

Information Sheet - 01/2012

POBAL – Reconciliation of grant related income and expenditure returns to POBAL with the annual financial statements



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Consultative Committee of Accountancy Bodies in Ireland

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INFORMATION SHEET 01/2012

Reconciliation of grant-related income and expenditure returns to POBAL with the annual financial statements

Background

This Information Sheet has been issued by Consultative Committee of Accountancy Bodies in Ireland (CCAB-I) as information for members who have clients that currently receive funding from POBAL for various community programmes. For a full list of POBAL's funding programmes click on the link below:

www.pobal.ie

This Information Sheet replaces IS 05/2010, which has been withdrawn, and was developed in consultation with POBAL to provide information for members in respect of the reconciliation with the annual financial statements and POBAL expenditure returns required by POBAL to be performed by the client as part of the conditions of funding.

This information sheet does not constitute an auditing standard and professional judgement should be used in its application. This guidance should not be regarded as a substitute for the specific legal and professional advice which firms may need to take on particular matters or engagements.

POBAL is an intermediary that works on behalf of Government to support communities and local agencies toward achieving social inclusion, reconciliation and equality. POBAL is a not-for-profit company with charitable status that manages programmes on behalf of the Irish Government and the EU. Further information on POBAL and the programmes it funds can be found on POBAL's website at www.pobal.ie.

Members that have clients who receive POBAL funding are encouraged to familiarise themselves with the requirements under POBAL programme (s) for their clients' funding to the degree required for the purposes of an audit and/or annual financial statements preparation.

Reconciliation

This Information Sheet sets out information on the specific requirements for POBAL funded companies pertaining to grant disclosures as required by Department of Finance Circular 17/2010 *Requirements for Grants and Grants-in-Aid*, as well as to the requirement to prepare a reconciliation of POBAL grant related income and expenditure to the annual financial statements.

The Department of Finance Circular 17/2010 requires certain disclosures regarding grants received and grant expenditure to be included in the financial statements of the grantee. Such disclosures in the financial statements will be subject to the normal audit approach in accordance with the International Standards of Auditing (UK and Ireland) as issued by the Auditing Practises Board / Financial Reporting Council. Auditors exercise judgement in terms of materiality of individual balances, transactions and events and with regard to the necessary audit procedures required to provide them with sufficient appropriate audit evidence to provide their opinion on the financial statements. Auditors express their opinion on the true and fair view of the financial statements **as a whole** and the opinion does not constitute a certification of any individual figures and/or disclosures in the financial statements.

POBAL requires a reconciliation between the grant related income and expenditure returns to POBAL and the annual financial statements. This reconciliation is to be signed by the directors and there is no longer a requirement on the part of POBAL for the grantee's auditor/accountant to sign the reconciliation and/or issue an opinion on the reconciliation, i.e. there is no requirement for assurance to be provided on the reconciliation. Members should not, therefore, sign a reconciliation document unless they are engaged to provide assurance and any reporting is carried out in accordance with professional standards. POBAL has indicated that it will monitor developments regarding the reconciliations and may revisit the need for assurance in relation to the reconciliations.

A separate reconciliation is required for each POBAL programme under which funding is received, using the POBAL template and guidance provided. Where applicable, the financial statements should include a separate schedule in respect of each POBAL funded programme managed by the client's organisation.

Please note that the abovementioned guidance document on the reconciliation, issued by POBAL (*'Guidelines for completion and interpretation of the Reconciliation of Pobal Programme Income and Expenditure against figures reported in the Annual Financial Statements, 2012'*), contains a letter sent to all Pobal funded beneficiaries in September 2009. The 2009 letter was written at a point in time when there had been no discussions between POBAL and the accountancy bodies about their requirements with regard to the reconciliation. The 2009 letter is out of date and inaccurate vis-à-vis important aspects of this Information Sheet, which represents the agreed position with POBAL.

This reconciliation together with the annual financial statements is required to be submitted to POBAL within four months of the organisation's year end.

Members may agree to assist clients in the compilation of the reconciliation and, if they do, members are reminded of their independence obligations under the APB's

Ethical Standards for Auditors. The exemptions from certain of the standard ethical requirements, contained in the APB Ethical Standard *Provisions Available for Smaller Entities* (PASE), are available to the auditors of smaller entities, as defined in paragraph 4 of that standard. These exemptions are based on the concept of 'informed management', i.e. that management accepts its responsibility for the preparation for the financial statements / information, and are subject to the required disclosures being made.

Members who decide to assist clients in this regard may decide to charge an additional fee for this work. Members may issue a separate engagement letter for the purposes of assisting the client in the compilation of the reconciliation. Alternatively, members may include in their client engagement letter additional clauses as follows:

- (1) That they are familiar with the public accountability requirements and requirements under POBAL programme(s) for their clients funding to the degree required for the purposes of an audit and/or annual financial statements preparation.
- (2) That management is responsible for the preparation of the reconciliation between the grant related income and expenditure returns to POBAL and the annual financial statements to be submitted to POBAL.
- (3) That, where requested to assist in compiling the reconciliation, he/she will do so in accordance with the provisions of APB Ethical Standards for Auditors pertaining to independence and, if applicable, the APB Ethical Standard *Provisions Available for Smaller Entities* (PASE).
- (4) The basis on which fees will be calculated and an estimated initial fee¹. Fees should be determined by reference to:
 - The seniority and professional expertise of the persons necessarily engaged on the work;
 - The time expended by each;
 - The degree of risk and responsibility which the work entails;
 - The nature of the client's business, the complexity of its operation and the work to be performed;
 - The priority and importance of the work to the client; and
 - Together with any expenses likely to be properly incurred.

¹ Guidance on determining fees can be found in each of the accountancy bodies' 'Code of Ethics'.

As a matter of best practice, auditors ensure that the terms and conditions pertaining to the statutory audit are not amended and that any new terms and conditions arising from the engagement to assist with the compilation of the reconciliation do not conflict in any way with their statutory and professional responsibilities.

Queries

Members should liaise with their clients in relation to any queries on POBAL funding programmes and/or queries relating to the reconciliation of POBAL income and expenditure returns. If necessary, members' clients can seek clarification directly from POBAL.