INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA

ADOPTION AND PUBLICATION OF STANDARDS IN UGANDA

IPSAS

IFRS

IFRS for SMEs

ISA

JANUARY 2019

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About ICPAU

The Institute of Certified Public Accountants of Uganda (ICPAU) was established in 1992 by an Act of Parliament now the Accountants Act, 2013. The functions of the Institute, as prescribed by the Act, are:

- To regulate and maintain the standard of accountancy in Uganda.
- To prescribe and regulate the conduct of accountants and practicing accountants in Uganda.

Vision

To be a world-class professional accountancy institute.

Mission

To develop, promote and regulate the accountancy profession in Uganda and beyond.

Core Values

- Professional Excellence.
- Accountability
- Integrity.
- Innovation

International Affiliations

- The Institute is a member of the International Federation of Accountants (IFAC),
- The Pan African Federation of Accountants (PAFA)
- The Association of Education Assessment in Africa (AEAA).

1.0 INTRODUCTION

The Institute of Certified Public Accountants of Uganda (ICPAU) is the official accountancy standard-setting body in Uganda. One of the functions of the Council under Section 12 (i) of the Accountants Act, 2013 is to "issue and (or) adopt internationally accepted accounting and auditing standards, promote their usage in Uganda, and make suitable adaptation where necessary".

The ICPAU therefore determines the applicable financial reporting and auditing standards for use in Uganda. ICPAU has fully adopted and implemented the International Financial Reporting Standards (IFRS), International Public Sector Accounting Standards (IPSAS), the International Financial Reporting Standard for Small and Medium-sized Entities(IFRS for SMEs) as guiding standards for the preparation of financial statements and the International Standards on Auditing (ISA) for the performance of all financial statement audits.

ICPAU is equally obligated to comply with IFAC's Statements of Membership Obligations (SMOs) which aim at assisting Professional Accountancy Organisations (PAOs) like ICPAU to ensure high-quality performance by professional accountants. Of particular interest in relation to standards adoption are SMOs 3,5 and 7. SMO 3—'International Standards and Other Pronouncements,' sets out the requirements of an IFAC member body with respect to international standards and other pronouncements issued by the International Auditing and Assurance Standards Board (IAASB), SMO 5—'International Public Sector Accounting Standards and Other Pronouncements,' sets out the requirements of an IFAC member body with respect to International Public Sector Accounting Standards (IPSASs) and other pronouncements issued by the International Public Sector Accounting Standards Board (IPSASB), and SMO 7—'International Financial Reporting Standards (IFRSs) and Other Pronouncements' which sets out the requirements of an IFAC member body with respect to International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

2.0 ADOPTION OF INTERNATIONAL STANDARDS

2.1 International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS)

Historically, the International Accounting Standards started in the mid-1960's, more precisely, in 1966. The Accounts International Study Group was founded in the year, 1967, which aggressively championed for change by publishing papers on topics with great significance. These papers, later paved way for the standards that were to come, and in 1973, there was establishment of an international body with the sole purpose of writing accounting standards to be used internationally, the International Accounting Standards Committee (IASC). The IASC was mandated with releasing new international standards, hence the International Accounting Standards (IAS). With effect from 2001 the IASC was restructured to become the International Accounting Standards Board (IASB) now mandated to issue new international standards as the International Financial Reporting Standards (IFRS).

Following the establishment of the Institute in 1992, and the subsequent economic developments that were taking course in Uganda, there was a common vacuum of accounting standards to apply in the Country. Through recommendations of the Accounting and Auditing Standards Committee of the Institute, the Council at its meeting held on Monday, 5 August 1995 adopted and approved the IAS for use in preparing financial statements for accounting periods starting on or after 1st January 1998, though early adoption was encouraged.

This was communicated through a press release in the Sunday Vision of, 23 May, 1997 (See Appendix I). Several letters together with complimentary copies of the 1997 Volume of IAS were sent to a number of organisations in the Country informing them of the development.

