

IFRNPO Guidance

January 2021

Response Document

PART 1: GENERAL NPO FINANCIAL REPORTING ISSUES

Instructions for completion

IFR4NPO has published this document for respondents to use for submitting their comments.

This document presents all of the questions in **Part 1** of the Consultation Paper with spaces for responses.

Respondents are encouraged to complete this document electronically but are not required to use this document. They may also respond using their own comment letter format or the online survey available at: <https://www.ifr4npo.org/cp-survey/>

Comments on **Part 1** are requested by **30 July 2021**

Information requested from all respondents

Name¹:

CPA Derick Nkajja

Email address:

standards@icpau.co.ug

Description of your role if responding as an individual:

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Description of the activities of the organisation where responding on behalf of an organisation:

The Institute of Certified Public Accountants of Uganda (ICPAU) is the regulator of the Accountancy Profession in Uganda, as mandated under the Accountant's Act, 2013.

Jurisdiction(s) to which the feedback relates:

Uganda

Accounting basis of NPO financial reports in the jurisdiction in which you mainly work:

(iii) Modified cash

ICPAU Conducted a survey titled ICPAU Consults on IFR4NPO Project – Part 1 (the Survey) in which majority (57%) of respondents indicated that the accounting basis commonly used by NPOs in Uganda is Modified cash basis (See Appendix 1 for details).

Financial reporting standard use by NPOs in the jurisdiction in which you mainly work

(ix) Funder requirements only

Majority of respondents to the Survey indicated that majority of NPOs in Uganda use Funder requirements only, closely followed by NPO specific standards/ guidance based on national GAAP. However, a few who selected Funder requirements only indicated that this is in some case used together with National GAAP (See Appendix 1 for details).

¹ Name of person providing the response and whether this is in an individual capacity or on behalf of an organisation.

Please indicate whether you wish to receive further information about this project and consent to being contacted at the email address provided.

Agree

Disagree

This document has been designed purely to enable feedback to the IFR4NPO consultation. The responses will be used to shape the development of the IFR4NPO Guidance and not for any other purpose. We ask for your name and contact information to enable us to contact you if we should have any clarifications regarding your responses. Responses to the consultation will be public, but personal contact information will not be disclosed. Participation in this consultation is undertaken on an entirely voluntary basis. Personal information will only be held for the purposes of the project. You may withdraw your consent for us to hold any of your personal information at any time by contacting us at IFR4NPO@cipfa.org

Information requested only if the organisation on behalf of which you are responding is an NPO

Which International Classification of Non Profit Organisation (ICNPO) group best describes your organisation and activities?²

3. Health - Organizations that engage in health related activities, providing health care, both general and specialized services, administration of health care services, and health support services.

In the survey, the top two ranked ICNPO groups were: Health; and Social Services in that order.

Respondents who selected health also proposed the following sub-classifications:

i. Humanitarian, education, protection, livelihood

ii. Health and law, advocacy

(See Appendix 1 for details).

Rank revenue sources of your NPO in order of importance (optional)

	1	2	3	4	5	6
(i) Grants	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) Donations	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(iii) Sale of goods and services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(iv) Gifts in kind	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(v) Services in kind	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(vi) Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Responses to the survey indicated that the biggest revenue source for NPOs in Uganda is Grants, followed by donations, Gifts in Kind, Services in kind and Sale of goods and services – in that order (See Appendix 1 for details).

Approximate total revenue per annum of your NPO in US\$ (optional)

Please provide in numerical format the approximate revenue per annum of your NPO in US\$

Please provide any further information on revenue in this box

² http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/CNP_WP19_1996.pdf

General Matters for Comment (GMC)

Introduction

Part 1 of the Consultation Paper discusses the broader NPO landscape and considers this in the context of the project objectives set out in the Introduction. Part 1 includes a description of the broad characteristics of NPOs. It considers accountability and decision making and the role that general purpose financial reports can play in providing decision useful information for external stakeholders. Finally, it looks at the suitability of existing international and national financial reporting regimes as the basis of future NPO Guidance.

Comments are welcome on any or all of the parts in the Consultation Paper. Please note:

- There is no requirement to respond to all issues
- You may respond to all of the questions raised in the Consultation Paper or may choose to respond only about certain elements
- There is no minimum number of questions that can be addressed in a response. But, the greater the number of responses received, the richer the feedback for the project team to consider.

Contents

Chapter 1 *What are non-profit organisations?* outlines a broad characteristics approach to describing NPOs for developing the Guidance

Chapter 2 *Who are NPO stakeholders and what are their needs?* examines NPO external stakeholders, what information those external stakeholders need for accountability and decision-making purposes, and issues with current arrangements

Chapter 3 *What are the essential aspects of NPO Financial Reporting Guidance?* explains two key premises to develop the Guidance to support the provision of information that is useful for accountability and decision-making

Chapter 4 *How far can existing international financial reporting regimes assist NPOs?* highlights that limitations on time and resource mean that the Guidance must draw on existing frameworks. International financial reporting frameworks are proposed as the basis of the Guidance, with each having its advantages and disadvantages

Chapter 5 *Proposed way forward* puts forward a proposed model for developing the Guidance. The proposal uses *IFRS for SMEs* as a foundational framework and draws on full IFRS, IPSAS and jurisdiction level standards to develop the Guidance

Each Chapter provides General Matters for Comment (GMCs)

Chapter 1 *What are non-profit organisations?* outlines a broad characteristics approach to describing NPOs for developing the Guidance.

