosures are not attached. A Certificate of Conformance can not be issued.

D—Same as “C” except financial statements do not comply with pertinent IPSAS. A Certificate of Conformance can not be issued.
Stage 2—Significant Controlled Entities within Central Government (about 3 years)

<table>
<thead>
<tr>
<th></th>
<th>YES</th>
<th>NO</th>
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<tbody>
<tr>
<td>Has each of the Significant Controlled Entities prepared a Comparative Statement of Budget to Actual Amounts, where appropriate?</td>
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<tr>
<td>If so, has a combining Comparative Statement of Budget to Actual Amounts been prepared to present a combined total for the Significant Controlled Entities? (not required)</td>
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<tr>
<td>Has each of the Significant Controlled Entities prepared a Statement of Cash Receipts and Payments, where appropriate?</td>
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</table>

Names of Significant Controlled Entities:

Date__________________________   Signature__________________________________________
Stage 3—Significant Controlled Entities within Central Government (3-5 years)

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<thead>
<tr>
<th>Question</th>
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<tbody>
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<tr>
<td>Has each of the Significant Controlled Entities prepared an Intermediate Statement of Financial Position, where appropriate?</td>
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<tr>
<td>Has each of the Significant Controlled Entities prepared an Intermediate Statement of Financial Performance, where appropriate?</td>
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<tr>
<td>Has each of the Significant Controlled Entities prepared an Intermediate Statement of Changes in Net Assets, where appropriate?</td>
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<tr>
<td>If so, has a combining statement for each of the prepared statements been prepared to present combined totals for the Significant Controlled Entities? (not required)</td>
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<tr>
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Names of Significant Controlled Entities:

Date__________________________________________ Signature________________________________________________
Stage 4—Government Business Enterprises (3-5 years)

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<tr>
<th>Question</th>
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<td>Has each of the Government Business Enterprises prepared a Statement of Cash Flows, where appropriate, in accordance with the IAS/IFRS?</td>
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<tr>
<td>Has each of the Government Business Enterprises prepared a Statement of Financial Position, where appropriate, in accordance with the IAS/IFRS?</td>
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<tr>
<td>Has each of the Government Business Enterprises prepared a Statement of Comprehensive Income, where appropriate, in accordance with the IAS/IFRS?</td>
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<tr>
<td>Has each of the Government Business Enterprises prepared a Statement of Changes in Equity, where appropriate, in accordance with the IAS/IFRS?</td>
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<tr>
<td>If so, has a consolidated statement for each of the prepared statements been prepared to present consolidated totals for the Government Business Enterprises, in accordance with the IAS/IFRS?</td>
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Names of Government Business Enterprises:

Date__________________________     Signature______________________________
Stage 5—Significant Controlled Entities within General Government (5-8 years)

| Has each of the Significant Controlled Entities prepared a Comparative Statement of Budget to Actual Amounts, where appropriate? | YES | NO |
| Has each of the Significant Controlled Entities prepared a Statement of Cash Flows, where appropriate? | | |
| Has each of the Significant Controlled Entities prepared a Statement of Financial Position, where appropriate? | | |
| Has each of the Significant Controlled Entities prepared a Statement of Financial Performance, where appropriate? | | |
| Has each of the Significant Controlled Entities prepared a Statement of Changes in Net Assets, where appropriate? | | |
| If so, has a consolidated statement for each of the prepared statements been prepared to present consolidated totals for the Significant Controlled Entities in accordance with the accrual IPSAS? | | |
| Has the Auditor General expressed an opinion on the fair presentation of financial information in the prepared statements in accordance with the ISAs? | | |
| Has a narrative Financial Statement Discussion and Analysis been prepared to explain in plain language the information presented in the prepared statements? | | |
| Have notes been attached to the prepared statements to further explain the financial information in the prepared statements? | | |
| Has the consolidated statements been provided to the legislative body for informational purposes along with the Auditor General’s opinion, the Financial Statement Discussion and Analysis, and the Notes? | | |

Names of Significant Controlled Entities:

Date____________________________ Signature_________________________________________
### Stage 6—Significant Controlled Entities within Whole of Government (10 or more years)

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<tr>
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<tr>
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### Names of Significant Controlled Entities:

Date_____________________________ Signature________________________________________

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