



Technical Advisory Group

AGENDA ITEM: TAGCP 08-03

May 5, 2020 - online

Feedback on CP Part 1

Summary	The paper provides an overview of the high level comments and suggestions received on CP Part 1 from TAG members. It also provides TAG members with initial thoughts on how these could be addressed and, in time, how all of the detailed individual comments received will be considered.
Purpose/Objective of the paper	To provide members with an overview of the comments and suggestions provided by all TAG members and how these will be used to improve the CP.
Prepared by	Philip Trotter

Actions for this meeting	Note the comments and suggestions received; and Comment on the proposals to address the comments in the next draft of the CP.
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Feedback on CP Part 1

1. **Background**

- 1.1 The first draft of CP Part 1 was provided to TAG members on 24 March 2020, with a request for comments by 17 April 2020. As of the date of this paper we have received 10 responses for which we are very grateful as they will be crucial in the iterative development of a high quality CP.
- 1.2 The responses provided have included high level comments and suggestions on the approach and structure of CP Part 1 and its individual Sections. They have also included more detailed comments on individual paragraphs, figures, and tables within each Section.
- 1.3 We have focussed our initial analysis on the high level comments and suggestions received. This has enabled us to develop the overview provided in this paper and focus initial efforts on the high level approach and structural issues raised. This approach has been adopted with a view to gaining further feedback through discussion in the next scheduled TAG meetings in May and June 2020.
- 1.4 All high level and detailed comments and suggestions have been captured with a response to be provided to TAG members in due course.

2. **Overview of high level comments and suggestions received**

- 2.1 The table below groups comments together if they were the same or similar in focus to create consolidated points.
- 2.2 We have outlined against each point a proposed way forward. We anticipate that the TAG will have a discussion on each of these, to ensure that issues have been correctly captured, to get input from other TAG members and to agree a way forward. This will then feed in the next iteration of the CP Part 1 draft.
- 2.3 It is not expected that we will be able to cover all of the comments in this meeting. It is proposed to work through the table below, with items not addressed at this meeting to be considered at subsequent TAG meetings until all Sections of the CP have been covered.



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- 2.4 To aid the discussion, we propose to deal with some of the points together by including them under one topic, because they either overlap or reflect differing perspectives on related issues. Some of these topics are more general or editorial issues with the CP, whereas others have a more technical focus.
- 2.5 In discussing and reflecting on these points the TAG may also need to consider whether the General Matters for Comment (GMCs) will provide the detail that the TAG might need as it moves into the next phase.
- 2.6 It is proposed to work through the feedback as follows:

	Topic	Feedback Points
	General/editorial issues	
1	Role and content of the preface, including the objectives of the CP	ii), v), xix)
2	Target audience of the Guidance	vi),
3	Engagement with the document	i), iii), xxi)
4	Use of graphics	iv)
5	Combining the Sections on accountability with users	x)
6	Positioning of GFGP/MWIC	xiii)
	Technical focussed issues	
7	Accountability, decision making and public accountability	viii), ix), xii)
8	Positioning and explanation of GPFRs	vii), xi)
9	National GAAP	xvi), xvii)
10	Disclosure	xviii)
11	Narrative reporting	xiv), xxii)
12	List of sector specific issues	xv)
13	Proposal for a hybrid solution	xx)
14	General matters for comment	

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Overview of high level comments with respect to the general document and individual Sections and proposed way forward

Section	Comments	Proposed way forward
General comments	<ul style="list-style-type: none"> (i) The necessary information is covered but it is difficult to read/follow and the document needs to be written in plain English. The document is lengthy. (ii) Some of the content should be included in the Preface to the Consultation Paper rather than Part 1. Need to set out the problem being addressed earlier in the CP. (iii) Needs a contents page. (iv) There needs to be a more effective use of graphics. 	<ul style="list-style-type: none"> (i) As a result of feedback provided, we expect significant improvements in flow, readability, and reduction in technical language where appropriate in draft two of CP Part 1. The final document will be shared with publication specialists. (ii) A draft of the Preface is being provided for TAG members. (iii) A draft contents page is being provide alongside the Preface for TAG members. (iv) Request further feedback on which graphics are effective, require improvement or may be redundant. The next draft will include updated graphics to reflect agreed concepts Final graphics will have support from communications specialists.
Section 1 – What are Non Profit Organisations?	<ul style="list-style-type: none"> (v) There should be a separate Section on the need for the project before we get into the detail of this section. (vi) There needs to be a better explanation of which NPOs are most in need of the Guidance and why – this would include a justification for the focus on small and medium entities utilising accruals rather than receipts and payments, whether public sector entities are in or out, whether micro and large entities are expected to use the Guidance. (vii) It would be useful to include an initial discussion on GPFRs in this Section. 	<ul style="list-style-type: none"> (v) Include the objectives of the project and the problem it is trying to solve in the Preface. (vi) Describe who we think will most benefit from the guidance, perhaps by extending the characteristics type approach. Make clear that in adopting the guidance, jurisdictions have the opportunity to define their own thresholds for the application of the guidance. (vii) It is proposed that Section 2 will provide a discussion of GPFRs and specific financial reports, with additional content included in Part 2 of the CP where needed.



