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# IPSAS 24

## **Presentation of Budget Information in Financial Statements**

### Guideline

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**December 2024**

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### 1. Introduction

#### Background

The International Public Sector Accounting Standards Board (IPSASB) issued International Public Sector Accounting Standards (IPSAS) "24—Presentation of Budget Information in Financial Statements" in 2006 for application for periods beginning on or after 1st January 2009.

This standard's objective is to ensure that public sector entities discharge their accountability obligations and enhance the transparency of their financial statements by demonstrating compliance with the approved budget(s) for which they are held publicly accountable.

### 2. Scope

This standard applies to entities that prepare and present financial statements under the accrual basis of accounting and are required to, or elect to, make publicly available their approved budget(s), for which they are, therefore, held publicly accountable.

#### Scope in the Kenyan Context

Government Business Entities (GBEs) use the International Financial Reporting Standards (IFRS) and thus are not required to prepare budgetary information under the IFRS as is the case in the IPSAS. However, PFM Act Sec 81 (2a) and Section 164 (2a) require Government entities to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted.

PSASB considers the requirements of the PFM Act, the importance that the budgetary information would provide to the statement users, and the fact that public entities make their budgets publicly available and decided to include this statement under the IFRS-compliant financial statements for the GBEs.

### 3. Definition of Key Terms

**Original budget:** is the initial approved budget for the budget period.

**Final budget:** is the original budget, adjusted for all reserves, carry-over amounts, transfers, allocations, supplemental appropriations, and other authorized legislative or similar authority, changes applicable to the budget period. It covers all authorized changes or amendments.

**Comparable basis:** means the actual amounts presented on the same accounting basis, same classification basis, for the same entities, and for the same period as the approved budget.

**Accounting Basis:** This means the accrual or cash basis of accounting.

**Budget Basis:** This means the accrual, cash, or other accounting basis adopted in the budget approved by the legislative body.

**Approved budget:** Expenditure Authority derived from laws related to the anticipated revenue/receipts for the budgetary period. The legal limit within which an entity must operate. It is not a projection or estimate.

**Actual Amounts:** Amounts that result from the execution of the budget.

#### 4. Presentation

##### **Presentation of a Comparison of Budget and Actual Amounts**

An entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts, either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with IPSASs. In Kenya, the presentation shall be done as a separate additional financial statement (Statement of Comparison of Budget and Actual Amounts).

The comparison of budget and actual amounts shall be presented separately for each level of legislative oversight:

- (a) The original and final budget amounts.
- (b) The actual amounts on a comparable basis.
- (c) By way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross-reference to those documents is made in the notes.

An additional column presenting budget amendments/revisions in Kenya shall be presented.

##### **Level of Aggregation**

In some cases, the detailed financial information included in approved budgets may need to be aggregated for presentation in financial statements in accordance with the requirements of this Standard. Such aggregation may be necessary to avoid information overload and reflect relevant legislative or other authoritative body oversight levels. Determining the level of aggregation will involve professional judgment, which will be applied in the context of the objective of this Standard and the qualitative characteristics of financial reporting.

##### **Changes from Original to Final Budget**

An entity shall present an explanation of whether changes between the original and final budget, a consequence of revisions within the budget are supplementary or other factors by way of note disclosure in the financial statements

That explanation will include whether, for example, changes arise as a consequence of reallocations within the original budget parameters or as a consequence of other factors, such as changes in the overall budget parameters, including changes in government policy.

## Comparable Basis

All comparisons of budget and actual amounts shall be presented on a comparable basis to the final budget that is made publicly available.

The comparison of budget and actual amounts will be presented on the same accounting basis (accrual, cash, or other basis), same classification basis, and for the same entities and period as for the approved budget.

Entities may adopt different bases of accounting for the preparation of their financial statements and for their approved budgets. For example, a government may adopt the accrual basis for its financial statements and the cash basis for its budget. In addition, budgets may focus on, or include information about, commitments to expend funds in the future and changes in those commitments, while the financial statements will report assets, liabilities, net assets/equity, revenues, expenses, other changes in net assets/equity, and cash flows.

## 5. Disclosures

An entity shall explain in notes to the financial statements.

- The budgetary basis and classification basis adopted in the approved budget,
- Period of the approved budget, and
- The entities are included in the approved budget.

### a. Disclosures of Budgetary Basis and Classification Basis.

An entity shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget. The entity should:

- i. Indicate whether the budget was prepared and presented on a cash, accrual, or modified basis and the accounting basis used in the financial statements.
- ii. Indicate whether the formats and classification schemes adopted for the presentation of the approved budget differ from those adopted for the financial statements, e.g., by nature, function, or program.

