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LEGAL ALERT

UGANDA ADOPTS THE INTERNATIONAL NON-PROFIT ACCOUNTING STANDARD:

WHAT NON-PROFIT ORGANISATIONS IN UGANDA NEED TO KNOW

INTRODUCTION

The International Non-Profit Accounting Standard (INPAS) was developed through the International Financial Reporting for Non-Profit Organisations (IFR4NPO) project and officially launched in October 2025. It is an internationally applicable financial reporting framework built specifically around the funding models, accountability obligations and public benefit objectives of Non-Profit Organisations (NPOs). It is based on the IFRS of Small and Medium-sized Entities' (SMEs) accounting standard, with modifications to address the distinctive reporting needs of the non-profit sector.

Unlike the conventional financial reporting frameworks that do not fully address the sector's specific circumstances, INPAS provides tailored guidance on grant and donor income recognition, restricted and unrestricted funding, financial statements, narrative reporting and harmonised grant and donor reporting. Its overarching objective is to improve the transparency, consistency, comparability and credibility of NPO financial reporting. Thus, it a single standard designed to cover all NPO activities.

The Institute of Certified Public Accountants of Uganda (ICPAU) has adopted the INPAS for use by NPOs in Uganda. The announcement was made during ICPAU's 31st Annual Seminar in September 2026. This marks a significant development in Uganda's financial reporting landscape, particularly for non-governmental organisations (NGOs), charities, foundations, faith-based organisations and other entities operating on non-profit basis.

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KEY AREAS ADDRESSED BY INPAS

a) Recognition and reporting of grants and donations

INPAS provides a framework for accounting for grants, donations and other funding received by NPOs. The accounting treatment requires consideration of the substance of the funding arrangement, including any conditions, obligations and restrictions attached to the resources received.

For NPOs, this makes it important to review grant agreements and donation terms carefully as the timing and manner of recognition funding may differ depending on the applicable requirements and the nature of the arrangement.

b) Restricted and Unrestricted funds

INPAS addresses the presentation of restricted and unrestricted funding. Restricted funds are subject to specified restrictions on their use, while unrestricted funds are generally available for the organisation's permitted activities, subject to its governing documents and applicable requirements.

Appropriate identification and reporting of these funds can help organisations demonstrate that resources have been applied to their intended purposes, improve project level accountability and strengthen oversight by management, boards, donors and auditors.

c) Standardised financial statements

INPAS seeks to promote greater consistency in the preparation and presentation of NPO financial statements. A common reporting framework improves the comparability and understandability of financial information across organisations and reporting periods, supporting more informed decision making by donors, regulators and other stakeholders.

d) Narrative reporting

INPAS also addresses narrative reporting allowing financial statements to be complemented by relevant information about an organisation's activities, objectives, use of resources and performance.

This can help stakeholders understand not only the financial position of an NPO, but also how its resources support its mission and intended outcomes.

e) Harmonised grant and donor reporting

INPAS includes a guide for harmonised grant and donor fund reporting intended to help streamline grant reporting and promote consistency in the information provided to funders.

This is particularly relevant to NPOs that currently prepare multiple reports using different donor specific templates, classifications and reporting periods. Harmonisation may reduce duplication and administrative costs, although organisations will still need to comply with applicable contractual reporting obligations under individual grant agreements.

WHAT DOES THE ADOPTION MEAN FOR NPOS IN UGANDA?

The adoption of INPAS represents an important step towards a more consistent and sector specific financial reporting framework. Its practical implications will depend on the implementation arrangements to be issued by ICPAU.

In particular, NPOs should anticipate the need to assess whether their existing accounting policies, financial systems, grant management process and reporting practices can support the requirements of the new framework.

However, ICPAU is still developing the implementation framework. Following public consultation, the Institute is expected to provide guidance on the organisations to which INPAS will apply, implementation timelines, transition arrangements and the extent of narrative reporting requirements among others.

Accordingly, organisations should distinguish between the adoption of the standard and the finalization of the local implementation requirements. The applicable reporting obligations, effective dates and other local implementation requirements should be confirmed against subsequent ICPAU guidance.

RECOMMENDED PREPARATORY ACTIONS

Although the implementation framework is yet to be finalized, NPOs can begin preparing for the transition by taking the following steps:

i. **Conduct a preliminary gap assessment:** Compare existing accounting policies and financial reporting practices against the INPAS framework and identify the areas the requiring review.

ii. **Review grant and funding arrangements:** Compile grant agreements, donation terms and other funding documents to identify relevant conditions, restrictions, obligations, deliverables and reporting requirements among other terms necessitated.

iii. **Assess fund tracking procedures:** Determine whether restricted and unrestricted resources can be separately identified, monitored and reconciled to the accounting records and project reports.

iv. **Evaluate financial systems:** Review the chart of accounts, accounting software and project accounting procedures to establish whether they can generate the financial and funding information required under the INPAS framework.

v. **Engage management, boards and auditors:** Brief the key decision-makers on the adoption and establish a preliminary transition plan, subject to formal ICPAU guidance.

vi. **Build staff capacity:** Arrange appropriate training for finance personnel, programme managers and other employees responsible for funds management and financial reporting.

vii. **Monitor ICPAU guidance:** Follow subsequent announcements concerning the scope of application, effective dates, transition requirements, narrative reporting obligations and other implementation requirements.

The adoption of INPAS should not be interpreted as automatically changing an NPO's existing statutory, regulatory or contractual obligations. Organisations should continue to assess their obligations under applicable Ugandan laws, regulatory requirements and donor agreements.

CONCLUSION

The adoption of INPAS by ICPAU is a significant step towards strengthening transparency, accountability and consistency in Uganda's non-profit sector. By providing a reporting framework tailored to the operational and funding realities of NPOs, the standard has the potential to improve financial stewardship, enhance donor confidence and support more meaningful reporting on organisational performance.

We recommend that NGOs and other NPOs begin reviewing their existing accounting policies, grant management processes, internal controls and financial reporting systems in preparation for the transition. A structured readiness assessment should then be undertaken once ICPAU issues its implementation framework.



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Our team combines a breadth of experience, education, and training in the best institutions in the world. We are always on the lookout for the most talented and ambitious professionals to join the team. With a mix of lawyers and accountants across the board, our service offerings are unequalled in both tax & legal assignments.

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