Consequently, new or amended IFRS Standards and interpretations become applicable as and when they are issued by the IASB Board. Copies of the IFRS Standards are purchased by the ICPAU from the IFRS Foundation and are regularly made available to the members and the public.

All listed entities, banks, insurance companies, and publicly accountable entities are additionally required to apply IFRS in the preparation of their financial statements as provided for in the respective Sector legislations. Section 69 (4) of the Companies Act requires Directors of companies to rely upon accounts of the company which directors reasonably believe have been prepared in accordance with Generally Accepted Accounting Principles constantly applied. In Uganda Generally Accepted Accounting Principles (GAAP) means standards such as IAS, IFRSs or IFRS for SMEs as adopted by ICPAU.

2.2 International Standards on Auditing (ISA)

ICPAU as a member of IFAC is committed to the Federation's broad mission, of development and enhancement of an accounting profession with harmonized standards to provide consistent high quality in the public interest. The International Auditing and Assurance Standards Board (IAASB) an independent standard-setting body of the IFAC, that serves the public interest, develops and issues the ISAs. The ISAs are international standards for auditing, assurance, and other related areas, intended to enhance the quality and consistency of practice throughout the world and strengthens public confidence in the global auditing and assurance profession.

At the 30th Council meeting held on 2 March 1998, the Council adopted and approved ISAs to be applied for all financial statement audits done on or after December 1999. The Council's position was published in the New Vision of Thursday, 22 May 1997 (See Appendix II). The Council fully adopted and implemented these standards without modifications, including the effective dates, for the conduct of all financial statement audits. Additional explanation and guidance is usually given through practice statements issued by the Council of ICPAU in instances where a local jurisdictional position is required.

Currently the ICPAU has fully adopted the clarified ISAs together with the new and revised auditor reporting standards.

2.3 International Public Sector Accounting Standards (IPSAS)

The International Public Sector Accounting Standards are issued by the International Public Sector Accounting Standards Board (IPSASB) which works to improve public sector financial reporting worldwide through the development of international accrual-based accounting standards, for use by governments and other public sector entities around the world.

The Accountants Act 2013, empowers ICPAU to adopt public sector accounting standards and also to advise the government on matters of financial accountability and management in all sectors of the economy.

The Public Finance Management Act 2015 (PFMA), mandates the Accountant General to issue guidelines on the accounting standards to be used in preparation of the financial statements of the various votes. Section 3 of the PFMA interprets Generally Accepted Accounting Practice (GAAP) to mean accounting practices and procedures recognised by ICPAU and approved by the Accountant General as appropriate for recording and reporting the financial information of a vote.

The Institute adopted IPSAS with effect from Financial Year 2006/07. The Government of Uganda is currently implementing a modified form of cash-basis but has expressed firm commitment towards implementations of accrual IPSAS by 2020.

2.4 International Financial Reporting Standard for SMEs

In recognition of the cost and difficulty small private entities face in preparing fully compliant financial statements using IFRS standard, the IASB developed the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). The IFRS for SMEs is designed to apply to all entities that do not have public accountability. The IFRS for SMEs contains approximately 230 pages, compared to over 3,000 pages of the full IFRS standard and is easier to apply by users of private entity financial statements.

The Institute adopted the IFRS for SMEs at its sitting of 7 December 2009 for accounting periods beginning on or after 1 January 2010 though early adoption was encouraged. The development was published in a press release of Tuesday, 22 December 2009, (See Appendix III).

The IFRS for SMEs were adopted without any modification. All entities that are not publicly accountable and prepare general purpose financial statements are permitted to apply the IFRS for SMEs Standard.

ICPAU has designated certain entities as being publicly accountable. These entities cannot use the IFRS for SMEs Standard. They must use full IFRS Standards. Publicly accountable entities include, but are not limited to:

a. Entities whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or are in the process of issuing such instruments for trading in a public market.
b. Entities that hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.
c. Public organisations that are owned in whole or in part by the State or that are otherwise controlled directly or indirectly by the State.
D Private organisations in which the State has a non-controlling equity interest.

