

DEFINITION

 Not-for-Profit Organisations (NPOs) are also often referred to as "Development Organisations", "Private Voluntary Organisations", "Civil Society Organisations" "Non Governmental Organisations", "Non-Profit Organisations", "Charities" and other similar terms.

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 The requirement to register under a statute may apply to all charities and humanitarian agencies. They can also be registered under NGO Act, Companies Act and Trust law

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- The World Bank uses the term Civil Society to refer to the wide array of non-governmental and nonprofit organisations that have a presence in public life, expressing the interests and values of their members or others, based on ethical, cultural, political, scientific, religious or philanthropic considerations. Civil Society Organisations (CSOs) therefore refer to a wide array of organisations:
 - Community groups, non-governmental organisations (NGOs), labour unions, indigenous groups, charitable organisation, faith-based organisations, professional associations, and foundations

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CHARACTERISTICS/FEATURES

- The common salient features of the vast variety of NPOs which the reporting standard would apply are:
 - They are voluntary organisations, either local (to a particular area), national or international;
 - They have formulated specific objective(s) to the benefit of the general society, a particular vulnerable group of the society, or to particular identified interest or target groups;

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- · Their objectives are not profit oriented, unlike that of business entities;
- Profit may be generated in an NPO, but since there are no ownership interests, it is not distributed to those providing the resources;
- · They solicit and receive financial support for promotion of the organisation's objective(s) or purpose, either from individuals (or groups of individuals) in society, corporate entities, governmental entities, international organisations or agencies of sovereign states;

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• Financial dispositions are made for the purpose of promoting the objective(s) of the Organisation

LEGISLATION

- NGOs are registered under the NGO Coordination Act,
- Community Based Organization, are registered under the Ministry of Youth, Gender and Social Services

NGO DEFINITION

An NGO is a voluntary organization or grouping of individuals or organizations which is autonomous and not-for-profit sharing; operating in the voluntary sector; organized locally at the grassroots level, nationally, regionally or internationally for the purpose of enhancing the legitimate economic, social and/or cultural development or lobbying or advocating on issues of public interest or interest of a group of individuals or organizations; but shall not include Trade Unions, social clubs and entertainment sports clubs, political parties, private companies or faith propagating organizations.

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STATUTORY REPORTING

All NGOs after the end of their financial year irrespective whether it received income or not are required to complete form 14 and submit it to the NGOs Board within a period not exceeding 3 months after the end of its financial year. Directors are under a legal duty to complete and submit an Annual Return - form 14 form to the Board. The Annual Return - form 14 gives us general information relating to the NGO, financial details, personnel information, projects and governance information

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THE DIRECTORS' ANNUAL REPORT

NGOs with a gross income which exceeds Ksh. 1,000,000 must prepare a Directors' Annual Report. The contents of the directors Annual Report is in a narrative form which highlights the activities of the NGOs during the financial year. Some information may not be captured in financial terms nor in form 14, hence the need to have a director's report. Although NGOs with income of less than Ksh. 1,000,000 which are not subject to audit are not required to provide as much information as larger NGOs which are legally required to have an audit, but are encouraged to provide the annual director's report

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ANNUAL REPORT

Objectives and activities

- The Annual Report should help the reader understand the aims and objectives set by the NGO, and the strategies and activities undertaken to achieve them. The report may also, where relevant, explain how the objectives set for the year relate to longer term strategies and objectives set by the NGO.
- A summary of the objects of the NGO as set out in its governing document.
- An explanation of the NGO's aims including the changes or differences it seeks to make through its activities.

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ANNUAL REPORT

- An explanation of the NGO's main objectives for the year.
- An explanation of the NGO's strategies for achieving the stated objectives.
- A review of the significant activities (including its main programmes, projects or services provided) undertaken by the NGO to further its charitable purposes for the public benefit The details provided should focus on the activities that the Directors consider significant in terms of the NGO as a whole. The Annual Report should, as a minimum, explain the objectives, activities, projects or services identified within the analysis note accompanying the charitable activities set out in the Statement of Financial Activities (SoFA).

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BOARD RESPONSIBILITY ON AUDIT

- The Board is mandated under Section 23(4) of the NGOs Coordination Act 1990 to prescribe rules and procedures for the audit of NGOs.
- The NGO Board through the miscellaneous amendments within the NGO Act 2007 has the mandate to develop audit guidelines for adherence amongst its players. This mandate empowers the board to work with other stakeholders, including ICPAK and even donors in ensuring that accountability and reporting amongst the NGOs is improved.

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APPLICATIONS OF INTERNATIONAL ACCOUNTING STANDARDS (IASS)/INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS

 The following International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs) have been identified as being relevant to Nonfor-Profit Organizations. The requirements of these IASs have been considered and amended to suit the operations and transactions of these organizations. The relevant International Accounting Standards are as indicated in the following table.

1 Presentation of Financial Statements
2 Inventories
3 Cash flow Statement
IAS 1
IAS 2
IAS 7

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 4 Accounting Policies, Changes in Accounting Estimates & Errors

• 5 Events after the Balance Sheet Date IAS 10

6 Construction Contracts
7. Income Taxes
8. Property, Plant & Equipment
9. Leases
10 Revenue
11. Employee Benefits
IAS 11
IAS 12
IAS 16
IAS 17
IAS 18
IAS 19

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 12. Accounting for Government Grants and Disclosure of Government Assistance **IAS 20**

• 13. The Effects of Changes in Foreign **Exchange Rates** • 14 Borrowing Costs

IAS 21 **IAS 23**

• 15. Related Party Disclosures

IAS 24 IAS 25

• 16. Accounting for Investments • 17 Consolidated and Separate

IAS 27

Financial Statements • 18. Provisions, Contingent Liabilities and Contingent **IAS 37**

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● 19. Intangible Assets **IAS 38**

• 20. Non-current Assets held for Sale and **Discontinued Operations** IFRS 5

IAS 40 21. Investment Property

FINANCIAL REPORTING **STANDARDIZATION**

- · The objective in standardizing financial reporting is to assist those who are responsible for the preparation of the financial statements, to improve the quality of financial reporting by NPOs, thereby providing adequate information to the users of the financial statements.
- The intention is also to reduce the diversity that currently exists as among NPOs in accounting practice and presentation.
- · In all but exceptional circumstances, NPOs should follow the Standard's for NGOs in order that their accounts provide a true and fair view of the state of affairs of their organisations.

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• Financial statements also show the results of the stewardship of management, and/or the accountability for resources entrusted to the management. Those users who wish to assess the stewardship or accountability of management do so in order that they may make economic decisions on, for example, whether or not to finance activities to be carried out by the NPO.

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 $\ensuremath{\,\scriptstyle{\odot}}$ Financial statements meet common needs of most users. However, since the statements do not necessarily provide non-financial information, they do not contain *all* the information that users may need to make economic decisions









