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# PROPOSED STATUTORY BOARD FINANCIAL REPORTING STANDARD GUIDANCE NOTE 11

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## Accounting for Grants Administered by Statutory Boards

SB-FRS Guidance Note 11 *Accounting for Grants Administered by Statutory Boards* applies to Statutory Boards for annual periods beginning on or after 1 January 2022. Earlier application is permitted.

This exposure draft on SB-FRS Guidance Note 11 *Accounting for Grants Administered by Statutory Boards* is issued by the Accountant-General's Department Technical Directorate for comments only and does not necessarily represent the views of the Directorate. The proposals may be modified in the light of the comments received before being issued as a Statutory Board Financial Reporting Standard (SB-FRS).

Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, clearly explaining the problem and providing a suggestion for alternative wording with supporting reasoning.

Comments should be submitted in writing, so as to be received by **xx November** 2021 preferably by email to [AGD\\_ASSB\\_Feedback@agd.gov.sg](mailto:AGD_ASSB_Feedback@agd.gov.sg) or addressed to:

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*Paragraphs*

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Statutory Board Financial Reporting Standard Guidance Note 11 *Accounting for Grants Administered by Statutory Boards* is set out in paragraphs 1-28. All the paragraphs have equal authority. SB-FRS Guidance Notes are issued to standardise the accounting and disclosure requirements of Statutory Boards in specific areas and are to be complied with by Statutory Boards. These Guidance Notes rank behind SB-FRS and INT SB-FRS in terms of importance.

# **Statutory Board Financial Reporting Standard (SB-FRS) Guidance Note 11**

## ***Accounting for Grants Administered by Statutory Boards***

### **Objective**

1. The objective of this Guidance Note is to provide guidance to Statutory Boards on the accounting for grants administered by Statutory Boards.

### **Background**

2. Some Statutory Boards may receive operating grants from the Government for their own operating expenditure, and a portion of these operating grants could be used to disburse to other grant recipients. On the other hand, some Statutory Boards may receive a sum of money from the Government to administer the Statutory Boards' own grant schemes or they could be administering these grant schemes on behalf the Government.
3. The accounting for grants (i.e. grant receipts and/or disbursements) in Statutory Boards' financial statements would differ depending on the roles and responsibilities of the Statutory Board, e.g. grant scheme owner/co-owner, or an agent/co-agent administering the grant on behalf of the grant scheme owner (usually the Parent Ministry).
4. Statutory Boards are to apply the accounting requirements set out in the following standards when accounting for grants:
  - a. SB-FRS 20 *Accounting for Government Grants and Disclosure of Government Assistance*;
  - b. SB-FRS Guidance Note 1 *Accounting and Disclosure for Funds, Grants, Accumulated Surplus and Reserves*; and
  - c. SB-FRS Guidance Note 3 *Accounting and Disclosure for Trust Funds*.

## **Accounting for Grants Administered by Statutory Boards**

### **Statutory Board as Grant Scheme Owner**

5. A grant scheme owner is one which exercises control over the financial and operating policies of the fund, so as to obtain benefits from its activities.
6. A Statutory Board which is a grant scheme owner usually receives the funding to administer the grant scheme in one of the following ways:
  - a. Funds received as part of its operating grant (together with the portion used to defray its operating costs); or
  - b. Funds received and held by Statutory Board solely to administer the grant scheme prior to disbursement to grant recipients.