SMEs that do not use the IFRS for SMEs Standard use full IFRS Standards.

2.5 Summary of Standards Adoption Status

Standard	Issuing Body	Date of Adoption
International Financial Reporting Standards (IFRS)	International Accounting Standards Board (IASB)	1998
International Standards on Auditing (ISA)	International Auditing and Assurance Standards Board (IAASB)	1999
International Public Sector Accounting Standards (IPSAS)	International Public Sector Accounting Standards Board (IPSASB)	2006
IFRS for SMEs	International Accounting Standards Board (IASB)	2009

3.0 REGULATORY FRAMEWORK

The Companies Act, 2012 provides the basic requirements for accounts and audit applicable to all private and public companies in Uganda. The Act requires all companies to keep proper books of account at their registered office or any other such place in Uganda as the Directors think fit.

Section 170 of the Companies Act stipulates the statements that an auditor's report should contain. This section requires auditors to state:

a) Whether they have obtained all the information and explanations which to the best of their knowledge and belief were necessary for the purposes of their audit.
b) Whether, in their opinion, proper books of account have been kept by the company, so far as appears from their examination of those books, and proper returns adequate for the purposes of their audit have been received from branches not visited by them.
c) Whether, the company's balance sheet, and unless it is framed as consolidated Profit and Loss Account dealt with by the report are in agreement with the books of account and returns.
d) Whether, in their opinion and to the best of their information and according to the explanations given to them, the financial statements give the information required by the Act in the manner so required and give a true and fair view:

- In the case of the balance sheet, of the state of the company's affairs as at the end of its financial year; and
- In the case of the profit and loss account, of the state of the profit or loss for its financial year.

e) In the case of a holding company submitting group accounts whether in their opinion, the group accounts have been properly prepared in accordance with the provisions of the Act so as to give a true and fair view of the state of affairs and profit or loss of the company and its subsidiaries.

The Companies Act does not qualify companies for audit exemption as the case is in other jurisdictions where mandatory audit requirement is necessary for some entities and not others. In South Africa for example the exemption is based on whether the entity is public, state owned, private company, personal liability company or a non profit company.

Other laws/ regulations with particular requirements for accounts and audit include: The Financial Institutions (Amendment Act), 2016; The Insurance Act, 2017; The Microfinance Deposit-Taking Institutions Act, 2003; The Cooperatives Act; among others.

4.0 BENEFITS OF ADOPTION OF INTERNATIONAL STANDARDS

1. International standards allow for comparability of financial information for entities in similar businesses hence ability to compare results from similar industries and make less risky investment decisions.
2. International accounting standards reduce costs especially for multi-nationals which are required to reconcile their accounting information under multiple jurisdictions.
3. The adoption allows for capital markets growth as it simplifies listing and cross-listing activities on credible stock exchanges.
4. It save resources for the National Professional Accountancy Organization (PAO) as it does not have to invest resources in creating/ setting independent national accounting and auditing standards.

5.0 WHAT DOES ICPAU DO TO PROMOTE THE USAGE OF THESE STANDARDS?

ICPAU supports members' understanding and professional competence in implementing these standards through a number of ways including but not limited to the following;

a. Ensuring that initial professional development and examination syllabi are updated to reflect any updates/ changes in these standards.
b. Reviewing practicing accountants' work to assess their compliance with ISAs in the conduct of all audits.
c. Sharing updates on new and revised standards, raising awareness of pronouncements, implementing guidance and other resources prepared and issued by the respective boards.
d. Developing practice guides, articles, manuals, and audit programs to assist with the implementation of complex standards.
e. Providing online technical support to its members to enhance their knowledge and encourage application of the standards.
f. Updating its training and continuing professional development requirements to incorporate new and revised standards, and provided the necessary training.
g. Organizing the Financial Reporting (FiRe) awards to recognize excellence in financial reporting by its members.

