



Practitioner Advisory Group

AGENDA ITEM: PAGCP02-04

11 March, 2020 – Virtual meeting

Consultation Paper: Current draft of section focused on donor reporting requirements

Summary	The paper provides a brief overview of the current thinking on the structure of Part 1 of the Consultation Paper. It also provides the an early draft of Section 3 of Part 1 of the Consultation Paper which focuses on problems with current NPO accountability arrangements, with a particular focus on financial accountability and donor reporting requirements.
Purpose/Objective of the paper	The paper provides the PAG with an opportunity to comment on the content of the current draft of Section 3 of the Consultation Paper. In particular we are seeking advice on the extent to which it accurately reflects existing donor accountability arrangements.
Other supporting items	PAGCP01-5 – Developing the Guidance
Prepared by	Philip Trotter

Actions for this meeting	Comment on: <ul style="list-style-type: none">the current draft of Section 3 of Part 1 of the Consultation Paper.
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Practitioner Advisory Group

Consultation Paper: Current draft of section focused on donor reporting requirements

1. Background

- 1.1 As previously discussed with the PAG, the overall objective of the project is to develop internationally applicable financial reporting guidance for NPOs. To do so the Guidance is planned to be developed in three phases, with the first phase focusing on the development of the Consultation Paper (CP), the second phase being the development of the Exposure Draft and the third phase being the development of the final Guidance.
- 1.2 The CP is being developed to a timetable that will allow it to be launched at the beginning of September 2020 at the Humentum 2020 conference. The current plan remains for the PAG to be provided with the full CP in June 2020 for fatal flaw comment, with drafts of complete sections shared in advance of this.
- 1.3 Ahead of the provision of the complete drafts of the CP, this paper provides the PAG with an initial early draft of Section 3 of Part 1 of the CP. This section examines problems with current accountability arrangements for NPOs with a particular focus on donor reporting requirements. This paper also includes an update on the current thinking about the proposed structure of Part 1 of the CP as context for Section 3.

2. Update on Overall Approach and Structure to Consultation Paper Part 1

- 2.1 The aims of the CP phase are to raise awareness of the project, to introduce stakeholders to the objectives and planned development approach for the Guidance as well as proposed issues for discussion.
- 2.2 As previously discussed the intention is that Part 1 of the CP will address overarching issues and that Part 2 will introduce the topics proposed for inclusion in the initial version of the Guidance. The aim is to encourage debate about possible options. The comments received on the CP will guide the plans for the development of the Exposure Draft and ultimately the final Guidance.
- 2.3 The thinking about the overall approach and structure to Part 1 of the CP has developed since initial discussions with the TAG and PAG. Part 1 will remain



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focused on the NPO general accountability landscape, with six Sections. These Sections and the objective of each are:

Section and title	Objective
1: What are Non Profit Organisations?	To define which NPOs are in scope for IFR4NPO through a broad characteristics approach.
2: What are NPOs accountable for and who are they accountable to?	To provide an overview of the general accountability landscape for NPOs, with a high level overview of financial accountability.
3: What are the problems with current accountability arrangements for the Non Profit Organisation sector?	To focus in more detail on aspects of financial management accountability most relevant to IFR4NPO, with a particular focus on problems arising from current accountability arrangements to donors. To provide an overview of how General Purpose Financial Reports (GPFRs) based on internationally applicable financial reporting guidance for NPOs can assist in providing a solution to these problems.
4: Non Profit Organisation finance improvement projects that IFR4NPO can support.	To examine how IFR4NPO may support two sister projects, namely the 'Good Financial Grant Practice' Standard and the 'Money Where it Counts' initiative that aim to improve standardisation and reduce burdens for both NPOs and donors in the areas of due diligence and indirect costs.
5: What international financial reporting regimes exist that IFR4NPO can utilise?	To examine existing international financial reporting frameworks, and examine the extent to which these frameworks provide guidance relevant to the sector-specific areas identified.
6: How might we best meet the needs of the Non Profit Organisation sector?	To provide an overview of potential solutions to which reporting framework(s) the Guidance will draw upon, including proposed criteria and scoring against those criteria.

