



Technical Advisory Group

AGENDA ITEM: TAGCP01- 6

October 3-4, 2019 - London, United Kingdom

Consultation Paper: Development Approach

Summary	The paper sets out how the Consultation Paper might look and how the content will be developed.
Purpose/Objective of the paper	Given the limited amount time to develop the Consultation Paper, issues presented to the TAG need to be capable of being easily incorporated into the Consultation Paper. The TAG needs to agree how to optimise its discussions and how to record outcomes to meet this need.
Other supporting items	TAGCP01 – 3 Project Objectives
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Actions for this meeting	Comment on proposals: <ul style="list-style-type: none">• for the presentation of issues within the Consultation Paper.• that the Consultation Paper only specifically addresses the items within the TAG approved work plan with the scope for respondents to nominate other issues.• that "Preliminary Views" will not be used.
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Consultation Paper: Development Approach

1. **Background**

- 1.1 The overall objective of the project is to develop non-mandatory, internationally applicable financial reporting guidance for NPOs. As set out in TAGCP01-03 'Project Objectives' and TAGCP01-05 'Nature of the Guidance', the proposal is to first focus on developing Guidance for small and medium-sized NPOs. The process of developing the Guidance needs to be collaborative and inclusive to properly reflect the concerns, issues and needs of the NPO community. This will maximise the opportunity for the Guidance to be relevant to the sector and usable by all stakeholders.
- 1.2 The Guidance is planned to be developed in three phases, with the first phase focusing on the development of the Consultation Paper, the second phase being the development of the Exposure Draft and the third phase being the development of the final Guidance.
- 1.3 Given that this is the first time that internationally-applicable guidance specifically for the NPO sector has been developed, the aims of the Consultation Paper phase are to raise awareness of the project, and to introduce stakeholders to the objectives and planned development approach for the Guidance, including the proposed use of the IFRS for SMEs as its basis. The Consultation Paper will also introduce the possible topics for inclusion in the Guidance itself with the aim of encouraging debate about possible options, rather than necessarily including preliminary views. The comments received on the Consultation Paper will guide the plans for the development of the Exposure Draft and ultimately the final Guidance.
- 1.4 The Consultation Paper contents list will be worked up following this first TAG meeting. The initial sections are likely to cover similar ground to the initial part of the TAG agenda – Project background, Project objectives, and proposed Guidance format. The main content will then comprise a discussion of NPO-specific financial reporting issues.



2. Overall Approach to Consultation Paper Development

- 2.1 The Consultation Paper is to be developed over the next 10 months to July 2020, with the Consultation Paper planned to be launched at the beginning of September 2020 at the Humentum 2020 conference. The current plan is for the TAG to be provided with a draft of the full Consultation Paper in July 2020 for feedback ahead of its publication.
- 2.2 Between now and July 2020 the TAG needs to consider the issues for inclusion in the Consultation Paper. TAGCP01-07 'Potential Issues' will discuss the range of issues for inclusion in the Consultation Paper and will invite the TAG to reach a view on the issues to be shortlisted and their prioritisation. A similar process will be adopted with the Practitioners' Advisory Group (PAG) to obtain broader engagement and the widest practical perspective before the list of issues is finalised for the Consultation Paper.
- 2.3 The TAG Secretariat would like to ensure as far as possible that the material for the Consultation Paper can be drawn from both the issues papers and subsequent TAG discussion. This will ensure that the Consultation Paper can be prepared efficiently and should ensure that there are no surprises in the draft content of the Consultation Paper.
- 2.4 To facilitate the development of the Consultation Paper, the TAG Secretariat wishes to ensure that it provides material in a way that ensures that the TAG has what it needs to understand the issues being presented and that it is clear about the questions and issues to be discussed. The TAG Secretariat proposes to format the papers as follows:
- Explanation of the issue, where it has been raised and the problem it creates.
 - How the issue is currently addressed in national standards or national guidance drawn from the work carried out by the IFASS Working Group.
 - Whether it is an issue that has already been addressed by IPSASB or is currently being considered by IPSASB and pronouncements are expected within the period of the Consultation Paper development.
 - Any legal or regulatory issues to be considered in addition to those explained as part of the issue.
 - Options for addressing the issue.
- 2.5 At this first meeting three issues papers have been developed for consideration, using this format, which will test the adequacy of the issue papers, to deliver on the TAG objectives. The format of these papers, subject to comments received in the discussion on each of the issues will be used in subsequent papers.

