Zimbabwe

FINANCIAL REPORTING MANUAL

For Public Sector

2023

Foreword

I am pleased to introduce the first edition of the Zimbabwe Financial Reporting Manual to support the implementation of the accrual-based International Public Sector Accounting Standards (IPSAS).

The adoption and implementation of IPSAS is in line with the public financial management principles enunciated in section 298 of the Constitution of Zimbabwe. In the 2018 National Budget Statement, the Government confirmed its commitment to migrate to the Framework with effect from the 1st of January 2018 and this was followed by the gazetting of Statutory Instrument 41 of 2019 which formally adopted IPSAS as the reporting framework in Zimbabwe.

Reiterating the message, I gave at the launch of the IPSAS Implementation Strategy and Plan in April 2019, the IPSAS Framework will support Government's efforts to achieve the desired results-based performance through the efficient use of resources, timely and transparent reporting. The migration is an essential aspect of the ongoing efforts to enhance and strengthen our Public Finance Management System.

The successful development of the Zimbabwe Financial Reporting Manual is an important milestone in the journey to successful implementation of IPSAS.

I would like to thank all those involved in developing this manual with particular thanks to the World Bank for supporting this process. I look forward to the successful implementation of this important project.

Professor M. Ncube

Minister of Finance and Economic Development

Preamble

The ongoing project for the migration to the accrual-based International Public Sector Accounting Standards (IPSAS) framework, by December 2025, forms part of wider government's Public Finance Management (PFM) reforms and is aimed at enhancing transparency and accountability. This is consistent with the principles of public financial management in section 298 of the Constitution of Zimbabwe, which requires transparency and accountability in financial matters as well as responsible and clear financial management and fiscal reporting.

The development of the Zimbabwe Financial Reporting Manual (ZFRM) is a recommendation of the IPSAS Implementation Strategy and Plan (ISP) launched in 2019. The manual is expected to guide the implementation of IPSAS by providing local interpretations and clarifying options thereby ensuring consistency of application of the various standards by reporting entities.

It is with immense gratitude that I would like to acknowledge everyone involved in this project for their financial, technical and advisory support during the development of the Zimbabwe Financial Reporting Manual.

G. T. Guvamatanga.

Secretary for Finance and Economic Development

Acknowledgements

This Zimbabwe Financial Reporting Manual has been prepared for use by the Zimbabwe Public Sector in the migration to International Public Sector Accounting Standards (IPSAS) program through the facilitation of the Zimbabwe Treasury

with funding from the World Bank,

Abbreviations used in this document

COFOG	Classification of Functions of Government
GPFS	General Purpose Financial Statements
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standard
IPSAS	International Public Sector Accounting Standard
IPSASB	International Public Sector Accounting Standards Board
ISP	IPSAS Implementation Strategy and Plan
IMAP	Implementation Matrix and Action Plan
MDA	Ministries, Departments and Agencies (Reporting Entity/Public Sector Entity)
MOFED	Ministry of Finance and Economic Development
NSSA	National Social Security Authority
PAAB	Public Accountants and Auditors Board
PFM	Public Financial Management
PFM Act	Public Finance Management Act (Chapter 22:19)
PPE	Property, Plant and Equipment
SOE	State Owned Enterprise
VAT	Value Added Tax
CPI	Consumer Price Indices
ZIMRA	Zimbabwe Revenue Authority
ZFRM	Zimbabwe Financial Reporting Manual

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1. Introduction

1.1. Objective of the ZFRM

1.1.1. The Zimbabwe Financial Reporting Manual (ZFRM) has been developed to support the adoption and implementation of International Public Sector Accounting Standards (IPSAS). Zimbabwe adopted IPSAS as a reporting framework following the gazetting of Statutory Instrument 41 of 2019 Public Accountants and Auditors (Prescription of International Standards) Regulations, 2019. The adoption of the accrual based and the migration to IPSAS framework is necessary for the fulfilment of the public financial management principles in Section 298 of the Constitution of Zimbabwe which requires:

a. Transparency and accountability in financial matters
b. Public funds to be expended transparently, prudently, economically, and effectively
c. Financial management and fiscal reporting to be responsible and clear.

1.1.2. The key objectives of the ZFRM are as follows:

a. To provide local interpretation and guidance in the implementation of the IPSAS framework by reporting entities in Zimbabwe
b. To narrow accounting policy choices provided by IPSAS thereby ensuring consistency in application by various reporting entities.
c. To provide policy direction on the implementation of IPSAS by various reporting entities

1.1.3. The ZFRM is prepared following consultation with various stakeholders and is issued by the Zimbabwe Treasury.

1.2. Scope of the ZFRM

1.2.1. The ZFRM should be followed by Public Sector Entities (Reporting Entities) required to apply the IPSAS framework in preparation of general-purpose financial statements and reports as required by Public Finance Management Act (Chapter 22:19).

1.2.2. The ZFRM applies to entities (Reporting Entities) that are required to prepare financial statements using IPSAS as follows:

a. Ministries, Departments, and Agencies funded from the Consolidated Revenue Fund;
b. Rural District Councils established under the Rural District Councils Act (Chapter 29:13);
c. Urban Councils established under the Urban Councils Act [Chapter 29:15]
d. Constitutional Entities;
e. Statutory Funds;
f. Designated corporate bodies and public entities

1.2.3. The full list of entities expected to apply this manual is on Appendix 9 List of Entitles on IPSAS & IFRS and Consolidation Groups. Treasury will continuously review and update the list of entities.

1.2.4. Reporting entities are required to fully comply with IPSAS and this manual does not replace/change/supersede any IPSAS.

1.3. Compliance with the IPSAS Financial Reporting Framework

1.3.1. Zimbabwe adopted IPSAS as a financial reporting framework through the promulgation of Statutory Instrument 41 of 2019 underpinning the migration of public sector entities to IPSAS through the IPSAS Implementation Strategy and Plan launched in 2019 by the Minister of Finance and Economic Development.

1.3.2. All reporting entities are required to migrate to the IPSAS framework by 2025 and produce IPSAS compliant financial statement by that date. The full IPSAS standards can be accessed here (https://www.ipsasb.org/standards-pronouncements)

1.3.3. Entities are required to apply all IPSAS standards even if they are not dealt with by the ZFRM. ZFRM only focuses on standards or areas where specific guidance is needed.

1.3.4. Entities are required to apply new standards as issued by the IPSASB as and when they become effective regardless of whether or not the ZFRM has been updated to include guidance on these standards.

1.3.5. The ZFRM has incorporated the following standards which are not yet effect but will be early adopted for use in Zimbabwe:

a. IPSAS 43 Leases
b. IPSAS 44 Non-current assets held for sale
c. IPSAS 45 Property, Plant and Equipment
d. IPSAS 46 Measurement
e. IPSAS 47 Revenue
f. IPSAS 48 Transfer Expenses

1.4. Development of IPSAS Implementation Matrix and Action Plan (IMAP)

1.4.1. All reporting entities migrating to IPSAS are required to develop IPSAS Implementation Matrix and Action Plans (IMAP) to guide the implementation of IPSAS. A standard template to be used by all entities is included in Appendix 12.

1.5. Supporting Legislation

1.5.1. Constitution of Zimbabwe gives oversight responsibility to Parliament for State revenues and expenditures through creation of Acts of Parliament that give power to the Minister responsible for Finance to issue regulations and instructions. The relevant Acts of Parliament and regulations/instructions are;

a. Public Finance Management Act, [Chapter 22:19],
b. Public Procurement and Disposal of Public Assets (PPDA) Act [Chapter 22: 23]
c. Appropriation Acts
d. Finance Acts
e. Public Debt Management Act, [Chapter 22:21],
f. Rural District Councils established under the Rural District Councils Act (Chapter 29:13).
g. Urban Councils established under the Urban Councils Act [Chapter 29:15].
h. Public Procurement and Disposal of Public Assets (General) Regulations, 2018.
i. Public Finance Management (Treasury Instructions), 2019.
j. Public Finance Management (General) Regulations, 2019.
k. Public Debt Management Regulations, SI 79 of 2019.
l. And any other relevant legislation.

1.6. IPSAS Conceptual Framework

1.6.1. IPSASB's Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework) establishes the principles that the IPSASB believes should underlie the preparation and presentation of general-purpose financial statements and general purpose financial reports. In particular, preparers should be familiar with the objective of financial statements, which is to provide financial information about the reporting entity or reportable activity that is useful for accountability and decision-making purposes.

1.6.2. For reporting entities the objective of the financial statements is also to provide information about its financial position, financial performance, changes in financial position and cash flows that is useful to a wide range of users to permit them to assess the stewardship and accountability of management for the resources entrusted to them.

1.6.3. The key users of the information in the financial statements of reporting entities and for reportable activities are Treasury and Parliament, the latter as representatives of the public as well as the voter of resources. Other users include the financiers, shareholders, regulators, supervisory structures, and the taxpayers.

1.6.4. In presenting information in their financial statements, preparers should also have regard to the;

a. underlying assumption (financial statements shall be prepared on a going concern basis, as set out in IPSAS 1, Presentation of Financial Statements, paragraphs 38 to 41),
b. qualitative characteristics of financial statements,
c. elements of financial statements,
d. recognition of the elements of financial statements, and
e. measurement of the elements of financial statements.

1.6.5. The Conceptual Framework notes that the primary objective of most public sector entities is to deliver services to the public rather than to make profits and generate a return on equity to investors. Consequently, the financial statements cannot meet all the information needs of user.

2. First Time Adoption of the IPSAS

2.1. Applicable Accounting Standard

2.2.1. IPSAS 33 applies in full to all reporting entities covered by the ZFRM

2.2. Objective

2.2.2. The objective of this section is to provide guidance to reporting entities adopting IPSAS for the first time in line with the requirements of IPSAS 33 and as they transition to full compliance with IPSAS.

2.3. Adoption of IPSAS

2.3.2. The date of adoption of IPSAS is 1 January 2023 for all entities within the scope of this manual. This date will be regarded as the date of adoption irrespective of the previous basis of accounting that the entity used. From that date entities will present transitional financial statements taking into account transitional provisions below.

2.3.3. Regardless of the date of adoption, all reporting entities are required to produce their first IPSAS fully compliant financial statements on or before financial period ending 31 December 2025. By this date entities are required to make an explicit and unreserved statement of compliance with IPSAS.

2.3.4. Entities will not be required to present comparative information in their first transitional financial statements following adoption of IPSAS on the set adoption date. However entities that have applied accrual reporting before the date of adoption may present comparative information in line with their previous basis of accounting.

2.3.5. Where entities produce transitional financial statements, they will be required to produce full financial statements using their previous basis of accounting. Entities will only stop producing financials statements based on the previous accounting basis when they produce a full IPSAS compliant financial statement.

2.4. Exemption that affect fair presentation and compliance with accrual basis IPSAS

2.4.2. IPSAS 33 provides three year transitional relief period for the recognition and/or measurement of assets and liabilities.

2.4.3. These transitional reliefs will only apply to central government entities as listed in Group 1 Appendix 9. Regardless of IPSAS providing three year transitional relief, central government entities are required to be fully compliant with IPSAS in their 2025 financial statements.

2.4.4. In transitioning to IPSAS, the following is the order of priority that should be followed in compliance with recognition and measurement requirements:

a. Property, plant and equipment (see IPSAS 17, Property, Plant and Equipment);
b. Inventories (see IPSAS 12, Inventories);
c. Investment property (see IPSAS 16, Investment Property);
d. Biological assets and agricultural produce (see IPSAS 27, Agriculture);
e. Intangible assets (see IPSAS 31, Intangible Assets);
f. Revenue (see IPSAS 23, IPSAS 9, IPSAS 11);
g. Financial instruments (see IPSAS 41, Financial Instruments);
h. Right-of-use assets and the related lease liabilities (see IPSAS 43, Leases);
i. Defined benefit plans and other long-term employee benefits (see IPSAS 39, Employee Benefits);
j. Service concession assets and the related liabilities, either under the financial liability model or the grant of a right to the operator model (see IPSAS 32, Service Concession Arrangements: Grantor);
k. Social benefits (see IPSAS 42, Social Benefits);
l. All other remaining standards.

2.5. Exemptions that do not affect fair presentation and compliance with accrual basis IPSASs

2.5.2. All other reporting entities except for central government are required to apply exemptions that do not affect fair presentation and compliance with IPSAS.

2.5.3. The only exception to above is in the recognition and measurement of infrastructure assets. If entities had not recognised infrastructure assets in the previous basis of accounting, they are permitted to continue so until they have completed IPSAS implementation on other elements of the financial statements.

2.5.4. Entities are only required to recognise and measure infrastructure assets on completion of implementing all other requirement of accruals IPSAS. This relief does not invalidate the requirement to be fully compliant by 31 December 2025.

2.5.5. IPSAS 33 allows use of deemed costs to measure assets and liabilities where reliable cost information about the assets and liabilities is not available. The deemed cost would be the fair value on the date of adoption. Deemed cost can be applied for the following:

a. Inventory (see IPSAS 12).

b. Right-of-use assets (see IPSAS 43).

c. Property, plant and equipment (see IPSAS 17).

d. Intangible assets, other than internally generated intangible assets (see IPSAS 31) that meets:

(i) The recognition criteria in IPSAS 31 (excluding the reliable measurement criterion); and

(ii) The criteria in IPSAS 31 for revaluation (including the existence of an active market);

e. Financial Instruments (see IPSAS 41); or

f. Service concession assets (see IPSAS 32).

2.5.6. Entities that have applied hyperinflation reporting in their previous accounting bases, should use inflation adjusted numbers as opening balances on the date of adoption

2.5.7. Reporting Entities are required to recognise an investment in entities that they control, jointly control or have significant influence. An investment register should be kept that clearly identifies all such entities where there is control, joint control or significant influence including how such assessment of control, joint control or significant influence has been done. Such investments are measured based the net assets value of the that entity on the date of IPSAS adoption as the deemed cost. The net assets value should be based on the latest statements of financial position of the investee. Where the investee has negative net assets, the investment value should be limited to zero.

3. Presentation of the annual report

3.1. Objective

3.1.1. This chapter sets out the requirements for preparation and publishing of the annual report by reporting entities.

3.1.2. The objective of the annual report is to provide information to users for accountability and decision-making purposes.

3.2. The annual report

3.2.1. The Reporting Entity shall prepare and publish an annual report annually.

3.2.1. The annual report and financial statements must be prepared and published as a single document unless Treasury has specifically agreed otherwise.

3.2.2. The annual report at a minimum shall include:

a. complete financial statements
b. statement of responsibility and the accuracy of the annual report
c. governance statement
d. annual service performance report; and
e. the audit opinion and report

3.2.3. Reporting entities are encouraged to present sustainability and integrated reports as part of the annual report.

3.2.4. Although auditors are required to provide an opinion on the financial statements, they will also review other reports contained in the Annual Report for consistency with other information in the financial statements.

3.3. Statement of responsibility and the accuracy of the annual report

3.3.1. The statement of responsibility and accuracy of the annual report shall be signed by the executive head of the reporting entity (i.e Chief Executive Officer, Town Clerk, Permanent Secretary) and the accounting officer where the accounting officer is not the executive head.

3.3.2. The report should clearly communicate;

a. that the annual report is complete, accurate and free from omissions

b. that the annual report has been prepared in accordance with the Zimbabwe Financial Reporting Manual
c. that financial statements have been prepared in compliance with International Public Sector Accounting Standards (IPSAS)
d. the responsibility of the accounting officer in relation to the financial statements
e. that the financial statements have been audited
f. that in their opinion the annual report fairly reflects the operations, the performance information and the financial affairs for the year ended.

3.3.3. An Example of Statement of responsibility and the accuracy of the annual report is illustrated in the table below:

Model Statement of responsibility and the accuracy of the annual report To the best of my knowledge, I confirm the following; -all information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General. -the Annual Report is complete, accurate and free from any omissions. This report has been prepared in accordance with the Zimbabwe Financial Reporting Manual issued by National Treasury. -the Annual Financial Statements included in this Annual Report were prepared in accordance with International Public Sector Accounting Standards (IPSAS). -the Accounting Officer is responsible for preparing the Annual Financial Statements, the Annual Performance Report, as well as the Annual Report and the judgements contained therein. -the Accounting Officer is also responsible for establishing and implementing a system of internal controls that have been designed to provide assurance as to the integrity and reliability of the performance information, and the Annual Financial Statements. -the Auditor-General was engaged to express an independent opinion on the Annual Financial Statements.

In my opinion, the Annual Report fairly reflects the operations, the performance information, the human resource information, and financial affairs of <Name of Entity> for the financial year ended <Year End>.

Signed

………………………

3.4. Governance Statement

3.4.1. The reporting entity shall prepare a governance statement which will be included as part of its annual report.

3.4.2. The governance statement shall contain at a minimum the following information:

a. governance structures (i.e board and board committee structures),
b. governance structure meetings (ie. board and board committee meetings)
c. annual board evaluations,
d. internal Audit report,
e. report of the audit and risk committee,
f. enterprise risk management,
g. compliance with laws and regulations,
h. fraud and corruption,
i. corporate social responsibility.

3.4.3. The Accounting Officer shall sign and date the Governance Statement.

3.5. Annual Service Performance Report

3.5.1. The reporting entity shall prepare an annual service performance report which will be included as part of its annual report.

3.5.2. The annual service performance report shall contain at a minimum the following information:

a. vision and mission of the reporting entity,
b. overview of the reporting entity,
c. nature of the service that the entity provides,
d. the regulatory environment in which the entity operates,
e. key strategic objectives,
f. analysis of performance against key strategic objectives.

3.5.3. In presenting analysis of performance against key strategic objectives, the following information should be displayed:

a. Service performance objectives;
b. Performance indicators; and,
c. Total costs of the services.

3.5.4. With respect to performance indicators and the total costs of the services, the entity should display:

a. Planned and actual information for the reporting period; and
b. Actual information for the previous reporting period.

3.5.5. Where service performance information includes information that is also in the financial statements, cross-references to the financial statements should be presented so that users can assess the information within the context of the financial information reported in the financial statements.

4. Presentation of Financial Statements

4.1. Applicable Standards

4.1.1. IPSAS 1 Presentation of Financial Statements and IPSAS 24 Presentation of Budget Information in Financial statements applies, as interpreted, to all reporting entities covered by the requirements of the ZFRM.

4.2. Objective

4.2.1. The objective of this section is to provide guidance on the basis for presentation of general purpose financial statements to ensure comparability with the entity's financial statements of previous periods and with the financial statements of other entities.

4.3. Statement of Financial Performance

4.3.1. Reporting entities shall prepare a Statement of Financial Performance in accordance with the format shown in [Appendix 2].

4.3.2. In applying IPSAS 1, reporting entities should be aware of the following general interpretation for the public sector context:

a. profit on disposal of an asset can be accounted for as negative expenditure to the extent that the profit represents a final adjustment of depreciation. Where this is not the case, profit on disposal should be accounted for as other income.
b. expenses will be presented on the face of the Statement of Financial Performance by nature of expenses thus the option to present by function of expense is withdrawn. However entities are required to disclose in the notes expenses by function so that it is clear to the users to which program/function the expense relates.

4.4. Statement of Financial Position

4.4.1. IPSAS 1 requires reporting entities to prepare a Statement of Financial Position and provides guidance on the minimum presentation required on the face of the statement of financial position.

4.4.2. The flexibility provided in IPSAS 1.90 to select the order of presentation of line items on the Statement of Financial Position is withdrawn. To ensure consistency and comparability, reporting entities should prepare their Statements of Financial Position in accordance with the format shown in Appendix 1, with additional line disclosure as necessary so as properly to reflect the entity's financial position and net Assets/Equity.

4.5. Statement of Changes in Net Assets/Equity

4.5.1. All reporting entities shall present a Statement of Changes in Net Assets/Equity following the format shown in Appendix 3.

4.6. Presentation of a comparison of budget and actual amounts

4.6.1. Reporting entities are required to present a comparison of the budget and actual amounts as a separate additional financial statement in line with IPSAS 24 paragraph 14 thus the option to present comparison of budget and actual amounts as an additional budget column is withdrawn.

4.6.2. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget.

4.6.3. A template which entities are required to use is included in Appendix 5.

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

4.7.1. In line with IPSAS 24 paragraph 47, reporting entities are required to do a reconciliation where the financial statement and the budget are not prepared on a comparable basis.

4.7.2. The reconciliation should be disclosed on the face of the statement of comparison of budget and actual amounts.

4.8. Comparative information

4.8.1. IPSAS 1 provides guidance on the comparative information to be disclosed in the financial statements.

4.8.2. The IPSAS 1 comparative information requirements should be applied in full.

4.9. Reporting Period

4.9.1. The financial reporting period for all reporting entities shall be 1 January to 31 December of each year.

4.10. Reporting Timelines

4.10.1. The reporting entity shall present financial statements within the timelines the Public Financial Management Act(22:19).

4.11. Notes to the financial statements

4.11.1. IPSAS 1 requires that entities present a summary of accounting policies which will disclose the measurement basis used in preparing financial statements and all other accounting policies that are significant to the understanding of the financial statements. Entities should only disclose accounting policies only for items in their financial statements.

4.11.2. In presenting the notes, the following structure of notes shall be followed by reporting entities :

a. Corporate information
b. Significant accounting policies
    I. Basis of preparation
    II. Basis of Consolidation.
    III. Summary of significant accounting policies
    IV. Changes in accounting policies and disclosures
    V. Correction of an error.
c. Significant accounting judgements, estimates and assumptions

4.11.3. Further notes shall be provided as required by other IPSAS or as necessary to provide additional information that is not presented on the face of the Statement of Financial Position, Statement of Financial Performance or Cash Flow Statement but is relevant to provide an understanding of such statements.

5. Accounting Policies, Changes in Accounting Estimates and Errors

5.1. Applicable Standards

5.1.1. IPSAS 3 applies in full to all reporting entities and reportable activities covered by the ZFRM.

5.2. Objective

5.2.1. The objective of this section is to provide guidance on the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors.

5.3. Interpretation of IPSAS 3 for the Zimbabwe Public Sector context

5.3.1. IPSAS 35, Consolidated Financial Statements, requires that uniform group accounting policies should generally be used in preparing the consolidated financial statements. If members of the group use accounting policies other than those adopted in the consolidated financial statements, appropriate adjustments are made when preparing the consolidated financial statements.

5.3.2. Reporting entities within the remit of the ZFRM and those that will be consolidated will be expected to observe the broad principles and policies set out in the ZFRM.

5.3.3. Observance of the ZFRM should therefore result in sufficient uniformity to satisfy the requirements of the standard, but it is for preparers of the consolidated financial statements to ensure an appropriate degree of consistency within their reporting group. This does not preclude variation in the specific application of policies, for example, the selection of appropriate useful economic lives for calculating depreciation, in order to reflect the particular business circumstances of individual reporting entities.

5.3.4. Compliance with the requirements of the ZFRM as set out above will provide sufficient convergence of accounting policies for the purposes of any wider government consolidations.