7. These funds could be given upfront by the Government for the Statutory Board to manage. Sometimes, Statutory Boards could also seek reimbursement from the Government on a regular basis (e.g. quarterly, semi-annually) as and when they need to make the grant disbursement.
8. **Income and expenditure of all funds under the control of the Statutory Board are to be taken to the Statement of Comprehensive Income.**
9. **As a grant scheme owner, grant expense will be recognised upon grant disbursement to grant recipients, and grant income will be recognised when the grant funding is earned.**
10. **Where grant funding is received prior to the grant being paid to the grant recipient, the Statutory Board would record a liability, as it has an obligation to fulfil. Where the grant is paid to the grant recipient prior to the Statutory Board receiving the grant funding, a grant receivable should be recorded.**
11. **Monies received upfront from the Government for a grant scheme that is controlled and administered by a Statutory Board should be recognised as restricted funds in its financial statements, only if the requirements to recognise restricted funds as set out in SB-FRS Guidance Note 1 are fulfilled. The related incomes and expenditures (including grant income and grant expense) should be presented in the Statement of Comprehensive Income as a separate column with further details of the assets and liabilities in the notes to accounts.**
12. **On the other hand, if the monies received upfront from the Government for a grant scheme that is controlled and administered by a Statutory Board do not fulfil the requirements to be recognised as restricted funds as set out in SB-FRS Guidance Note 1, the related incomes and expenditures (including income and grant expense) would be merged with the surplus / deficit from the main activities of the Statutory Board to give an overall surplus / deficit; they need not be presented as a separate column in the Statement of Comprehensive Income. The assets and liabilities of the fund should be combined with other assets and liabilities of the Statutory Board supporting the accumulated surplus of the general fund of the Statutory Board.**

### **Statutory Board as Agent**

13. Where the Government appoints a Statutory Board to administer grant schemes which are controlled by the Government (“Government-owned grant schemes”), the Government’s role is that of a principal and the Statutory Board’s role is that of an agent. An agent administering a grant scheme on behalf of the Government does not exercise control over the financial and operating policies of the funds.

14. A Statutory Board which has been appointed as an agent to administer Government-owned grant schemes may receive funding from the Government to administer such grant scheme in one of the following ways:
  - a. Funds received and held by Statutory Board solely to administer the Government-owned grant scheme prior to disbursement to grant recipients on behalf of the Government; or
  - b. Funds that “pass-through” Statutory Board, which acts as a conduit for the Government to disburse the grant to grant recipients.
15. **As an agent disbursing the grant on behalf of the Government, which is the grant scheme owner, the Statutory Board need not recognise grant income and grant expense in its Statement of Comprehensive Income as it does not exercise control over the financial and operating policies of the funds.**
16. **Where the Statutory Board holds and manages the funds on behalf of the Government for extended periods of time but does not exercise control over the funds, these should be recognised as trust funds in its financial statements, only if the requirements to recognise trust funds as set out in SB-FRS Guidance Note 3 are fulfilled.**
17. **Where the Statutory Board disburses funds on behalf of the Government, and these funds do not meet the definition of a trust fund under SB-FRS Guidance Note 3 or the guidelines laid out in paragraph 18 below, such funds can be considered as simply “passing through” the Statutory Board. In this case, the funds that have been received but pending disbursement should be recognised as grant payables to grant recipients in its Statement of Financial Position. A grant receivable from the Government would be recorded if disbursement has been made to grant recipients in advance of the Statutory Boards receiving the funds from the Government.**

#### **Funds held in trust or “pass-through” by Statutory Boards**

18. In assessing whether to account for funds (administered by the Statutory Board on behalf of the Government) as a trust fund or “pass-through” arrangement, Statutory Boards shall consider the following factors (non-exhaustive and in no order of importance):

- a. Whether there is a trust agreement, memorandum of understanding (MOU), legislation or documents that govern the objectives of the fund.

The existence of these documents tends to imply that the funds administered are trust fund. However, the non-existence of such documents does not necessarily mean that a fund is not a trust fund, as the creation of a trust can often be implicit.

- b. Whether the Statutory Board earns management or agency fees from administering the funds.

