



# INPAS Practice Guide 1 Ballot draft

**Technical Advisory Group**

23 July 2025

# General comments on the Final Draft

1. Use of INPAS Practice Guide 1 with GPFRs other than INPAS (new section and commentary in introduction).
2. INPAS to be updated to reflect changes in the line descriptions (SS.6 and Annexes A & B).
3. Short name for INPAS Practice Guide 1
4. Minor editorial comments (punctuation etc).

# Introduction

| Para      | Comment                                                                               | New paragraph                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| New para. | Recognition that different adoption timelines are permitted by INPAS Practice Guide 1 | <p><u>While INPAS and INPAS Practice Guide 1 are designed to be used together, an NPO may adopt them on differing timelines. For example, an NPO might apply INPAS for its general purpose financial statements without preparing a Supplementary statement for grant reporting using INPAS Practice Guide 1. Conversely, an NPO may decide to produce a Supplementary statement for grant reporting using INPAS Practice Guide 1 before achieving full compliance with INPAS.</u></p> <p>INPAS Practice Guide 1 is linked to INPAS Section H4 <i>Supplementary information</i>. When an NPO produces a Supplementary statement in accordance with this Guide <u>and uses INPAS to prepare its general purpose financial reports</u> it is required to follow INPAS H4</p> |

# Use of INPAS Practice Guide 1 when accrual-based general purpose financial statements are not produced in compliance with INPAS



| Para                        | Comment                                                                                                                                                                                                                                            | New paragraph                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| New Section and paragraphs. | Feedback was received about the extent to which the Practice Guide as drafted reflects the intent that INPAS and INPAS Practice Guide 1 can be used independently of each other. The Practice Guide has been drafted with only reference to INPAS. | <p><u>SS.52 When an NPO does not prepare general purpose financial statements in accordance with INPAS, it may nevertheless use INPAS Practice Guide 1 to produce Supplementary statements. Such Supplementary statements can be prepared based on the NPO's accrual-based general purpose financial statements.</u></p> <p><u>SS.53 References to INPAS information (for example, income and expenses) in this Practice Guide shall be substituted for the equivalent information in the NPO's general purpose financial statements. Where an NPO does not identify restricted and unrestricted funds in its general purpose financial statements, the requirements of SS.10 do not apply.</u></p> <p><u>SS.54 In addition, an NPO shall prepare:</u><br/>           (a) <u>the Movement in funds note required by INPAS paragraph B8.26 (b)</u><br/>           (b) <u>the reconciliation specified by paragraph SS.21; and</u><br/>           (c) <u>the attestation specified by paragraph SS.21.</u></p> |

# General comments on the Final Draft

1. Use of INPAS Practice Guide 1 with GPFRs other than INPAS (new section and commentary in introduction).
2. INPAS to be updated to reflect changes in the line descriptions (SS.6 and Annexes A & B).
3. Short name for INPAS Practice Guide 1
4. Minor editorial comments (punctuation etc).

# INPAS Practice Guide 1- Main points from the feedback on the Final Draft



1. Clarity on the attestation as described in the introduction (4<sup>th</sup> paragraph).
2. Use of the word “assurance” – is it too close to the audit concept (SS.1)?
3. The use of INPAS with the production of the Supplementary statement (SS.2).
4. Description of ‘Optional adjustment for capital and inventory’ (SS.6).
5. Clarity on whether extra lines can be added if expenses aren’t the type described (SS.13 & SS.14).
6. Line descriptions for ‘Supplies and materials’ (SS.15(c))
7. Description of consultancy costs (SS.15(d)).
8. Consistency between paragraphs (SS.18 & SS.19).
9. Should the exclusion of ineligible expenses be allowed (SS.20)?
10. Basis of preparation – approach to exceptional circumstances where different accounting policies (or reporting boundaries) are used (SS.33, SS.38, SS.39, SS.41 and INPAS H4.5, H4.13).