5.3.5. The following requirements should be observed:

a. reporting Entities should consult the Treasury about any novel or contentious accounting policies they are considering adopting to reflect their specific circumstances: and
b. where preparers consider it necessary to adjust retrospectively for changes in accounting policies or material errors, they should do so after consulting Treasury

6. Cash Flow Statement

6.1. Applicable Standards

6.1.1. IPSAS 2 applies in full to all reporting entities covered by the requirements of the ZFRM.

6.2. Objective

6.2.1. The objective of this section is to provide information about the historical change in cash and cash equivalents of an entity by means of a Statement of Cash Flows that classify cash flows during the period from operating, investing, and financing activities.

6.3. Interpretation of IPSAS 2 for the Zimbabwe Public Sector context

6.3.1. The following requirements should be observed:

a. the cashflow statement should be prepared using the indirect method thus the option to present the cashflow using the direct method is withdrawn. Entities however may present as additional disclosures, the operating activities using the direct method in the notes to the financial statements.
b. the notes to the Cash Flow Statement should be placed within the notes to the financial statements, and not on the face of the Cash Flow Statement.
c. in analysing capital expenditure and financial investment, reporting entities should adjust for debtors and creditors relating to capital expenditure and those relating to loans issued to or repaid by other bodies.

7. The Effects of Changes in Foreign Exchange Rates

7.1. Applicable Reporting Standards

7.1.1. IPSAS 4 applies, as interpreted, to all reporting entities covered by the ZFRM.

7.2. Objective of IPSAS 4

7.2.1. The objective of IPSAS 4 is to prescribe how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency.

7.2.2. An entity may carry on foreign activities in two ways. It may have transactions in foreign currencies, or it may have foreign operations. The principal issues are which exchange rate(s) to use and how to report the effects of changes in exchange rates in financial statements.

7.3. Interpretation of IPSAS 4 for the Zimbabwe Public Sector context

7.3.1. Reporting entities shall apply the requirements of IPSAS 4 in determining the functional currency.

7.3.2. The presentation currency for all reporting entities based in Zimbabwe shall be the Zimbabwe dollar.

7.3.3. Reporting entities outside Zimbabwe shall apply the requirements of IPSAS 4 in determining the functional currency. Such entities will use the Zimbabwe dollar as the presentation currency.

7.3.4. Entities will use the Reserve Bank of Zimbabwe official rate as directed by Treasury in converting/translating foreign currency balances and transactions to local currency.

8. Financial Reporting in Hyperinflationary Economies

8.1.1. IPSAS 10 applies, as interpreted, to all reporting entities covered by the requirements of the ZFRM.

8.2. Objective

8.3. The objective of this section is to provide guidance on the accounting treatment in the consolidated and individual financial statements of an entity whose functional currency is **Applicable Standards**

8.3.1. the currency of a hyperinflationary economy. IPSAS 10 also specifies the accounting treatment where an economy ceases to be hyperinflationary

8.4. Interpretation of IPSAS 10 for the Zimbabwe Public Sector context

8.4.1. As all entities covered by the ZFRM have a functional currency of the Zimbabwe dollar, the Public Accountants and Auditors Board (PAAB) will notify classification of the economy as hyperinflationary or out of hyperinflation if appropriate.

8.4.2. In the reporting period in which a reporting entity first adopts IPSAS 10, the entity shall apply the requirements of IPSAS 10 as if the economy had always been hyperinflationary.

8.4.3. Reporting entities should use the Consumer Price indices (CPI) provided by the Zimbabwe National Statistical Office or as directed by Treasury.

9. Events after the Reporting Period

9.1. Applicable Standards

9.1.1. IPSAS 14 applies, as interpreted, to all reporting entities covered by the requirements of the ZFRM.

9.2. Objectives

9.2.1. The objectives of this section are to prescribe when an entity should adjust its financial statements for events after the reporting period and what disclosures should be given about events after the reporting period, and to require disclosure of the date when the financial statements are authorised.

9.3. Interpretations of IPSAS 14 for the Zimbabwe Public Sector context

9.3.1. The following interpretations of IPSAS 14 for the Zimbabwe public sector context apply:

a. the date of authorisation of financial statements is the date that the accounting authority/board/governance structure’s approves the financial statements.
b. The date of authorisation for issue must be included in the Annual Report and financial statements.

10. Related party disclosures

10.1. Applicable Standards

10.1.1. IPSAS 20 applies, as interpreted, to all reporting entities covered by the ZFRM.

10.2. Objective of IPSAS 20

10.2.1. The objective of this section is to require the disclosure of the existence of related party relationships, and the disclosure of financial information about transactions between the entity and its related parties in certain circumstances. This information is required for accountability purposes, and to facilitate a better understanding of the financial position and performance of the reporting entity.

10.3. Interpretation of IPSAS 20 for the Zimbabwe Public Sector context

10.3.1. In applying IPSAS 20, reporting entities should be aware of the following interpretations for the Zimbabwe public sector context:

a) key management personnel;

b) reporting entities should disclose details of material transactions between the reporting entity and individuals who are regarded as related parties

c) reporting entities should disclose the names of the main entities within government with which the reporting entity has had dealings (no information needs to be given about these transactions);

e) in considering materiality, regard should be given to the definition in IPSAS 1. Materiality should be judged from the viewpoint of both the entity and the related party.

10.4. Examples of related party relationships and types of transactions

10.4.1. The table below shows examples of related parties for different entities. The information in the table contains examples and is not exhaustive.

Table 10a

Name of entities	Example related parties	Types of transactions with related party
Central Government	key management personnel and close members of the Minister, Deputy Minister, Permanent secretary, Chief Directors, Directors, their spouses, children and entities controlled by them.	• Remuneration and condition of service benefits • Business transactions
	State Owned Enterprises (SOEs) under the Ministry's purview	• Payments on behalf of ministry by State Owned Enterprise • Central Government borrowings/lending's on behalf of SOE • Grants to SOE
State Owned Enterprises	Board of Directors, Chief Executive Officer and Executive management, their spouses, children and entities controlled by them Minister and Permanent secretary for the parent ministry	• Remuneration and condition of service benefits • Business transactions

	• Parent Ministry • Subsidiaries and associates	• Payments on behalf of ministry by State Owned Enterprise • Central Government borrowings/lending's on behalf of SOE • Grants to SOE
Local Authorities	Mayor, Councillors, Town clerk, Chairman, Chief Executive Officer, Directors and family members and the business they control Minister and permanent secretary or responsible ministry	Condition of service benefits and their remuneration, stands and hiring council properties Business transactions
	Responsible Ministry	Grants by ministry

10.4.2. Appendix 6 has been included with illustrative disclosure of the related party note.

11. Borrowing Costs

11.1. Applicable Standards

11.1.1. IPSAS 5 applies, as interpreted, to all reporting entities covered by the ZFRM.

11.2. Objective

11.2.1. The objective of IPSAS 5 is to prescribe the accounting treatment of borrowing costs. The Standard generally requires the immediate expensing of borrowing costs but permits the capitalisation of borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset.

11.3. Interpretation of IPSAS 5 for the Zimbabwe Public Sector context

11.3.1. In applying IPSAS 5, reporting entities shall follow the benchmark treatment set out in IPSAS 5.14 and expense all borrowing costs.

11.3.2. This means that the alternative treatment to capitalise borrowing costs is withdrawn for all reporting entities

11.3.3. Reporting entities that have capitalised borrowing costs in their previous accounting bases before the date of adoption, should change the accounting policy on borrowing costs from the date of adoption of IPSAS. Opening balances which include borrowing costs capitalised before the adoption date will be considered as correct deemed cost on the date of adoption.

12. Measurement

12.1. Applicable IPSAS Standards

12.1.1. IPSAS 46 Measurement applies as interpreted by the ZFRM. The following standards will have a direct impact in the on measurement :

a. IPSAS 1 Presentation of financial Information
b. IPSAS 12 Inventories
c. IPSAS 16 Investment Property
d. IPSAS 21 Impairment of Non-Cash Generating Assets
e. IPSAS 26 Impairment of Cash-Generating Assets
f. IPSAS 27 Agriculture Activity
g. IPSAS 31 Intangible Assets
h. IPSAS 33 First Time Adoption of IPSAS
i. IPSAS 44 Non-current assets held for sale
j. IPSAS 45 Property, Plant and Equipment
k. IPSAS 46 Measurement

12.2. Objective

12.2.1. The goal of this section is to assist entities with the application principles of IPSAS 46 and also to give a guidelines for the performance of valuations.

12.3. Purpose of valuation

12.3.1. Valuation of assets will be required at two distinct levels:

a. First time adoption - Entities have an option to use deemed cost on the date of adoption of IPSAS where cost information is not available or unrealizable. Deemed cost are based on the fair value or current operational value of such assets on the date of adoption

b. Subsequent Measurement - Select accounting policies for various assets will require entities to value asset at fair value or current operational value at the end of the reporting period.

12.4. Assets to be valued

12.4.1. The list below is a non-exhaustive list of assets that will be subjected to valuation:

a. Land
b. Buildings
c. Infrastructures
d. Land Improvements
e. Transport equipment
f. Information, Computer & Telecommunication (ICT) Equipment
g. Machinery & Equipment
h. Biological assets
i. Furniture, fixtures, and fittings
j. Heritage assets
k. Security, Military and Weaponry System
l. Assets Under Construction
m. Intangible assets
n. Inventories (Finished and WIP)

12.5. Currency of valuation

12.5.1. Entities will determine the functional currency based on the assessments of underlying transactions. Valuations of non-financial assets should be done in the functional currency of the reporting entity.

12.5.2. For reporting purposes, entities are required to present their financial statements in ZWL thus any assets reported in foreign currency will need to be translated to ZWL on reporting date.

12.6. Considerations in planning for a valuation

12.6.1. Key considerations in doing valuation will be based on:

a. Complexity of the valuation – Complexity of valuation will determine the need to engage experts by reporting entities. Assets like land, buildings and infrastructures will need to be valued by experts whilst assets like furniture etc may not require much expertise. Management is required to exercise judgement in the determination on who can perform a valuation and engage with auditors
b. Objectivity – for a valuation to be relied upon, it must be objective. There should be measures put in place by management to ensure that valuation is done in an objective manner.
c. Cost – cost is an important element but the need to reduce costs must not come at the expense of the need to be accountable and transparent in the use of public resources.

12.7. Who can perform a valuation

12.7.1. Responsibility for obtaining a valuation of asset(s) or liability(ies) for financial accounting and reporting purposes rests with the preparer of the relevant financial statements. However, the valuation should be carried out by an individual (or organization) with the relevant expertise to provide a valuation that faithfully represents the values of the asset(s) or liability(ies) in the financial statements.

12.7.2. The nature of the asset(s) or liability(ies) will guide the preparer of the financial statements in determining what field of expertise is required. For example: the measurement of liabilities arising under a pension scheme will require the input of an actuary; the measurement of medical plant and equipment assets will involve discussions with clinicians and procurement experts; those responsible for the management of vehicle fleets will need to be involved with the valuation of those fleets; the measurement of any legal claims against the entity (liabilities) will involve discussions with the entity's legal advisors; the valuation of infrastructure assets will involve engineers and surveyors; and the valuation of land and buildings will need to be carried out by appropriately qualified surveyors.

12.8. Valuation Techniques

12.8.1. For all assets to be that are subsequently measured at current value, reporting entities will be required to measure the current value amount as being the current operational value if the asset is being held for its operational capacity and at fair value if the asset is being for its financial capacity.

12.8.2. For assets which have dual use i.e used for both operational and financial capacity management must apply judgement on whether to use fair value or current operational value. For an asset to be held for its financial capacity, the use for its operational capacity should be insignificant i.e less than 20%.

12.8.3. The determination of whether the current value should be based on fair value or current operational value is done on an asset-by-asset basis and not at asset class level. Therefore, it is possible that assets in the same class be valued differently

12.8.4. IPSAS 46 Measurement requires that assets acquired, or liabilities assumed not in an orderly transaction be recognized at deemed cost which is essentially the current value of such assets or liabilities. In determining the current value measure to be used for assets (current operational value or fair value) entities are required to consider where those assets will be held for operational capacity or financial capacity.

12.8.5. IPSAS 46 gives circumstances of where the transaction price may not be observable or may not faithfully present relevant information. Below we analyze and give examples for such circumstances:

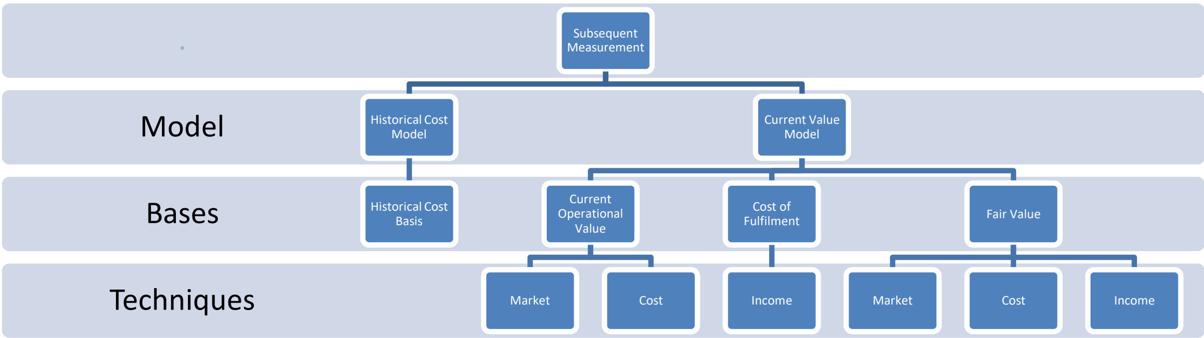
Table 12a

Circumstance	Example
Transaction prices that have concessionary element.	• Loans with very nominal or no interest • Subsidies prices of raw materials or inputs
Assets transferred to the entity free of charge by a government or donated to the entity by another party;	• Asset donations • Land distributed
Liabilities imposed by legislation or regulation;	Operating/business licences, permits
Liabilities to pay compensation or a penalty arises from an act of wrongdoing or breach of contract;	All various forms of fines
Transaction prices are affected by relationships between the parties, or by financial distress or other duress of one of the parties; and	Related party transactions
Transaction prices are not available on the date of adoption of IPSAS as defined in IPSAS 33.	Inflation impacted prices Assets prices affected by currency conversions

12.8.6. Entities should clearly document their assessment of transactions not in orderly market and any judgement make concerning them. Unless the treatment of the difference between deemed cost and any consideration given or received is dealt with by another standards, entities should treat the revenue or expense arising as a measurement gain or loss.

12.9. Subsequent measurement model

12.9.1. The diagram below shows the different measurement models



12.9.2. **Attributes of each of the measurement basis**

Table 12b

	Fair Value	Current Operational Value	Cost of Fulfillment	Historical Cost
Asset Valuation	X	X		X
Liability Valuation	X		X	X
Exit Value	X		X	
Entry Value		X		X
Entity Specific		X	X	X
Market Inputs	X	X		
Market Participant	X			
Non-Performance Risk	X			
Risk Premium	X			
Current Market Conditions	X	X	X	
Principal or most advantageous market	X	X		
Highest and Best Use	X			
Least costly manner		X	X	

12.10. Summary guidance in Current operational value

12.10.1. Current operational value is the amount the entity would pay for the remaining service potential of an asset at the measurement date.

12.10.2. Reflecting the remaining service potential of an asset? Service potential is the capacity to provide services that contribute to achieving the entity's policy objectives. Service potential enables an entity to achieve its objectives without necessarily generating net cash inflows. To reflect the remaining service potential, the age, functionality, and condition of the asset need to be reflected in the measurement. For example, a new asset is expected to have more remaining service potential than an asset that is midway through its service life. The age of the asset is correlated with the remaining service potential. Reflecting the age of the asset in the measurement, ensures the remaining service potential is estimated appropriately. The current age, functionality, and condition of an asset is reflected in the asset valuation by considering physical, functional, economic obsolescence.

a. Physical Obsolescence – Physical obsolescence relates to any loss of service potential due to the physical deterioration of the asset or its components resulting from its age and use. In assessing physical obsolescence, an entity should also consider any probable future routine, regular maintenance, as such maintenance may provide insight into the asset or its components' useful lives and their rate of deterioration.
b. Functional Obsolescence – Functional obsolescence relates to any loss of service potential resulting from inefficiencies in the asset that is being valued compared with its modern equivalent – is the asset suitable for its current function? Functional obsolescence might occur because of advances or changes in the design and/or specification of the asset, or because of technological advances. For example, advances in health care technology might mean that the asset in use is outdated, or technological advances in educational material could mean that chalk/white boards would be replaced by

digital screens. Such advances will need to be incorporated into the assessment of functional obsolescence.

c. Economic (or External) Obsolescence – Economic obsolescence relates to any loss of utility caused by economic or other factors outside the control of the entity. This may include, for example, capacity that is excess to the usage requirements of the existing asset.

12.10.3. Calculating the current operational value of an asset when there is no active market? Current operational value can be determined using a price from an inactive market when the price for an identical asset in an active market is unavailable. Generally, if the price for an identical, or similar, asset is unavailable in an active market, it will also be unavailable in an inactive market and current operational value will be determined based on the cost to construction or develop an identical, or similar, asset (i.e., the cost approach).

12.10.4. Is the currently unused capacity of an asset excluded from the current operational value of an asset? It depends. Any part of the asset that is currently unused is evaluated to determine whether the unused part is held for an operational purpose associated with the asset. This may occur when an asset has security requirements, legal or other restrictions, or when the unused portion is necessary for future use. For example, a community center in a municipality prone to natural disasters has a capacity of 700 individuals even though only 200 individuals currently use the location on a regular basis. The unused portion still has operational capacity because the building has a dual purpose. It is operated as both a community center and as a shelter for the community in the event of a natural disaster. The currently unused capacity of 500 individuals is still required for the municipality's broader operational purpose and so the whole asset is included in the measurement of its current operational value.

12.11. Minimum information content of a valuation report

12.11.1. At a minimum the following information must be contained in a valuation report

a. Asset description
b. Confirmation/non-confirmation of physical verification of the asset
c. Value of the property
d. Assessment of remaining useful life of assets
e. Assessment of residual values
f. Any evidence of impairment of asset e.g damage or obsolescence
g. Any improvements on the property from the last valuation
h. Locality and environment
i. Previous property valuation
j. Valuation methodology
k. Key assumptions
l. Restrictions on assets or encumbrances or caveats on the asset
m. Valuation standards used
n. Validity period
o. Unlawful use

12.12. Other issues

a. Unit of Account – The unit of account should be clear in the valuation report for example if in valuing a building, the value must indicate if the value includes other features in and around the building for example installed air conditioning, paving outside, Durawall, installed solar system etc In some cases, an asset being used for both cash-generating and non-cash-generating purposes may be an indicator there each part of the asset should be measured separately and measured using a different measurement basis. For example, the part of the asset used for operational purposes is measured using current operational value, and the part of the asset used for financial purposes is measured using fair value. This may occur when one wing of a hospital generates a financial return by charging for health care services, while another wing of a hospital is held only for its operational capacity where health care services are delivered free of charge to citizens.

b. Land and buildings - Land and building values should be reported separately in the valuation report. Land values should also be separated from any improvement in the land
c. Net basis - Valuation will be presented in the financial statement on a net basis i.e Net replacement cost. Whilst valuers are not precluded from showing the gross values, the valuation report should clearly state the fair value or current operation value on a net basis
d. Measurement and valuation experts - IPSAS 46 Measurement will be the guiding standards on valuations. Valuers are expected to fully knowledgeable of the requirements of this standards particularly the determination of “Current Operational Value” and the traditional “Fair Value”.

13. Investment Properties

13.1. Applicable Standards

13.1.1. IPSAS 16 applies as interpreted to all reporting entities covered by the ZFRM that hold (or are constructing or developing) properties only for the purpose of earning rentals or for capital appreciation or both.

13.2. Objectives of IPSAS 16

13.2.1. The objective of IPSAS 16 is to prescribe the accounting treatment for investment property and related disclosure requirements.

13.3. Interpretation of IAS 40 for the Zimbabwe public sector context

13.3.1. In applying IPSAS 16, reporting entities should be aware of the following interpretation for the Zimbabwe public sector context.

13.4. Interpretation of IPSAS 16 for the Zimbabwe Public Sector context

a) All investment property should be accounted for under the fair value model – that is, the option given in IPSAS 16 to adopt the cost model has been withdrawn.

b) Buildings or land for which the Reporting Entity provides to other entities or individuals to use for no consideration or for very minimal payments (less than 50% of market rental) will not be considered as investment property but rather accounted for in IPSAS 17.

c) In line with the requirements of IPSAS 16, land for which there is no decided use will be accounted for as Investment property.

13.5. Guidance on maintenance of asset registers

13.5.1. An asset register is a complete and accurate list of assets controlled by the reporting entity that is regularly updated and validated.

13.5.2. It is crucial in managing assets information and normally will contain information beyond that required for financial reporting. For each

Investment Property, an effective asset register should contain the following information:

a. name of the Investment Property;
b. description;
c. unique asset number;
d. date when the asset is available for use;
e. expected useful life;
f. date investment property useful life last reviewed;
g. acquisition value; and
h. current fair Value
i. date of de-recognition.

14. Property, Plant and Equipment

14.1. Applicable Standards

14.1.1. IPSAS 45 Property, Plant and Equipment applies, as interpreted, to all reporting entities covered by the ZFRM.

14.2. Objective

14.2.1. The goal of this section is to present relevant property, plant, and equipment guidance in order for the reporting entities to adopt and apply a comprehensive and consistent accounting treatment of property, plant, and equipment across its entities.

14.2.2. IPSAS 45 Property, Plant, and Equipment provides the fundamental requirements surrounding the classification, recognition, measurement, and disclosure requirements of property, plant, and equipment.

14.2.3. Property, plant and equipment (PPE) are tangible non-current assets that are:

a. expected to be used in more than one reporting period and that can be used in production, or for administration,
b. are held by the reporting entity for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
c. are expected to be used during more than one reporting period.

14.3. Interpretation of IPSAS 45 for the Zimbabwe Public Sector context

14.3.1. The table 14a below shows PPE classes and the accounting policy for subsequent measurement of such PPE classes. Appendix 11 provides guidance that should be followed by reporting entities in determining useful life of different assets and the depreciation method.

Table 14a

Asset class	Description	Subsequent Measurement	Frequency of Revaluation (Maximum)
Land	The surface of the land that is not covered by water, which is controlled by the entity.	Revaluation	5 years
Buildings	An enclosed structure with a roof and walls.	Revaluation	5 years
Infrastructures	An asset that is part of a network or the basic physical and organisational structures and facilities needed for the operation of a society or organisation	Revaluation	10 years
Land Improvements	Enhancements to make the land more usable.	Revaluation	5 years
Transport equipment	Equipment for moving people and objects	Cost	N/A
Information, Computer & Telecommunication (ICT) Equipment	Equipment that store, process, transmit, convert, duplicate, or received electronic information	Cost	N/A
Machinery & Equipment	Machinery and equipment other than ICT and transport	Cost	N/A
Biological resources	Assets that are living in nature	Revaluation	N/A

Furniture, fixtures and fittings	Items of equipment that are used to furnish	Cost	N/A
Heritage assets	It is an asset that has value because of its contribution to the nation, society, knowledge and / culture	Cost	N/A
Security, Military and Weaponry System	Machinery and equipment acquired for security, military purposes and weapons systems.	Cost	N/A
Assets Under Construction	Includes all assets that as still being constructed by the entity	Cost	N/A

14.3.2. For all assets to be revalued, reporting entities will be required to measure the revalued amount as being the current operational value if the asset is being held for its operational capacity and at fair value if the asset is being for its financial capacity.