6.0 MODE OF PUBLICATION OF STANDARDS ISSUED AND ADOPTED BY THE COUNCIL

Whereas the Council is mandated by the Accountants Act, 2013 to issue and adopt internationally accepted accounting and auditing standards and publication of the same, it faces an uphill task of publishing the voluminous standards without compromising the spirit and content of these standards.

While the Accountants Act, 2013 is silent on the mode of publication of these standards, the practice in several jurisdictions has been to publicize the adopted standards on the respective Institutes' websites, publication in handbooks and/ or publication in a national newspaper.

The Council has communicated adoption of Standards through publication in a national newspaper and in particular by way of press releases, and other times through correspondences to the targeted audience.

The table below illustrates this mode of publication;

SN	Standard	Year of Adoption	Date & Mode of Publication
1	IAS/ IFRS	1998	Sunday, 23 May 1997; Press Release in the New Vision.
2	ISA	1999	Thursday, 22 May 1997; Press Release in the New Vision.
3	IPSAS	2006	Correspondence with the Accountant General's Office and Office of the Auditor General.
4	IFRS for SMEs	2009	Tuesday, 22 December 2009; Press Release in the New Vision.

7.0 ICPAU PARTICIPATION IN THE STANDARD SETTING PROCESS

ICPAU participates in the international standard-setting process by providing comments on Exposure Drafts and consultation papers to the standard setting boards; the IASB, IPSASB, IAESB, and the IAASB. These comments are generally drawn from the ICPAU members' responses on the respective exposure drafts/ consultation/discussion papers.

8.0 COMPLIANCE WITH STANDARDS

Every member of ICPAU is required to develop and maintain a high level of professional competence; relevant and appropriate to their work and professional responsibilities through Continuing Professional Development.

For members in public practice, the Accountants Act, establishes the Quality Assurance Board (QAB) which is tasked with the function of monitoring compliance with professional quality assurance and standards published by the Council. The QAB exhibits enhanced independence of the regulatory function since it is mandated to regulate its own procedure without any direction from any person.

APPENDIX I: IAS/IFRS RESS RELEASE

ICPAU

THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA

ACCOUNTING STANDARDS

There are principles and concepts which underlie the preparation of financial statements. Unless there are known standards on which financial statements are based, subjective judgments could render financial statements incomparable and unreliable.

Accounting standards, consistently applied help investment within a country and also cross-border investment. Financial statements can be relied upon by not only the stake-holders but also other parties wishing to use the accounts for purposes such as: acquiring a business; buying shares in a company; lending funds to the company, etc.

The Institute of Certified Public Accountants of Uganda (ICPAU) has been admitted as a member of the International Federation of Accountants (IFAC). IFAC, through its affiliate, the International Accounting Standards Committee (IASC) produces International Accounting Standards.

The IASC is currently working on a programme to complete a core set of standards under an agreement with the International Organisation of Securities Commissions (IOSCO). The objective of this programme is that financial reports prepared in accordance with International Accounting Standards (IAS) should be acceptable for use in cross-border offerings and listings in all the major stock exchanges of the world.

The Council of ICPAU, as a pragmatic approach, decided that International Accounting Standards be adopted and applied in Uganda. Only where there are peculiar circumstances pertaining to Uganda will ICPAU modify and customise the International Accounting Standards to suit the Uganda situation.

All concerned are asked to take note of this development and apply International Accountig Standards when preparing their financial statements.

For further information please contact the Secretary, ICPAU,
P.O. Box 12464, Kampala. Tel: 255957.

P. K. Bahemuka,
SECRETARY.

APPENDIX II: ISA PRESS RELEASE

12 The New Vision, Thursday, May 22, 1997

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA (ICPAU)

LAUNCH OF ICPAU EXAMINATIONS SYLLABUS

On 28th May, 1997 the Institute of Certified Public Accountants of Uganda will launch the syllabus for the ICPAU Examinations which will lead to the Certified Public Accountant of Uganda qualification.