- 2.4 This thinking is likely to evolve further as the drafting develops. Sharing this thinking is intended to provide some context for the current draft content of Section 3.

3. Section 3 – What are the problems with current accountability arrangements for the Non Profit Organisation sector?

- 3.1 Section 3 of Part 1 of the CP is important as it focuses on the problems of current accountability arrangements for NPOs, in particular financial accountability arrangements to donors, that are the key reason for the existence of this project.



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- 3.2 As the Section focuses on donor accountability arrangements and the problems NPOs face in meeting those arrangements at present, it is essential that they are accurately portrayed and reflect the experiences of those who we wish to provide comment on the CP.
- 3.3 PAG feedback on the current early draft of Section 3 is therefore being sought now so that it can be integrated as this Section and the rest of CP Part 1 is further developed. Feedback from the PAG is sought specifically on the extent to which it accurately reflects current donor accountability arrangements and issues.
- 3.4 General comments on this section are also welcome, noting that content is still being developed as well as the overall structure evolving.

Question 1: Does the current early draft of Section 3 accurately reflect donor accountability arrangements and issues? Are there any accountability arrangements or broader donor requirements that have not been included in the current early draft of Section 3 that should be included?

Question 2: What general comments does the PAG have on the proposed content in the early draft of Section 3 – *What are the problems with current accountability arrangement for the Non Profit Organisation sector?*

March 2020



Annex A – Section 3: *What are the problems with current accountability arrangements for the Non Profit Organisation sector?*

Section 3: What are the problems with current accountability arrangements for the Non Profit Organisation sector?

- 3.1 In Section 2 the broad accountability environment of NPOs was examined, including what NPOs are accountable for and who they are accountable to. This included a high level examination of accountability with respect to financial management.
- 3.2 In this section we focus in more detail on those aspects of financial management accountability most relevant to IFR4NPO. There is a particular focus on those problems arising from accountability arrangements to providers of funding and in particular large donors as a result of the diversity in financial reporting requirements globally. This section also examines how General Purpose Financial Reports (GPFs) based on internationally applicable financial reporting guidance for NPOs can assist in providing a solution to these problems.

Problems with current accountability arrangements

- 3.3 NPOs are accountable to both resource providers and service users. This broader ‘public accountability’ perspective reflects the primary objective of NPOs which is to deliver services to the general public, community or for social benefit, often in circumstances in which those service recipients are reliant on the provision of these services over the long-term. It also reflects the fact that services are primarily funded through donations and grants, or if fees are charged that these are set to recover costs rather than to generate or maximise profits.
- 3.4 NPOs increasingly operate internationally and/or locally across borders, with respect to both the delivery of services and the generation of the resources they need to finance their operations. This often requires NPOs to register in different jurisdictions where they are subject to relevant local laws and regulatory provisions. It also means that NPOs must report to a broad range of governmental authorities and to providers of funding, all of whom may have requirements regarding accountability arrangements that vary significantly.
- 3.5 These differences in accountability arrangements are particularly apparent with respect to financial reporting. NPOs will usually be required to submit formal financial accounts to authorities to comply with local taxation and other regulatory requirements. At the same time, they might also be required to produce bespoke financial reports for large donors to provide them with assurance over the use of grants, donations and other funding provided. This can result in a significant reporting burden for NPOs.



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- 3.6 A lack of common international financial reporting standards for NPOs and differences in donor requirements leads to the need to apply different bases of accounting, accounting standards and reporting formats. This often requires an NPO to account for and report on the same transaction or economic event in different ways depending on the jurisdiction where the NPO is operating and the donor who is providing the financial resources.