14.3.3. For assets which have dual use i.e used for both operational and financial capacity management must apply judgement on whether to use fair value or current operational value. For an asset to be held for its financial capacity, the use for its operational capacity should be insignificant i.e less than 20%.

14.3.4. The determination of whether the current value should be based on fair value or current operational value is done on an asset-by-asset basis and not at asset class level. Therefore, it is possible that assets in the same class be valued differently

14.3.5. IPSAS 45 requires that revaluations be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using current value at reporting date. The revaluation period set out in the table above represent maximum periods thus entities can perform revaluations more regularly.

14.3.6. Revaluations need not to be performed for all assets in the same class at the same time but must be done on a rolling basis that ensures all assets are revalued within a short period of time and that there is no selective revaluations.

14.3.7. In accounting for revaluations entities are required to eliminate the accumulated depreciation against the gross carrying amount (This is option (b) on IPSAS 45 para 31. Thus, the option to adjust the gross carrying amount is withdrawn.

14.3.8. Reporting entities are allowed to set capitalisation thresholds for the recognition of property, plant and equipment. Capitalisation thresholds should be set in the context of materiality. Materiality might take the form of amount or nature or both depending on the type of event or transaction. Reporting entities need to consider the nature of their activities and the type of asset base with which they operate to make the relevant judgements. In applying materiality judgements on capitalisation threshold, total un-capitalised expenditure should not exceed 0.25% (i.e 0.0025 X Value of total assets) total assets in any given year. Uncapitalised assets should be treated as inventory until they are derecognised.

14.3.9. Determination of control of an asset should be based on the substance of the transaction and not merely the legal form. In line with IPSAS 45, entities should consider the following factor for determination of control:

a. Legal ownership
b. Access to the resource, or the ability to deny or restrict others to access the resource;
c. The means to ensure that the resource is used to achieve its objectives; or
d. The existence of enforceable right to service potential or the ability to generate economic benefits arising from the resource.

14.3.10. Where control is contested or not clear, entities should seek guidance from treasury on the appropriate accounting treatment. Schools, deep tanks, clinic and such similar assets should be recognised based on control which normally rests with the responsible authority.

14.3.3. The depreciation of an asset begins when the reporting entity has obtained control over the asset and the asset is available for use. The reporting entity will depreciate the asset as of the first day of the month the control over the asset is obtained by the reporting entity. No depreciation is charged in the month of disposal.

14.3.4. All assets are depreciated to a maximum of 99% of the cost of the asset. When 99% of the cost has been depreciated, no depreciation should be charged. The remaining 1% will be only charged on derecognition or impairment of the asset.

14.3.5. Local Authorities are required to recognise all land where there is a deed of grant by the state, title deeds, permit, cession or warrant. Only state land that has been surveyed and whose location and size is known can be recognised by the relevant ministry.

14.3.6. Where asset construction is completed in phases and certain phases are put to use before the whole project is completed, the completed phases would be treated as available for use thus should be depreciated. For example, the government may have a project to complete a 100km road and structures the project in such a way that completed sections are opened to be used. The completed parts are considered as available for use thus should be depreciated.

14.3.7. Books that meet the recognition criteria for PPE will be classified under machinery and equipment.

14.3.8. The reporting entity should not recognize in the carrying amount of an item of PPE the costs of the day-today servicing of the item. Day-to-day servicing generally includes repair and maintenance costs, such as the cost of labour and consumables, and may include the cost of small parts. These costs are recognized in the statement of financial performance as incurred. For example, heavy plant vehicles require regular servicing and maintenance including brakes and tyres. However, a major engine and transmission rebuild extending the vehicle life may qualify as capitalizable major repairs and maintenance.

14.3.9. With regard to measuring the fair value of donated PPE, the following procedures are recommended in descending order of best practice:

a. the reporting entity should attempt to obtain a market price for similar asset;
b. if market prices are not practically available, the entity should reference recent acquisition costs for recent similar item;
c. if prices cannot be obtained from the market or internal purchasing data, the entity should solicit an indication of value or cost from donor. In this instance, the entity needs to assess the reasonableness of the data provided and if deemed reasonable, use the provided value or cost as a representation of fair value;
d. lastly, if the machinery and equipment in question is thought to have significant values, solicit the services of a third party - a valuation expert.

14.3.10. The cost of a self-constructed asset comprises any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. IPSAS 46 allows capitalization of costs to take place only in respect of the period in which the activities necessary to bring the asset to location and condition necessary for it to be capable of operating in the manner intended by management are being undertaken. Thus capitalization should cease when substantially all of the activities necessary to get the asset “available for use” are complete, even if the asset has not yet been brought into use. “Available for use” means when the physical construction of the asset is complete even though routine administrative work might still continue

14.3.11. Assets in transit are those assets that are controlled by the reporting entity but have not yet been delivered to their final destination in which they will be fully used for their intended purpose. Assets in transit will be subject to depreciation when the reporting entity gains control over them and are available for use.

14.3.12. Leasehold improvements to land and buildings are valued at cost and recognized as assets based on the threshold guidance. They shall be pre-designated as capital improvement projects. Internal labour costs incurred during upgrades and improvements will be capitalized when they are specific to the project and can be discerned as part of the particular asset. Leasehold improvements must be depreciated over the remaining lease term. The term of the lease includes any options, where there is a reasonable expectation at the commencement of the lease that the option will be exercised.

14.3.13. Reporting entities will be required to recognized heritage assets as part of PPE except where the cost or the fair value of the assets cannot be measured reliably. Where information about the cost or fair value becomes available, heritage assets should be recognised from that date. Subsequent expenditure on heritage assets that meets the recognition criteria of PPE should be capitalised regardless of whether the underlying heritage asset was recognised.

14.3.14. Heritage asset with an indefinite useful life will not be depreciated but will need to be tested for impairment annually. For heritage assets not recognised, reporting entities should include a high-level description of significant heritage assets and / or transactions in the notes to the financial statements and also why the cost or fair value could not be determined. The high-level summary description on holdings and acquisitions may be presented in the notes under these classes:

a. real Estate and Monuments;
b. works of Art;
c. books and Maps; and
d. other heritage assets.

14.3.15. Appendix 8 provide illustrative disclosure of the PPE note.

14.3.16. An asset register is a complete and accurate list of assets controlled by the reporting entity that is regularly updated and validated. It is crucial in managing assets information and normally will contain information beyond that required for financial reporting. For each PPE asset, an effective asset register should contain the following information:

a. name of the PPE;
b. asset class
c. description;
d. unique asset number;
e. cost of the asset
f. date when the asset is available for use;
g. expected useful life;
h. date PPE useful life last reviewed;
i. Source (purchased, donated, forfeited)
j. depreciation method (straight line);
k. location of asset
l. Date of de-recognition.

14.4. Considerations to distinguish a building from machinery and equipment

a. Upon installation of the item, if the intention to eventually remove and reuse the item then the item is classified as machinery and equipment.
b. If the item cannot be removed from the building without causing significant damage to the building or the item, then the item is part of a component of the building.
c. If the item is typically found in a building and typically included as part of the original construction (items such as heating and air-conditioning, plumbing fixtures, cabinetry, doors, and general-purpose lighting) then they are part of the building
d. If the cost of removal exceed the cost or value of the item, then the item is part of the building.

e. Once removed, if the item is typically reinstalled in another building then it will be machinery and equipment
f. If the item can be operated independent of the building or easily reinstalled in a different building without incurring installation costs that are substantially greater than the original cost of installation, then the item is machinery and equipment.

14.5. Considerations to distinguish an infrastructure asset from machinery and equipment

14.5.1. Parking lots, roads, and air fields are generally considered long-lived improvements that are made to land. As none of these are installed with the intent of being removed and reinstalled elsewhere, nor are they able to be removed without significant damage to the item, based on the criteria described for a building, these items should be recognized as infrastructure assets. The following is a list of criteria that can be used in distinguishing infrastructure assets from machinery and equipment.

a. Upon installation or development of the item, if the intention is to eventually remove and reuse the item, then the item is machinery and equipment.
b. If the item cannot be removed from the land without causing significant damage to the item, then the item is an infrastructure asset.
c. If the cost of removal exceed the cost or value of the item then the item is an infrastructure asset.

14.6. Considerations to distinguish building from infrastructure assets

a. Upon installation of the item, if the majority of the item imbedded within the confines of the building structure, then the item is part of the building.
b. If the destruction or demolition of the building render the item unusable or destroy the item altogether, then item is part of the building.

15. Impairment of Non-Cash-Generating Assets

15.1. Applicable Standards

15.1.1. IPSAS 21 applies, as interpreted, to all reporting entities covered by the ZFRM.

15.2. Objective of IPSAS 21

15.2.1. The objective of IPSAS 21 is to ensure that assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired, and the Standard requires the recognition of an impairment loss. In other words, an impairment reflects a permanent diminution in the value of an asset as a result of a clear consumption of economic benefits or service potential. Downward revaluations resulting from changes in market value do not necessarily result in an impairment.

15.3. Interpretation of IPSAS 21 for the Zimbabwe Public Sector context

15.3.1. Development expenditure that is directly linked to a tangible non-financial asset should be impaired only where the tangible non-financial asset becomes impaired. Where the intangible asset relates to a group of tangible non-financial assets, any impairment will be charged only where the entire group is impaired and will be proportionate to the impairment of the group of tangible assets. For example, development expenditure related to a fleet of aircraft will be impaired only where the entire fleet is impaired and not if less than the whole fleet is impaired.

15.3.2. Abandonment of assets during construction as a result of a management decision to abandon the construction process (i.e., management decides that it no longer requires the facility under construction) is a type of impairment where the construction costs to date are completely written off or substantially written off to reflect reduced utility. This category includes the abandonment of software assets during construction.

15.3.3. Use of asset for lower specification purpose may indicate that an asset is impaired. Over specification of assets (Gold plating) is the unnecessary over-specification of assets at the point at which the asset is first constructed or purchased. Gold plating of assets may lead to an impairment either because the asset is valued at its utility value to the business, or because the gold plating cannot be reflected in the recoverable amount. Care should be taken not to impair assets as being gold plated where they are of a high specification by necessity. For example, the high specification of embassies is in part a result of security and other factors relating to location and the needs of a representational building. The higher specification due to justified security and operational considerations should not lead to an impairment down to the value of ordinary office accommodation. The key is that the higher specification must be justifiable: if it is not an impairment should be taken.

15.3.4. A catastrophe is defined as an event or events that will be generally easy to identify. They include major earthquakes, exceptionally severe cyclones, droughts, and other natural disasters; acts of war, riots, and other political events; and technological accidents such as major toxic spills or release of radioactive particles into the air. Where a reporting entity believes an impairment should be recorded as a Catastrophic Loss rather than 'Loss or Damage resulting from normal business operations' it should first consult with Treasury. For the avoidance of doubt, the following are not catastrophes within the meaning of this definition: prison or street riots; loss or damage due, for example, to an ingress of water that could have been avoided by better maintenance or that resulted from relocation to a site where flooding was likely. These are all examples of losses resulting from management action or inaction.

15.3.5. All assets are subject to obsolescence. However, the rate of obsolescence tends to be category specific: e.g., IT assets suffer a faster rate of obsolescence than do buildings. Reporting entities will take account of foreseeable obsolescence when establishing asset lives. Unforeseen obsolescence will generally only occur either as the result of the introduction of a completely new technology or a change in legislation rendering use of the asset illegal.

15.3.6. **Other Impairments**

a. Write Downs of Development Land – This occurs where land is purchased for some form of social development. The cost of the land and any clean-up cost can be greater than the disposal value resulting in an impairment.
b. Changes in Use – This usually occurs where specialised assets no longer required for their original purpose are put to a non-specialised use or where an asset becomes permanently underused. However, impairment can result from the change of use of any asset including non-specialised assets.
c. Disposals – Impairments can occur where assets are moved from ‘in use’ to ‘available for sale’.
d. Uncompensated Seizures – The seizure of assets by governments or institutional units, other than for the settlement of fines or taxes, for which full compensation is not provided.

16. Impairment of Cash-Generating Assets

16.1. Applicable Standards

16.1.1. IPSAS 26 applies, as interpreted, to all reporting entities covered by the ZFRM.

16.2. Objective of IPSAS 26

16.2.1. The objective of IPSAS 26 is to prescribe the procedures that an entity applies to determine whether a cash-generating asset is impaired, and to ensure that impairment losses are recognised. IPSAS 26 also specifies when an entity should reverse an impairment loss and prescribes disclosures.

16.3. Interpretation of IPSAS 26 for the Zimbabwe Public Sector context

16.3.1. The general interpretation of IPSAS 21 for the Zimbabwe Public Sector context apply equally to IPSAS 26.

17. Agriculture

17.1. Applicable Standards

17.1.1. IPSAS 27 applies in full to agricultural activities undertaken for commercial gain by any reporting entity covered by the ZFRM.

17.2. Objectives of IPSAS 27

17.2.1. The objective of IPSAS 27 is to prescribe the accounting treatment and disclosures related to agricultural activity. Agricultural activity is the management by an entity of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets.

17.3. Interpretation of IPSAS 27 for the Zimbabwe Public Sector context

17.3.1. No specific guidance or interpretation is provided for this standard.

18. Intangible Assets

18.1. Applicable Standards

18.1.1. IPSAS 31 applies, as interpreted, to all reporting entities covered by the ZFRM

18.2. Objective

18.2.1. The objective of this section of the manual is to provide relevant intangible assets guidance in order for the reporting entities to adopt and apply a comprehensive and consistent accounting treatment of intangible assets.

18.2.2. This chapter sets out policy guidance and application principles in the classification, recognition, measurement, derecognition and disclosure requirements of intangible assets.

18.2.3. An intangible asset is an identifiable non-monetary asset without physical substance and capable of being separated or divided from the entity.

18.3. Interpretation of IPSAS 31 for the Zimbabwe public Sector context

18.3.1. Intangible assets shall be classified into classes and subclasses as detailed in the table 17a below. The subclasses are not exhaustive and entities will need to apply reasonable judgement when dealing with assets that have not been mentioned on the subclasses. The table 18a also provides the estimated useful lives for each asset class.

Table 18a

Asset class	**Description**	**Sub asset class**	**Useful life**
Computer Software	Internally generated or acquired	Enterprise resources planning systems	SUL* (3 – 10 year range)

	computer software	Standalone software packages e.g accounting package Websites	
Software Licences	Externally acquired licences to use software owned by third parties	Software licences	SUL* (2 – 6 year range)
Intellectual Material	Internally generated or externally acquired intellectual material	Publications Trademarks, copyrights and Patents Entertainment, Literary & Artistic Originals Databases	SUL* (3 – 10 year range)
Licences and rights	Other licences and rights other than software licences	Mining rights Import quotas Weapon system rights Security equipment rights Franchises	SUL* (3 – 10 year range)
Intangible assets under construction	Intangible assets that are still being developed and not yet available for use	Intangible assets under construction	N/A

Good will	Good will acquitted though an acquisition	Goodwill	N/A
Heritage Intangible assets		Heritage intangible assets	N/A

SUL* - Specific useful lives and residual values will be applied.

18.3.2. Some assets incorporate both tangible and intangible elements, in which case judgment must be used to assess which element is more significant. If an intangible asset is an integral part of a tangible asset, it is recognised together with that asset for example an operating system in computer will form part of that computer.

18.3.3. Software licenses acquired for a period of one year or longer should be capitalized as an intangible asset and amortized over the useful life of the license if they meet the capitalization threshold. All fees, including annual fixed fees to cover all required software maintenance and specified updates issued during the year are expensed

18.3.4. An intangible asset such as airport landing rights, licenses to operate radio or television stations, import licenses or quotas or rights to access other restricted resources may be acquired through non-exchange transactions. IPSAS 31 paragraphs 42 and 43 state that intangible assets acquired through a non-exchange transaction, including licenses to use a radio frequency, should be recorded at fair value. The license to use a radio frequency meets the recognition criteria (amongst others control within the parameters of rights granted) as an externally acquired intangible asset through a non-exchange transaction. The intangible asset is recorded at fair value and because of the restrictions related to use of the license (for example it cannot be used for commercial purposes, sold, etc.), the fair value is close to zero.

18.3.5. Documents and publications have been central to articulating the aspirations of the most entities in the public sector. Costs incurred to come up with these documents and publications raises questions as to how the costs will be accounted for under IPSAS. This section provides an overview on how to account for costs incurred at various stages. Documents include reporting entity resolutions, meeting agenda and minutes, annual reports, transcripts, and international treaties etc. Documents are generated as part of the day-to-day operations of the reporting entity and represent mandatory activities of the organization. Consequently, these documents cannot be viewed separately from the operations of the reporting entity. The costs incurred to create a document cannot be recognized as inventory or an intangible asset. Accordingly, the cost should be expensed as incurred.

18.3.6. Publications are distributed in hard copy (book) and/ or soft copy (digital) form. Publications are copyrighted and are sometimes available for free depending on decisions made by the author's department, but some available for sale (commercially). Publications may also act as advertising and promotional material for the reporting entity activities. The costs related to those publications are always expensed as incurred.

18.3.7. Internally generated goodwill: An expenditure that is used to generate future economic benefits or service potential, but fails to meet the criteria for an intangible asset (i.e. it is not an identifiable resource controlled by the reporting entity that can be measured reliably at cost) is often described as contributing to internally generated goodwill. Internally generated goodwill cannot be recognized because it is not an identifiable resource.

18.3.8. Internally generated brands, mastheads, publishing titles, list of users of a service, and other items similar in substance cannot be recognized as an intangible asset as they cannot be distinguished from the costs of developing the reporting entity as a whole.

18.3.9. Other items that do not meet intangible asset criteria, for example: Expenditure on training activities; and Expenditure on relocation and reorganization.

18.3.10. Past expenses: Any expenditure expensed during the research or development phase in a previous financial year cannot subsequently be capitalized if the project meets the recognition criteria at a later date.

18.3.11. The reporting entity is not required to recognize intangible heritage assets. However, the reporting entity to include a high-level description of significant intangible heritage assets in the notes to the financial statements.

18.3.12. Capitalization of costs ceases when the intangible asset is in the condition for its intended use by management. Therefore, costs incurred while an intangible asset is capable of being operated in the manner intended by management, but the asset has yet to be brought into use, are not eligible for capitalization.

18.3.13. In some cases, intangible assets can be acquired through non-exchange transactions such as donations. In these situations, the item is measured at fair value on the date of acquisition.

18.3.14. An asset registers provides complete and accurate list of assets owned by the reporting entity that is regularly updated and validated. It is crucial in managing assets information and normally will contain information beyond that required for financial reporting. For each intangible asset, an effective asset register should contain the following data:

a. Name of the intangible;
b. Description;

c. Asset class
d. Unique asset number;
e. Date when the asset is available for use;
f. Expected useful life;
g. Date intangible useful life last reviewed;
h. Date of last impairment test;
i. Depreciation method (straight line);
j. Cost; and
k. Date of de-recognition.

18.3.15. The following steps illustrate the procedures and processes necessary to appropriately classify and account for intangible assets held by the reporting entity. Applying these procedures across the reporting entity will lead to a comprehensive and consistent approach of reviewing, classifying, and accounting for intangible assets.

a. Identify all potential intangible assets

b. First, it is important for the Reporting Entity to identify all potential intangible assets. For example, potential intangibles include externally acquired software.

c. Apply recognition criteria for intangible assets. From the compiled list, the reporting entity must apply the recognition criteria to evaluate each intangible.

d. Measure recognized intangible assets. The reporting entity initially measures intangibles at cost unless it is donated; donated items are measured at fair value.

e. Identify the useful lives and residual values in order to calculate amortization

f. For each of the intangible assets, the useful life and residual values (presumed to be 0) should be identified in order to calculate amortization. The amortization method is straight-line.

g. Make required disclosures

h. Regular testing for impairment

18.3.16. The reporting entity must test intangibles with an indefinite useful life or intangible assets under construction for impairment annually, and other intangibles (e.g. finite life) when there is an indication of impairment.

19. Inventories

19.1. Applicable accounting standards

19.1.1. IPSAS 12 Inventories

19.2. Objective

19.2.1. The objective of this section of the manual is to provide relevant guidance for the reporting entities to adopt and apply a comprehensive and consistent accounting treatment of inventory assets.

19.3. Interpretation of IPSAS 12 for the Zimbabwe Public Sector context

19.3.1. The following table 19a provides classes and sub classes of inventory to be applied by all the reporting entities.

Table 19a

Asset class	Sub asset class
Held for sale	Trading stock
Held for external distribution	Items held for sale or external distribution
Strategic reserves	Grain strategic stocks Fuel reserves
Consumable and supplies	Fuel for operations Engineering supplies IT and communication supplies Motor vehicle spare parts, electrical spare parts, and other spare parts for operations Medicine, sundries, and medical and surgical supplies Safety and security supplies and ammunition Office, welfare, cleaning and sanitary supplies Uniforms and badges

Raw Materials and Work in progress	Printing supplies Construction material and supplies Work in progress

19.3.2. The following table (table 19b) provide guidance in the classification of items between inventory and PPE

Table 19b

Item type	**Description**	**Accounting treatment**
Raw materials	A basic material that is used to produce finished products, goods for internal use such as PPE, or intermediate materials which are used to produce finished products or goods.	Inventory
Work in progress	An unfinished project that is still being developed and will result in the creation of inventory held for sale or consumption	Inventory
Supplies (short-life)	Items that can be used without being installed or transformed and that have a short life i.e. will be used for less than one year after their issuance out of stock. E.g. medicine Office	Inventory

	supplies, cleaning supplies, fuel	
Spare parts	Items for which there is no use without installation on an existing asset. E.g. tires, screws, windshield	Inventory
Items requiring assembly or erection	Items that cannot be used in their current condition as they require assembly or construction. E.g. Prefabs, Solar panels, racks	Inventory
Equipment (long- life)	Apparatus or tools used to carry out work. E.g. Engineering, transportation, safety, security, medical, mine detection and water sanitation equipment Printing and Office equipment IT and communication equipment	Above threshold -> PPE Below threshold -> Inventory
Other long life items	Items that do not require significant alteration for use. E.g. Vehicles, trailers and attachments	Above threshold -> PPE Below threshold -> Inventory

19.3.3. Donated inventory is measured at fair value at acquisition date. The following procedures are recommended to determine the fair value of donated inventory; they are ranked in descending order of best practice:

a. Obtain a market price for similar inventory items;
b. If market prices are not practically available, the office should reference recent acquisition costs for recent similar item;
c. If prices cannot be obtained from the market or prior purchases data, then a solicitation to the donor as to the value should be made. Once the reasonableness of the data provided is assessed then it can be used as a representation of fair value;
d. If not none of the above methods can be relied upon, an alternative procedure to determine the best value to assign to the inventory item needs to be identified. For example, inquiring from other similar entities experiences in valuing such items in kind, which were donated to them and retain such inquiries as alternative proof of documentation for audit; or
e. Lastly, if the inventory item in question is thought to have significant values, solicit the services of a third-party valuation expert.