Management or agency fees are usually earned by a Statutory Board for administering trust funds. If the Statutory Board receives financial benefits (e.g. management or agent fees) for administering the funds, it is likely that the funds administered are trust funds.

c. Whether the funds are ringfenced for specific purposes

Where the funds received by the Statutory Board are required to be ringfenced for specific purposes, such funds tend to be trust funds. On the other hand, “pass-through” funds generally do not have to be ringfenced as they typically go in and out of a Statutory Board’s books without much of an intervening period.

d. Duration that the Statutory Board holds the funds.

“Pass-through” funds typically go in and out of a Statutory Board’s books without much of an intervening period, e.g. 1 to 2 days. On the other hand, trust funds are held by the Statutory Board for an extended period of time.

e. Whether the funds are held in a separate bank account from the SBs’ own bank accounts.

In most cases, SBs maintain bank accounts for trust funds separately from the SBs’ own bank accounts. However, there may also be instances where SBs place cash which are held in trust in their own bank accounts.

As “pass-through” funds go in and out of a Statutory Board’s books without much of an intervening period, no separate bank account is set up for such funds.

19. **Annex A** explains via a flowchart, the differences between the accounting for grants administered by a grant scheme owner and an agent.

### **Shared Responsibility amongst Statutory Boards**

20. In some circumstances, two or more Statutory Boards may have shared responsibility as principals over a single grant scheme (known as “co-owner”). Sometimes, two or more Statutory Boards may be appointed as agents for a single grant scheme (known as “co-agent”).
21. Co-owners have to exercise judgement to determine and agree among themselves who has greater control over the administration of the grant scheme. **The co-owner assessed to have greater control over the administration of the grant scheme should account for the financial performance and financial position of the grant scheme entirely in its books according to the requirements set out in Paragraphs 8 to 12 of this Guidance Note, where applicable.**

22. In assessing who has greater control amongst the co-owners, Statutory Boards shall consider the following (non-exhaustive and in no order of importance):
  - a. Which Statutory Board has the power to govern the majority of the financial and operating policies of the grant scheme; or
  - b. Which Statutory Board bears/enjoys the majority of the risks and rewards incidental to the activities of the grant scheme (e.g. which Statutory Board's objectives are achieved from administering this grant scheme etc.).
23. Similarly, co-agents have to exercise judgement to determine and agree amongst themselves who has greater responsibility over the administration of the grant scheme on behalf of the Government. **The co-agent assessed to have greater responsibility over the administration of the grant scheme should account for the financial performance and financial position of the grant scheme entirely in its books according to the requirements set out in paragraphs 15-17 of this Guidance Note, where applicable.**
24. In assessing who has greater responsibility over the administration of the grant scheme amongst co-agents, Statutory Boards shall consider the following (non-exhaustive and in no order of importance):
  - a. Which Statutory Board has an overall fiduciary role to ensure that the fund is properly accounted for and used in accordance with the objectives of the grant scheme as set out in the terms and conditions of contracts entered into among the Statutory Boards and the Government, memorandum of understanding (MOU), trust deed, agreements, or correspondences; or
  - b. Which Statutory Board has greater accountability over the management of the grant scheme (e.g. monitoring whether there are sufficient funds to pay out to eligible grant recipients, putting up requests to the Government to top up the funds when there is any shortfall, etc.).
25. Statutory Boards may review the following to assess who has greater control amongst co-owners or greater responsibility amongst co-agents:
  - a. Terms and conditions of contracts entered into among the Statutory Boards and the Government;
  - b. Memorandum of understanding (MOU); or
  - c. Correspondences.
26. For example, if the terms and conditions of contracts or agreements entered into among the Statutory Boards and the Government sets out that Statutory Board A's responsibility includes overseeing the management of funds held in trust for the grant scheme owner (such as ensuring that there is sufficient funds in the bank account set up for grant pay-outs, put up requests to the Government to top up funds when there is any shortfall etc.), while Statutory Board B merely disburses the grants to the recipients, it is likely that Statutory Board A has greater responsibility over administering the grant scheme as compared to Statutory Board B, even though both Statutory Board A and Statutory Board B are co-agents for the single grant scheme.