Diversity of accountability and financial reporting arrangements by jurisdiction

- 3.7 The regulation of NPOs differs significantly globally. Some jurisdictions have, over a long period, developed extensive legislative and regulatory provisions governing the operation of the broad sector and individual entities within it. This is often linked to taxation and other financial and operational advantages to which NPOs in these jurisdictions may be entitled. Other jurisdictions have less established provisions, either due to the relatively recent emergence of a formal NPO sector or a view that such entities should be treated similarly to private entities that are profit oriented.
- 3.8 This diversity in regulation extends into financial accountability arrangements and the financial reporting requirements applicable to NPOs by jurisdiction. As highlighted in Section 1, definitional issues as to what constitutes an NPO can also play a part. But there are also broader factors that lead to this diversity. These include:

Legal form

- Financial accountability arrangements may be linked to the legal form of the NPO and the different regulatory regimes that apply to them.
- This can for example place financial reporting requirements on NPOs that choose or are required to be legally structured as companies that do not apply to other NPOs that have a different legal form.

Specific NPO standards or none at all

- Some jurisdictions have specific financial reporting standards that have been developed for NPOs and provide very detailed requirements.
- Others require the use of financial reporting standards developed for the private or public sectors which do not address the issues and concepts specific to the NPO sector.

'Size' of NPO and reporting tiers

- A number of jurisdictions have reporting tiers that place different financial reporting requirements on NPOs.
- These tiers may be based on financial measures used to determine the 'size' of the NPO such as annual expenditure, or alternatively on other characteristics of the NPO such as the risk or complexity of operations.



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- 3.9 At a jurisdictional level, there are a number of consequences that result from this lack of a common approach to reporting requirements including:
- An NPO operating in one jurisdiction may face significantly different reporting requirements to a similar NPO operating in another jurisdiction;
 - An NPO operating in a jurisdiction may face significantly different reporting requirements to an NPO operating in the same jurisdiction that has a different legal form or is judged to be in a different reporting 'tier'; and
 - NPOs that are registered in and/or operate in more than one jurisdiction may be required to comply with a number of different reporting regimes.
- 3.10 Jurisdictional differences can also have a significant impact on accountability and financial reporting arrangements with respect to large donors, as faced with this diversity, donors seek to impose their own reporting requirements on NPOs.

Diversity in accountability and financial reporting arrangements by large donors

- 3.11 NPOs are increasingly operating in a global funding environment, and this is leading to a multiplicity of international grant and funding regimes. These grant and funding regimes bring with them a variety of accountability arrangements, particularly with respect to how NPOs account for and report on the use of financial and other resources provided by donors.
- 3.12 As highlighted above, accounting and financial reporting arrangements for NPOs can vary significantly both between and within jurisdictions. This can make it difficult for those providing funding to NPOs to use and interpret the financial reports that NPOs prepare under these different arrangements. This may restrict the ability of donors to gain assurance that funding has been used in an economic and efficient way towards the purposes for which it has been provided. It also undermines the ability of donors to compare the performance of different NPOs, and ensure that financial resources are directed to those entities which are most effectively using funding to achieve their objectives.
- 3.13 Large donors are, however, often in a privileged position. They are effectively in a position of power as significant resource providers to NPOs. This enables them to place requirements on the NPO to account for transactions and prepare financial information in accordance with their own specific accounting and reporting needs.
- 3.14 Jurisdictional differences in financial reporting and the lack of an international financial reporting framework for NPOs has created a void. Large donors have been left to determine their own financial reporting requirements. These requirements have been developed individually by large donors (like USAID, ECHO, DfID and philanthropic organisations), to meet their own accountability requirements. This drives what is wanted by whom, by when and how. An NPO that receives resources from multiple sources will most likely have multiple differing donor requirements.



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- 3.15 This means that large donors do not need to rely on the information that is produced by the NPO to meet the financial accountability and broader regulatory requirements of any specific jurisdiction. It does, however, significantly increase complexity and the reporting burden faced by NPOs, diverting resources away from operational activities. It also has the potential to incentivise financial behaviours that may ultimately not be in the best interests of the donor, the NPO, or those reliant on the services that the NPO provides.
- 3.16 Highlighted here are the three significant financial accountability problems that are commonly seen with these existing arrangements.