19.3.4. In accordance with IPSAS 12, Inventories, inventory held for sale are to be measured at the lower of cost and net realizable value (NRV) on an item-by-item or group basis. Inventories held for distribution at no charge, or for a nominal charge, are to be measured at the lower of cost and current replacement cost.

19.3.5. Inventory should be analysed for obsolescence (e.g. old publications, spare parts related to assets that are at the end of their useful lives, etc.) to ensure that they reflect assets with future economic benefits or service potential. Apart from physically checking for obsolete items during the physical verification, if the items on hand are significantly larger in quantity than those issued out during the period, this may be a sign of an obsolescence issue. In general, inventory without consumption/ distribution over more than two years should be analysed in detail to see if obsolete to ensure that they reflect assets with future economic benefits or service potential. However, consideration as to the future economic benefit and service potential should be taken into account, before automatically applying the two-year rule. Once obsolete inventory has been identified, the total cost of the obsolete, damaged, or expired inventory should be written off as an expense in the statement of financial performance.

19.3.6. Inventory costs may become unrecoverable when inventory has:

a. Been damaged;
b. Have become wholly or partially obsolete; OR
c. If their selling price / replacement cost has declined.
d. A write-down occurs to reflect the unrecoverable portion of an item. A write-off occurs when it is determined the entire amount of the item is unrecoverable.

20. Assets held for sale and discontinued operations

20.1. Applicable Standards

20.1.1. IPSAS 44 applies in full to all reporting entities covered by the ZFRM.

20.2. Objective

20.2.1. The objective of this section is to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations.

20.3. Interpretation of IPSAS 44 for the Zimbabwe Public Sector context

20.3.1. In line with IPSAS 44,:

a. Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease; and
b. Assets that meet the criteria to be classified as held for sale should be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
c. In addition, for accountability purposes, IPSAS 44 requires disclosure in the notes to the financial statements, the fair value of the non-current asset (or disposal group) classified as held for sale when that non-current asset (or disposal group) is measured at a materially lower carrying amount than fair value.

21. Financial Instruments

21.1. Applicable Accounting Standards

a. IPSAS 28, Financial Instruments Presentation
b. IPAS 30, Financial Instruments Disclosures
c. IPAS 41, Financial Instruments

21.2. Objective

21.2.1. The goal of this section is to present relevant guidance in order for the reporting entities to adopt and apply a comprehensive and consistent accounting treatment of financial instruments.

21.2.2. IPSAS 28, IPSAS 30 and IPSAS 41 are three of the most complex standards - they are lengthy, use technical language. This section is not intended to explain every aspect of the standards on financial instruments. Rather, it summarizes the main challenges that the reporting entities would typically encounter and prioritizes and identifies the key issues with financial instruments

21.3. Understanding Financial Instruments

21.3.1. A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The following table provides additional definitions of such financial instruments.

Table 21a

A financial asset is any asset that is:	Examples of financial asset
(a) Cash;	Cash balance; Bank balance;

	Term deposits with initial maturity of less than three months
(b) An equity instrument of another entity;	A number of public sector entities hold equity securities of various companies listed on the Zimbabwe Stock Exchange
(c) A contractual right: to receive cash or another financial asset from another entity; or To exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the reporting entity; or	Accounts and other receivables Term deposits with maturity of more than three months Currency forward contracts,
(d) A contract that will or may be settled in the reporting entity's own equity instruments.	Very rare to have such contracts in the public sector and at the time of writing this manual there were no such financial assets
A financial liability is any liability that is:	**Examples of financial liabilities**
(a) A contractual obligation: To deliver cash or another financial asset to another entity; or To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the reporting entity; or	Accounts payables; Borrowings; or Currency forward contracts.
(d) A contract that will or may be settled in the reporting entity's own equity instruments.	Very rare to have such contracts in the public sector and at the time of writing this manual there were no such financial liabilities

21.3.2. At the date of this manual, there are no significant derivative or embedded derivative contracts hence this manual does not focus on identification and accounting for a derivative and embedded derivative

21.4. Interpretation of the applicable standards for the Zimbabwe Public sector context

21.4.1. Reporting entities are required to classify financial assets as subsequently measured at amortized cost, fair value through net assets/equity or fair value through surplus or deficit on the basis of both:

a. The entity's management model for financial assets and
b. The contractual cash flow characteristics of the financial asset.

21.4.2. The table 21b below provides various classification of financial assets.

Table 21b

Asset class	Description	Sub asset class
Financial Assets at amortised cost	The financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.	Cash and cash equivalents Loans and Receivables Term deposits Treasury bills and bonds Debentures Letters of credit Concessional loans Non-concessionary loans Debt securities Trade and credit advances Convertible bonds Special drawing rights (XDR)

Financial Assets at fair value through net assets/equity	The financial asset is held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.	Equity investments (Designated by entity) Treasury bills and bonds
Financial Assets at fair value through surplus or deficit	Assets that fail the classification of the first two classes.	Equity investments Treasury bills and bonds

21.4.3. Reporting entities shall classify all financial liabilities as subsequently measured at amortized cost

21.4.4. Gold and other minerals which are held for the with the objective of storing value or as an investment will be accounted for as financial instruments. Such gold and other minerals will be accounted for at fair value through surplus and deficit account.

21.4.5. In financial markets, a settlement mechanism exists under which transactions in financial instruments (particularly quoted equities and bonds) entered into on a particular date are settled a few days after this transaction date. The date on which the transaction is entered into is called the 'trade date'. It is the date on which the reporting entity commits to purchase or sell an asset. The date on which the transaction is settled by delivery of the underlying asset is called the 'settlement date'. For example, the standard settlement periods for equity market securities are trade date plus 3 business days (T+3). The reporting entity must account for the transactions on the trade date.

21.4.6. When the reporting entity enters into a firm commitment to purchase a non-financial asset in the future, it does not have the contractual rights that comprise the asset. This means that the reporting entity cannot use that asset, or sell it, or pledge it as collateral until the contract matures and the underlying asset is acquired. Therefore, assets to be acquired and liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services are generally not recognized as assets or liabilities until at least one of the parties has performed under the agreement

21.4.7. When a financial asset or financial liability is recognized initially, the standard requires that the reporting entity measures it at its 'fair value' plus, in certain situations, transaction costs. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Given that fair value is the price that arm's length market participants would pay or receive in a routine transaction under the market conditions at the date at which the asset or liability is to be measured for accounting purposes (the measurement date), it follows that a financial instrument's initial fair value will normally be the transaction price, that is, the fair value of the consideration given or received.

21.4.8. The reporting entity should account for transaction costs in a financial instrument's initial measurement as follows:

Table 21c

Financial Instrument class	**Accounting for transaction costs**
Financial Assets/liabilities at amortised cost	Added to the initial fair value i.e. for financial assets, such costs are added to the amount originally recognized and financial liabilities, such costs are deducted from the amount originally recognized
Financial Assets/liabilities at fair value through net assets/equity	Added to the initial fair value i.e. for financial assets, such costs are added to the amount originally recognized and financial liabilities, such costs are deducted from the amount originally recognized
Financial Assets/liabilities at fair value through surplus or deficit	Transaction costs are immediately recognized in Statement of Financial Performance on initial recognition

21.4.9. Transaction costs expected to be incurred on a financial instrument's transfer or disposal are not included in the financial instrument's initial measurement.

21.4.10. Following their initial recognition, financial instruments' classification determines how the financial assets and financial liabilities are subsequently measured in the reporting entity's financial statements. The following table summarizes the accounting for financial assets.

Table 21d

Financial Asset class	**Financial Asset**	**Measurement Basis**	**Changes in Carrying amount**	**Impairment test**
Financial Assets at amortised cost	Debt	Amortised Cost	Statement of Financial Performance	Yes
Financial Assets at fair value through net assets/equity	Debt	Fair Value	Net Assets /Statement of Financial Performance	Yes
	Equity	Fair Value	Net Assets	No
Financial Assets at fair value through surplus or deficit	Debt	Fair Value	Statement of Financial Performance	No
	Equity	Fair Value	Statement of Financial Performance	No

21.4.11. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the financial instrument's expected life or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate is essentially the internal rate of return of the financial asset or liability for that period. The internal rate of return can be calculated using a financial calculator or the internal rate of return (IRR) function in a spreadsheet.

21.4.12. A financial asset measured at amortized cost is impaired when its carrying value exceeds the present value of the future cash flows discounted at the financial asset's original effective interest rate. A financial asset that is carried at fair value through surplus or deficit does not give rise to any impairment issues as diminution in value due to impairment is already reflected in the fair value and, hence, in the Statement of Financial Performance.

21.4.1. For reporting entities, impairment issues are primarily relevant to financial assets that are carried at amortized cost. Entities are required to apply the general model in calculation of expected credit losses except for accounts receivables and lease receivables. The determination of impairment under the general model, is inherently complex and entities should engage appropriate experts to help with the designing of impairment models.

21.4.2. Appendix 7 provide illustrative disclosures on financial instruments.

21.5. Guidance on financial guarantees

21.5.1. IPSAS 41 Financial Instruments, requires financial guarantee contracts to be recognised at fair value. This is normally straightforward in a commercial transaction, as the fair value at inception will typically be equal to the value of the premium paid in exchange for being granted a guarantee. However, most of the time the government provides guarantees at no cost so the amount to be recorded for each financial guarantee so issued will need to be determined on an alternative basis.

21.5.2. IPSAS 41 provides guidance on determining a fair value in these circumstances, through the use of a valuation technique to establish what the transaction price should have been on the measurement date. These need to be assessed as if the guarantee had been issued in return for a premium in an arm's length exchange, motivated by normal operating considerations.

21.5.3. A key consideration at this point is whether there is necessary information to determine the fair value, which is likely to be very challenging given the uniqueness of the support being provided by government. There is unlikely to be an active market with observable prices for these guarantees and valuation techniques may rely on mathematical models which consider financial risk.

21.5.4. IPSAS 41 states that if no reliable measure of fair value can be determined, either by direct observation of an active market or through another valuation technique, then an entity is required to measure the financial guarantee contract at the amount that is expected to be paid out under the guarantee - the ‘loss allowance’ or the ‘expected credit losses’ expected to be incurred on the guarantee.

22. Revenue

21.1. Applicable accounting standards

a. IPSAS 47, Revenue

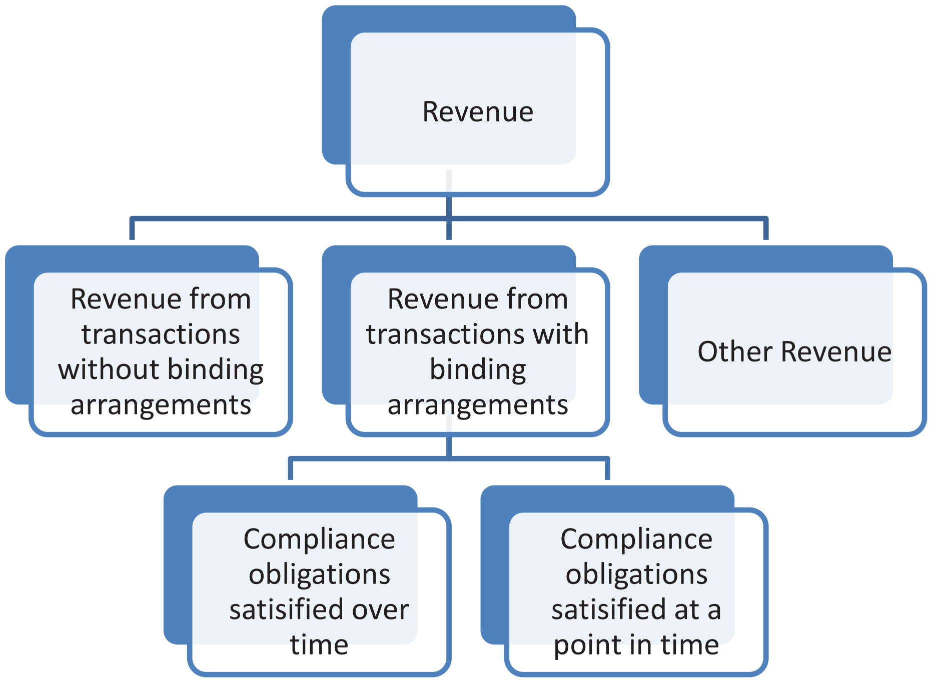
22.2. Objective

22.2.1. This chapter deals with the recognition and measurement of revenue by reporting entities including revenue collected by entities on behalf of the Consolidated Revenue Fund (CRF).

22.2.2. The majority of the revenue from transactions without binding arrangements covered by this chapter are either taxation or fines and penalties. This chapter also covers revenue from transactions with binding arrangement transactions which would be categorised as sale of goods and rendering of service.

22.3. Interpretation of the applicable standards for the Zimbabwe Public Sector context

22.3.1. In classifying revenue, entities will need to be guided by the following:



22.3.2. In table 21a below provide the revenue classes that should be presented on the face of the statement of financial performance.

Table 22a

Revenue Class	Description	Guidance on recognition
Revenue from transactions without binding arrangements		
Transfers	This includes transfers from the CRF and all other forms of transfers from other government entities	Mostly recognised on receipt as there is no enforceable right before the transfer is made.
Grants and Donations	Grants, donations and other gifts from other entities which could be monetary or in-kind including services in kind. This excludes transfers from one	Mostly recognised on receipt as there is no enforceable right before funds are received. Some come with conditions and appropriate judgment in line with IPSAS 47 need to be made.

Revenue Class	Description	Guidance on recognition
	government entity to another which will be classified as transfers.	
Taxes	All different forms of taxes by different government entities and include compulsory contributions and levies.	Recognition should follow IPSAS 47 guidance i.e. recognition on the basis of the taxable event.
Fines, penalties, and forfeits	All forms of fines, penalties and forfeits	Recognition should only be done whether there is high likelihood that the revenue will be received
Revenue from transactions with binding arrangements		
Revenue from compliance obligations satisfied over time	Where an entity obtains control of a goods or service over time and, therefore, satisfies a compliance obligation and recognizes revenue over time	Revenue recognised with reference to relevant input or output model.
Revenue from compliance obligations	Where compliance obligation is not satisfied over time	Revenue is recognised on transfer of risk and rewards incidental to ownership

Revenue Class	Description	Guidance on recognition
satisfied at a point in time		
Other Revenue/ Income *	This includes but not limited to: Lease Income Interest income	Based on the guidance from the relevant standard

* - Other revenue should be separately presented on the face of the Statement of financial performance if it is material.

22.3.3. Table below shows the various revenue classes for classification and presentation of the statement of financial performances

Table 22b

Revenue Class	Revenue Subclasses	Additional subclass category
Revenue from transactions without binding arrangements		
Transfers	Transfers from Consolidated Revenue Fund	Transfers based on budget allocations from CRF
	Other Transfers	Other transfers from other levels of government
Grants and Donations	Grants	Conditional and unconditional grants that meet recognition criteria
	Donations, gifts and bequests	Other donations, gifts and bequests
Taxes		Taxes Payable by individuals

Revenue Class	Revenue Subclasses	Additional subclass category
	Taxes on income, profits, and capital gains	Taxes payable by corporations and other enterprises
		Other taxes on income, profits, and capital gains
		Capital gains Taxes
		Capital Gains Withholding tax
		Dividends, Interest, Fees, Royalties and Remittances
		Informal Traders' Tax
	Taxes on Payroll and Workforce	Manpower Development Levy (ZIMDEF)
		Standard Development Levy (SDF)
	Taxes on property	Recurrent taxes on immovable property
	Estate, inheritance, and gift taxes	Estate, inheritance, and gift taxes
	Taxes on goods and services	General taxes on goods and services
		Value-added taxes
	Taxes on Gross Revenue	Royalties
		Airtime Levy -Health Levy
		Airtime Levy - General
		Tobacco Levy

Revenue Class	Revenue Subclasses	Additional subclass category
	Withholding Tax on Tenders	Withholding Tax on Tenders
	Turnover & other general taxes on goods and services	Turnover & other general taxes on goods and services
	Taxes on financial and capital transactions	Intermediated Money Transfer Tax
	Excise Duty	Excise duty on fuel
	Taxes on specific services	Energy Taxes
	Taxes on the use of goods and on permission to use goods or perform activities	Business Licences
	Taxes on international trade and transactions	Taxes on international trade and transactions
	Customs and other import duties	Customs and other import duties
	Other taxes	stamp duty
Fines, penalties, and forfeits	Fines, penalties, and forfeits	Fines, penalties, and forfeits
Revenue from transactions with binding arrangements		
Revenue from compliance obligation	Sales of goods and services	Sales of goods and services
	Sales by market establishments	Sales by market establishments
	Incidental sales by nonmarket establishments	Incidental sales by nonmarket establishments

Revenue Class	**Revenue Subclasses**	**Additional subclass category**
satisfied over time	Imputed sales of goods and services	Imputed sales of goods and services
Revenue from compliance obligation satisfied over time	Administrative and other fees	Administrative fees
	Consulting fees	Consulting fees
	Construction fees	Construction fees
	Various services	Various services
Other Revenue	Property income	Property income
	Interest	Interest
	Dividends	Dividends
	Withdrawals of income from quasi-corporations	Withdrawals of income from quasi-corporations
	Property income from investment income disbursements	Property income from investment income disbursements
	Rent	Rent
	Reinvested earnings on foreign direct investment	Reinvested earnings on foreign direct investment

22.3.4. Taxes, duties and other such revenue (tax revenue) are recognised on an accrual basis and will be measured at the fair value of the consideration received or receivable, net of repayments. Tax revenue is recognised when a taxable event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable event will flow to the collecting entity. All these elements are required to be satisfied.

22.3.5. Tax revenues are deemed to accrue equally over the period for which they are due. No revenue is recognised if there are significant uncertainties regarding the recovery of the taxes due. The term "probable" means that the flow of revenue should be more likely than not to occur. Revenue should be accrued net of amounts not expected to be collected, which might be determined by reference to past trends in write-offs and remissions, the emerging position in-year, historic debt collection performance, a combination of the foregoing or by other appropriate means.

22.3.6. Where, exceptionally and with the consent of Treasury, taxes and other compulsory contributions are not recognised due to collection uncertainty , they will be recognised in the accounting period in which the tax is received or receivable by the entity and are measured at the cash amount received or receivable.

22.3.7. Fines and penalties are recognised at the time that the fine or penalty is imposed and becomes receivable by the entity. Where, on appeal, or for other legal reasons, the penalty is cancelled, the amount receivable is derecognised at the date of the successful appeal. Where a financial penalty is imposed, but with an alternative of a non-financial penalty, the financial penalty is recognised initially but is derecognised when (and if) the option of the non-financial penalty is taken up.

22.3.8. Where fines and penalties are uncollectible or, for policy reasons, (other than the imposition of an alternative penalty), the entity decides that it is inappropriate to pursue collection, the amounts not collected are recorded as an expense. The amounts not collectible are estimated from the most appropriate data available to the entity.

22.4. Accounting for the binding arrangement

22.4.1. In line with IPSAS 47 par 57, the reporting entity shall account for a binding arrangement using the binding arrangement accounting model if all of the following criteria are met:

(a) The parties to the binding arrangement have approved the binding arrangement (in writing, orally or in accordance with other customary practices) and are committed to perform their respective obligations;

(b) The entity can identify each party's rights under the binding arrangement;

(c) The entity can identify the payment terms for the satisfaction of each identified compliance obligation;

(d) The binding arrangement has economic substance (the risk, timing or amount of the entity's future cash flows or service potential is expected to change as a result of the binding arrangement); and

(e) It is probable that the entity will collect the consideration to which it will be entitled for satisfying its compliance obligations in accordance with the terms of the binding arrangement. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the resource provider's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the transaction consideration stated in the binding arrangement if the consideration is variable because the entity may offer the resource provider a price concession.

22.5. Requirements for preparation of Exchequer Trust Financial Statements

22.5.1. ZIMRA and certain other receivers of revenue (collecting agents) which is by law payable into the CRF are required to prepare Exchequer Trust Financial Statements (Refer to Appendix 10 for templates on Exchequer Trust Financial Statement)

22.5.2. Exchequer Trust Financial Statements are financial reports on all income, expenses that have been collected or paid on behalf of the CRF and the related balances on those income and expenses.

22.5.3. The intention is to require those entities collecting revenue on behalf of the CRF to prepare Exchequer Trust Financial Statements which are separate statements from the entity's own financial statements and to include in Exchequer Trust Statements details of the collection and allocation of that revenue.

22.5.4. Where an entity collects revenue on behalf of the CRF, it shall prepare an Exchequer Trust Financial Statement (Refer to Appendix 10 for templates) which include:

a. Exchequer Trust Statement of Financial Performance

b. Exchequer Trust Statement of Financial Position

c. Exchequer Trust Statement of Cashflows

d. Exchequer Trust Statement of comparison of budget to actual

e. Exchequer Trust notes to the financial statements

22.5.5. Where legislation requires or permits part of the revenue collected to be surrendered and part to be retained by the entity, the full amount shall be included in the Trust Financial Statements, and the amount to be retained shall be recorded as an appropriation of net revenue (expenses) in the Trust Statement (and, equally, as revenue in the Statement of Financial Performance).

22.5.6. Where revenue collected on behalf of the CRF is not material to the entity, it need not prepare the Trust Statement set out in the preceding paragraph but may do so if it provides a clearer interpretation of the state of affairs. Where the entity does not produce the statements in the preceding paragraph, it shall set out in a note to the Statement of Financial Position details of the amounts collected and surrendered or otherwise expended (but shall not include them in its statement of income and expenditure) and of the amounts receivable and payable at the end of the reporting period.

22.6. Disclosures

22.6.1. An entity shall disclose:

22.7. in the notes to the Exchequer Trust Financial Statements, the main accounting policies, estimates and judgements used to assess income, expenditure, assets and liabilities, including any provision created in respect of income deemed uncollectible;

22.8. In the notes to the Exchequer Trust Financial Statement, a statement of those incomes reported on an accrual basis and those on a cash basis; and any additional supporting information which might aid the understanding of users of the accounts. This may include, but will not be limited to, details of fraud, evasion and error and accounting estimates of accrued revenue.

22.9. The following is an example of note for select revenue items

Notes to the Financial Statements

Accounting Policies

Recognition of Revenue from Transactions without Binding Arrangements

1. Assets and revenue arising from taxation transactions are recognized as revenue from transactions without binding arrangements in accordance with the requirements in paragraphs 20–56 of IPSAS 47. However, the Government takes advantage of the transitional provisions in that Standard in respect of income taxes and estate taxes.

2. Apart from income taxes and estate taxes, assets and revenue arising from taxation transactions are recognized in the period in which the taxable event occurs, provided that the assets satisfy the definition of an asset and meet the criteria for recognition as an asset. Income taxes and estate taxes are recognized in the period in which payment for taxation is received (see notes 4 and 6).
3. Assets and revenue arising from transfer transactions are recognized in the period in which the transfer arrangement becomes binding, except for some services in-kind. The Government recognizes only those services in-kind that are received as part of an organized program and for which it can determine a fair value by reference to market rates. Other services in-kind are not recognized.
4. Where a transfer is subject to an enforceable obligation, if unsatisfied, requires the return of the transferred resources, the Government recognizes a liability until the requirements are satisfied.