Question 1: What comments does the TAG have on the proposed format of issues papers as illustrated in TAGCP01-08, TAGCP01-09 and TAGCP01-10?



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- 2.6 Further, consideration needs to be given as to whether worked examples should be included in the Consultation Paper, and if so, whether they should be developed for all issues, or just selectively.
- 2.7 There are advantages and disadvantages to the inclusion of examples.

Advantages:

- By presenting the outcome of the Guidance based on identical scenarios, users are able to make straightforward comparisons between jurisdictions
- Where no example transactions are included within current literature, Standard Setters would have a scenario to use in order to 'bring the accounting to life'

Disadvantages:

- Finding suitable examples which can be 'read across' a range jurisdictions can be difficult.
- If Guidance differs depending on the type/size of the organisation (i.e. several regimes exist), several worked examples would have to be prepared.
- The time and resource required to provide a comprehensive solution to the example

Question 2: What are the TAG's views on the inclusion of worked examples in the Consultation Paper?

3. Approaches to content development

- 3.1 The TAG could be considering around 20 separate issues for inclusion in the Consultation Paper, depending on the outcome of discussion on TAGCP01-7. Given the limited time available for the development of the Consultation Paper, it is essential that the TAG focuses its time on the issues that have the potential to add most value to the Guidance.
- 3.2 Having a prioritised list of issues that have been considered by the TAG and the PAG will therefore be critical. The criteria, proposed within TAGCP01-7 for consideration by the TAG, will therefore be important for the PAG to consider too. The intention is that topics included in the Consultation Paper will be focused on the issues that are most prevalent, urgent, have the highest consequences if not addressed and those that are feasible to implement. Prevalence will address the idea that the Guidance will cover issues that are common across the sector. These issues will form the TAG Work Plan.
- 3.3 However, it is not likely to cover all of the potential issues identified by stakeholders. The Consultation Paper will therefore need to provide an opportunity for the NPO community to raise other issues that it considers important and urgent, in order to ensure that stakeholders have confidence that they have a voice and can input to the process. This does though come with the risk that expectations are raised that all issues will be addressed.



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The Consultation Paper will therefore need to make clear the criteria for inclusion within the Guidance.

- 3.4 When considering the responses to the Consultation Paper, the TAG and the PAG will need to consider any additional issues raised, how these meet the criteria for inclusion in the project and whether these should be considered in the development of the Exposure Draft.

Question 3: Does the TAG agree that the Consultation Paper should only specifically address the items within the TAG approved work plan, while allowing respondents the opportunity to raise other issues for consideration?

- 3.5 As previously discussed, there is a wide range of stakeholders and bodies that comprise the NPO sector. Whilst the TAG may reach a consensus view on an individual issue, there may be a wide range of views on the issues represented across the NPO community. There is a choice as to whether the Consultation Paper includes the TAG's consensus view as a 'Preliminary View', or whether the thinking of the TAG in terms of the pros and cons of issues and the weight it puts to each of these is shared in the Consultation Paper, or whether the TAG is silent on its view.
- 3.6 There will be an opportunity for the TAG to suggest specific matters for comment in the Consultation Paper, where the TAG would like the benefit of feedback on particular aspects of the issue or the proposed options. This will exist whether or not the Consultation Paper includes Preliminary Views.

Question 4: Does the TAG have a view on whether Preliminary Views are expressed in the Consultation Paper? If not, should the Consultation Paper share the TAG's thinking regarding any issues presented?

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