Basis of accounting

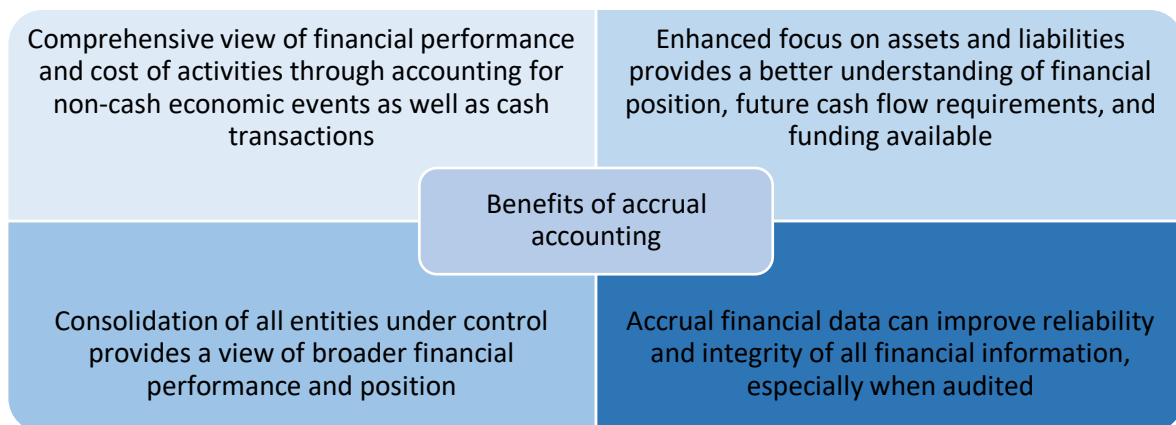
- 3.17 The basis of accounting is the method used to determine when economic events and transactions are recognised by the NPO. The basis of accounting will be one of three methods:
- Cash - where economic events and transactions are recognised when cash is received or paid;
 - Accruals – where economic events and transactions are recognised at the time at which they occur (e.g. a service is provided) and not only when any related cash receipts and payments are made; and



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- Modified cash - where some assets and liabilities may be recognised such as when a commitment to pay is made or an entity is provided with an item of property or equipment that will be used over several accounting periods.

3.18 Accrual accounting is recognised as providing significant financial management benefits to both the entity and those who use its accounts for accountability and decision-making purposes. These benefits include:



3.19 Cash accounting can be preferred by donors who want to monitor utilisation of the funds provided. Whilst this may often be an effective way of tracking cash spend on an individual project or programme, it is not recognised as the best basis for producing entity financial information.

3.20 While accrual accounting may be recognised therefore as providing significant financial benefits, what is particularly relevant here is that when there is a lack of commonality over the basis of accounting required by different jurisdictions and donors for financial reports, this can lead to significant financial accountability issues for NPOs.

3.21 This is partly related to the practical difficulties of having to account for the same transactions and economic events in different ways. This can for example require the NPO to run multiple sets of accounts in order to provide financial reports to different jurisdictions and donors.

3.22 It also, however, brings broader financial management problems to the NPO. For example, if an NPO is being held to account by a donor on the basis only of cash receipts and payments, it will have less incentive to manage the assets and liabilities which ultimately are likely to determine the long-term financial viability of the entity and its ability to continue to deliver services. Or a donor may request that a modified basis of accounting is used, where for example certain commitments to make payments to beneficiaries are reported but broader accrual information is not. This will provide an incomplete picture of the NPOs financial position and performance, which could impact on future funding decisions.