Basis of Measurement of Major Classes of Revenue Transactions

Taxes

4. Income tax revenue is measured at the nominal value of cash, and cash equivalents, received during the reporting period. The Government is currently

developing a statistical model for measuring income tax revenue on an accrual basis. This model uses taxation statistics compiled since 19X2 as well as other statistical information, including average weekly earnings, gross domestic product, and the consumer and producer price indexes. The Government anticipates that the model will enable it to reliably measure income tax revenue on an accrual basis for the reporting period ended December 31, 20X4. The Government does not recognize any amount in respect of income taxes receivable.

5. Assets and revenue accruing from goods and services tax are initially measured at the transaction consideration of assets accruing to the Government during the reporting period, principally cash, cash equivalents, and goods and services tax receivable. The information is compiled from the goods and services tax returns submitted by taxpayers during the year and other amounts estimated to be due to the Government. Taxpayers have a high compliance rate and a low error rate, using the electronic return system established in 20X0. The high compliance and low error rates have enabled the Government to develop a reliable statistical model for measuring the revenue accruing from the tax.

   Goods and services taxes receivable is the estimate of the amount due from taxes attributable to the reporting period that remain unpaid at December 31, 20X2, less a provision for bad debts.

6. Estate tax of xx% is levied on all deceased estates; however, the first $x of each estate is exempt from the tax. Assets and revenue from estate taxes are measured at the nominal value of the cash received during the reporting period, or the transaction consideration as at the date of acquisition of other assets received during the period, as determined by reference to market valuations or by independent appraisal by a member of the valuation profession.

   Transfer Revenue

7. Assets and revenue recognized as a consequence of a transfer are measured at the transaction consideration of the assets recognized as at the date of recognition. Monetary assets are measured at their nominal value unless the time value of money is material, in which case present value is used, calculated using a discount rate that reflects the risk inherent in holding the asset. Non- monetary assets are measured at their transaction consideration, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession. Receivables are recognized when a binding transfer arrangement is in place, but cash or other assets have not been received.

Taxes not Reliably Measurable in the Period in which the Taxable Event Occurs

8. The Government is unable to directly measure the assets arising from income tax during the period in which all taxpayers earn income and is, therefore, taking advantage of the transitional provisions of IPSAS 47, to develop a model to indirectly measure taxation revenue in the period in which taxpayers earn income. The Government estimates that it will be able to reliably measure income tax on an accrual basis using the model for the reporting period ending December 31, 20X4.
9. In respect of estate taxes, due to current high levels of noncompliance with the law, the government is unable to measure the amount of assets and revenue accruing in the period in which persons owning taxable property die. The Government therefore recognizes estate taxes when it receives payment for the tax. The tax department is continuing work to develop a reliable method of measuring the assets receivable and revenue in the year in which the taxable event occurs.

Liabilities Recognized in Respect of Transfers

At December 31, 20X2, the Government recognized a liability of $X related to a transfer to build a public hospital. As at December 31, the Government had received a cash payment, however, construction of the hospital had not commenced, although tenders for construction were called for on November 30, 20X2.

Assets Subject to Enforceable Obligations

11. Land with a fair value of $X was received as part of a binding arrangement in 20X2. The binding arrangement included a compliance obligation which requires the entity to use the land for public health purposes and cannot be sold for 50 years.
12. Plant and equipment includes an amount of $X, which is the carrying amount of a painting donated in 19X2 to an art gallery controlled by the Government. The painting was received as part of an arrangement that that included an enforceable obligation (but did not include an enforceable right). Under the agreement, the entity cannot sell the painting for a period of 40 years. The painting is measured at its fair value, determined by independent appraisal.

Major Classes of Bequests, Gifts, Donations, and Goods In-Kind Received

13. Transfers are received in the form of gifts, donations and goods in-kind – most notably medical and school supplies (inventory), medical and school equipment, and works of art (classified as equipment). Gifts and donations are received primarily from private benefactors. Hospitals, schools, and art galleries controlled by the Government recognize these assets when control passes to them, usually on receipt of the resources, either cash or plant and equipment. The Government does not accept these transfers with either conditions or restrictions attached unless the value of the transfer exceeds $X.
14. During 20X2, as part of an external assistance agreement with Government C, computer equipment with a fair value of $X was provided to the Government on condition that it be used by the education department or be returned to Government C.

Services In-kind

15. Hospitals controlled by the Government received medical services in-kind from medical practitioners as part of the medical profession's organized volunteer program. These services in- kind are recognized as revenue and expenses in the statement of financial performance at their fair value, as determined by reference to the medical profession's published schedule of fees.
16. Hospitals, schools, and art galleries controlled by the Government also received support from volunteers as part of organized programs for art gallery greeters and guides, teachers' aides, and hospital visitor guides. These volunteers provide valuable support to these entities in achieving their objectives; however, the services provided cannot be reliably measured as there are no equivalent paid positions available in the local markets and, in the absence of volunteers, the services would not be provided. The Government does not recognize these services in the statements of financial position or financial performance.

23. Transfer Expenses

23.1. Applicable accounting standards

IPSAS 48, Transfer Expenses

23.2. Objective

23.2.1. This chapter deals with the recognition and measurement of transfer expense by reporting entities

23.3. Interpretation of the applicable standards for the Zimbabwe Public Sector context

23.3.1. In table 21a below provide the transfer expenses classes that should be presented on the face of the statement of financial performance and statement of financial position.

Statement of Financial Performance	
Transfer expenses with binding arrangements	
Transfer expenses without binding arrangements	
Statement of Financial Position	
Current Assets	
Transfer expense assets	Related to advance payments on transfer expenses with binding arrangements. Should be shown on the face if material and if not material can be included in prepayments
Current Liabilities	
Transfer expense obligation	Related to both transfer obligations with or without binding arrangements.

	Should be shown on the face if material and if not material can be included in other payables or provisions

21.2.1. ZFRM requires that expenses be presented by nature of the expenses rather than by function. This therefore means that transfer expenses will be presented as a line item in the statement of financial performance.

21.2.2. Additionally and in line with IPSAS 1 para 111, reporting entities shall provide an analysis in the notes of expenses by function by allocating of transfer expenses to the various programs or purposes for which the transfers were made.

21.2.3. The reporting entity shall disclose in the notes transfer expenses breakdown of transfers with and without binding arrangements including qualitative to enable users to understand how the entity's resources are spent on its programs, activities, and services.

24. Provisions, Contingent Liabilities and Contingent Assets

24.1. Applicable accounting standards

24.1.1. IPSAS 19 Provisions, contingent liabilities and contingent assets applies in full for all reporting entities

24.2. Objective

24.2.1. The objective of this section is to provide guidance on when to recognise provisions in the statement of financial position or disclose contingent liabilities and contingent assets, how to measure such entries, and which disclosures are necessary for these items. Key to this is the clarification of how provisions differ from other liabilities, such as payables and accruals through the level of uncertainty associated with each class of liability.

24.2.2. During its operations and activities, the reporting entity will take actions which will invariably result in future payments or outflows of resources. Under IPSAS 19, such actions and events may require the reporting entity to recognise provisions in addition to the more traditional liabilities recognised during a financial year. Provisions appear as short and/or long-term liabilities on the statement of financial position and are defined as “liabilities of uncertain timing or amount”. Where provisions are not recognised, disclosures regarding contingent liabilities may still be required.

24.3. Interpretation of IPSAS 19 for the Zimbabwe Public Sector context

24.3.1. The following are the main classes of provisions. A new class of provision should only be used where a material provision is recognised for an obligation which cannot be covered by narratives for the classes below

a. Restoration costs
b. Restructuring costs

c. Onerous contracts
d. Legal cases
e. Warranties
f. Other

24.3.2. Provisions should be presented as separate lines (current and non-current) on the face of the statement of financial position. In the supporting notes to the financial statements, provisions may be classed together (i.e. aggregated) when the narrative disclosures can cover all of the relevant provisions in a single statement.

24.3.3. The likelihood or probability of outflows occurring is a key factor in determining whether a provision should be recognised, or whether a note disclosure as a contingent liability is instead necessary. In addition, recognition of a provision will also depend on whether the actions of the reporting entity have led to an "obligation" to pay future costs – this may not always be a legal obligation, but can also include cases where past behaviour and precedents create a "constructive" obligation for the reporting entity to pay costs.

24.3.4. Specifically, and in line with IPSAS 19 the reporting entity should recognise a provision when all of the following three key criteria have been met:

a. The reporting entity has a present obligation (legal or constructive) as a result of a past event;
b. It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
c. A reliable estimate can be made of the amount of the obligation.

24.3.5. it is important to note that in many cases the criteria will need to be applied with professional judgement dependent on the overall substance of actions and events – not all cases will have an immediate, definitive answer and expert advice may be required.

24.3.6. Other typical examples where provisions may need to be considered include future clean up and decontamination costs, refurbishing of buildings at the end of leases, restructuring plans, and onerous contracts.

24.3.7. The classification of liabilities between provisions, accruals and payables will depend on the degree of certainty of the timing or amount of the future settlement of an obligation. Payables have the greatest degree of certainty, as they are based on invoices received, or where final amounts have been agreed with suppliers. For those goods and services received but not yet invoiced, or formally agreed, accruals are recognised within accounts payable. Accruals may therefore be considered as similar to provisions, as final amounts may not have yet been agreed.

24.3.8. The key difference between accruals and provisions however is the degree of certainty of timing or amount of the outflow. Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions. Accruals and payables are presented together within “accounts payable” on the statement of financial position, whereas provisions are presented separately.

24.3.9. The term contingent liability is used for liabilities that do not meet the recognition criteria. Such a distinction is very important as contingent liabilities are not recognised as liabilities in the statement of financial position, but disclosed in the notes to the financial statements.

24.3.10. Any provision raised should relate to the financial position of the reporting entity at the end of the financial year, and not its possible position in the future. Costs that need to be incurred to continue reporting entity’s ongoing activities in the future should not be provided for. Provisions are therefore only recognised for obligations resulting from past events existing independently from the reporting entity’s future actions. In other words, if the reporting entity ceased operations on the last day of the financial year, it would still need to pay the costs provided for, independent of future activities.

24.3.11. Provisions should not be raised for future losses or deficits occurring from future operations. These do not meet the definition of a liability, as in these cases there is no "present obligation" from a "past event". Future operating losses however may indicate that any asset used in the relevant operations may be impaired.

24.3.12. It may be difficult in some cases to determine whether the reporting entity has a legal obligation, particularly in lawsuits against the reporting entity where a formal judgement has not been made by the court in question by the date of the preparation of the financial statements. In such examples, experts where appropriate - to assist in judging whether a legal obligation exists for the purposes of preparing the financial statements.

24.3.13. The existence of a constructive obligation may not be straight-forward in some cases and will require professional judgement in terms of whether past behaviour or certain communications have raised a valid expectation with the counterparty that the reporting entity will discharge its responsibilities.

24.4. Summary of recognition of provisions and contingent liabilities

Table 24a

Where, as a result of past events, there may be an outflow of resources embodying future economic benefits or service potential in settlement of: (a) a present obligation, or (b) a possible obligation whose existence will be confirmed only by the

occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Reporting entity.		
There is a present obligation that probably requires an outflow of resources.	There is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.	There is a possible obligation or a present obligation where the likelihood of an outflow of resources is remote.
A provision is recognized	No provision is recognized	No provision is recognized
Disclosures are required for the provision	Disclosures are required for the contingent liability	No disclosure is required

24.4.1. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognized because it cannot be measured reliably. Disclosures are required for the contingent liability.

24.5. Summary of recognition of assets and contingent assets

Where, as a result of past events, there is a possible asset whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Reporting entity.		
The inflow of economic benefits or service potential is virtually certain	The inflow of economic benefits or service potential is probable, but not virtually certain.	The inflow of economic benefits or service potential is not probable.
The asset is not contingent and recognized in the financial statements.	No asset is recognized	No asset is recognized.
Disclosures in line with specific IPSAS disclosure	Disclosures are required.	No disclosure is required.

requirements for asset (s) contained in relevant Standard.		

24.5.1. Any proceeds anticipated from the disposal of assets to be used in settlement of the obligations should not be taken into account when measuring a provision, even if the disposal is closely linked to the obligating event. Instead, such gains or losses on disposal should be recognised and measured in line with the Standard relevant for the asset.

24.5.2. In the case of some provisions, the Reporting entity may receive reimbursement from a third party (e.g. a contractor or Government) for full or partial settlement of an obligation. Where such reimbursements meet the definition of an asset:

a. A separate asset should be recognised on the statement of financial position - the “debit” entry is not offset against the provision (i.e. balances are shown gross on statement of financial position); and
b. The corresponding “credit” entry of the reimbursement may be offset against (i.e. deducted from) the expense recognised for the provision (i.e. “revenue” and expense are shown net on statement of financial performance). This means that no revenue is shown for the reimbursement, but instead reduced or zero expense.
c. The amount of reimbursement recognised should not exceed the amount of the provision

25. Employee Benefits

25.1. Applicable Accounting Standards

25.1.1. IPSAS 39 Employee Benefits applies in full for all reporting entities

25.2. Objective

25.2.1. The objective of this section is to provide guidance on the application of IPSAS 39 by reporting entities.

25.2.2. IPSAS 39 Employee Benefits provides the fundamental requirements surrounding the classification, recognition, measurement, and disclosure requirements of employee benefits.

25.3. Definition of employee

25.3.1. Whilst the different categories of employee benefits are relatively straight forward and they only qualify as employee benefits if they are provided to employees, it is important that reporting entities understand who is considered to be an employee.

25.3.2. For purposes of IPSAS accounting, employees are considered to be individuals providing services to an entity on a full-time, part-time, permanent, casual or temporary basis.

25.3.3. IPSAS does not focus on the legal aspects of employment, but rather focuses on the substance of the arrangement between the individual and the employer when determining what falls under the term “employee”.

25.3.4. Therefore, the reporting entities should consider all such individuals as employees and consequently account for all their benefits in accordance with IPSAS 39 Employee Benefits, where the organization is exposed to risks consistent with a contract of employment irrelevant of whether there is an actual arrangement in place or not.

25.3.5. While this assessment is generally relatively straight forward regarding normal employed staff, the question becomes more complex regarding contractors, consultants and similar types of individuals and a thorough assessment of each of these individuals should therefore be made to assess whether payments made to these individuals falls under the scope of IPSAS 39 Employee Benefits.

25.3.6. An initial assessment of the different types of individuals working for different reporting entities has been made to assess whether payments made to such individuals fall under the scope of IPSAS 39 Employee Benefits or not.

Table 25a

Type of individual	**Additional Information**	**Within scope of IPSAS 39**
Staff (Temporary, permanent and part-time staff)	Individual with a normal employment contract	Yes
Staff Transferred in or out (Secondments)	On a regular basis, staff is transferred between different entities within government. The question arises which organization should account for them as employees and consequently should account for short-term benefits, other-long term benefits, post-employment benefits and termination benefits such individuals are entitled to.	Yes While the expectation would be that such individuals qualify as employees, the question is which organization should account for their benefits. This decision generally depends on the arrangements between the receiving and releasing organizations

Individual consultants	An individual consultant is an individual who is a recognized authority or specialist in a specific field of study engaged by the Reporting Entity under a temporary contract but only for a specific period to deliver a specific output, as specified in the Terms of Reference, in an advisory or consultative capacity.	Based on the information provided, the expectation is that these individuals do not qualify as employees under IPSAS. The Reporting Entity should however assess for each individual consultants, whether it is exposed to risks consistent with a contract of employment. Generally, for individual consultants, the office have observed that: The contract with the individual contractor does not give an indication on their status. Individual consultants get monthly pay based on submission on bill with number of days worked in a month. The reporting entity does not face similar risks as for their staff members. Individual consultants are in substance not treated like employees. Performance of Staff members may be reviewed through a robust performance appraisal

		system; however, this is not applicable for individual consultants
Institutional consultants	Institutional consultants are consulting companies generally hired by Procurement Divisions. As the individual consultants supporting the Reporting entity are employed by the consulting company, they do not fall under the scope of IPSAS 39 for the purpose of the Reporting entity's financial statements.	No
Volunteers	On a regular basis, entities in the public sector incorporates volunteers in its operations and the question is therefore whether these individuals fall under the scope of IPSAS 39.	Yes Based on the information provided, the expectation is that these individuals qualify as employees under IPSAS. The Reporting Entity should however assess, whether it is exposed to risks consistent with a contract of employment.

25.3.7. Please note that with regards to the accounting for employee benefits under IPSAS, the source of the funds whether budgetary or extra-budgetary, is irrelevant.

25.4. Interpretation of IPSAS for the Zimbabwe Public Sector context

25.4.1. The following are the different classes of employee benefits and the examples of the employee benefits in that class

Table 25 b

CLASS	EXAMPLES
Short-term employment benefits	Salaries and wages Social security contributions Housing allowance Transport allowance Medical Aid Covid 19 Allowances Professional /Technical allowances Food hamper Night allowance Acting Allowance Medical Aid Responsibility allowance Fuel Paid sick and annual leave M/V Benefit Accommodation Airtime and data Housing loan Maids and garden boy salaries Security at residences Bonus Performance Bonus

CLASS	EXAMPLES
Post-employment Benefits	Retirement Monthly pension Post Medical Aid Life Insurance Gratuity
Other long-term employee benefits	Long-term service awards Long term leave Sabbatical leave Disability benefits Profit sharing and bonuses Deferred remuneration Compensation is payable by the entity until an individual enters new employment
Termination Benefits	Retrenchment Death Retirement Discharge

25.4.2. Compared to post-employment benefits discussed below, the accounting treatment for short-term benefits is relatively straight forward. In very simple terms, the expense for these benefits is recognized in the statement of financial performance when incurred (i.e. the corresponding service is delivered by the employee) and the statement of financial position is only affected when there is a timing difference between when the expense is incurred and when payment for these benefits is made.

25.4.3. Similarly, to all other employee benefits, the Reporting Entity recognizes the expense for short-term benefits when it is incurred, i. e. when the employee provides the service, which entitles him/her to the benefit. Consequently, the cost is recognized in the statement of financial performance as the employee works throughout the year, or more specifically: every month.

25.4.4. Even though the nature of short-term benefits is that payments are generally made shortly after an employee earns the right to the benefit, i.e. when he provides the service, it can happen that at the end of the year not all payments have been made and that consequently some benefits earned by Reporting Entity employees during the year remain unpaid. Such amounts need to be recognized as a liability in the Reporting Entity' financial statements.

25.4.5. Where an employee is provided a condition of service vehicle which is then sold to the employee after a specified period of time, the employee benefit will be calculated as the difference between the market value and the disposal amount to the employee.

25.5. Post-employment defined benefit schemes

25.5.1. IPSAS 39 defines defined benefit plans as post-employment benefit plans other than defined contribution plans.

25.5.2. Defined benefit accounting is complex because actuarial assumption and valuation methods are required to measure the position in the statement of financial position. The Reporting Entity promises to pay a fixed sum to their employees at a point in the future. At the time the Reporting Entity makes that promise, management does not know how long any individual employee will work, whether they will reach retirement age, how long they will live beyond retirement age and what their final salary will be when they retire.

25.5.3. The Reporting Entity' defined benefit liabilities for each defined benefit plan are determined by actuaries and take into consideration the following three aspects:

- Attribute benefits to periods of service (current vs. prior periods);
- Make actuarial assumptions;

- Discount the benefit to present value using the Projected Unit Credit Method.

25.5.4. Compared to the accounting requirements for defined benefit schemes, the accounting for defined contribution schemes is relatively straight forward. The amount to be recognized as an expense each period is the contribution to the plan, which the employee earned throughout the period. The Reporting Entity would only recognize a liability in its statement of financial position for the contributions, if part of the contributions, due for the period, remain unpaid at the end of the financial period.

25.5.10. For post-employment benefits, the event that gives rise to the benefit is the service provided by the employee. For termination benefits however, the event giving rise to the cost is not the service provided by the employee, but rather the termination of the employee. With regards to the recognition of termination benefits, it is therefore key to identify the actual termination event.

25.5.11. Identification of termination event: Before the Reporting Entity can recognize termination benefits, two requirements need to be met:

25.5.12. The Reporting Entity is demonstrably committed to a detailed, formal plan to either

25.5.13. Terminate an employee or employees before the normal retirement date;

I. Provide termination benefits in return for voluntary redundancy; AND
II. There is no realistic possibility that the Reporting Entity can withdraw from the plan.
III. Or, in simpler terms, the Reporting Entity should recognize of termination benefits when it has communicated its plan of terminating employees to those affected.

26. Leases

26.1. Applicable Accounting Standards

26.1.1. IPSAS 43 Leases

26.2. Objective

26.2.1. IPSAS 43 provides the fundamental guidance surrounding the classification, recognition, and measurement of leases, which is essential to ensure appropriate accounting treatment for individual agreements.

26.2.2. This section presents, additional guidelines Reporting Entity should apply IPSAS 43. The objective of this document is to present relevant leasing guidance in order for the Reporting Entity to adopt and apply a comprehensive and consistent accounting treatment to its various leases

26.3. Interpretation of IPSAS 43 for the Zimbabwe Public Sector context

26.3.1. Reporting entities will enter into various arrangement and contracts. IPSAS 43 requires that the reporting entity assess whether the contract is or contains a lease. It is common in the public sector for one entity to convey the right to control use of an identified asset to other government entities. For such arrangement to be classified as leases the following elements should be there:

a. A contract between two entities
b. The asset should be identifiable
c. The period of time should be stated
d. The consideration should be stated

26.3.2. IPSAS 43 also requires reporting entities to account for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

26.3.3. IPSAS 43 provide exemption for applying the right of use model for certain type of leases and for the application by reporting entities the following leases are exempted from applying the right of use model:

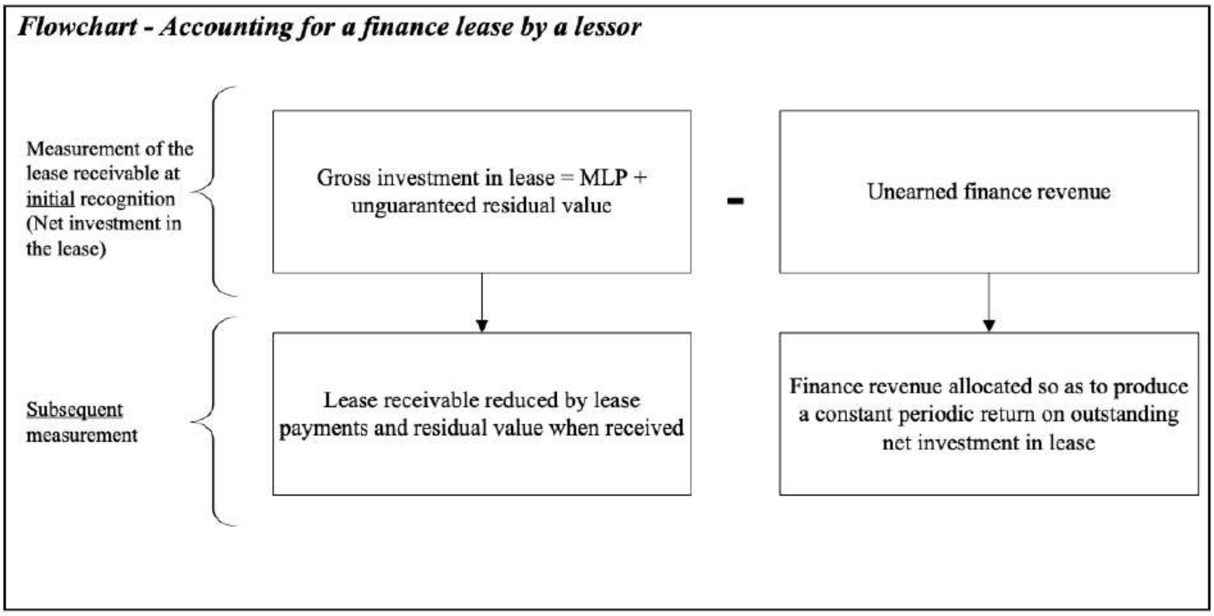
a. Leases of less than 12 months
b. Leases of assets with value of less than US$5000 when new.
c. Lease payments for such assets should be expensed on a straight-line basis.