### b. Disclosures of the Period of the Approved Budget

An entity shall disclose in notes to the financial statements the period covered by the approved budget.

### c. Disclosures of the Scope of Approved Budget

An entity shall identify in notes to the financial statements the entities included in the approved budget.

An entity is required to prepare and present financial statements that consolidate all resources controlled by the entity.

## 6. Reconciliation

### Reconciliation of Actual Amounts on a Comparable Basis and Actual Amounts in the Financial Statements

The actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the following actual amounts presented in the financial statements, identifying separately any basis, timing, and entity differences:

- (a) If the accrual basis is adopted for the budget, total revenues, total expenses, and net cash flows from operating, investing, and financing activities.
- (b) If a basis other than the accrual basis is adopted for the budget, net cash flows from operating activities, investing activities, and financing activities.

The reconciliation shall be disclosed on the face of the statement of comparison of budget and actual amounts, or in the notes to the financial statements.

### Classification of Differences

Differences between the actual amounts identified consistent with the comparable basis and the actual amounts recognized in the financial statements can usefully be classified into the following:

- (a) Basis differences** occur when the approved budget is prepared on a basis other than the accounting basis. For example, the budget may be prepared on the cash or modified cash basis, while the financial statements are prepared on the accrual basis.
- (b) Timing differences:** occur when the budget period differs from the reporting period reflected in the financial statements.
- (c) Entity differences:** occur when the budget omits programs or entities that are part of the entity for which the financial statements are prepared.
- (d) Presentation differences:** there may be differences in formats and classification schemes adopted for presenting financial statements and the budget may differ.

For those entities using the cash basis (or modified cash or modified accrual basis) of accounting for the presentation of the approved budget and the accrual basis for their financial statements, the major totals presented in the statement of budget and actual comparison will be reconciled to **net cash flows from operating activities, net cash flows from investing activities, and net cash flows from financing activities** as presented in the cash flow statement.

The disclosure of comparative information in respect of the previous period in accordance with the requirements of this Standard is not required.

The table below shows an ideal reconciliation between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Cash Flows.

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	Operating	Financing	Investing	Total
<b>Actual amount on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts</b>	X	X	X	X
Basis differences	X	X	X	X
Timing differences	X	X	X	X
Entity differences	X	X	X	X
Presentation/Classification differences	X	X	X	X
Other differences (Specify)	X	X	X	X
<b>Actual amounts in the IPSAS Statement of Cash Flows</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

## 7. Illustrative Examples

### a) Illustration no.1

The illustration shown below is for the County Executive. The original budget for FY 20xx/xx was Ksh 767,028,619 which was approved by the County Assembly on 28<sup>th</sup> June 20xx. There were no subsequent revisions or additional appropriations made to the approved budget in accordance with specific approvals from the appropriate authorities.

The County Executive's budget is prepared on a different basis to the actual statement of financial performance in the financial statements.

The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis.

#### **Required:**

Prepare a statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows.

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### Statement of Cash Flows for The Year Ended June 30<sup>th</sup> 20xx

Description	Notes	30 <sup>th</sup> June 20XX
		Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from CRF		425,840,144.00
<b>Total receipts</b>		<b>425,840,144.00</b>
<b>Payments</b>		
Employee costs		285,664,208.85
Use of goods and services		112,238,598.90
Transfers to other Government Entities		28,100,408.30
<b>Total payments</b>		<b>426,003,216.05</b>
<b>Net cash flows from operating activities</b>		<b>(163,072.05)</b>
<b>Cash flows from investing activities</b>		
Purchase of PPE		(20,000,000.00)
Purchase Intangible assets		(5,000,000.00)
<b>Net cash flows from investing activities</b>		<b>(25,000,000.00)</b>
<b>Cash flows from financing activities</b>		
Returns to CRF		(159,198.75)
<b>Net cash flows from financing Activities</b>		<b>(159,198.75)</b>
<b>Net increase/(decrease) in cash &amp; Cash equivalents</b>		<b>(25,322,270.80)</b>
Cash and cash equivalents as at Period Start		161,615,217.95
<b>Cash and cash equivalents as at Period End</b>		<b>136,292,947.15</b>