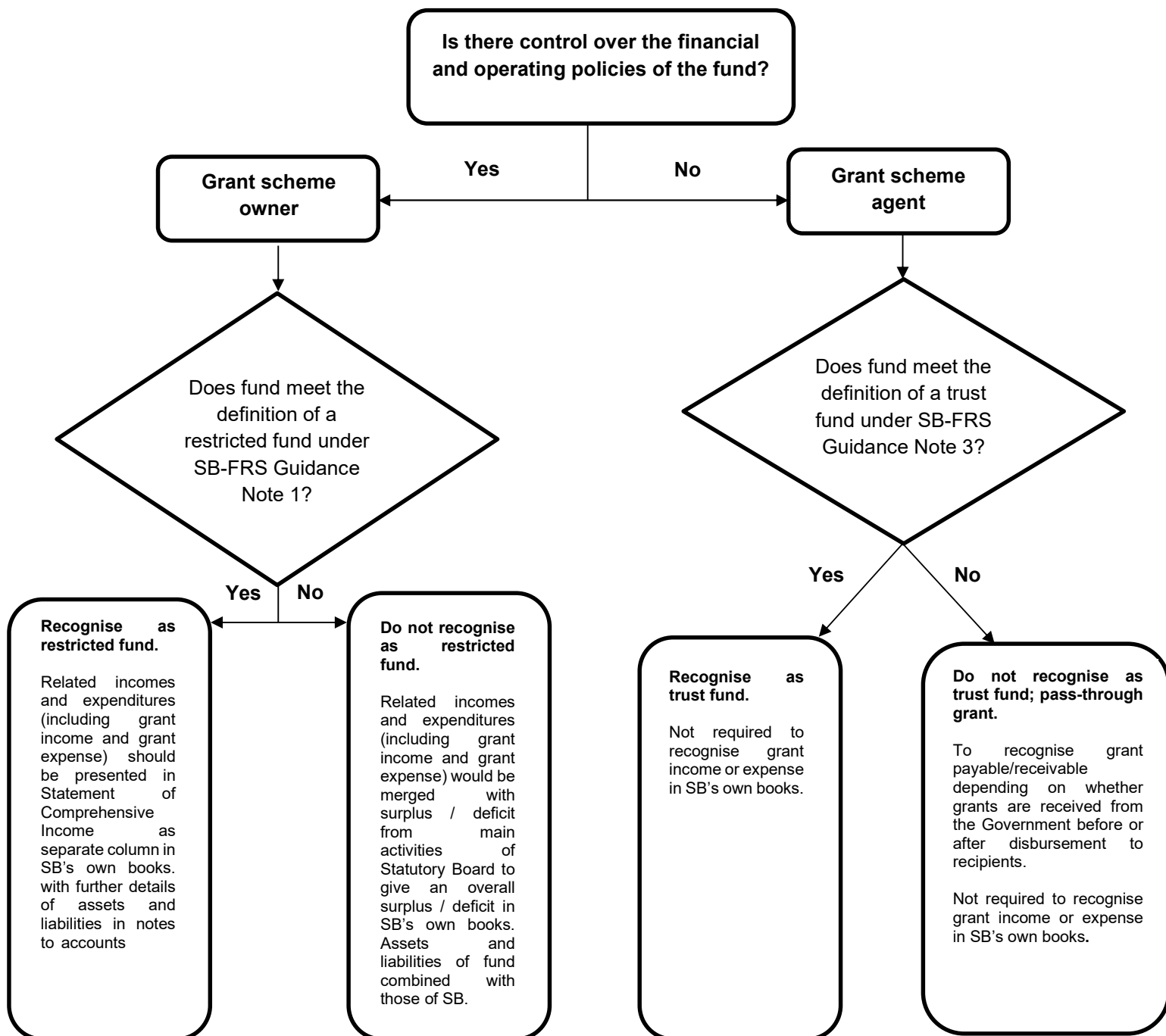
## **Transitional Provisions**

27. A Statutory Board shall apply this Guidance Note for annual reporting periods beginning on or after **1 January 2022** retrospectively in accordance with SB-FRS 8.