26.3.4. Incremental borrowing rate: Reporting entities should apply the Reserve Bank of Zimbabwe Bank Policy Rate as the incremental borrowing rate

26.3.5. Contingent rents - Contingent rents are charged as expenses in the period in which they are incurred. They are not included in the measurement of the lease or liability.

26.3.6. **Lessor Accounting**

Summary Lessor Accounting



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26.3.7. Lease revenue (excluding receipts for services provided, such as insurance and maintenance) is recognized as revenue on a straight-line basis over the lease term, even if the receipts are not on such a basis.

26.3.8. Lessors present assets subject to operating leases in their statements of financial position according to the nature of the asset.

26.3.9. The depreciation policy for depreciable leased assets should be consistent with the lessor's standard depreciation policy for similar assets.

26.3.10. To determine whether a leased asset has become impaired, an entity applies relevant impairment tests

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27. Service Concession Arrangements: Grantor

25.1. Applicable Standards

27.1.1. PSAS 32 applies, as interpreted, to all reporting entities covered by the ZFRM.

25.2. Objectives of IPSAS 32

27.1.1. The objective of IPSAS 32 is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

27.1.1. Interpretation of IPSAS 32 for the Zimbabwe public sector context

27.1.2. Initial recognition and measurement of assets and liabilities in new arrangements and contracts

27.1.3. Where there is infrastructure, whether previously owned by the contractor or the grantor, or constructed or acquired from a third party for the purpose of the service arrangement, and the grantor:

a. controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and
b. controls through beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement (or there is no residual interest).

27.1.4. Then the PPP (Public Private Partnerships) arrangement contract is a service concession within the meaning of IPSAS 32 from the grantor's viewpoint.

27.2. Interpretation of IPSAS 32 for the Zimbabwe Public Sector context

27.2.1. The grantor should recognise the infrastructure as a non-current asset and value it in the same way as other non-current assets of that generic type. The asset will be recognised when:

a. it is probable that future economic benefits associated with the asset will flow to the organisation; and
b. the cost of the asset can be measured reliably.

27.2.2. The grantor should consider the asset recognition criteria, together with the specific terms and conditions of the binding arrangement, when determining whether to recognise the service concession asset during the period in which the asset is constructed or developed. If the asset recognition criteria have been met a work-in-progress service concession asset and associated liability should be recognised. If not and the grantor makes contributions to the operator in advance of the asset coming into use, the grantor should account for those payments as prepayments.

27.2.1. The asset will be measured in one of two ways:

a. where the contract is separable between the service element, the interest charge and the infrastructure asset, the asset will be initially measured following the principles contained within in IPSAS 43 Leases), with the service element and the interest charge recognised as incurred over the term of the concession arrangement; or
b. where there is a unitary payment stream that includes infrastructure and service elements that cannot be separated, the various elements will be separated using estimation techniques.

27.2.1. The grantor should separate out the service, interest and infrastructure elements. A contract may be separable in a variety of circumstances, including but not limited to the following:

a. the contract identifies an element of a payment stream that varies according to the availability of the property itself and another element that varies according to usage or performance of certain services;
b. different parts of the contract run for different periods or can be terminated separately. For example, an individual service element can be terminated without affecting the continuation of the rest of the contract; or
c. different parts of the contract can be renegotiated separately. For example, a service element is market tested and some or all of the cost increases or reductions are passed on to the grantor in such a way that the part of the payment by the grantor that relates specifically to that service can be identified.

27.2.2. In situations where it is not possible to separate the contract due to commercial reality, the service element of the payments must be estimated, which could be achieved by obtaining information from the operator or by using the fair value approach. The fair value of the asset determines the amount to be recorded as an asset with an offsetting liability. The total unitary payment is then divided into three: the service charge element, repayment of the capital element of the contract obligation and the interest expense on it (using the interest rate implicit in the contract).

27.2.3. For both existing and new contracts, where it is not practicable to determine the interest rate implicit in the contract, the grantor shall use its cost of capital rate (including inflation). It is expected that this situation would be rare. The rate should not be changed unless the infrastructure element or the whole of the contract is renegotiated.

27.2.4. Under either approach, the grantor will recognise a liability for the capital value of the contract. That liability does not include the interest charge and service elements, which are expensed annually to the Statement of Performance.

27.2.5. Reporting entities should adopt an appropriate asset revaluation approach as set out earlier in this chapter. Liabilities will be measured using the appropriate discount rate, taking account of the reduction arising from the capital payments included in the unitary payment stream.

27.2.6. Revenue received under any revenue sharing provision in the service concession arrangement should be recognised when all the conditions as laid down in IPSAS 32 have been satisfied.

28. Segment Reporting

28.1. Applicable Standards

28.1.1. IPSAS 18 Segment Reporting applies, as interpreted, to all reporting entities covered by the ZFRM.

28.2. Objective

28.2.1. The goal of this section is to present relevant guidance on the identification of segments and segment disclosure requirements for reporting entities applying this standard.

28.2.2. Key aspect in the identification of segments is that IPSAS guidance is principle based which means that the application will require management judgment based on facts and circumstances of each entity.

28.2.3. Since there is no set rule on segment identification, an entity may prepare segment information which may be different from the other reporting entities.

28.2.4. Another key aspect in applying segment reporting disclosures is that the underlying data should be available to generate the necessary reports for segment reporting disclosures.

28.2.5. Needless to say, that the financial reporting systems should support the drafting of segment disclosures

28.2.6. **Interpretation of the IPSAS 18 for the Zimbabwe Public Sector context** Some of the sources for identifying key activities in the identification of reportable segments of an entity can be derived from answering the following questions:

a. What is the mandate for setting up the entity?
b. What are specific activities mentioned in approved the budget documents of the entity?
c. What is the governance structure of the entity?
d. Is the past performance evaluated based on certain activities carried out by the entity?

28.2.7. Grouping of activities requires exercise of judgment based on the following guiding principles:

a. The objective of reporting financial information by segment i.e. help user to understand past performance, identify resources allocated to support major activities, enhance the transparency of financial reporting and enable the entity to better discharge its accountability obligations;
b. The expectations of users of financial statements regarding the key activities of the entity;
c. The qualitative characteristics of financial reporting i.e. the relevance, reliability, and comparability
d. time of financial information; and
e. Whether a particular segment structure reflects the basis on which the governing body require financial information to evaluate past performance in achieving objectives and make future resource allocation decisions.

28.2.8. The following table provides examples of the different segments that can be identified by reporting entity. The examples are not exhaustive.

Table 28a

Entity group	**Types of segments**	**Examples of segments**
Central Government	Service and Geographical	The major classifications of activities identified in budget documentation will reflect the segments for which information is reported By Service eg Health, Education, Defence etc By Geography e.g the 10 provinces

Local Government	Service segments	The major classification of activities can be aligned to the requirements of council laws and regulations By Service eg water, waste management, housing and social amenities, road etc
State Owned Entities (SOEs)	Service and geographical	The segments reported to the governing body will also reflect the segments reported in the financial statements. This is because the governing board will require information about segments to enable them (a) to discharge their managerial responsibilities and to evaluate the performance of the entity in achieving its objectives in the past, and (b) to make decisions about the allocation of resources by the entity in the future. By Service, Geographical or any other suitable classification

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29. Consolidations

29.1. Accounting standards

29.1.1. The following accounting standards deal with accounting boundaries:

a. IPSAS 34, *Separate Financial Statements*

b. IPSAS 35, *Consolidated Financial Statements*

c. IPSAS 36, *Investments in Associates and Joint Ventures*

d. IPSAS 37, *Joint Arrangements*

e. IPSAS 38, *Disclosure of Interests in Other Entities*

f. IPSAS 40, *Public Sector Combinations*

29.2. Objective

29.2.1. This chapter sets out the accounting principles and standards that should be applied in determining the accounting boundaries of the reporting entities covered by the ZFRM.

29.2.2. This accounting policy:

a. Requires the reporting entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;

b. Provides the consolidation structure that will be followed by reporting entities in consolidating various entities

29.3. Interpretation of the relevant IPSAS standard for the Zimbabwe Public Sector context

29.3.1. For consolidation purposes the public sector may be divided into three main sub sectors, namely, Central Government, Sub National Government, and Public Corporations. The general government is comprised of the first two of these sectors, while the public sector is composed of all three sectors.

29.3.2. The Central Government is composed of budgetary entities and extra budgetary entities. Sub National Governments are comprised of Local Authorities, Provincial Councils and Metropolitan Councils. Public Corporations comprise public financial corporations and public non-financial corporations.

29.3.3. Individual ministries will not be required to produce consolidated financial statements. Consolidation financials statements will be done at Central Government level where all the different ministries and other entities are consolidated. Ministries will therefore be required to show in their financial statement all the entities that they control as investments. The investment will be carried at cost i.e the net asset value of the controlled entity on the date of IPSAS adoption.

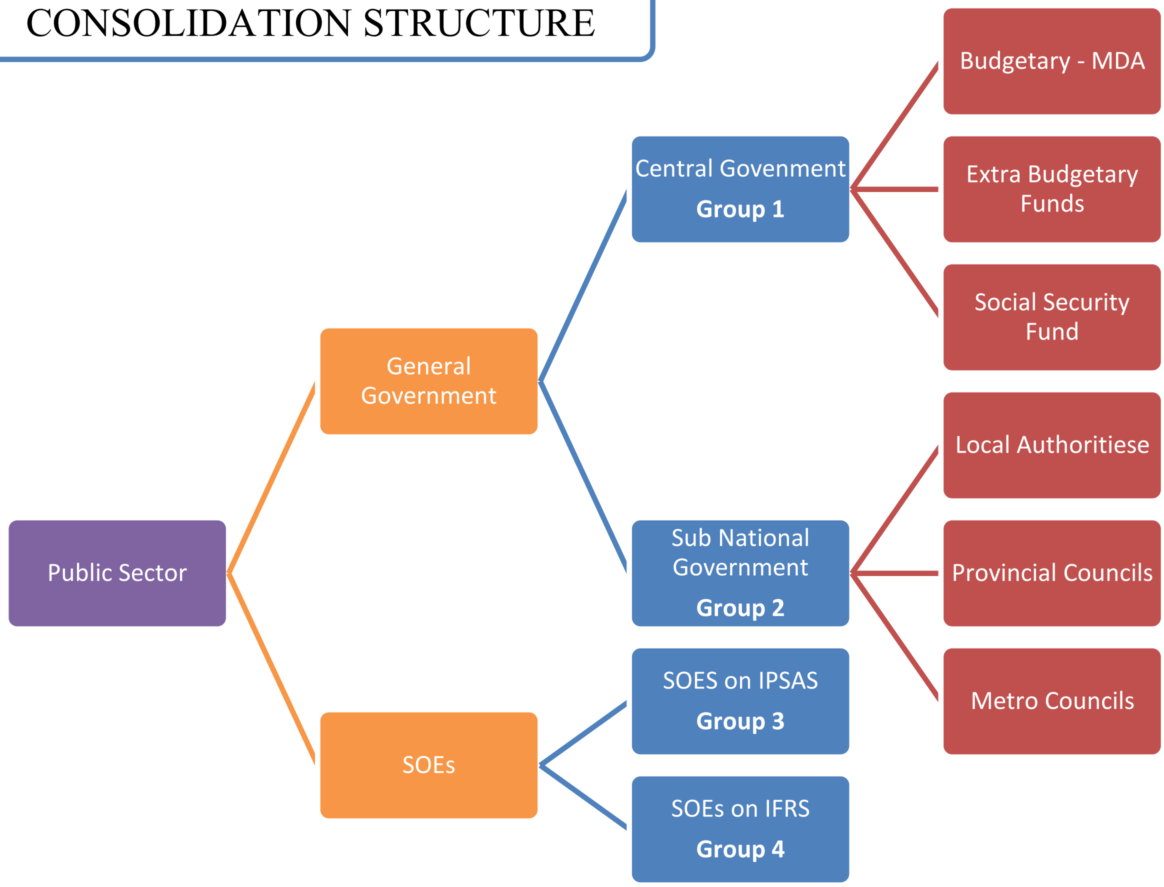
29.3.4. Based on assessment of the relevant laws and the practices, all schools built by Rural District Councils are considered to be controlled by the Ministry of Primary and Secondary Education whilst schools built by the Urban Councils are considered to be controlled by the relevant Urban council.

29.3.5. Consolidation structure will follow three main levels.

a. Level 1 : Reporting Entities identify all entities that it control or jointly control or has significant influence for example a local authorities identifies schools, which it control within its locality. The reporting entity is therefore required to produce IPSAS consolidated financial statements.
b. Level 2 : Consolidation of Group 1 to Group 4 as shown in the diagrams below. Group 1 would be consolidation of Central Government (Refer to Appendix 9 for list of entities that consolidate in this group), Group 2 will consolidate Sub-National Government (Refer to Appendix 9 for list of entities that consolidate in this group), Group 3 will consolidate State Owned Enterprises (SOE) on IPSAS (Refer to Appendix 9 for list of entities that consolidate in this group) and group 4 will consolidate SOEs on IFRS.
c. Level 3 : This level is the final consolidation level where all the groups from 1 to 4 are now consolidated.

29.3.6. As explained in previous paragraph, the consolidation will follow the groupings that are provided in the tables below before the various consolidation groups are consolidated. Appendix 9 provides a detailed list of entities within each consolidation group and the transactions that will need to be tracked and eliminated.

a. CONSOLIDATION STRUCTURE



30. Appendices to the reporting manual

30.1. Appendix 1: Statement of Financial Position Template

The table below presents an example of the statement of financial position to be used by the Reporting entity:

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 20XX			
IN THOUSANDS OF ZWL$			
	Note #	Current Year	Previous Year
ASSETS			
Non-current Assets			
Receivables	x	xx	xx
Property, plant and equipment	x	xx	xx
Plan Assets	x	xx	xx
Intangible assets	x	xx	xx
Investment Properties	x	xx	xx
Investment in other entities	x	xx	xx
Long term portion of loans receivable	x	xx	xx
Current Assets			
Cash and cash equivalents	x	xx	xx
Short-term investments	x	xx	xx
Loans receivable	x	xx	xx
Transfer Expense (prepaid)	x	xx	xx
Receivables from Exchange Transactions	x	xx	xx
Recoverable from non-exchange transactions	x	xx	xx
Pledges receivable	x	xx	xx
Other current assets	x	xx	xx
Inventories	x	xx	xx
TOTAL ASSETS		XX	XX
LIABILITIES			
Current liabilities			
Payables and accruals	x	xx	xx
Provisions	x	xx	xx

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 20XX			
IN THOUSANDS OF ZWL$			
	Note #	Current Year	Previous Year
Employee benefits	x	xx	xx
Derivative financial instruments	x	xx	xx
Other current liabilities	x	xx	xx
Taxes (for quasi-governmental entities required to pay taxes)	x	xx	xx
Non-current liabilities			
Employee benefits	x	Xx	xx
Provisions	x	Xx	xx
Defined obligations for Pension funds	x	Xx	xx
Other noncurrent liabilities	x	Xx	xx
Deferred Taxes (for quasi-governmental entities required to pay taxes)	x	Xx	xx
TOTAL LIABILITIES		XX	XX
NET ASSETS		XX	XX
NET ASSETS / EQUITY			
Other reserves	x	Xx	xx
Contributed capital	x	Xx	xx
Non-Controlling Interest (for quasi-governmental entities)	x	Xx	xx
TOTAL NET ASSETS / EQUITY		XX	XX

30.2. Appendix 2: Statement of Financial Performance

The table below presents an example of the statement of financial performance to be used by the reporting entity

Reporting entity			
STATEMENT OF FINANCIAL PERFORMANCE			
FOR THE YEAR ENDED 31 DECEMBER 20xx			
IN THOUSANDS OF ZWL$			
	Note #	Current Year	Previous Year
REVENUE			

Reporting entity			
STATEMENT OF FINANCIAL PERFORMANCE			
FOR THE YEAR ENDED 31 DECEMBER 20xx			
IN THOUSANDS OF ZWL$			
	Note #	Current Year	Previous Year
Revenue without binding arrangements			
Taxes	X	XX	XX
Transfers	X	XX	XX
Fines, penalties, and forfeits	X	XX	XX
Sale of goods	X	XX	XX
Revenue without binding arrangements			
Revenue from compliance obligations satisfied at a point in time	X	XX	XX
Revenue from compliance obligations satisfied over time	X	XX	XX
Other revenue	X	XX	XX
Total Revenue	**X**	**XX**	**XX**
Expenses			
Compensation of Employees	X	XX	XX
Use of Goods and services	X	XX	XX
Transfer Expenses with binding arrangements	X	XX	XX
Transfer Expenses without binding arrangements	X	XX	XX
Interest	X	XX	XX
Grants	X	XX	XX
Social Benefits	X	XX	XX
Subsidies	X	XX	XX
Other Expenses	X	XX	XX
Surplus/ Deficit		XX	XX

30.3. Appendix 3: Statement of changes in net assets

The table below presents an example of the statement of changes in Net Assets/Equity performance to be used by the Reporting entity

	Note	Hedging / Revaluation Reserve	Other Reserves	Total
31 December 20XX (previous year)	X	XX	XX	XX
Change in accounting policy and other adjustments (Note ……….)				
Initial recognition of property, plant and equipment	X		XX	XX
Initial recognition of employee liabilities	X		XX	XX
Other adjustments to equity balances	X	XX	XX	XX
Total recognised changes in net assets since last published accounts		XX	XX	XX
Adjusted opening balance				
1 January 20XX (current year)	X	XX	XX	XX
Changes in net assets / equity for 20XX				
Surplus (deficit) for the period	X			XX
Gain / Loss on revaluation of derivative financial instruments	X	XX		XX
Gain / Loss on revaluation of non-financial assets	X	XX		XX
Revenue / (expenses) recognised directly in equity	X		XX	XX
Specific Donations	X			XX
Total movement during the year			XX	XX
TOTAL NET ASSETS / EQUITY		XX	XX	XX

30.4. Appendix 4: Cashflow Statement

The table below presents an example of the statement of financial position to be used by the

CASH FLOW STATEMENT			
FOR THE YEAR ENDED 31 DECEMBER 20XX (In Thousands of ZWL$)			
	Note #	Current Year	Previous Year
Surplus/Deficit			
Non-Cash Movements			
Depreciation	X	XX	XX
Amortization	X	XX	XX
Increase in provision for doubtful debts	X	XX	XX
Increase in payables	X	XX	XX
Increase in borrowings	X	XX	XX
Increase in social benefits liabilities	X	XX	XX
Increase in provisions relating to employee costs (Gains)/losses on sale of property, plant and equipment (Gains)/losses on sale of investments	X	XX	XX
Increase in other current assets	X	XX	XX
Increase in investments due to revaluation	X	XX	XX
Increase in receivables	X	XX	XX
Net cash flows from (Used in) operating activities		XX	XX
Cash flows from investing activities:			
Purchase of property, plant and equipment	X	XX	XX
Proceeds from sales of property, plant and equipment	X	XX	XX
Purchase of short-term investments	X	XX	XX
Proceeds from sale of short-term investments	X	XX	XX
Purchase of intangible assets	X	XX	XX
Net cash flows from (Used in) investing activities		XX	XX
Cash flows from financing activities:			

Loans received	X	XX	XX
Loans paid	X	XX	XX
Lease payments under finance leases	X	XX	XX
Net cash flows from (Used in) financing activities		XX	XX
Net effect of foreign exchange rates		XX	XX
Net increase (decrease) in cash and cash equivalents		XX	XX
Cash and cash equivalents at beginning of the year	X	XX	XX
Cash and cash equivalents at end of the year		XX	XX

The method used in the above cashflow statement example is the indirect approach to preparing cashflow statements

Appendix 5: Statement of Comparison of budget to actual amounts

The table below presents an example of the Statement of Comparison of Budget and Actual Amounts to be used by the Reporting entity:

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS						
FOR THE YEAR ENDED 31 DECEMBER 20XX						
IN ZWL$						
	Notes	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference between final budget and actual	Comment Ref
		Original	Final			
REVENUE						
Taxes						
Taxes on income, profits, and capital gains						
Payable by individuals	X	XX	XX	XX	XX	XX
Payable by corporations and other enterprises	X	XX	XX	XX	XX	XX
Other taxes on income, profits, and capital gains						
Capital gains Taxes	X	XX	XX	XX	XX	XX
Capital Gains Withholding tax	X	XX	XX	XX	XX	XX
Dividends, Interest, Fees, Royalties and Remittances	X	XX	XX	XX	XX	XX
Informal Traders' Tax	X	XX	XX	XX	XX	XX
Taxes on Payroll and Workforce						
Manpower Development Levy (ZIMDEF)	X	XX	XX	XX	XX	XX
Standard Development Levy (SDF)	X	XX	XX	XX	XX	XX
Taxes on property						
Recurrent taxes on immovable property	X	XX	XX	XX	XX	XX
Estate, inheritance, and gift taxes	X	XX	XX	XX	XX	XX
Taxes on goods and services						

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS						
FOR THE YEAR ENDED 31 DECEMBER 20XX						
IN ZWL$						
	Notes	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference between final budget and actual	Comment Ref
		Original	Final			
General taxes on goods and services						
Value-added taxes	X	XX	XX	XX	XX	XX
Taxes on Gross Revenue						
Royalties	X	XX	XX	XX	XX	XX
Airtime Levy -Health Levy	X	XX	XX	XX	XX	XX
Airtime Levy - General	X	XX	XX	XX	XX	XX
Tobacco Levy	X	XX	XX	XX	XX	XX
Withholding Tax on Tenders	X	XX	XX	XX	XX	XX
Turnover & other general taxes on G & S						
Taxes on financial and capital transactions						
O/w: Intermediated Money Transfer Tax	X	XX	XX	XX	XX	XX
Excise Duty						
o/w: fuel	X	XX	XX	XX	XX	XX
Taxes on specific services						
o/w Energy Taxes	X	XX	XX	XX	XX	XX
Taxes on use of goods and on permission to use goods or perform activities						
Business Licences	X	XX	XX	XX	XX	XX
Taxes on international trade and transactions						
Customs and other import duties	X	XX	XX	XX	XX	XX
Other taxes						

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS						
FOR THE YEAR ENDED 31 DECEMBER 20XX						
IN ZWL$						
	Notes	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference between final budget and actual	Comment Ref
		Original	Final			
stamp duty	X	XX	XX	XX	XX	XX
Other revenue						
Property income						
Interest	X	XX	XX	XX	XX	XX
Dividends	X	XX	XX	XX	XX	XX
Withdrawals of income from quasi-corporations	X	XX	XX	XX	XX	XX
Property income from investment income disbursements	X	XX	XX	XX	XX	XX
Rent	X	XX	XX	XX	XX	XX
Reinvested earnings on foreign direct investment	X	XX	XX	XX	XX	XX
Sales of goods and services						
Sales by market establishments	X	XX	XX	XX	XX	XX
Rentals	X	XX	XX	XX	XX	XX
Administrative fees	X	XX	XX	XX	XX	XX
Incidental sales by nonmarket establishments	X	XX	XX	XX	XX	XX
Imputed sales of goods and services	X	XX	XX	XX	XX	XX
Fines, penalties, and forfeits						
Transfers not elsewhere classified						
Expenses						
Compensation of Employees	X	XX	XX	XX	XX	XX
Use of Goods and services	X	XX	XX	XX	XX	XX
Interest	X	XX	XX	XX	XX	XX

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS						
FOR THE YEAR ENDED 31 DECEMBER 20XX						
IN ZWL$						
	Notes	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference between final budget and actual	Comment Ref
		Original	Final			
Grants						
Current grants						
o/w compensation of Employee	X	XX	XX	XX	XX	XX
Social Benefits	X	XX	XX	XX	XX	XX
Subsidies	X	XX	XX	XX	XX	XX
Other Expenses	X	XX	XX	XX	XX	XX
TOTAL SURPLUS / (DEFICIT) FOR THE YEAR*	X	XX	XX	XX	XX	XX

Material variances should be explained in a note of the financial statements.

