



## **International financial reporting for the not-for-profit sector**

CCAB is delighted to announce that it has appointed Sheffield Hallam University (SHU) to undertake a project which seeks to identify current local accounting practices for the not for-profit-sector internationally as a first step in establishing whether or not there is a need for the development of an international reporting framework, guidance or standard(s). SHU will work in partnership with the University of Dundee with the support of University College, Dublin and Victoria University of Wellington, New Zealand.

This project supports CCAB's work on matters of policy and regulation in the public interest, being the voice of the accounting profession in the UK and representing views on current and emerging issues to international standard setters, regulators and other bodies.

A Steering Committee comprising accountancy professional bodies, charity umbrella bodies, public practice firms and international charities has been set up to oversee and guide the research and promote its outcomes<sup>1</sup>.

## **The aims of the research . . .**

Our aims for this research are to:

- a) Identify what is meant by the not-for-profit sector internationally and the nature and scale of issues;
- b) Identify current accounting framework, standards and guidance applied to the various specialisms in the not-for-profit sector (e.g. UK Charity SORP);
- c) Focus on specific accounting issues relating to charities; and
- d) Consider whether there is a need or not for the development of some form of international financial reporting framework, guidance or standard(s) for the not-for-profit sector.

## **We need your help . . .**

The research will comprise a literature review which will inform the content of a survey to be published on 8 November 2013 with a deadline for completion of 9 December.

We need those working in the not-for-profit sector around the world to complete the survey and also to raise awareness of this important initiative with others that may be equally interested.

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<sup>1</sup> Those represented on the CCAB Steering Committee are the ACCA, Charity Commission, CFG (Charity Finance Group), CIPFA, Crowe Clark Whitehill, Grant Thornton, ICAEW, Mango, MHA MacIntyre Hudson and Oxfam.

## **The findings . . .**

The findings of our research will be published in the first quarter of 2014.

## **Why are we supporting this project . . .**

Every country has a not-for-profit sector. The makeup will depend on the wider culture and structures of the jurisdiction, but in the UK for example there are an estimated 900,000 civil society organisations with over £220bn of assets (source NCVO Civil Society Almanac: 2012). The boundaries between sectors are increasingly blurred with many charities providing public sector services and many businesses acting as social enterprises. This means that consideration of not-for-profit reporting issues is relevant to parts of the public and private sectors as well.

The development of International Financial Reporting Standards (IFRS) has been an important facilitation factor for global business – enabling investors and other users of accounts to have confidence that the accounts have been prepared on a consistent basis. The potential role for International Public Sector Accounting Standards (IPSAS) is also being increasingly recognised in the debate around how to improve government reporting in the wake of the Sovereign Debt Crisis. However, the unique issues present in the non-profit sector – primarily the treatment of gifts, definition of a liability (recognition of constructive obligations) and an asset (valuation on the basis of service potential) and responsibility to the donor – are not covered by international standards.

The majority of countries appear to use for profit business standards when accounting for not-for-profit entities, although some may use tailored guidance developed for national use, such as the UK Charity SORP.

Charities and other non-governmental organisations (NGOs) increasingly work internationally with grants from governments funding their development and relief activities, while private donors and international foundations are increasingly taking a global approach to their work. As a result, the not-for-profit sector faces a multiplicity of international grant regimes, often made more complex by the lack of an agreed approach to financial planning and reporting.

## **Need further information . . .**

Please feel free to contact:

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## **About CCAB . . .**

CCAB's core purpose is to promote sustainable growth in the UK economy through the UK accountancy profession.

CCAB has five members – ICAEW, ACCA, CIPFA, ICAS and Chartered Accountants Ireland - and provides a forum for the bodies to work together collectively in the public interest on matters affecting the profession and the wider economy. The accountancy profession forms a central part of the professional and business services sector which contributes £166 billion to the economy each year (15% of UK GDP).

Professional qualified accountants have a key role to play in the economy with over 240,000 accountants employed in the UK. CCAB's credibility stems from its insight into all areas of finance and accounting, from finance director and audit partner to management accountants, professional advisers, public sector finance leaders and entrepreneurs. CCAB's members work through the financial value chain in all sectors as key decision makers and business leaders within the UK and around the world.

More information about our work can be found at <http://www.ccab.org.uk/>