

Answers and comments

1	<i>Any NGO can use the expenditure headings in PG1 for its grant budgets. Some donors don't prescribe budget lines. Where donors require budgets have different headings, NGOs can map as needed.</i>	F
2	<i>Donor adoption PG1 could mean either accepting or requiring PG1, from some or all grantees.</i>	F
3	<p><i>Donors may not make bespoke changes to the expenditure headings in PG1. As per Exposure Draft 2, the draft headings are:</i></p> <ul style="list-style-type: none"> Direct expenses <ul style="list-style-type: none"> Employment Travel & subsistence Supplies and materials Running costs, external services and other Services in-kind and gifts in-kind Grants payable Support costs <p><i>Donors may however request additional information or analysis in the notes.</i></p>	F
4	<i>PG1 is designed to be used with INPAS, which is an accrual basis standard. PG1 includes optional notes for showing a reconciliation of total income or total expenses on an accrual basis to a cash basis. PG1 also includes an optional section for cash basis acquisition of assets or inventory.</i>	F
5	<i>PG1 relates to NPOs preparing Grant reports (Statements) that are Supplementary to the whole-of-entity financial reports. Those Supplementary Statements would necessarily be shared with the relevant grantor. There may be advantages for the NPO and the users of their financial statements in including some or all Supplementary Statements as an Annex, but there is no requirement for all of them to be published.</i>	F
6	<i>Reporting using the PG1 format means grantees must track expenses using a natural classification (ie by type of input, eg employment, travel etc).</i>	T

	<i>This is true. The expenditure headings in PG1 are prescribed, and are on a natural basis. The expense codes used internally by the NPO might not be identical to those in PG1, but it should be possible to map them, which can only be done using a natural basis. This is also best practice for NPOs and necessary for effective controls.</i>	
7	<i>In addition to tracking expenses according to natural classification, NPOs may also track expenses on an activity or functional basis.</i>	F
8	<i>Funders do not need to match their funding cycles to grantee financial years to take advantage of PG1 reconciliations. PG1 formats include splitting the financial year into different periods, or adding prior periods to accommodate different grant periods and financial years.</i>	F
9	<i>INPAS and PG1 provide guidance about financial reporting rather than auditing. The presentation of reconciled grant reports as supplementary statements to the audited financial statements opens up the possibility of single audit. Donors may still require special audits of their grantee reports. It is important that audit opinions are very clear about the extent of any assurance they provide with respect to grant reports.</i>	F

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