30.5. Appendix 6: Related Party Note

Note (X) to the Reporting Entity's Financial Statements "Related Parties: Disclosures":

Proposed Note (x) to the Financial Statements "Related Party Transactions":

The reporting entity's related parties represent, directors and key management personnel of the MDA entities controlled by such parties. Pricing policies and terms of these transactions are approved by the reporting entity's management.

Note (x): Balances with related parties included in the statement of financial position are as follows:

Description	Current Year	Previous Year
	ZWL$	ZWL$
Due from (to) XXXX *	Xx	Xx
Due from (to) Key Management Personnel **	Xx	Xx
Total	XX	XX

* Balances due from (to) related parties have resulted from ……………….. The balance due from (to) related parties bears no interest.

** Balances due from (to) Key Management and their close family members. In respect of loans to disclose amount advanced during the period……………………. amount paid during the period…………………….and the closing balance for each related party………………

Note (x): Transactions with related parties included in the statement of financial performance are as follows:

Description	Current Year		Previous Year
	ZWL$		ZWL$
Salaries of senior management	Xx		Xx
Benefits of senior management	Xx		Xx
Transactions with related party XXX	Xx		Xx
Revenue from contribution by XXX to international staff costs	Xx		Xx

Total	XX		XX

30.6. Appendix 7: Financial Instruments Note

Note (X) to the Reporting Entity's Financial Statements "Financial Instruments: Disclosures":

(X) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The reporting entity's principal financial liabilities are comprised of overdrafts, finance leases and trade payables. The main purpose of these financial liabilities is to raise finance for the reporting entity's operations. The reporting entity has various financial assets such as trade receivables and cash and short-term deposits which arise directly from its operations.

The main risks arising from the reporting entity's financial instruments are interest rate risk, foreign currency risk, credit risk, and liquidity risk. The reporting entity's Director of Finance reviews and agrees on policies for managing each of these risks which are summarized below.

A) Interest rate risk

The following table demonstrates the sensitivity of the statement of financial performance to reasonably possible changes in interest rates, with all other variables held constant.

Sensitivity of the statement of financial performance is the effect of the assumed changes in interest rates on the reporting entity's profit for one year, based the floating rate financial assets and financial liabilities held at 31 December 20XX.

There is no other impact on the reporting entity's equity.

Financial Assets

20XX	Increase in basis points	Effect on Surplus for the year ZWL$ "000"		Decrease in basis points	Effect on Surplus for the year ZWL$ "000"	
		20XX	20X1		20XX	20X1
ZWL$	50	xx	xx	(50)		(xx)
Euro	50	xx	xx	(50)		(xx)

JOD	50	xx	xx	(50)		(xx)

Financial Liabilities

20XX	Increase in basis points	Effect on Surplus for the year ZWL$ "000"		Decrease in basis points	Effect on Surplus for the year ZWL$ "000"	
		20XX	20X1		20XX	20X1
ZWL$	50	xx	xx	(50)		(xx)
Euro	50	xx	xx	(50)		(xx)
JOD	50	xx	xx	(50)		(xx)

B) Foreign currency risk

As a result of significant investment operations for the reporting entity in other countries, the reporting entity's statement of financial position can be affected significantly by movements in ZWL$ against those countries' currencies. The reporting entity seeks to mitigate the effect of its structural currency exposure by borrowing in ZWL$ and also establish the relationship with its main customers in ZWL$.

The reporting entity also has transactional currency exposure. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. To reduce such risk the reporting entity requires operating units and its subsidiaries to transact with its customers and suppliers as much as possible in ZWL$.

The reporting entity has a translation currency exposure mainly resulting from the entities where their functional currency is other than ZWL$. Those entities are the entities under the reporting entity where the functional currency is mainly other than ZWL$. The effect of transactional to reporting currency is shown as part of equity. The main effect of foreign currency risk that may affect is related to translation of monetary assets denominated in other currencies. Those assets are not significant to the reporting entity's financial statements.

C) Credit risk

The reporting entity trades only with recognised, creditworthy third parties. It is the reporting entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the reporting entity's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note (X).

For transactions that do not occur in the country of the relevant operating unit, the reporting entity offers credit terms and negotiates the contracts upon the approval of the area Director. The reporting entity Head Office also monitors the aging of the trade receivables continuously and follows up with relevant operating unit on overdue balances. There are no significant concentrations of credit risk within the reporting entity; it operates in a number of geographical segments across various areas of activity. The customer base consists of large number of customers with different types such as private and International funds. Management, therefore, believes that there are no significant concentrations of credit risk within the reporting entity.

With respect to credit risk arising from other financial assets of the reporting entity, which comprise of cash and cash equivalents, and notes, the reporting entity's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

D) Liquidity risk

The reporting entity monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both, its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations. The reporting entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases.

The table below summarises the maturities of the reporting entity undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

31 December 20XX	1-6 Months	6- 12 Months	1 - 5 years	> 5 Years	Total
	(ZWL$ 000's)	(ZWL$ 000's)	(ZWL$ 000's)	(ZWL$ 000's)	(ZWL$ 000's)
Accounts payable and other liabilities	Xx	xx	xx	Xx	XX
Bank overdrafts	Xx	xx	xx	Xx	XX
Finance lease	Xx	xx	xx	Xx	XX
Other	Xx	xx	xx	Xx	XX
Total	XX	XX	XX	XX	XX

31 December 20XX	1-6 Months	6- 12 Months	1 - 5 years	> 5 Years	Total
	(ZWL$ 000's)	(ZWL$ 000's)	(ZWL$ 000's)	(ZWL$ 000's)	(ZWL$ 000's)
Accounts payable and other liabilities	Xx	xx	xx	Xx	XX
Bank overdrafts	Xx	xx	xx	Xx	XX
Finance lease	Xx	xx	xx	Xx	XX
Other	Xx	xx	xx	Xx	XX
Total	XX	XX	XX	XX	XX

30.7. Appendix 8: Property Plant and Equipment Note

The tables below present an example of PPE disclosures

Description	Land	Building	Infrastructures	Transport Equipment	ICT Equipment	Machinery & Equipment	Total
COST:							
Cost at 01/01/20XX	Xx	xx	Xx	xx	Xx	Xx	XX
+ Additions in20XX *	Xx	xx	Xx	xx	Xx	Xx	XX
(-) Disposals in 20XX	Xx	xx	Xx	xx	Xx	Xx	XX
+ (-) Transfers in 20XX**	Xx	xx	Xx	xx	Xx	Xx	XX
+ Revaluation adjustment	Xx	xx	Xx	xx	Xx	Xx	XX
+ (-) Foreign exchange adjustments in 20XX	Xx	xx	Xx	xx	Xx	Xx	XX
= Balance as at 31/12/20XX (A)	XX	XX	XX	XX	XX	XX	XX
DEPRECIATION AND IMPAIRMENT:							
Balance at 01/01/20XX	Xx	xx	Xx	xx	Xx	Xx	XX

Description	Land	Building	Infrastructures	Transport Equipment	ICT Equipment	Machinery & Equipment	Total
+ Depreciation and impairment in 20XX **	Xx	xx	Xx	xx	Xx	Xx	XX
(-) Depreciation disposals in 20XX	Xx	xx	Xx	xx	Xx	Xx	XX
+ (-) Transfers in 201X (Non-cash item) **	Xx	xx	Xx	xx	Xx	Xx	XX
+ Revaluation adjustment	Xx	xx	Xx	xx	Xx	Xx	XX
+ (-) Foreign exchange adjustments in 20XX	Xx	xx	Xx	xx	Xx	Xx	XX
= Balance as at 31/12/20XX (B)	XX	XX	XX	XX	XX	XX	XX
Net Book Value as at 31/12/20XX (A) – (B)	XX	XX	XX	XX	XX	XX	XX

Work in Progress	20XX	20XX
COST:		
Cost at 01/01/20XX	Xx	XX
+ Additions	Xx	XX
+ (-) Transfers to PPE **	Xx	XX
+ (-) Foreign exchange adjustments	Xx	XX

Work in Progress	20XX	20XX
= Balance as at 31/12/20XX (A)	XX	XX

* This item shall match the cash outflow from the reporting entity's investing activities in the cash flow statement (as purchase of PPE).

** These amounts shall be taken into consideration by the reporting entity in preparing the cash flow statements (Non-cash items).

Any restriction on title and PPE pledged as securities for liabilities

The amount of expenditure recognised in the carrying amount of item of PPE in the course of construction

The contractual commitments amount for the acquisition of PPE; and

The compensation amount from a third party for an item of PPE that was impaired, lost, or given up and included in surplus or deficit.

30.8. Appendix 9: List of Entitles on IPSAS & IFRS and Consolidation Groups

Group 1: Central Government Entities to report using IPSAS

NO.	MINISTRY/COMMISSION
1	Parliament
2	Finance and Economic Development
3	Public Service Commission
4	Judicial Service Commission
5	Energy and Power Development
6	Industry, Commerce and Enterprise Development
7	Information Communication Technology and Courier Services
8	Information, Publicity and Broadcasting Services
9	Local Government and Public Works
10	Mines and Mining Development
11	Women Affairs, Community, Small and Medium Enterprise Development
12	Zimbabwe Media Commission
13	National Peace and Reconciliation Commission
14	Zimbabwe Gender Commission
15	Zimbabwe Anti - Corruption Commission
16	Zimbabwe Electoral Commission
17	Office of the Auditor General
18	National Council of Chiefs
19	National Prosecuting Authority
20	Zimbabwe Human Right Commission
21	Lands Commission
22	Office of the President and Cabinet
23	Defence and War Veterans Affairs
24	Foreign Affairs and International Trade
25	Health and Child Care
26	Higher and Tertiary Education, Science and Technology Development
27	Home Affairs and Cultural Heritage
28	Justice, Legal and Parliamentary Affairs
29	Public Service, Labour and Social Welfare
30	Lands, Agriculture, Fisheries, Water, Climate and Rural Resettlement
31	Primary and Secondary Education
32	Youth, Sport, Arts and Recreation
33	Environment, Tourism and Hospitality Industry
34	Transport and Infrastructural Development
35	National Housing and Social Amenities

30.9. Local authorities

Group 2.1: Rural District Council

No.	MASHONALAND EAST PROVINCE
1.	Goromonzi RDC
2.	Hwedza RDC
3.	Manyame RDC
4.	Marondera RDC
5.	Murewa RDC
6.	Uzumba Maramba Pfungwe Zvataida RDC
7.	Mutoko RDC
8.	Mudzi RDC
9.	Chikomba RDC
	MASHONALAND CENTRAL PROVINCE
10.	Bindura RDC
11.	Chaminuka RDC
12.	Guruve RDC
13.	Mazowe RDC
14.	Mbire RDC
15.	Muzarabani RDC
16.	Pfura RDC
17.	Rushinga RDC
	MASHONALAND WEST PROVINCE
18.	Chegutu RDC
19.	Hurungwe RDC
20.	Makonde RDC
21.	Mhondoro- Ngezi RDC
22.	Nyaminyami RDC
23.	Sanyati RDC
24.	Zvimba RDC
	MATABELELAND NORTH PROVINCE
25.	Binga RDC
26.	Bubi RDC
27.	Hwange RDC
28.	Kusile RDC
29.	Nkayi RDC
30.	Tsholotsho RDC
31.	Umguza RDC
	MATABELELAND SOUTH PROVINCE
32.	Beitbridge RDC
33.	Bulilima RDC
34.	Gwanda RDC
35.	Mangwe RDC
36.	Matobo RDC
37.	Umzingwane RDC

No.	MASHONALAND EAST PROVINCE
38.	Insiza RDC
	MIDLANDS PROVINCE
39.	Chirumanzu RDC
40.	Gokwe North RDC
41.	Gokwe South RDC
42.	Mberengwa RDC
43.	Runde RDC
44.	Tongogara RDC
45.	Vungu RDC
46.	Zibagwe RDC
	MANICALAND PROVINCE
47.	Buhera RDC
48.	Chimanimani RDC
49.	Makoni RDC
50.	Mutare RDC
51.	Nyanga RDC
52.	Chipinge RDC
53.	Mutasa RDC
	MASVINGO PROVINCE
54.	Bikita RDC
55.	Chiredzi RDC
56.	Chivi RDC
57.	Gutu RDC
58.	Masvingo RDC
59.	Zaka RDC
60.	Mwenezi

Group 2.2: Urban Councils

No	URBAN COUNCIL
1.	Rusape
2.	Epworth
3.	Victoria Falls
4.	Bulawayo
5.	Karoi
6.	Ruwa
7.	Mvurwi
8.	Mutare
9.	Norton
10.	Kadoma
11.	Zvishavane
12.	Lupane
13.	Kwekwe

No	URBAN COUNCIL
14.	Gwanda
15.	Shurugwi
16.	Masvingo
17.	Redcliff
18.	Chegutu
19.	Chinhoyi
20.	Chipinge
21.	Kariba
22.	Marondera
23.	Chitungwiza
24.	Bindura
25.	Beitbridge
26.	Harare
27.	Hwange
28.	Gweru
29.	Chirundu
30.	Plumtree
31.	Gokwe
32.	Chiredzi

30.10. Group 3 State Owned Enterprises on IPSAS

No.	STATE ENTERPRISE OR PARASTATAL	RESPONSIBLE MINISTRY
1	Zimbabwe Tourism Authority	Environment, Tourism and Hospitality Industry
2	Zimbabwe National Statistics Agency (ZIMSTAT)	Finance and Economic Development
3	Insurance and Pensions Commission (IPEC)	Finance and Economic Development
4	Zimbabwe Revenue Authority (ZIMRA)	Finance and Economic Development
5	Chitungwiza Hospital	Health and Child Care
6	Food Standards Advisory Board	Health and Child Care
7	Harare Central Hospital	Health and Child Care
8	Health Service Board	Health and Child Care
9	Ingutsheni Central Hospital	Health and Child Care
10	Mpilo Hospital	Health and Child Care
11	National Aids Council	Health and Child Care
12	National Pharmaceutical Company	Health and Child Care
13	Parirenyatwa Group of Hospitals	Health and Child Care
14	United Bulawayo Hospitals	Health and Child Care
15	Zimbabwe National Family Planning Council	Health and Child Care
16	Bindura University of Science Education	Higher and Tertiary Education, Innovation, Science and Technology
17	Bulawayo School of Hospitality and Tourism	Higher and Tertiary Education, Innovation, Science and Technology
18	Chinhoyi University of Technology	Higher and Tertiary Education, Innovation, Science and Technology
19	Great Zimbabwe University	Higher and Tertiary Education, Innovation, Science and Technology
20	Harare Institute of Technology	Higher and Tertiary Education, Innovation, Science and Technology
21	Lupane State University	Higher and Tertiary Education, Innovation, Science and Technology
22	Midlands State University (MSU)	Higher and Tertiary Education, Innovation, Science and Technology
23	National Biotechnology Authority	Higher and Tertiary Education, Innovation, Science and Technology
24	National University of Science and Technology	Higher and Tertiary Education, Innovation, Science and Technology
25	University of Zimbabwe	Higher and Tertiary Education, Innovation, Science and Technology
26	Zimbabwe Council for Higher Education	Higher and Tertiary Education, Innovation, Science and Technology
27	Zimbabwe Manpower Development Fund	Higher and Tertiary Education, Innovation, Science and Technology
28	Zimbabwe Open University	Higher and Tertiary Education, Innovation, Science and Technology
29	Gwanda State University	Higher and Tertiary Education, Innovation,Science and Technology

No.	STATE ENTERPRISE OR PARASTATAL	RESPONSIBLE MINISTRY
30	Marondera University of Agricultural Sciences and Technology	Higher and Tertiary Education, Innovation, Science and Technology
31	Manicaland State University of Applied Sciences	Higher and Tertiary Education, Innovation, Science and Technology
32	Pan African Minerals University of Science Technology	Higher and Tertiary Education, Innovation, Science and Technology
33	Harare Polytechnic	Higher and Tertiary Education, Innovation, Science and Technology
34	Bulawayo Polytechnic	Higher and Tertiary Education, Innovation, Science and Technology
35	Gweru Polytechnic	Higher and Tertiary Education, Innovation, Science and Technology
36	Kwekwe Polyechnic	Higher and Tertiary Education, Innovation, Science and Technology
37	Mutare Polytechnic	Higher and Tertiary Education, Innovation, Science and Technology
38	Masvingo Polytechnic	Higher and Tertiary Education, Innovation, Science and Technology
39	Kushinga Phikelela Polytechnic	Higher and Tertiary Education, Innovation, Science and Technology
40	Zimbabwe School of Music	Higher and Tertiary Education, Innovation, Science and Technology
41	Hillside Teachers College	Higher and Tertiary Education, Innovation, Science and Technology
42	Belvedere Teachers College	Higher and Tertiary Education, Innovation, Science and Technology
43	Mutare Teachers College	Higher and Tertiary Education, Innovation, Science and Technology
44	Masvingo Teachers College	Higher and Tertiary Education, Innovation, Science and Technology
45	Morgenster Teachers College	Higher and Tertiary Education, Innovation, Science and Technology
46	Bondolf Teachers College	Higher and Tertiary Education, Innovation, Science and Technology
47	Seke Teachers College	Higher and Tertiary Education, Innovation, Science and Technology
48	Nyadire Teachers College	Higher and Tertiary Education, Innovation, Science and Technology
49	Morgen Zintec	Higher and Tertiary Education, Innovation, Science and Technology
50	United College of Education	Higher and Tertiary Education, Innovation, Science and Technology
51	Madziwa Teachers College	Higher and Tertiary Education, Innovation, Science and Technology
52	Mkoba Teachers College	Higher and Tertiary Education, Innovation, Science and Technology
53	Chinhoyi Teachers Technical College	Higher and Tertiary Education, Innovation, Science and Technology

No.	STATE ENTERPRISE OR PARASTATAL	RESPONSIBLE MINISTRY
54	National Archives of Zimbabwe	Home Affairs and Cultural Heritage
55	National Arts Council of Zimbabwe	Home Affairs and Cultural Heritage
56	National Gallery of Zimbabwe	Home Affairs and Cultural Heritage
57	National Library and Documentation Service	Home Affairs and Cultural Heritage
58	National Museums and Monuments of Zimbabwe	Home Affairs and Cultural Heritage
59	State Gaming and Lotteries Board	Home Affairs and Cultural Heritage
60	Consumer Council of Zimbabwe	Industry, Commerce and Enterprise Development
61	National Handicraft Centre	Industry, Commerce and Enterprise Development
62	Standards Association of Zimbabwe	Industry, Commerce and Enterprise Development
63	Zimbabwe International Trade Fair Company	Industry, Commerce and Enterprise Development
64	National Competitiveness Commission	Industry, Commerce and Enterprise Development
65	Competition and Tariff Commission	Industry, Commerce and Enterprise Development
66	Agricultural Marketing Authority (AMA)	Lands, Agriculture, Fisheries, Water, Climate and Rural Resettlement
67	Agricultural Rural Development Authority (ARDA)	Lands, Agriculture, Fisheries, Water, Climate and Rural Resettlement
68	Agriculture Research Council	Lands, Agriculture, Fisheries, Water, Climate and Rural Resettlement
69	Pig Industry Board (PIB)	Lands, Agriculture, Fisheries, Water, Climate and Rural Resettlement
70	Tobacco Industry and Marketing Board	Lands, Agriculture, Fisheries, Water, Climate and Rural Resettlement
71	Tobacco Research Board	Lands, Agriculture, Fisheries, Water, Climate and Rural Resettlement
72	Zimbabwe School of Mines	Mines and Mining Development
73	Research Council of Zimbabwe	Office of The President and Cabinet
74	Scientific and Industrial Research and Development Centre (SIRDC)	Office of The President and Cabinet
75	District Development Fund	Office of The President and Cabinet
76	State Enterprises Restructuring Agency	Office of The President and Cabinet
77	Zimbabwe Investment and Development Authority	Office of The President and Cabinet
78	Procurement Regulatory Authority	Office of the President and Cabinet
79	Zimbabwe Schools Examination Council	Primary and Secondary Education
80	National Social Security Authority (NSSA)	Public Service, Labour and Social Welfare
81	Zimbabwe Institute of Public Administration and Management (ZIPAM)	Public Service, Labour and Social Welfare
82	Civil Aviation Authority of Zimbabwe (CAAZ)	Transport and Infrastructural Development

No.	STATE ENTERPRISE OR PARASTATAL	RESPONSIBLE MINISTRY
83	Traffic Safety Council of Zimbabwe	Transport and Infrastructural Development
84	Zimbabwe National Road Administration (ZINARA)	Transport and Infrastructural Development
85	Zimbabwe Youth Council	Youth, Sport, Arts and Recreation
86	Sports and Recreation Commission	Youth, Sport, Arts and Recreation

Group 4: State Owned Enterprises on IFRS

The public sector entities in the table below are not expected to migrate to IPSAS but will reporting using the International Financial Reporting Standards (IFRS) framework.