# Introduction

| Para                               | Comment                                                                                                                                                                                     | Revision                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Introduction 4 <sup>th</sup> para. | Two TAG members commented on this paragraph. The text isn't clear that the attestation statement is for the Movement of funds note and not the entire general purpose financial statements. | INPAS Practice Guide 1: <ul style="list-style-type: none"> <li>requires the disclosure of specific categories of income and expenses that leads to a prescribed statement format.</li> <li>includes a <del>by nature</del>-classification of expenses <u>by nature</u> that covers the main categories of expense required by grantors to <del>cover</del> <u>report</u> the direct costs of an activity.</li> <li>requires that each statement is supported by notes that explain the purpose and scope of <del>each</del> <u>the</u> statement and the basis of its preparation.</li> <li>A reconciliation <u>of the opening and closing balances of the funds related to a specified activity to the Movement in funds note</u> <del>to the general purpose financial statements</del> and an attestation <u>of the reconciliation to that note is</u> also required.</li> </ul> |



# Scope of harmonised grant reporting

| Para | Comment                                                                                            | Revision                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SS.1 | A TAG member commented that the use of the word “assurance” may be too close to the audit concept. | <p><b>No changes made.</b></p> <p>The Secretariat accepts this view but considers that assurance is the best description in this paragraph. It is also consistent with the intention that grant provider can place greater reliance on the information.</p> <p><i>SS.1 Stakeholders including donor NPOs may require financial information in addition to that which is included in the <b>general purpose financial statements</b> to gain assurance on how specific resources have been used by an NPO. The objective of- harmonised grant reporting is to present key auditable financial information about a set of the NPO’s activities that is useful to individual stakeholders (particularly donors and funders), as well as to other users of the financial statements</i></p> |



# Scope of harmonised grant reporting

| Para | Comment                                                                                                                                                                                                  | Revision                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| SS.2 | A TAG member commented that the drafting suggests that if a supplementary statement is prepared, then INPAS Practice Guide 1 must be used. As the use of PG1 is itself optional that was not the intent. | <p><b>No change proposed</b> as INPAS Practice Guide 1 is non-mandatory and this paragraph is in the context of the scope of PG1.</p> <p><i>SS.2 INPAS Practice Guide 1 applies where NPOs choose to prepare one or more Supplementary statements of income, expenses including an optional analysis for capital and inventory costs (Supplementary statement) in relation to one or more sets of their activities. The activity to which a Supplementary statement relates is a specified activity or a set of specified activities. The specified activities covered by a Supplementary statement may relate to a specific activity, grant, project, programme, or an aggregation of these, or to all the NPO's activities.</i></p> |

# Format of the Supplementary statement and information that shall be presented

| Para     | Comment                                                                                                                                                                                                                                                                                                                  | Revision                                                                 |
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| Fig SS.1 | <p>A TAG member commented that the use of ‘optional’ in the statement format might imply the use of ‘optional’ in the title. The Secretariat agrees that this is not the intention and has square bracketed the word ‘optional’ as suggested.</p> <p>Note that this amendment applies to the formats in the Annexes.</p> | <p>[Optional] <del>A</del>adjustment for capital and inventory costs</p> |

# Expenses Classification



| Para                              | Comment                                                                                                                                                                                                                                                                                                                                      | Revision                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| SS.13                             | Two TAG members queried the clarity of whether an NPO is allowed to add extra lines for expenses which do not appear to fit with the types of expenses under the line descriptions. (Third sentence unclear). Another commented on a similar issue and considered the paragraph covered two issues so suggested that the paragraph is split. | Expenses in the Supplementary statement are classified by nature (type of expense). The Supplementary statement <del>can</del> <u>may</u> only use the expenses classifications provided in Figure SS.1. <u>Typical</u> <del>E</del> examples are provided below of the <del>typical</del> expenses for each class. These examples are not exhaustive. <del>An NPO shall report any other expenses using the general description of the each of the classes of expenses if they are not listed below. If an expense incurred is not included in the examples below, the expense shall be classified based on the general descriptions provided for each class.</del> |
| SS.14<br>(formerly part of SS.13) | One TAG member suggest that SS.13 be split and be simplified.                                                                                                                                                                                                                                                                                | Some expenses might be <u>classified as</u> direct expenses or <u>as might be included in support costs</u> depending on <del>its</del> <u>their</u> purpose. For example, fundraising costs might be a direct cost if <u>they are required as a part of such activity is required to be carried out as a consequence of the scope of</u> the specified activities, <del>or</del> <u>Otherwise it would be they shall be reported as a</u> support costs.                                                                                                                                                                                                            |



