

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:

Md Anwar Hossain Chowdhury

Email address:

Removed for publishing

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:

This is an Individual comments

Jurisdiction(s) to which the feedback relates:

South East Asia - Bangladesh

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

(ii) Cash

In Public Sector, Government is trying a modified cash basis accounting system.

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

(i) IFRS

Guidance from NGO Affairs Bureau – National Governing body of Government of Bangladesh to control NGOs, who are receiving Foreign Donations.

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

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

Dropdown menu. Please select description that is closest.

Please provide any further information on organisation and activities in this box.

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

	1	2	3	4	5	6
(i) Grants	☐	☐	☐	☐	☐	☐
(ii) Donations	☐	☐	☐	☐	☐	☐
(iii) Sale of goods and services	☐	☐	☐	☐	☐	☐
(iv) Gifts in kind	☐	☐	☐	☐	☐	☐
(v) Services in kind	☐	☐	☐	☐	☐	☐
(vi) Other	☐	☐	☐	☐	☐	☐

Please provide any further information on revenue source including description of Other in this box.

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?

Broadly, I do agree with the four bullet points as stated in the paper for a definition of NPO. I would like to add one additional bullet points. * The regulatory authority of the host country will determine the status of NPO, when dispute arises whether an entity falls under NPO or Not! In Bangladesh, NGO Affairs Bureau will determine and give a verdict for such disputes. This is only applicable for the Financial Reporting Purposes.

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?

Operationally in most cases NPOs are accountable to only to the Resource Providers. They don't care much to the beneficiaries, because they thought whatever is receiving by the beneficiaries is not their rights it is an additional benefits.

NPOs don't care much with local regulations, because most of the international NGOs follow their HQ Rules and Regulations. I do agree that NPOs should be accountable to Service providers, regulators and donors.

I would like to add one additional points that NPOs should be responsible to the Local Government Bodies, like, Mayors of City corporations, Councilors of WARD and Chairman of the Union Parishad.

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?

Broadly agreed with the statement. But, I would like to give emphasis that beneficiaries are interested to see the full utilization of donatins received. As an example, if the grant size is 100 million Dollars, beneficiaries would like to see the utilization of this 100 dollars. They also want to see the expenditure by sub heads, like, how much is HO cost, how much for country office salary, how much much for field office cost and how much is spending for beneficiaries.

A complete disclose is essential on the utilization of donations and grants, and stakeholders

like Local Government bodies, Regulators like NGO Affairs Bureau and Public Sector Auditors wants to see those in the NPOs financial statements and annual reports.

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?

Assets generated by NPOs: I think purchasing of land and any fixed Assets that should be under the name of NPO not for any individual. We have seen in many cases, that the local NPOs procured a land not in the name of NPO, rather they have procured under the name of Executive Director. I think donors should look those. I think there must a clause in the annual report about the going concern strategy of a particular NGO, and a Transition and Sustainability plan of NGOs.

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?

There is no alternative for accrual basis accounting, because SAI and other regulatory bodies are currently giving emphasis on accrual basis Accounting for the public sector organization in Bangladesh.

If Bangladesh can't do the accrual basis accounting in the public sector organization, Bangladesh must do modified accounting basis accounting as a transitional strategy.

The biggest challenge during implementation of accrual accounting would be the Infrastructure development like IT Equipments, Trained Accounting & Finance Staff. The only solution is: provide a transitional period for small NPOs. Also may need to categorise NPOs based on Turnover, bigger will adopt first, then intermediate range NPOs then smaller NPOs like that.

Smaller NPOs can't effort to deploy trained people for doing accrual basis accounting, they need additional support from donors.

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

To comply with OECD corporate governance code of conduct and to avoid multiple donor reporting, the idea of non financial information will supplement to avoid multiple donor reporting.

There must be a requirements to appoint additional manpower by NPOs, for smaller NPO

recruiting of new accounting staff would be difficult.

Please give them a transitional time to comply with regulations. Also please classify who should be under the purview of non-financial information.

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?

Evaluating existing three international frameworks is the best way to understand the reporting frameworks was a good idea. But the existing frameworks are not sufficient to prepare a complete set of acceptable financial statements for NPOs.

Because, none of the Frameworks clearly mention the specific Transaction (s) on what should be the accounting treatment if the entity is not for profit Organization?

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?

These three criteria looks fine. It would be much better if we can add another criteria like area uncovered by each Frameworks - Whether recognition of various nature of Grants/donations and their accounting treatment covered or not covered by the Frameworks.

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?

I think there is no need to assess these three Frameworks at this stage. Because during feasibility study of IFR4NPO project, the assessment and evaluation had been done. As an Auditor and CFO of various NGO financed projects, we know any of these Frameworks didn't consider NPO's reporting or specific transaction or example for NPOs! Very unfortunate!

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?

I do like the approach.

The biggest challenge would be taking into consideration of some local standards. The other uncovered area would be not to considered the local NPOs. Most of the corruptions are happened with these local NPOs and CBOs at the field level.

I would suggest that IFRS Foundation or IFAC should start another follow up project where local and medium size NPOs will be the main stakeholders of that project.