## **Effective Date**

28. This Guidance Note is operative for financial statements covering periods beginning on or after **1 January 2022**. Earlier application is permitted.

Differences in Accounting for Grant Schemes Administered by Statutory Boards



## Illustrative Examples

### **Example 1 – Accounting for Grants as Grant Scheme Owner (Restrictions on Use of Funds)**

#### Scenario:

Statutory Board A is the grant scheme owner of Grant Scheme A. Under this grant scheme, Statutory Board A receives a lump sum of funds upfront from the Government through Ministry X, which is expected to be disbursed to eligible grant recipients over a period of 5 years. Being the grant scheme owner, Statutory Board A has the authority to direct the use of the funds under Grant Scheme A without having to seek approval from Ministry X (e.g. disburse funds to grant recipients as and when required from the pool of approved funding received). Statutory Board A is required to ringfence the funds received and used them only for the stipulated purposes for setting up Grant Scheme A.

As grant funding is received prior to grant disbursement, grant received in advance (GRIA) should be recorded. Upon disbursement to eligible grant recipients, Statutory Board A should record the grant expense, and correspondingly record the grant income to fulfil the matching principle.

As Statutory Board A is required to ringfence the funds received and used them only for the stipulated purposes for setting up Grant Scheme A, Statutory Board A should account for the funds as restricted funds in accordance with the accounting and disclosure requirements in SB-FRS Guidance Note 1.

This means that the related grant incomes and expenditures of these funds shall be presented in the Statement of Comprehensive Income as a separate column with further details of their assets and liabilities in the notes to the accounts. The related fund balances for Grant Scheme A should be separately disclosed from general funds as “restricted funds” under Accumulated Surplus in the Statement of Financial Position.

## **Example 2 – Accounting for Grants as Grant Scheme Owner (No Restrictions on Use of Funds)**

### **Scenario:**

Statutory Board B is the grant scheme owner of Grant Scheme B. Statutory Board B funds this grant scheme through funds received from the Government as part of its operating grant (together with the portion used to defray its operating costs). This is received as a lump sum of funds upfront from the Government. There is no requirement from the Government for Statutory Board B to ringfence the funds for the purpose of Grant Scheme B. Statutory Board B has the discretion to re-allocate this pool of funds to fund its operating costs, if necessary.

For the portion of the operating grants received that Statutory Board B has set aside based on its funding requirements to fund Grant Scheme B, grant received in advance (GRIA) should be recorded. Upon disbursement to eligible grant recipients, Statutory Board B should record the grant expense, and correspondingly record the grant income for matching purposes.

As Statutory Board B is not required to ringfence the funds it received as part of its operating grant for the purpose of administering Grant Scheme B and also has the discretion to re-allocate this pool of funds to fund its operating costs, if necessary, it is not required to account for the portion of the operating grant received for administering Grant Scheme B as restricted funds.

**Example 3 – Accounting for Grants as Agent on Behalf of Grant Scheme Owner (Funds received and held on behalf of the Government prior to disbursement to grant recipients)**

Scenario:

Ministry Y, in the capacity as grant scheme owner, appointed Statutory Board C as an agent to administer the Grant Scheme C on its behalf.

Based on the Memorandum of Understanding (MOU) between the Government and Statutory Board C, Ministry Y will disburse funds, which are to be subsequently disbursed to eligible grant recipients, to Statutory Board C. The role of Statutory Board C is to manage these funds on behalf of the Government, which includes (a) being accountable for the funds that it has received, (b) ensuring sufficient funds is available for pay-outs to eligible grant recipients, (c) putting up requests to the Government to top up the funds when there is any shortfall, and (d) administering the disbursement of grants based on the Government's instructions. Statutory Board C does not have the power to decide how these funds are to be used.

