



## **Financial Reporting Award (FiRe Award) Scoring Criteria**

### **Background**

The **Financial Reporting (FiRe) Award** is a prestigious and coveted Award in East Africa for excellence in financial reporting. The award is presented annually by the joint promoters namely: Institute of Certified Public Accountants of Kenya (ICPAK), the Capital Markets Authority (CMA), the Nairobi Securities Exchange (NSE), the Retirement Benefits Authority (RBA) and the Public Sector Accounting Standards Board (PSASB). The Award was founded and held for the first time in 2002. The Public Sector Accounting Standards Board joined as a partner in 2014 and later was admitted as a promoter of the Award in 2015. Section 194 (4) of the PFM Act, 2012 requires PSASB to monitor adherence of public sector entities with the prescribed standards. The FiRe award Scheme is a key compliance monitoring tool in line with the requirements of the Act. Participation of public sector entities to the award scheme has been increasing over the years and so is the competition within the award categories.

Below is a summary of how the Evaluation Criteria is structured.

### **General overview.**

The evaluation is categorized according to the reporting framework. The reporting frameworks in Kenya are IFRS, IPSAS Cash and IPSAS Accrual. The evaluators' key role is to check the entity's compliance in respect to the presentation and disclosure requirements of the applicable reporting framework. The evaluation also assesses the Auditor's report, Governance, Environmental & Sustainability Reporting, and compliance with the PFM Act 2012.

### **Specific Evaluation areas:**

#### **1. The Independent Auditor's Report**

This section requires the evaluator to assess the report of the independent auditor, and penalise the entity based on non-compliance issues noted. Any penalty is supported by comment(s) and clearly referenced to the relevant page in the said financial statement. This area carries 30 marks out of the 200 deductible marks (see the table below). For an entity to be considered for an award, they must have obtained an unqualified audit opinion. Other matters of non-compliance noted by the Auditor in their report, should not be pervasive. Entities with other modified opinions are evaluated for the purposes of providing feedback on areas of improvement.

## **2. IPSAS Cash/IPSAS Accrual/IFRS**

This Section requires the evaluator to assess the applicable IPSAS/IFRS and penalize the entity based on non-compliance issues noted. Any penalty is supported by comment(s) and clearly referenced to the relevant page in the said financial statements. This section carries 70 marks out of the 200 deductible marks as shown in the table below. The section evaluates an entity's compliance with standards under the applicable framework.

## **3. Clarity of notes**

This section requires the evaluator to assess the clarity of notes to the financial statements, significant accounting policies and explanatory information. Notes should be clear and sequential, and all material transactions and balances should be supported. Additionally other disclosure items should be complete and relevant to the understanding of users of financial information. Any instance of non-compliance is penalized to a maximum of 10 marks and is supported by comment(s) and clearly referenced to the relevant page in the said financial statement.

## **4. Compliance with the Public Finance Management Act and other applicable laws and regulations.**

This section requires the evaluator to assess compliance with the Public Finance Management (PFM) Act and any relevant and applicable statutes [such as the Companies Act, Universities Act, Banking Act, the Insurance Act, the Capital Markets Act etc.] as applicable to the entity under review. Any instance of non-compliance is penalized and is supported by comment(s) and clearly referenced to the relevant page in the said financial statement. This section carries 30 marks on a deductible basis since as shown in the table below.

## **5. Corporate Governance**

The (Governance-Ministries Departments and Agencies (MDAs) or Governance-State Corporations) are mutually exclusive, and the evaluator uses the appropriate checklist applicable to the entity under review. The evaluator is required to read the relevant reports and award marks (maximum of 30 marks) based on their professional judgement. The evaluator includes comments to justify marks awarded. In evaluating this area, the evaluators identify areas of improvement which are then notified to the participating entity.

## **6. Board and Management Reports, Presentation of performance data and the overall visual appearance of the annual report.**

This section evaluates the visual appearance of the annual report and financial statements. Further, the linkage of the entity's performance to the national economy and the sectoral performance is assessed. Management reports should be clearly articulated to ensure even non- finance users of the annual report are able to understand it. A maximum of 25 marks is awarded in this section.

## 7. Environmental and Social Responsibility Reporting

Under this section the evaluator assesses the relevant reports and awards marks (maximum of 5 marks) based on their professional judgement. The evaluator provides comments to justify marks awarded.

### The Tabulation of the Scoring Criteria

Below is the outline of the key areas assessed.

No.	Criteria	Basis of Evaluation	Marks
1	Report of the Independent Auditor (Auditor General)	Penalized for non- compliance	30
2	Compliance with IFRS/IPSAS & Other Technical Pronouncements	Penalized for non- compliance	70
3	Clarity of Notes (statement of Accounting Policies and other explanatory information)	Penalized for non- compliance	10
4	Compliance with Accounting Requirements of the PFM Act, State Corporations Act or any other regulatory requirements	Penalized for non- compliance	30
5	Board & Management reports	Awarded based on professional judgement	10
6	Presentation of performance data	Awarded based on professional judgement	10
7	Design, layout & visual appearance of the annual report including typeface	Awarded based on professional judgement	5
8	Corporate Governance	Awarded based on professional judgement	30
9	Environmental & Sustainability Reporting (ESR)	Awarded based on professional judgement	5
	<b>Total</b>		<b>200</b>