The first examinations set by ICPAU will pe conducted in December 1997.

The Accountant's Statute, 1992 established the Institute of Certified Public Accountants of Uganda, a local professional body of accountants.

Prior to that, there was no local body of accountants and certification of persons who could audit the accounts of limited companies was carried out by the Registrar of Companies under Section 161 of the Companies Act, for those who were not members of foreign accountancy bodies specified under the Accountants Designations Act.

The Accountants Statute 1992 states that, only full members of the ICPAU who hold practicing certificates and associate members who hold licenses of practice, may practice accountancy for payment, in Uganda.

Currently full membership of ICPAU is given to persons who are members of one of the accountancy bodies listed in Schedule 5 of the Accountant's Statute (as amended)

A list of the current registered members of the ICPAU are follows:

Abdallah M.A.	Ishungisa J .K.	Mukasa P.	Shawyer S.R.N.
Achoroi E.W.	Isiko J.W.	Mulagwe D.M.O.	Smith I.K.
Allen M.V. (Miss)	Kadernani E.M.	Mungereza F.	Thakkar N.A.
Akot O.A.G. (Miss)	Kaggwa E.L.	Mutisya-Ndonye	Tumwesigye B.M.
Bahemuka P.K.	Kamau P.M.	Muwonge S.	Turyahikayo S.M.
Baliddawa J.B.M.	Karmali M.M.	Muyanja H.	Wanambwa P.S.W.
Bisase S.R.L.	Kasansula A.S.	Mwesigye E.B.	Yiga I.T.
Byabakama-Kaberenge P.	Kassam N.	Nakayenga J.F. (Miss)	Zitunga R.D.
Cousens E.F. (Mrs)	Katuntu A.R.	Nakibuyi-Wamanga P.	
Ddamulira D.	Luwum B.O.	Nandala-Mafabi J.	
Dhadialla S.S.	Lwebuga-Kaggwa R.	Ntale-Kayondo J.C.	
Egaddu G.W.	Lwetute-Lugolobi	Nyende D.K.M.	
Emasu S.	Mateega E.L.K.	O'Bokk C S.	
Fisher S.J.	May R.S.	O'Byrne S.	
Gadhoke H.	Mbatire-Kasanya G.	Odida L.P.	
Gathingi Ndungu	Mpalampa J.C.	Onyango S.O.	
Hornby C.S.	Mubiru Kizito S.	Semmanda A.K.	
Hurchson D.M.G.	Mudiima Mubiri D.J.	Sempala-Mbuga E.W.	
Iga Magero P.	Muhaise-Bikalemesa	Shah A.A.	
Irota-Wandera E.S.	Muiruri J.K.	Shah B.A.	

The following are associate members of the ICPAU who hold licences of practice:

Kakooza J.H.	Ochola J.J. C.	Kiwanuka K.A.
Ocong W.	Kumarasamy P.	Ojungu A.E.O.
Nagenda G.M.		

With the launch of the ICPAU examination syllabus, a recognised local accountancy qualification can be obtained within Uganda.

ICPAU has been admitted to membership by the International Federation of Accounts (IFAC), and by the East, Central and South Africa Federation of Accountants (ECSAFA). Membership of these bodies accords ICPAU international recognition.

Members of the business and NGO communities in Uganda should be aware of the fact that audits must be conducted by holders of certificates or licences of prctice issued by the institute, in order to be valid for legal and other purposes.

They should also know that the Council of the Institute has decided that International Standards be adopted in Uganda. ICPAU will review the International Standards and customise them to Uganda Standards where neccesary.