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Accounting standards

- 3.23 NPOs are applying different accounting standards and policies to the same economic events and transactions. This is regardless of the basis of accounting and is a further financial accountability problem affecting NPOs.
- 3.24 For example, with respect to incoming resources some NPOs in receipt of donor funding may provide their own grants to other entities using this funding. Some donors may view the NPO as acting as an agent in this relationship, accepting an accounting treatment whereby the NPO itself does not recognise income but provides financial information on who the grant has been disbursed to and when. Other donors, however, may view the NPO as a principal in the relationship, requiring them to recognise the income and also to provide more detailed information on the use of the funding such as specific costs and accruals for commitments made.
- 3.25 With respect to outgoing resources, a particular issue is the extent to which NPOs are able to apportion indirect costs to a project being supported by a donor. This includes for example:
- the initial recognition of whether there is a cost at all, such as expenses like depreciation where there is no cash impact;
 - whether such costs are directly related to an individual project supported by the donor or should be seen as indirect costs/overheads; and
 - the extent to which such costs can be apportioned to individual projects supported by the donor and the methodology applied to do so.
- 3.26 Where donors differ in the extent to which they recognise such costs and permit them to be apportioned to projects that they are funding, this can lead to financial management problems for the NPO. These can include an incentivisation to maximise direct costs to the detriment of the ability to manage a broad range of projects effectively. This can lead to long-term financial difficulties in funding the NPOs essential administrative activities that permit it to provide services.
- 3.27 A further area where financial accountability problems arise is with respect to non-financial assets such as property and equipment that are used by NPOs to deliver services and/or to support administrative activities. When such assets are funded by donors a range of accounting treatments are often specified. Some donors may require the non-financial assets to be fully expensed when purchased. Others may require the NPO to not recognise the asset at all as it seen as the property of the donors who have provided the funding to purchase it. Alternatively, a donor may require the NPO to account for the asset on an accrual basis and not recognise an expense initially but instead recognise costs over time as the asset is used to deliver services.
- 3.28 This inconsistency in treatment can limit the ability and incentives of the NPO to maximise the use and value obtained from non-financial assets. Accounting treatments that do not see non-



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financial assets recognised in the financial accounts and reports over the periods in which they are being utilised in particular can lead to a significant risk of misuse or misappropriation.

Reporting format and frequency

- 3.29 The final significant financial accountability problem with current arrangements is the format and frequency of reporting required by donors. All entities have their own timetables and reporting formats for management accounts by which they manage the 'business' and individual projects and programmes, and financial accounts which are used for accountability and regulatory purposes. Effective financial management occurs where these different accounts and reports utilise the same base financial information, produced under the same accounting standards, and from the same financial management information system.
- 3.30 Donors often, however, require the production of reports in formats that do not relate to how the NPO itself manages a project or programme, or may require financial information to be produced that does not come from the NPOs financial information system. There is also often little or no consistency between donor requirements, meaning that for an NPO with multiple donors there is a significant burden to produce bespoke reports for each donor.
- 3.31 In addition, donor reporting timetables may not be aligned with the NPOs own accounting and reporting timetables. This can lead to incomplete information being included in reports as, for example, expenses may not have been updated in financial systems to reflect accruals where an invoice has not yet been received or payment has not yet been made. It also adds to the general reporting burden on the NPO, which may find itself in a constant reporting cycle preventing finance staff from looking to add value in other areas.

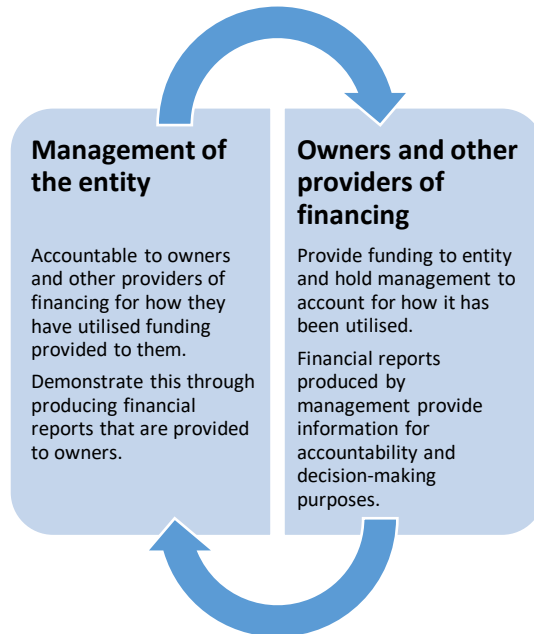
How have the private and public sectors looked to overcome similar problems with accountability arrangements?