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Section	Comments	Proposed way forward
Section 2 – Who are Non Profit Organisations accountable to and what are they accountable for?	<p>(viii) Why is the focus so much on accountability and not decision-making?</p> <p>(ix) The inclusion of the concept of public accountability is confusing, especially as the document is using a different definition to the IASB.</p>	<p>(viii) We propose to increase the emphasis on decision-making.</p> <p>(ix) We propose to continue to explore the broader concept of accountability for the NPO sector and will remove public accountability terminology to avoid confusion.</p>
Section 3 – What are the problems with current accountability arrangements for Non Profit Organisations?	<p>(x) Why include this as a separate Section as there is a large amount of duplication with the contents of Section 2.</p> <p>(xi) Would be useful here to discuss the concept and distinction between the objectives of general-purpose financial reports/individual entity reports and special-purpose financial reports/specific funded project reports.</p> <p>(xii) Are we consistently describing resource providers across Sections 2 and 3.</p>	<p>(x) We propose to merge Sections 2 and 3 to remove duplication.</p> <p>(xi) Agreed, we propose to include additional text on the different objectives of annual reports and specific reports and also reduce the technical nature of the text in the main body.</p> <p>(xii) Make clear that there are users such as creditors, banks, tax authorities.</p>
Section 4 – How do we strengthen NPO financial management and accountability?	<p>(xiii) This Section distracts from the overall purpose of the CP. If there is going to be discussion of other financial management projects then include as an Annex or in Preface and significantly reduce the amount of content.</p> <p>(xiv) Reference to narrative reporting doesn't address the potential needs of the sector, or consider service performance reporting.</p>	<p>(xiii) We propose to remove the text on the two projects from the main body and include these as supporting materials. We propose to retain some text that links this project to other financial management improvement projects and the requirement to take these into consideration.</p> <p>(xiv) We propose to expand the content on narrative reporting and better link the content to the remainder of the document. We envisage this will be included in Section 2 alongside discussion of GPFRs.</p>
Section 5 – how can international financial reporting regimes assist NPOs?	<p>(xv) Should the specific issues be included in this Section? Should there be such concrete assessments at this stage of the project? Should they be included in the CP.?</p> <p>(xvi) Why isn't there a greater examination of national level solutions?</p>	<p>(xv) We propose to remove some of the detail on assessment but consider it appropriate to make assessments at this stage given the overall approach. We propose to better link the text to Part 2 of the CP.</p>



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Section	Comments	Proposed way forward
	<p>(xvii) It doesn't make clear that a lot of small and medium sized entities follow national GAAP rather than IFRS for SMEs</p> <p>(xviii) Reduced disclosure from IFRS for SMEs may not be consistent with the transparency we are seeking in relation to NPOs</p> <p>(xix) Why build on an existing framework rather than developing something from scratch?</p>	<p>(xvi) We propose to include a supplementary document with more content on national level solutions to highlight the approach individual jurisdictions have taken and to summarise this in the main CP.</p> <p>(xvii) We propose to reflect this more clearly including in the analysis of the frameworks.</p> <p>(xviii) We propose to make clear that disclosures proposed for NPOs need to align with accountability requirements, which may be different to what is needed under IFRS for SMEs</p> <p>(xix) We propose to explain this more clearly in the document as a whole and in this specific Section.</p>
Section 6 – Proposed way forward	<p>(xx) Why is a solution being proposed at this stage?</p> <p>(xxi) This is too technical and will not be understandable to audience of this part of CP.</p> <p>(xxii) There needs to be a broader discussion on narrative reporting either in this Section or elsewhere in the document.</p>	<p>(xx) Propose to make clear that this is a straw man to generate comment and support the overall approach of the CP.</p> <p>(xxi) Will look at technical language as part of broader review on making the text more understandable.</p> <p>(xxii) It is proposed that the narrative reporting content will be expanded in Section 2 alongside discussion of GPFRs.</p>