# Expenses Classification

| Para                               | Comment                                                                                 | Revision                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| SS.15(c)<br>(formerly<br>SS.14(c)) | A TAG Member suggested minor clarifications to the examples for supplies and materials. | <p><u>(c) Supplies and materials</u> – All direct expenses of relating to procured supplies, items and materials required for the specified activity or activities or that have been used, distributed or written-down from inventory in the reporting period, unless included in another heading (for example, mobile and online communications and IT <b>expenses are classified in 'other direct expenses including external services'</b>). This will include:</p> <ul style="list-style-type: none"> <li>(i) goods and other supplies used in the delivery of the specified activities (for example, medical, emergency relief, rural, agricultural, or cleaning supplies)</li> <li><b>(ii) <u>expensed equipment associated with specified activities such as</u> equipment, furniture and materials, <del>including depreciation on the equipment and furniture</del>;</b></li> <li>(iii) catering supplies and materials;</li> <li>(iv) clothes, uniforms and laundry;</li> <li>(v) printing and office supplies;</li> <li><b>(vi) <u>depreciation on equipment and furniture</u> <del>expensed equipment associated with specified activities</del>; and</b></li> <li>(vii) non-staff costs of procurement and distribution including fuel* (for transport or other forms of supplies and materials), transport and haulage.</li> </ul> <p>*Note that fuel used for heating premises would be included in 'other direct expenses including external services <b><u>and fuel for travel is included in 'travel and subsistence'</u></b>'. All other fuel procurement is included in supplies and materials.</p> |

# Expenses Classification

| Para                                           | Comment                                                                                                                                                                                                                                                                               | Revision                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SS.15(d)<br>(formerly<br>SS.14(d)<br>(extract) | A TAG Member queried the framing of the note about consultancy. They queried the intention with regard to a temporary staffing gap. The Secretariat does not intend that a temporary staffing gap is considered consultancy. Consultancy is intended to cover more specialist advice. | *Note that consultancy costs refer to external services that an NPO would not typically provide itself because it does not have staff with the <u>specialist</u> <u>or</u> relevant skills. It does not include costs that substitute for the costs of employment, such as the hiring of temporary staff that are needed to provide additional capacity and who are line managed by NPO staff. In these circumstances the costs for services such as the hiring of temporary staff shall be classified as the direct expenses for employment, not consultancy. |

# Expenses classification

| Para                         | Comment                                                                                                                | Revision                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------|------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SS.19<br>(formerly<br>SS.18) | A TAG Member suggested that this paragraph be redrafted to be consistent with the approach in the preceding paragraph. | <u>An NPO</u> <del>This line in the Supplementary statement</del> shall record any other financial movements that have been included in the Statement of Changes in Net Assets in the general purpose financial statements and <b>allocated</b> by the NPO to the specified activity <u>using this line in the Supplementary statement</u> . When relevant, this will not include other movements that relate to equity claims. |

# Ineligible transactions

| Para                         | Comment                                                                                                                                                                                                                                         | Revision                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| SS.20<br>(formerly<br>SS.19) | A TAG member questioned how, when an NPO excludes the ineligible expense (per paragraph SS.20(a)), it can reconcile to the general purpose financial statement. Two TAG members considered that options (b) and (c) provide better information. | <p><b>No change proposed.</b></p> <p>The Secretariat agrees that options (b) and (c) provide better information for donors and funders and this is set out in the drafting of this paragraph. However, it is of the view that reconciliations can still be presented.</p> <p><i>SS.20 There may be transactions that are ineligible to be charged against a grant. This could include specific expenses types or other gains and losses. Depending on the requirements of the stakeholder for whom the statement is being prepared and the scope of the Supplementary statement, there are three options for the presentation of ineligible expenses:</i></p> <p><i>(a) <u>Exclude</u> them from the statement completely;</i></p> <p><i>(b) <u>Transfer</u> them by including the ineligible costs within the appropriate line item and then deducting them using the transfers line on the face of the statement; or</i></p> <p><i>(c) <u>Separately disclose</u> them by including the ineligible expenses in a separate column, with the column heading showing the source of funds to cover these expenses.</i></p> <p><i>Whichever option is chosen, the Supplementary statement shall be reconciled to the general purpose financial statements. Approaches (b) and (c) provide transparency about the amounts related to the specified activity or activities covered by other sources of funding.</i></p> |