- 3.32 In the private sector, financial accountability issues historically arose in entities due to the existence of principal-agent problems. As organisations began to expand beyond small family owned and managed entities, new forms of financing developed and the management of many entities became divorced from ownership. Owners and other providers of finance therefore needed a way of holding management accountable for the use of the financial resources provided to them.
- 3.33 Financial reporting developed to allow the management of an entity to demonstrate accountability to owners and other providers of financing for the resources entrusted to them. It also provided those owners and other providers of financing with the information needed for decision-making purposes.



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- 3.34 Depending on the size and nature of the entity, a requirement to have the financial reports subject to an independent external audit may also have been required, to ensure that all relevant transactions and economic events affecting the entity had been included in the financial statements and that accounting standards had been complied with.



- 3.35 The private sector has faced the same problems highlighted for NPOs of determining the appropriate basis for accounting, developing common accounting standards under that basis, and producing financial reports in a format that meet the needs of users of those reports.
- 3.36 These financial accountability problems have in the main been answered by ensuring that private sector entities are required to produce general purpose financial reports that are now commonly produced under accrual-based internationally accepted accounting standards.
- 3.37 In the public sector though many of these problems are still prevalent. There remains a global propensity for government bodies to use cash or modified cash accounting, for there to be significant differences in the accounting standards used by different parts of the public sector within a jurisdiction and between the same parts of the public sector between jurisdictions, and for reporting formats and frequencies to vary significantly.
- 3.38 It has often been argued that in the public sector the centrality of approved budgets, which have tended to be based on cash receipts and payments following individual constitutional arrangements, mitigates against the use of standardised accrual accounting. There has been widespread acceptance recently, however, of the need to improve on this situation, with several jurisdictions undertaking significant accounting and wider public financial



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management reforms that had the introduction of accrual accounting (and sometimes budgeting) as essential components.

- 3.39 As in the private sector, there has also been an increasing recognition of the need to ensure consistency within and between jurisdictions with respect to a common accounting basis, set of standards, and reporting format. To meet this need International Public Sector Accounting Standards (IPSAS) have been developed and these are increasingly being used either directly, indirectly or as the basis of national standards as governments and public sector entities transition to accrual accounting.

Accrual-based internationally accepted accounting standards

- 3.40 As highlighted accrual-based financial information provides a more comprehensive view of an organisation's financial position and performance, especially with respect to assets and to liabilities incurred but not yet settled. Not only is it essential for the management of the business, but without it owners and others providing an entity with financing would be unable to hold management to account and make funding and other decisions. Most jurisdictions therefore require accrual accounting standards to be utilised by the majority of private sector entities.
- 3.41 In addition to requiring the use of accrual-based accounting standards, many jurisdiction have also now begun to require the use of internationally accepted accounting standards (namely International Financial Reporting Standards (IFRS)), in particular for larger private sector entities who have securities that are publicly traded. This is deemed necessary for the efficient operation of international capital markets, enabling those providing financing to more readily understand, interpret and compare the financial information reported by entities. For smaller private entities, many jurisdictions also require standards that are essentially adapted and interpreted versions of IFRS.

General purpose financial reports (GPFR)

- 3.42 The objective of general purpose financial reporting is to provide information that is useful for accountability and decision-making purposes to those users who do not possess the authority to require an entity to prepare and disclose information to meet their specific needs.
- 3.43 GPFRs are therefore intended to provide a single report that includes audited financial information to meet the greatest common needs of the key users of that financial information. For the private sector GPFRs are aimed at meeting the needs of investors and for the public sector GPFRs are aimed at meeting the needs of citizens (as both taxpayers and service users) and the Government.