No.	STATE ENTERPRISE OR PARASTATAL	RESPONSIBLE MINISTRY
1	Petrotrade (Private) Limited	Energy and Power Development
2	ZESA Enterprises (Private) Limited (ZENT)	Energy and Power Development
3	ZESA Holdings (Private) Limited	Energy and Power Development
4	Zimbabwe Electricity Transmission and Distribution Company (ZETDC)	Energy and Power Development
5	Zimbabwe Power Company (Private) Limited and its Subsidiary	Energy and Power Development
6	Rural Electrification Authority	Energy and Power Development
7	Zimbabwe Energy Regulatory Authority	Energy and Power Development
8	Petrozim Line	Energy and Power Development
9	Allied Timbers Zimbabwe (Private) Limited	Environment, Tourism and Hospitality Industry
10	Environmental Management Agency (EMA)	Environment, Tourism and Hospitality Industry
11	Forestry Commission	Environment, Tourism and Hospitality Industry
12	Rainbow Tourism Group	Environment, Tourism and Hospitality Industry
13	Zimbabwe Parks and Wildlife Management Authority	Environment, Tourism and Hospitality Industry

No.	STATE ENTERPRISE OR PARASTATAL	RESPONSIBLE MINISTRY
14	Mosia Oa Tunya Development Company	Environment, Tourism and Hospitality Industry
15	CBZ Holdings	Finance and Economic Development
16	Deposit Protection Corporation	Finance and Economic Development
17	Infrastructure Development Bank of Zimbabwe	Finance and Economic Development
18	Printflow (Private) Limited	Finance and Economic Development
19	People’s Own Savings Bank (POSB)	Finance and Economic Development
20	Public Accountants and Auditors Board (PAAB)	Finance and Economic Development
21	Securities and Exchange Commission of Zimbabwe	Finance and Economic Development
22	ZB Holdings	Finance and Economic Development
23	ZIMRE Holdings	Finance and Economic Development
24	Reserve Bank of Zimbabwe	Finance and Economic Development
25	Zimtrade	Foreign Affairs and International Trade
26	Allied Health Practitioners Council	Health and Child Care
27	Environmental Health Practitioners Council of Zimbabwe	Health and Child Care
28	Health Professions Authority	Health and Child Care
29	Medical Laboratory and Clinical Scientists Council of Zimbabwe	Health and Child Care
30	Medicines Control Authority of Zimbabwe	Health and Child Care
31	Medical Rehabilitation Practitioners Council	Health and Child Care
32	Nurses Council of Zimbabwe	Health and Child Care
33	Pharmacist Council of Zimbabwe	Health and Child Care
34	Verify (Pvt) Ltd	Higher and Tertiary Education, Innovation,Science and Technology
35	Finealt Engineering	Higher and Tertiary Education, Innovation,Science and Technology
36	Chitungwiza Garment Factory	Industry, Commerce and Enterprise Development
37	Industrial Development Corporation	Industry, Commerce and Enterprise Development
38	Litefold Engineering (Private) Ltd	Industry, Commerce and Enterprise Development
39	Mellofieldde Chemicals (Private) Limited	Industry, Commerce and Enterprise Development
40	Zimbabwe Iron and Steel Company (ZISCO)	Industry, Commerce and Enterprise Development
41	Sunway City Harare (Pvt) Ltd	Industry, Commerce and Enterprise Development

30.1. Appendix 10: Template for Exchequer Trust Financial Statements

A10.1. Exchequer Trust Statements: Statement of assets and Liabilities

The table below presents an example of the statement of assets and liabilities to be used by the Reporting entity:

STATEMENT OF ASSETS AND LIABILITIES AT 31 DECEMBER 20XX			
IN THOUSANDS OF ZWL$			
	Note #	Current Year	Previous Year
ASSETS			
Current Assets			
Cash and cash equivalents	x	xx	xx
Receivables from Exchange Transactions	x	xx	xx
Recoverable from non-exchange transactions	x	xx	xx
Other current assets	x	xx	xx
TOTAL ASSETS		XX	XX
Current liabilities			
Payables and accruals	x	xx	xx
Other current liabilities	x	xx	xx
TOTAL LIABILITIES		XX	XX
NET DUE TO/FROM EXCHEQUER		XX	XX

A10.2 Exchequer Trust statement of financial performance
The table below presents an example of the exchequer statement of financial performance to be used by the reporting entity

EXCHEQUER STATEMENT OF FINANCIAL PERFORMANCE			
FOR THE YEAR ENDED 31 DECEMBER 20xx			
IN THOUSANDS OF ZWL$			
	Note #	Current Year	Previous Year
REVENUE			
Taxes	X	XX	XX
Transfers	X	XX	XX
Fines, penalties, and forfeits	X	XX	XX
Sale of goods	X	XX	XX
Other revenue	X	XX	XX
Total Revenue	**X**	**XX**	**XX**
Expenses			
Revenue retained by collecting entity	X	XX	XX
Expenses incurred	X	XX	XX
Surplus/ Deficit		XX	XX

A10.3. Exchequer Trust Cashflow Statement

The table below presents an example of the statement of financial position to be used by the Reporting entity:

CASH FLOW STATEMENT			
FOR THE YEAR ENDED 31 DECEMBER 20XX (In Thousands of ZWL$)			
	Note #	Current Year	Previous Year
Total Cash received from operating activities			
Other Cash received			
Total cash inflows			
Less	X	XX	XX
Revenue retained by collecting entity	X	XX	XX
Expenses incurred	X	XX	XX
Net increase (decrease) in cash and cash equivalents		XX	XX
Cash and cash equivalents at beginning of the year	X	XX	XX
Less transferred to CRF	X	XX	XX
Cash and cash equivalents at end of the year		XX	XX

The method used in the above cashflow statement example is the indirect approach to preparing cashflow statements

A10.4. Exchequer Trust Statement of Comparison of budget to actual amounts

The table below presents an example of the Statement of Comparison of Budget and Actual Amounts to be used by the Reporting entity:

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS						
FOR THE YEAR ENDED 31 DECEMBER 20XX						
IN ZWL$						
	Notes	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference between final budget and actual	Comment Ref
		Original	Final			
Taxes	X	XX	XX	XX	XX	XX
Transfers	X	XX	XX	XX	XX	XX
Fines, penalties, and forfeits	X	XX	XX	XX	XX	XX
Sale of goods	X	XX	XX	XX	XX	XX
Other revenue	X	XX	XX	XX	XX	XX
Total Revenue						
Expenses	X	XX	XX	XX	XX	XX
Revenue retained by collecting entity	X	XX	XX	XX	XX	XX
Expenses incurred	X	XX	XX	XX	XX	XX
TOTAL SURPLUS / (DEFICIT) FOR THE YEAR*	X	XX	XX	XX	XX	XX

Material variances should be explained in a note of the Trust financial statements.

Appendix 11 : Depreciation Rates and useful lives

Asset class	Asset	Useful life	Depreciation method
Land	Urban land	Indefinite	N/A
	Agriculture land	Indefinite	N/A
	Range land	Indefinite	N/A
	Forest land	Indefinite	N/A
	Water land	Indefinite	N/A
	Barren land/	Indefinite	N/A
	Surveyed land	Indefinite	N/A
	Other land	Indefinite	N/A
Buildings	Residential Buildings Caravans	60 Years	Straight line
	Houseboats	10 Years	Straight line
	Mobile Homes	10 Years	Straight line
	Staff houses	30 Years	Straight line
	Commercial Buildings (for own use)	60 Years	Straight line
	Industrial Buildings	60 Years	Straight line
	Institutional Buildings	60 Years	Straight line

	Buildings not classified above	60 Years	Straight line
	Ablution blocks Toilets/rest rooms	60 years	Straight line
	Leaseholds Improvements	Life of lease (max)	Straight line
	Watch houses	50 Years	Straight line
	Trigonometrical beacons	50 years	Straight line
Infrastructure	Roads - tarred -gravel	30 years 10 years	Straight line
	Airport Runway	30 years	Straight line
	Bridges	30 years	Straight line
	Civil Works	30 years	Straight line
	Dams	30 years	Straight line
	Water works-engineered	20 to 50 years	Straight line
	Water Works Boreholes	10 years	Straight line
	Dip Tanks & Live Stock	50 years	Straight line
	Management Facilities	5 to 10 years	Straight line
	Irrigation infrastructure	20 to 50 years	Straight line

	Sewerage Infrastructure	20 to 50 years	Straight line
	Water Infrastructure	30 years	Straight line
	Energy Infrastructure	30 years	Straight line
	Temporary Buildings	10 to 15 years	Straight line
	Stadiums (stadia)	50 to 70 years	Straight line
	Other structures not classified	5 to 10 years	Straight line
Land Improvements	Fencing and Durawall	5 to 10 years	Straight line
	Land contouring	5 years	Straight line
	Side walls and	5 years	Straight line
	driveways	20 years	Straight line
	Streetlighting	5 years	Straight line
	Streets	10 years	Straight line
	Storm drains	5 to 10 years	Straight line
	Geological survey	10 years	Straight line
Transport equipment	Aircraft (Non-Military)	15 to 25 years	Straight line basis (per identifiable components
	Boats & Water Craft Motor Cycles	5 to 10 years	Straight line basis
	Motor Vehicles	2 to 3 years	Straight line basis

	Tractors and	5 to 10 years	Straight line basis
	Earthmoving Equipment	12 years	Straight line basis
	Plant Equipment	10 years	Machine hours or Units of production
	Specialised Vehicles, trailers and attached	10 years	Mileage
	Other Machinery and Equipment	10 years	Machine hours or Units of production
Information, Computer & Telecommunication (ICT) Equipment	Information, Computer & Telecommunication (ICT) Equipment	3 to 6 years	Straight line basis
Machinery & Equipment	Generators	5 to 10 years	Straight line basis
	Survey Equipment	5 to 10 years	Straight line basis
	Funeral Equipment	7 years	Straight line basis
	Photographic/Media Equipment	3 to 10 years	Straight line basis
	Sports Equipment	7 to 12 years	Straight line basis
	Teaching and Training Equipment	7 to 12 years	Straight line basis

	Navigational and Telecommunications Equipment	3 to 6 years	Straight line basis
	Camping equipment Kitchen and Culinary Equipment	3 to 5 years	Straight line basis
	Office Equipment	7 to 10 years	Straight line basis
	Furniture and Fittings	7 to 10 years	Straight line basis
	Laboratory Equipment	7 to 10 years	Straight line basis
	Hospital Equipment	7 to 10 years	Straight line basis
	Scales and Measures	20 to 25 years	Straight line basis
	Fire Fighting Equipment	12 years	Straight line basis
	Play Centre Equipment	5 to 10 years	Straight line basis
	Equipment Prepaid water meter	15 to 20 years	Straight line basis
	Street Lighting	Hours	Straight line basis
	Water Tank	10 to 15 years	Straight line basis
	Solar Equipment	5 to 10 years	Straight line basis

	Grass cutting Equipment	5 years	Straight line basis
	Tools and Equipment general	5 to 10 years	Straight line basis
Biological resources	Animal Resources Yielding Repeat Products	5 to 10 Years	Straight line basis
Office furniture, fixtures and fittings	Desks	10to 15years	Straight line basis
	Chairs	10 to 15 years	Straight line basis
	Air conditioners	15 to 20 years	Straight line basis
	Ceilings	20 years	Straight line basis
	Curtains and blinds	15 to 20 years	Straight line basis
	Filling cabinets	10 to 15 years	Straight line basis
	Fire place	20 to 30 years	Straight line basis
	Sofas	7 to 15 years	Straight line basis
Heritage assets	Real Estate and Monuments;	N/A	N/A
	Works of Art;	N/A	N/A
	Books and Maps; and	N/A	N/A
	Other heritage assets.	N/A	N/A
	Military aircraft	20 years	Straight line basis

Security, Military and Weaponry System	Guns,	10 to 20 years	Straight line basis

Appendix 12 : IPSAS Implementation Matrix and Action Plan

{INSERT NAME OF ENTITY}

IPSAS IMPLEMENTATION MATRIX AND ACTION PLAN FOR THE ADOPTION AND MIGRATION

IPSAS IMPLEMENTATION MATRIX AND ACTION PLAN (IMAP) FOR THE ADOPTION AND MIGRATION

Instructions for completing the IPSAS IMAP

a. IPSAS IMAP

   The National IPSAS Strategy and plan requires individual entities to prepare their own strategy and this template is prepared to guide entities in the preparation of such a plan. The IMAP has been developed as both a guide and template to be used by all reporting entities in implementing IPSAS.

b. IPSAS IMAP Approval

The IPSAS IMAP should be prepared in consultation with all relevant parties within the entity. It should be approved by the highest governance structure within that reporting entity. All entitles are required to have submitted their action plan to the National Project Implementation Team by Friday 28 April 2023. The action plans should be submitted to mugumbateprecious27@gmail.com, mshumbaimwe@gmail.com

c. Communicate action plan

   The IPSAS IMAP should be communicated to all individuals within the reporting entities who are expected to play any role in the migration to IPSAS. This include the governance structure (i.e councillors, board of directors, audit committee), non-finance managers and low level staff within the finance function.

d. Zimbabwe Financial Reporting Manual

The ZFRM guides the accounting policies and practice that needs to be taken by entities, entities are therefore required to ensure the following:

- The ZFRM document should be communicated to all relevant staff within the reporting entity
- A comprehensive training has to be performed to all relevant staff expected to be involved in the financial reporting chain of the reporting entity including internal audit
- An awareness training should be conducted for the governance structure and all non-finance managers

e. ICT PFMS

Entities are expected to ensure that they have IT systems that support IPSAS adoption and implementation. In line with that, all reporting entities will be expected to:

- To confirm they have IT system that are adequate to support IPSAS. Where entities indicate deficiencies in the system, a clear plan should be in place that addresses those deficiencies.
- Engagement with ICT providers and support should be prioritized and entities should communicate promptly with PIT any significant challenges that will be faced.
- Ensure that business processes and procedures have been updated and staff have been training on these

f. Risk management plan

Each entity will need to have a risk management plan. The plan identifies the key risks related to the project and how those risks will be mitigated.

g. Change management plan

Each entity should have a change management plan which should be continuously implemented.

h. Legacy Issues

There should be a clear roadmap to ensure that the audits are up to date.

i. Training

Entities should do a gap analysis and identify the training needs for each of the relevant personnel that would be involved in the migration process. A comprehensive training plan should be developed and implemented.

IPSAS Implementation Matrix and Action Plan (IMAP)

(The IMAP should be completed and submitted to the IPSAS Project Implementation Team (mugumbateprecious27@gmail.com, mshumbaimwe@gmail.com) By 28 April 2023.

Entity Details

Name of Entity :	
Overall Responsible Person:	
Contact Details:	
Technical Resource Persons/Consultants :	
Date:	

IPSAS Implementation Team

(Please attached the IPSAS implementation team terms of reference when you submit the action plan)

Team Members	Responsibility

IPSAS Implementation Matrix

In developing the key action and setting deadlines, entities should be guided by the Audit protocols which is included in Appendix 12.1.

1	IPSAS Implementation Activity	Key Actions to be taken (Entity to complete)	Deadline for actions	Individual Responsible
1.1	Approval of IPSAS Implementation Matrix and Action Plan (IMAP)			
1.2	Communicate			
1.3	IMAP Awareness			

1.4	IMAP Template for entities			
2	**Zimbabwe Financial Report Manual**			
2.1	Adopting the ZFRM by entity governance			
2.2	Training and Awareness on the ZFM within the entity			
3	**ICT PFMS & COA**			
3.1	Analysis of state of ICT to support IPSAS			
3.2	Strategy to ICT			
3.3	Engagement with providers			
3.4	Development of changeover plan			
3.5	Training and capacitation on ICT			
3.6	Business process documentation			
3.7	Procedure manual			
3.8	Strategy on other ICT enables			
4	**Implementation tools and templates**			
4.1	Accounting Policies			

4.2	Financial Statements template			
4.3	Procedure manual			
4.4	Risk Management matrix template			
4.5	Change management plan template			
5	**Training and Capacitation**			
5.1	Gap analysis			
5.2	Strategy for training and capacitation			
5.3	Strategy for staff retention			
6	**Chart of accounts**			
6.1	Implementation of the COA			
6.2	Validation of COA			
7	**Legacy Issues**			
7.1	Survey on state of Legacy Issues			
7.2	Plan on clearing legacy issues (entity level)			
8	**IPSAS Implementation**			

8.1	PPE (Excluding Infrastructure assets) & Investment property			
8.1.1	Updating the asset register			
8.1.2	Opening balances of PPE			
8.1.3	Configuring depreciation in system			
8.1.4	Validation of PPE opening balances			
8.1.5	Documentation of PPE process			
8.1.6	Training on PPE process			
8.1.7	Go live on PPE			
8.2	**Inventory**			
8.2.1	Updating the inventory register			
8.2.2	Opening balances of Inventory			
8.2.3	Validation of opening balances			
8.2.4	Documentation of inventory process			
8.2.5	Training on inventory process			
8.2.6	Go live on Inventory			

8.3	**Intangible assets**			
8.3.1	Updating the asset register			
8.3.2	Opening balances			
8.3.3	Validation of take on balances			
8.3.4	Documentation of business process			
8.3.5	Training on business process			
8.3.6	Go live			
8.4	**Investments**			
8.4.1	Updating the asset register			
8.4.2	Opening balances			
8.4.3	Validation of take on balances			
8.4.4	Documentation of business process			
8.4.5	Training on business process			
8.4.6	Go live			
8.5	**Accounts and other receivables**			
8.5.1	Updating the asset register			

8.5.2	Opening balances			
8.5.3	Validation of take on balances			
8.5.4	Documentation of business process			
8.5.5	Training on business process			
8.5.6	Go live			
8.6	**Other Assets**			
8.6.1	Updating the asset register			
8.6.2	Opening balances			
8.6.3	Validation of take on balances			
8.6.4	Documentation of business process			
8.6.5	Training on business process			
8.6.6	Go live			
8.7	**Liabilities**			
8.7.1	Updating the Liabilities schedules			
8.7.2	Opening balances			
8.7.3	Validation of take on balances			

8.7.4	Documentation of business process			
8.7.5	Training on business process			
8.7.6	Go live			
8.8	Revenue Lines including Exchequer trust revenue			
8.8.1	Update revenue recognition policy			
8.8.2	Configure system in line with policy			
8.8.3	Validate the system ability to process revenue			
8.8.4	Documentation of business process			
8.8.5	Training on business process			
8.8.6	Go live			
8.9	**Expenditure Lines**			
8.9.1	Update recognition and measurement policy			
8.9.2	Configure system in line with policy			
8.9.3	Validate the system ability to process expenditure			

8.9.4	Documentation of business process			
8.9.5	Training on business process			
8.9.6	Go live			
8.10	**Infrastructure assets**			
8.10.1	Updating the asset register			
8.10.2	Opening balances			
8.10.3	Configuring depreciation in system			
8.10.4	Validation of opening balances			
8.10.5	Documentation of process			
8.10.6	Training on process			
8.10.7	Go live on Infrastructure assets			
9	**Communication and Change management**			
9.1	Communication and Change management frameworks			
9.2	Rollout of the frameworks			
10	**Reporting and Monitoring**			

10.1	Reporting to Governance structure			
10.2	Reporting to PIE Quarterly			
10.3	Project half year report			
10.4	Project Annual Report			
10.5	2023 Financial Statements			

IPAS Implementation Risk Matrix

Highlight the major implementation risks and key actions to mitigate the risk to be taken by the entity

Risk	Risk Assessment (Low/ Medium/High)	Action Plan	Deadline

IPSAS Implementation Budget

Please provide a detailed budget for the next three years to support IPSAS implementation. Indicate how the entity intends to finance the budget.

Signed :

Date :

Appendix 12.1 : Audit Protocols Extract

AUDIT CONSIDERATIONS AND EXPECTATION DURING THE MIGRATION PERIOD

The overarching requirement is that where entities are still producing IPSAS transitional financial statements, they will still be required to produce full financial statements based on the existing accounting framework. Entities will only be required to stop producing financial statements based on existing framework when they achieve full IPSAS compliance.

Year ended 31 December 2022

The following are the expectations for year ended 31 December 2022

Sector	Financial Reporting Expectation	Audit Expectation
All	Reporting Entities produce financial statements based on the existing financial reporting framework e.g IFRS/Cash basis	Perform the traditional audit and produce audit opinion on compliance with existing framework.

Year ending 31 December 2023

The following are the expectations for year ending 31 December 2023

Sector	Financial Reporting Expectation	Audit Expectation

SOEs - Option 1	SOE Entities produce financial statements based on full IPSAS and ZFRM	Perform the audit and produce Audit Opinion on compliance with IPSAS and ZFRM
SOEs – Option 2	Entities Produce full IFRS Financial Statements	Perform the audit and produce Audit Opinion on compliance with IFRS
	Entities produce Transitional IPSAS Financial Statements	Review IPSAS transitional financial statements for compliance with specified standards. Review should only be based on the standards that the entity has indicated that they complied with.
Central Government entities with 1 January 2023	Entities produce financial statements on based on the existing framework i.e cash	Perform the audit and produce Audit Opinion on compliance with existing framework
	Entities produce Transitional IPSAS Financial Statements	Review IPSAS transitional financial statements for compliance with specified standards. Review should only be based on the standards that the entity has indicated that they complied with.
Local Authorities	**Entities not on IPSAS currently:** Entities produce financial statements on based on the existing framework i.e IFRS	Perform the audit and produce Audit Opinion on compliance with existing framework i.e IFRS

	Entities produce Transitional IPSAS Financial Statements	Review IPSAS transitional financial statements for compliance with specified standards. Review should only be based on the standards that the entity has indicated that they complied with.
	Entities currently on IPSAS : Entities produce IPSAS Financial statements with the exception of Infrastructure Assets	Audit Opinion on compliance with existing framework

Year ending 31 December 2024

The following are the expectations for year ending 31 December 2024

Sector	**Financial Reporting Expectation**	**Audit Expectation**
SOEs	Entities produce financial statements based on full IPSAS and ZFRM	Audit Opinion on compliance with IPSAS and ZFRM
Central Government	Entities produce financial statements on based on the existing framework i.e cash	Perform the audit and produce Audit Opinion on compliance with existing framework
	Entities produce Transitional IPSAS Financial Statements	Review IPSAS transitional financial statements for compliance with

		specified standards. Review should only be based on the standards that the entity has indicated that they complied with.
Local Authorities	Entities produce financial statements based on full IPSAS and ZFRM	Audit Opinion on compliance with IPSAS and ZFRM

Year ending 31 December 2025

The following are the expectations for year ending 31 December 2025

Sector	Financial Reporting Expectation	Audit Expectation
SOEs	Entities produce financial statements based on full IPSAS and ZFRM	Audit Opinion on compliance with IPSAS and ZFRM
Central Government	Entities produce financial statements based on full IPSAS and ZFRM	Audit Opinion on compliance with IPSAS and ZFRM
Local Authorities	Entities produce financial statements based on full IPSAS and ZFRM	Audit Opinion on compliance with IPSAS and ZFRM