GMC 1(a) Do you agree with the broad characteristics proposed in Chapter 1 for describing NPOs? If not why not? Which alternative characteristics would you propose, and why?

Yes, ICPAU agrees with the broad characteristics proposed in Chapter 1 for describing NPOs. Given the diverse nature of NPOs in various jurisdictions, ICPAU believes that such an approach will ensure that actions and processes are geared toward driving the attainment of desired outcomes of the IFR4NPO project globally, rather than merely achieving technical compliance with the law.

100% of respondents to the Survey agreed with the broad characteristics approach.

Chapter 2 *Who are NPO stakeholders and what are their needs?* examines NPO external stakeholders, what information those external stakeholders need for accountability and decision-making purposes, and issues with current arrangements.

GMC 2(a) Do you agree that NPOs are accountable to service users, resource providers, and regulators and have societal accountability? If not why not? What alternative groups would you propose that NPOs can be seen as accountable to, and why?

Question: Do you agree that NPOs are accountable to service users, resource providers and regulators and have social accountability?

Answer: Yes, we agree that NPOs have social accountability. Just as individuals are liable to civil responsibility and corporations to Corporate Social Responsibility, NPOs have social responsibilities to fulfil – these include responsibilities Accountability; Legal responsibility; as well as Responsibility to EHSC (Environment, Health & human rights, Safety & security, and Community).

It is important that NPOs, not only project an image of social accountability in fulfilling their goals and missions, but also incorporate and embody that accountability in everyday operations in order to earn public trust and achieve sustainability. Moreover, When social accountability is pursued at organizational level, employees are able to share a common understanding about the core principles of the NPO – which translates into a stronger foundation of the NPO.

Question: What alternative groups would you propose that NPOs can be seen as accountable to and why?

Answer: Although we agree that NPOs have social accountability, we do not agree with the proposal to limit this accountability to service users, resource providers and regulators. Instead, NPOs should strive to ensure overall social responsibility which is a combination of Accountability; Legal responsibility; as well as Responsibility to EHSC (Environment, Health

& human rights, Safety & security, and Community) to wider spectrum of stakeholderhood including communities within which they serve.

GMC 2(b) Do you agree that external stakeholders require information on an NPO's achievement of objectives, economy efficiency and effectiveness, compliance with restrictions and regulations, and longer term financial health, for accountability and decision-making purposes? If not why not? What alternative areas would you propose and why?

Yes, we agree that external stakeholders require information on an NPO's achievement of objectives, economy efficiency and effectiveness, compliance with restrictions and regulations, and longer term financial health for accountability and decision making purposes.

Additionally, an NPO should provide information which enables an understanding of its nature, performance and achievements.

GMC 2(c) Do you agree with the issues that have been identified with current accountability and decision-making arrangements for NPOs? If not why not? Are there any other issues with current accountability and decision-making arrangements, particularly financial accountability to donors, that you would wish to highlight?

Yes, we agree with the issues proposed.

Chapter 3 *What are the essential aspects of NPO Financial Reporting Guidance?* explains two key premises for developing the Guidance so that it supports the provision of information that is useful for accountability and decision-making.

GMC 3(a) What, if any, do you see as the main challenges with Guidance that is accrual-based?

Based on responses to question 9 of the survey, the accrual accounting approach may impose significant transition and implementation challenges on many NPOs in Uganda. We note that in question one of the Survey, accrual accounting ranked 3rd next to cash and modified cash bases.

GMC 3(b) What, if any, do you see as the main challenges with Guidance that includes non-financial information reporting?

None.

Chapter 4 *How far can existing international financial reporting regimes assist NPOs?* highlights that limitations on time and resource mean that the Guidance must draw on existing frameworks. International financial reporting frameworks are proposed as the basis of the Guidance, with each having its advantages and disadvantages.

GMC 4(a) Do you agree that international frameworks are the best start point for the Guidance? If not, why not?

Yes, the existing international frameworks are the best start point for the Guidance as this approach would save time while also leveraging on existing expertise.

GMC 4(b) Do you agree with the criteria that have been used to assess the suitability of the existing international frameworks? If not, why not and what other criteria do you believe could be used and why?

Yes, we agree.

GMC 4(c) Do you agree with the high-level assessment of the existing international frameworks against these criteria? If not, why not? What assessment would you make and why?

Yes, we agree.

Chapter 5 *Proposed way forward* puts forward a proposed model for developing the Guidance. The proposal uses the *IFRS for SMEs* Standard as a foundational framework and draws on full IFRS Standards, IPSAS and jurisdictional-level standards to develop the Guidance.

GMC 5(a) What do you see as the main challenges, if any, with the proposed model and the use of the IFRS for SMEs Standard as the foundational framework? What, if any, alternative model and/or foundational framework do you suggest would be more suitable and why?

Comparing IFRS, IPSAS, & IFRS for SMEs, the most used frameworks by respondents to the survey are IFRS and IFRS for SMEs. Respondents to the survey identified some challenges as indicated in Appendix 1.