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Revenue/expense item	Original budget	Adjustments	Final budget	Actual on comparable basis	Budget utilization difference	% of utilization	
	A	B	C=(a+b)	D	E=(c-d)	F=d/c *100	
<b>Revenues</b>							
Opening balance (Non-refundable special purpose accounts)	-	161,615,218	161,615,218	161,615,218	-	100%	a
Transfers from CRF	767,028,619	-	767,028,619	425,840,144	341,188,475	56%	b
<b>Total revenues</b>	<b>767,028,619</b>	<b>161,615,218</b>	<b>928,643,837</b>	<b>587,455,362</b>	<b>341,188,475</b>		
<b>Expenses</b>							
Employee costs	346,925,559	-	346,925,559	285,664,209	61,261,350	82%	c
Use of goods and services	170,838,849	(50,000,000)	120,838,849	112,238,599	8,600,250	93%	
Transfers to other Govt Entities	114,643,672	201,615,218	316,258,890	28,100,408	288,158,482	9%	d
Other Grants and Subsidies	32,185,771	10,000,000	42,185,771	-	42,185,771	0%	e
Social Benefits	4,000,000	-	4,000,000	-	4,000,000	0%	f
<b>Sub Total</b>	<b>668,593,851</b>	<b>(4,000,000)</b>	<b>664,593,851</b>	<b>426,003,216</b>	<b>238,590,635</b>		
<b>Capital Expenditure</b>							
Acquisition of PPE	92,434,768	-	92,434,768	20,000,000	72,434,768	22%	g
Acquisition of Intangible assets	6,000,000	-	6,000,000	5,000,000	1,000,000	83%	h
<b>Sub Total</b>	<b>98,434,768</b>	<b>-</b>	<b>98,434,768</b>	<b>25,000,000</b>	<b>73,434,768</b>		
<b>Total Expenses</b>	<b>767,028,619</b>	<b>(4,000,000)</b>	<b>763,028,619</b>	<b>451,003,216</b>	<b>312,025,403</b>		
<b>Surplus</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>136,452,146</b>			

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#### **Budget Notes**

- a.** Carry-over cash from the previous financial year is non-refundable to the CRF. This amount was approved in the current year's budget during the supplementary budget process.
- b.** At the close of the period transfers from CRF amounts stood at 56%. The amounts were not totally received during the financial year due to delayed National Treasury disbursements.
- c.** The employee cost stood at 82% utilization. The under-absorption was due to the planned recruitment of staff during the year that did not take place.
- d.** Transfers to other Government Entities stood at 28 million against 316 million in the budget. This reflects a 9% utilization performance. The performance was affected by the High Court case affecting the beneficiary entity.
- e.** The county did not make any payments toward other Grants and Subsidies because the beneficiary entities did not meet the set conditions.
- f.** The county did not make any payments toward other social benefits because the claim documents were not presented by the beneficiaries.
- g.** Following the government directive on suspension of all PPE acquisitions, including those at the procurement stage, the budget line for this acquisition stood at only 22% at the close of the FY.
- h.** Intangible assets were substantially acquired. The unutilized funds relates to user licenses that were not procured due to delayed staff recruitment process.

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### Reconciliation Statement Between the Actuals in The Statement of Budget Vs Actuals & The Statement Of Cash Flows

	Total
<b>Actual amounts on comparable basis presented in the budget and actual comparative statement</b>	<b>136,452,146</b>
Basis difference	-
Timing differences	-
Entity differences	-
Classification/ Presentation differences (Return to CRF)	(159,199)
<b>Actual Cash and Cash Equivalent in the statement of cashflows</b>	<b>136,292,947</b>

Differences between the actual amounts identified consistent with the comparable basis and the actual amounts recognized in the financial statements are explained as:

**(d) Presentation differences:** The return to CRF was made through the cash flow statement but not in the budget statement.

## 8. Frequently Asked Questions

### Question One:

**With the Country transitioning to accrual accounting and the budget remaining on cash basis, how will entities prepare the statement of comparison of budget and actual amount?**

IPSAS 24 requires that entities present the actual amount in the statement of comparison of the budget and actual amounts on a comparable basis. A reconciliation statement between the actual amounts and the closing cash and cash equivalent will be presented.

### Question Two:

**With the transition to accrual, will unutilized by 30<sup>th</sup> June be returned to the exchequer by MDAs?**

PFM Act Sec 45 and 136 directs that all appropriations lapse on 30<sup>th</sup> June and thus entities will be required to return any unspent appropriations to comply with the law.

### Question Three:

**How will pending payables from the previous financial year be treated upon payment in the current year?**

The pending payables will be settled within the appropriate budget lines in the current year's approved budget.

### **Disclaimer:**

***This guideline has been prepared as a guidance to public sector entities in Kenya for implementation of IPSAS 24. However, it does not serve as an advisory or complete standard documentation of Presentation of Budget Information in Financial Statements or a replacement of IPSAS 24. For further engagements on IPSAS 24 reach out to us on [acctstandards@psasb.go.ke](mailto:acctstandards@psasb.go.ke)***