Statutory Board C is acting an agent disbursing the grant on behalf of the Government. Therefore, Statutory Board C does not have to record any grant income or grant expenditure in its books.

As Statutory Board C receives a sum of money from the Government and is required to manage it on behalf of the Government, this fund satisfies the criteria to be recognised as a trust fund in accordance with SB-FRS Guidance Note 3.

**Example 4 – Accounting for Grants as Agent on Behalf of Grant Scheme Owner (Funds “pass through” Statutory Board’s books as conduit for the Government to disburse the grant to grant recipients)**

Scenario:

Ministry Z, in the capacity as grant scheme owner, appointed Statutory Board D as an agent to administer Grant Scheme D on its behalf.

The funds for disbursement to eligible grant recipients are banked by Ministry Z into a joint bank account between Ministry Z and Statutory Board D. Statutory Board D’s role is to put up payment instructions to disburse the grants based on the Government’s instructions.

Statutory Board D does not have to record any grant income or grant expenditure as it is not the grant scheme owner. It is clearly acting an agent disbursing the grant on behalf of the Government.

As Statutory Board D does not have to manage the funds on behalf of the Government, it is also not required to record the funds as a trust fund in its financial statements.

## **Example 5 – Accounting for Grants with Shared Responsibilities**

### **Scenario:**

Ministry X, in the capacity as grant scheme owner, appointed both Statutory Board E and Statutory Board F as agents to administer Grant Scheme E on its behalf.

Based on the Memorandum of Understanding (MOU), a joint bank account is set up between Statutory Board E and Statutory Board F. Statutory Board E is responsible for ensuring that there are sufficient funds in the joint bank account to pay the grants to eligible grant recipients, and putting up requests to the Government to top up the funds to the joint bank account when there is any shortfall. As and when instructed by the Government, Statutory Board E will instruct Statutory Board F to disburse the funds directly to the eligible grant recipients.

Statutory Board F's responsibilities as stipulated in the MOU is to disburse the funds to eligible grant recipients based on Statutory Board E's instructions.

Statutory Board E and Statutory Board F agree that Statutory Board E has greater responsibility than Statutory Board F over the management of funds. This is because Statutory Board E, being responsible for putting up requests for funds from the Government and instructing Statutory Board F to release the funds subsequently to eligible grant recipients, has more responsibility to the grant scheme owner to ensure that the fund is properly accounted for and used in accordance with the objectives of the fund.

As Statutory Board E does not exercise control over the funds, Statutory Board E should account for the funds in entirety as a trust fund in accordance with the accounting and disclosure requirements in SB-FRS Guidance Note 3, i.e. net assets of the trust funds should be presented at the bottom of the Statement of Financial Position with disclosures in the notes of Statutory Board E's financial statements.

Statutory Board F is not required to record the related cash and grant receivables/payables in its books.

## **Example 6 – Accounting for Grants with Shared Responsibilities (Share of Responsibilities Quantified in Agreement)**

### **Scenario:**

Ministry Y, in the capacity as grant scheme owner, appointed both Statutory Board G and Statutory Board H as agents to administer Grant Scheme F on its behalf.

Based on the Memorandum of Understanding (MOU) between the Government, Statutory Board G, and Statutory Board H and in the approved Funding Paper, Statutory Board G is responsible to manage 70% of the funds disbursed from the Government, while Statutory Board H is responsible to manage 30% of the funds disbursed from the Government. Both Statutory Board G and Statutory Board H are required to ringfence the funds received for disbursement to eligible grant recipients of Grant Scheme F. The funds received and managed by these two Statutory Boards are two distinct streams of monies and are not co-mingled.

Grant Scheme F should be accounted for as two separate grant schemes by Statutory Board G and Statutory Board H. They should each account for their respective share of funds received from the Government.