# Basis of preparation



| Para                                                                                            | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Revision                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| SS.33,<br>SS.38,<br>SS.39 &<br>SS.41<br>(formerly<br>SS.32,<br>SS.37,<br>SS.38<br>and<br>SS.40) | <p>A TAG member queried whether the disclosures relating to departures from INPAS are contradictory to the purpose of the Supplementary statement and the commentary in H4.5 that supplementary information to be disclosed in accordance with this Section must be produced using the relevant recognition and measurement principles of INPAS.</p> <p>The TAG member enquired whether it should be clear in H4 itself that different accounting policies (within the boundaries of INPAS) may be used in the Supplementary statement?</p> <p>Another TAG member suggested caveating the confirmation of the same basis with 'when relevant'.</p> | <p><b>No change proposed.</b></p> <p>The Secretariat considers that although exceptional differences are allowed, the main purpose is to align INPAS and grant reporting. Additional references to the use of alternative accounting boundaries or accounting policies, could infer that this is expected and encourage its use. Both Section H4 and the Practice Guide allow for the differences subject to their disclosure on an exceptional basis (see paragraph H4.13).</p> |

# TAG paper questions

**Question 1:** Do TAG members agree with the additions to the introductory text including its new title?  
Is any further commentary required?

**Question 2:** Do TAG members agree with the new paragraph on the status of INPAS Practice Guide 1? Is any further commentary required?

**Question 3:** Do TAG members agree to change the heading descriptions of each of two classes of expenses ie:

“other direct expenses and external services”; and

“grants and donations to others”?

**Question 4:** Do TAG members agree with the approach to the types of cost to be included in each of the direct expenses’ headings (see also Annex A)?

**Question 5:** Do TAG members agree with the approach and amendments in relation to support costs (see INPAS Practice Guide 1 (see paragraphs SS.14 and SS.15))?

**Question 6:** Do TAG members agree with the amendments to the optional adjustment for capital and inventory items?

**Question 7:** Do TAG Members agree with the changes relating to the provision of Supplementary statements in an Annex to the general purpose financial reports?

**Question 8:** Do TAG members agree with the introduction of a glossary for INPAS Practice Guide 1 including the new defined items and the adaptations?

# Question

Taking account of the material above, and TAGFG09-01, do TAG members agree with the proposed amendments to INPAS Practice Guide 1?



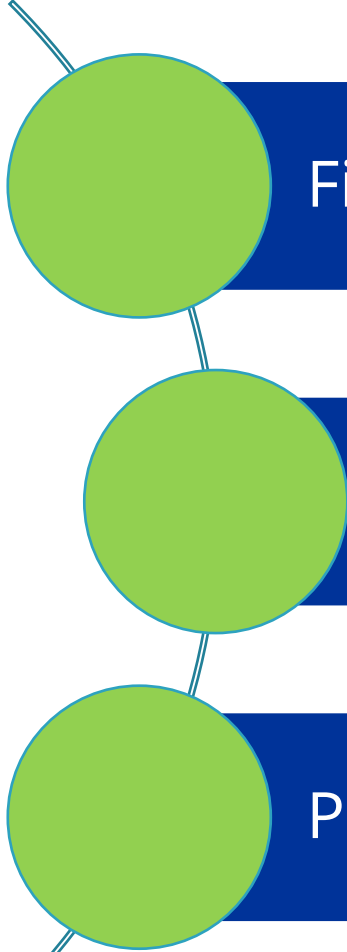
# Proposal to approve publication of INPAS Practice Guide 1

# Key points – due process





# Next steps



Finalise any residual drafting points

Check all document cross references

Proof-read for editorial consistency

# Ballot draft vote

## Voting arrangements

Quorum: two thirds of TAG members

Approval: two thirds of TAG members in attendance

Chair has the casting vote if the vote is tied.

# Ballot draft vote

TAG members are asked to raise their hands only if they **DISAGREE** with any of the following statements:

- 1) Respondent and TAG member feedback has been considered and necessary updates to the text have been made.
- 2) Based on the evidence provided, due process appears to have been followed.
- 3) There are no substantial changes following the Exposure Drafts that would require re-exposure of any element.

# Ballot draft vote

Are TAG members content that there are no further significant technical matters that need to be considered that are within the scope of this edition of INPAS Practice Guide 1 to enable it to be ready for publication?