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3.44 It is important to note that GPFR are not just General Purpose Financial Statements (GPFS). GPFS comprise the balance sheet, income statement, statement of changes in equity, and cash flow statement and provide information about an entity's assets, liabilities, equity, income and expenses that is useful to financial statement users when assessing prospects for future net cash inflows to the entity and management's stewardship of the entity's resources. GPFR are more expansive, including GPFS but also the management commentary that gives users integrated information that provides context for the financial statements and complements and supplements them through discussion of issues such as:

- the nature of the entity's business;
- its objectives and strategies;
- resources, risks and relationships;
- results and future prospects; and
- the performance measures and indicators used to manage the business.

How can NPO GPFRs based on internationally accepted accrual accounting standards provide solutions to the current problems of accountability arrangements?

3.45 The private sector and, more recently, the public sector have recognised that financial accountability can be improved through the use of GPFRs based on internationally accepted accrual-based accounting standards. They have come a long way in reducing the accountability problems associated with different bases of accounting, accounting standards and reporting formats and frequencies. Here we examine how their use by NPOs can assist in mitigating the problems identified with current accountability arrangements, in particular with respect to donor reporting requirements.

The objective of NPO GPFRs

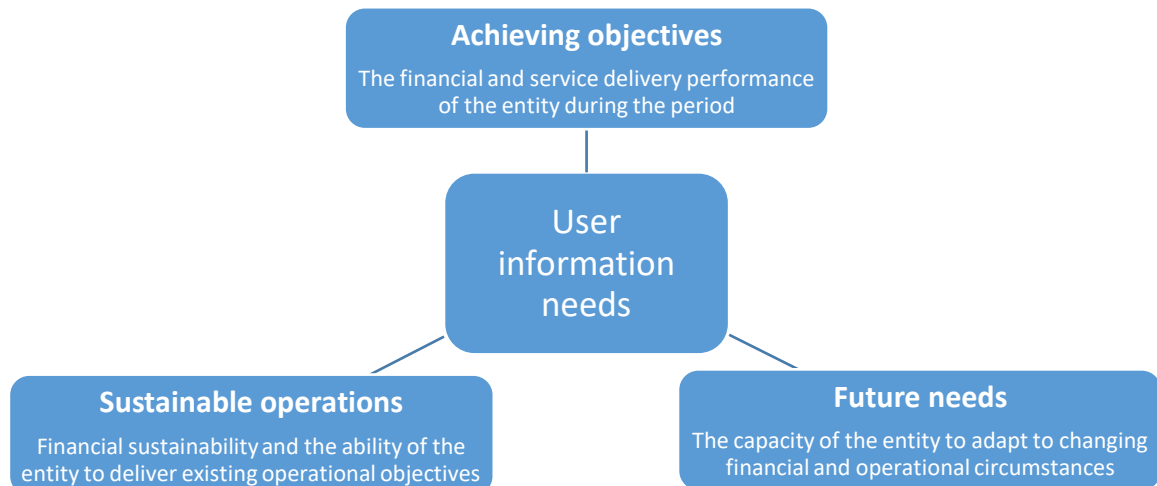
- 3.46 It is arguable that the objective of general purpose financial reporting by NPOs is the same as those of private and public sector entities, albeit that the key beneficiaries of GPFRs will be different. The GPFRs of NPOs need to provide information that is useful for accountability and decision-making purposes to its users.
- 3.47 Because of the nature of NPOs and the services they provide, the users of NPO GPFRs includes service recipients (and their representatives) as well as resource providers.



