



# Grant Agreement Clauses Working Group

Terms of Reference - February 2024

## Background

The IFR4NPO project is an initiative to develop internationally applicable financial reporting guidance for Non-Profit Organisations (NPOs). It is led by Humentum and the Chartered Institute of Public Finance and Accountancy (CIPFA) in the UK. The Guidance is called International Non-Profit Accounting Guidance (INPAG) and includes guidance about accounting for grants. Grants are divided into two types: Enforceable Grant Arrangements (EGAs) and Other Funding Arrangements (OFAs). EGAs have specific characteristics and accounting treatments, based on clauses within the funding agreements.

### 1. Name and objective of working group

- The working group shall be called the Grant Agreements Clauses Working Group (GAC-WG). The objective of the GAC-WG is to input to implementation guidance for INPAG, in relation to the grant accounting requirements, specifically with respect to clauses in grant agreements. It is expected that grantors, grantees and auditors may use this as reference in the drafting, negotiation, accounting and auditing of grant related transactions.

### 2. Objective of the guidance on grant agreement clauses

The goals of the implementation guidance regarding grant agreement clauses include:

- Assist users of INPAG in the application of INPAG grant accounting requirements.
- Reduce ambiguity in grant agreements for accounting purposes
- Improve the clarity about rights and obligations in grant agreement
- Reduce the time taken by preparers and auditors in interpretation
- Improve the clarity of the nature of rights and obligations between different parties in a grant agreement
- Reduce the time taken by preparers and auditors in the interpretation of grant agreements, with respect to both recognition and presentation of grant related income, expenditure, assets and liabilities.

- Improve the appropriateness of grant agreements according to the objective of the grant and the relationship between the parties.
- Improve communication and understanding between compliance, programmes and finance professionals with respect to rights and obligations in grant agreements.
- Reduce the risk of omissions and inconsistencies in grant agreements, with respect to rights and obligations.

### 3. Nature of the output from the working group

The name, format and content of the output document should be discussed by the group, to maximise its usefulness for the stated objectives. It should be in plain English and avoid terms specific to particular donors. It should be in line with the principles, guidance and terminology in INPAG, and address issues and characteristics covering a wide range of types of grant arrangements.

The scope is not intended to extend to commercial customer contracts where the recipient or beneficiary of the goods or services delivered is the one paying for those goods or services, whether in cash or in kind, although it might be useful to compare and contrast between grants and contracts in certain instances.

### 4. Status of working group

The GAC-WG is advisory in nature. The outputs and suggestions from the working group will be considered by the Donor Reference Group, Practitioner Advisory Group and Technical Advisory group. Decisions about where, when or how any guidance would be published rest with the IFR4NPO Project. The IFR4NPO Project shall assign a Technical Lead to the GAC-WG.

### 5. GAC-WG role and membership

GAC-WG members participate on a voluntary basis and in an individual capacity, rather than formally representing their organisations or any particular stakeholder group. Their role includes:

- a) Becoming familiar with the grant accounting requirements in INPAG
- b) Actively participating in at least four, and up to six GAC-WG meetings of 90 minutes duration
- c) Participating in one or two bilateral online conversations with the GAC-WG Technical Lead to share ideas and proposals

The GAC-WG will comprise about 12 members drawn from grant makers, grant recipients (both local and international NGOs), auditors and consultants, each with experience and expertise, but representing a variety of geographies and stakeholders,

including perspectives of legal, business development, compliance, programmes, and finance etc. The group will be chaired by the IFR4NPO Project Director, and include a member of the INPAG Secretariat. Members do not need to be members of other project advisory groups or reference groups.

The purpose and membership of the GAC-WG will be shared on the IFR4NPO project website.

## 6. Background reference materials

- Grant accounting guidance in INPAG ED2 – Sections 23 & 24

## 7. GAC-WG Meetings

GAC-WG meetings will be private, recorded for project purposes only.

Proposals and questions for discussion will be shared one week ahead of GAC-WG meetings.

## 8. Time commitment

The estimated time commitment to prepare for and attend GAC-WG meetings, and participate in bilateral conversations with the GAC-WG Technical Lead is expected to be about 20 hours spread over 2024.