P.K. Bahemuka
Secretary

CPA Uganda

APPENDIX III: IFRS FOR SMES PRESS RELEASE

New Vision, Tuesday December 22, 2009

ICPAU

Promoting Professionalism in Accountancy

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA

PRESS RELEASE

APPLICATION OF IFRS FOR SMEs

In July 2009, the International Accounting Standards Board (IASB) published an accounting standard for small and medium-sized entities (SMEs), the International Financial Reporting Standard for SMEs (IFRS for SMEs).

The Standard is applicable to entities that do not have public accountability and publish general purpose financial statements. In comparison to the full International Financial Reporting Standards (IFRS), the new Standard significantly reduces disclosure requirements for SMEs and simplifies the recognition and measurement requirements for financial instruments and a limited range of assets and liabilities including property, biological assets and employee benefits. Nonetheless the Standard retains the same format and content of financial statements and by and large follows the recognition and measurement principles contained in full IFRSs.

The Council of the Institute of Certified Public Accountants of Uganda (ICPAU) has approved the use of the IFRS for SMEs in Uganda. To facilitate adoption of the standard, a definition of an SME has been issued, as follows:

A small and medium sized entity (SME) is an entity:

a. That does not have public accountability;
b. That publishes only general purpose financial statements for external users, like tax authorities, lenders, suppliers, customers, credit rating agencies, regulatory bodies and owners not involved in day-to-day management.
c. Whose debt and equity instruments are NOT traded in a public market or is NOT in the process of issuing such instruments for trading in a public market; and
d. That does NOT hold funds in a fiduciary capacity for a broad group of outsiders as one of its primary businesses such as banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

The Institute has also designated certain entities to be publicly accountable. These entities cannot use the IFRS for SMEs as a framework for financial reporting. These publicly accountable entities include but are not limited to:

i. Entities whose debt or equity instruments are traded in a public market or are in the process of issuing such instruments for trading in a public market.
ii. Entities that hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. In Uganda, these include, but are not limited to:
   a. Banks, credit institutions, micro-finance deposit taking institutions and similar/ related financial institutions.
   b. Non-regulated micro-finance institutions and SACCOs (savings and credit cooperative organizations).
   c. Insurance and re-insurance companies.
   d. Mutual funds and collective investment schemes (including unit trusts).
   e. Security brokers/ dealers.
   f. Pension and Retirement Benefit Schemes.
iii. Public organisations, in which the State owns the whole or part of the proprietary interest or which are controlled directly or indirectly by the State, including parastatals, state enterprises, commissions and authorities; and
iv. Private organizations in which the State has a non-controlling equity interest.

Only entities that meet the above definition of an SME are permitted to apply the IFRS for SMEs.

The IFRS for SMEs becomes operative for financial statements covering periods beginning on or after 1 January 2010. Earlier application is encouraged.

About ICPAU and IFRS

The Institute of Certified Public Accountants of Uganda (ICPAU) was established in 1992 by The Accountants Act, Cap 266. The functions of the Institute, as prescribed by the Act, are to regulate and maintain the standard of accountancy in Uganda and to prescribe or regulate the conduct of accountants in Uganda. Under its legal mandate, the Institute prescribes professional standards to be applied in the preparation and auditing of financial reports in Uganda.

The Council of ICPAU adopted International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), without amendment, for application as the accounting framework for relevant entities in Uganda with effect from 1998.

By Order of Council.

Secretary,
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12.0 CONCLUSION

Certified Public Accountants (CPAs) have the unique position to fulfil and creating awareness about the need for data privacy compliance. In case an organization has not yet embarked on efforts to implement the requirements of the Act, CPAs have the responsibility to highlight that noncompliance can heavily impact the assets of the organization and can result in tremendous penalties and potential reputational damage.

Consequently, the auditor's findings are an effective management tool to advocate the adoption of a proactive and best practice approach toward data privacy compliance.

The organisation's data protection officer should be able to rely on the CPA's expertise and assurance audits to ensure that board and senior management are kept aware of the progress of implementation of the Act.