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Resource Providers	Service Recipients
<ul style="list-style-type: none">• Funders and donors<ul style="list-style-type: none">• Volunteers• The wider public• Those purchasing goods and services from the entity• The Government with respect to fiscal privileges and regulation	<ul style="list-style-type: none">• Beneficiaries and other service users<ul style="list-style-type: none">• Members• Community groups and the wider public• Representatives of service recipients

3.48 As highlighted in Section 2, the information needs of resource providers and service recipients will often be similar, even though they arise from different perspectives. The information needs that all users are likely to require GPFs to meet include:



3.49 As GPFR rather than just GPFS, narrative reporting would also be presented alongside the financial information, providing users with a more meaningful understanding of any entity's nature, objectives, strategy, risks, and performance. These could be backed by a range of performance measures and indicators consistent with underlying financial information providing a clear view of the impact of the NPO's projects, programmes and wider activities on service recipients.

How will IFR4NPO help address the NPO accountability problems identified?

3.50 The lack of a common approach to financial reporting has led to NPOs having to comply with what are often significantly different reporting requirements both within and between jurisdictions. By developing a common set of financial reporting guidance for NPOs, this



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diversity can be reduced. In such circumstances, as will be developed in Section 6, it would be expected that remaining differences would not reflect fundamental differences in the accounting base or individual accounting standards.

- 3.51 If accounting and financial reporting arrangements for NPOs follow a common set of guidance between and within jurisdictions, donors should find it easier to use and interpret the financial reports that NPOs prepare under that guidance. This will improve their ability to gain assurance that funding has been used in an economic and efficient way towards the purposes for which it has been provided. It will also assist donors in comparing the performance of different NPOs, enabling more effective use of funding.
- 3.52 It is recognised that GPFRs and the financial information produced for them will not be able to provide all the information that the diverse donor community may need. Donors are likely to continue to require project and programme level information. However, by removing differences in accounting basis and providing common financial reporting standards and formats IFR4NPO can assist in significantly reducing the reporting burden that NPOs face provided it is supported by donors and they accept the financial information produced.
- 3.53 On a general basis an entity that produces GPFR provides an overview of the entity's financial and non-financial performance and financial sustainability. Compliance with financial reporting guidance and the production of GPFR also demonstrates a level of financial management competence by the NPO. This can provide some assurance that funding provided will be managed effectively, particularly where the GPFR have been subject to external audit, and this assurance can go some way to reducing the level of bespoke ongoing reporting and monitoring required.
- 3.54 On a more specific basis, the information prepared by the NPO for the GPFR in accordance with the financial reporting guidance, such as breakdowns of costs between staff and other administrative expenses, or the non-cash expenses associated with utilising non-financial assets may be capable of being utilised for reports specifically prepared for donors. By following common standards, rather than requiring financial information to be produced and reported by the NPO in a manner that is unique to that donor, then the overall reporting burden can be reduced without impact on the level of assurance. This can also extend to areas such as compliance with governance and procurement standards where there is a requirement to disclose such information in the GPFR. The opportunity to improve and streamline reporting provided by this project will be enhanced where donors are able to align with the proposals to address specific issues outlined in Part 2 of this Consultation Paper and align their reporting as a community.
- 3.55 Section 4 therefore examines in more detail how IFR4NPO may support two sister projects, namely the 'Good Financial Grant Practice' Standard and the 'Money Where it Counts' initiative. These projects aim to improve standardisation and reduce burdens for both NPOs and donors in the areas of due diligence and indirect costs, and together with IFR4NPO can make a significant difference to the problems of accountability identified.



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General Matters for Comment 3

This Section has highlighted the current problems with NPO accountability arrangements, with a particular focus on financial accountability to donors.

3.1 - Do you agree with the problems with current accountability arrangements that have been identified? If not why not? Are there any other problems with current accountability arrangements, particularly financial accountability to donors, that you would wish to highlight?

3.2 – Do you agree that international financial reporting standards for NPOs can help in reducing the accountability problems that arise from the different accounting bases, accounting standards, and reporting formats and frequencies that are associated with donor reporting? If not why not? Are there further benefits or costs to international financial reporting standards for NPOs that should be highlighted?