

Technical Advisory Group Issue Paper

AGENDA ITEM: TAGED04-01
1 December 2021 – Online

Messaging about the Guidance users, form and development process

Summary	The paper sets out the communications plan and messaging with respect to the targeting, format & development of the Guidance.
Purpose/Objective of the paper	This paper proposes an approach to clarify our messaging about the types of NPOs the Guidance is intended to be of most use and relevance for, tiered reporting, the meaning of 'stand-alone guidance', the name and branding of the Guidance and messaging about the Exposure Draft phase.
Other supporting items	N/A
Prepared by	Sam Musoke
Actions for this meeting	<u>Comment</u> on the messaging content and approach.

Technical Advisory Group

Messaging about the Guidance users and form

1. Background

- 1.1 In the TAG meeting in October 2021, members expressed concern that the entities expected to use the Guidance does not come across clearly in the proposals and would benefit from a better match of size of entity with the relevant set of international standards. In light of this, the secretariat was requested to develop messaging to explain the 'middle ground' target audience for the Guidance and how this will work for entities of different size.
- 1.2 The TAG agreed in their meeting in October 2021 that, in choosing the IFRS for SMEs Standard as the base for the Guidance being produced by the IFR4NPO Project (in this first phase to 2025), it would not be appropriate to introduce reporting tiers within this, as this may undermine the message about simplified guidance. The secretariat was requested to clarify the messaging around the concept of tiered reporting.
- 1.3 In the TAG meeting on October 2021, the secretariat was requested to explain what is meant by 'stand-alone guidance'.
- 1.4 The name of the Guidance has been finalised and the messaging approach to this will also be addressed in this paper.
- 1.5 As discussed in the TAG meeting in September 2021, the Exposure Draft will be issued in three parts. This paper introduces the messaging around the Exposure Draft consultation process.

2. Upcoming communications opportunities

- 2.1 A summary of consultation responses will be published in January. This is expected to be a short and engaging online resource rather than a document.
- 2.2 A newsletter will be issued in mid-January 2022
- 2.3 An online event on 2 February 2022 will present the consultation responses and key decisions taken as a result, and pivot towards the Exposure Draft, including the first introduction of the new Guidance name and brand.

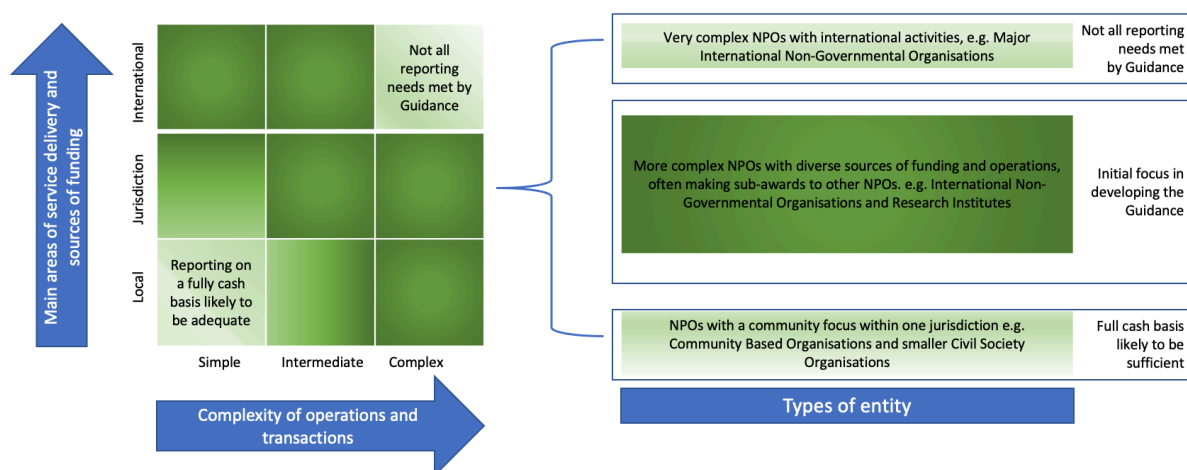
- 2.4 An animation video is being prepared to be released in mid to late February 2022, that will introduce the name of the Guidance, who it will be for and what it will look like.
- 2.5 Emails and social media posts will complement the above core messaging opportunities.

3. Intended users and tiering

- 3.1 The messaging about intended users has been previously been provided. This includes sections of the Consultation Paper (CP) and the FAQ section of the website. CP Part 1, paragraph 5.17 and Figure 5.3 are reproduced below for ease of reference.

The Guidance is intended for use by all NPOs irrespective of type or size. Those NPOs with complex operations and transactions and/or that have jurisdictional or international level service delivery and funding characteristics could, however, benefit most from the Guidance through the increasing quality, consistency, transparency, comparability and reliability of financial reporting. It is therefore proposed to focus the development of the Guidance initially on the needs of those NPOs that have complex operations and transactions and/or with reporting burdens driven by their funding and service delivery characteristics.'

Figure 5.3: NPOs that are intended to be the initial focus of the Guidance



- 3.2 The diagram above implies **three broad groups or tiers of NPOs**, with the project’s initial focus to solve the needs of the middle, or ‘Tier 2’.
- 3.3 The FAQ on the website states: **Which sizes and types of organisations will the Guidance apply to?** This question is subject to the feedback from the consultation paper. The current presumption is that the guidance would be applicable to a wide range of not-for-profit activities and organisations, and will

benefit small and medium as well as larger entities. It is not intended for micro sized entities.

- 3.4 In our earlier attempts to articulate which factors would cause an NPO to fall within different tiers, language has focussed around four areas.
- 1) Size
 - 2) Complexity of operations and transactions
 - 3) Geographical areas of operation (local / national / international)
 - 4) Areas of sources of funding (local / national / international)
- 3.5 These explanations have not been clear to all consultation respondents and there remains confusion about who the Guidance is aimed at. As a consequence, the project team are now looking at explaining where the Guidance fits in terms of accountability.
- 3.6 The consultation paper proposed that the core purpose of general-purpose financial reports in the non-profit context is for accountability and decision making. In light of that, the type of **accountability arrangements could form the primary distinguishing factor between NPOs that would fall into the 3 reporting tiers**. Accountability has the advantage that it is geographically universal, where other dimensions around size may be less so.
- While all NPOs are accountable, those in Tier 1 would have **the broadest accountability requirements**, analogous to publicly listed for-profit companies. This would be relevant for example in light of proposals for a non-profit exchange in India, whereby members of the public might assume a level of confidence when providing finance to such listed entities. Tier 1 entities might also have publicly listed debt or hold certain types of funds in a fiduciary capacity. The Guidance may be relevant and useful for such entities, especially those that lack applicable national level standards, but it is not being developed with all of their needs in mind.
 - Tier 2 organisations have intermediate accountability requirements, where proportionate use of accrual-basis reporting is necessary to meet users' needs. The Guidance is being developed with the reporting needs of these NPOs in mind.
 - Tier 3 organisations are very small organisations with the **narrowest accountability requirements**, where **cash basis reporting** is likely to be appropriate to meet the needs of stakeholders. Accountability is to a small number of local stakeholders.

3.7 If 'accountability requirements' are established as the primary universal factor, then use of **secondary indicators** and examples may be appropriate to support application and decision making by jurisdictions in considering which entities could make use of the Guidance. Secondary factors might include the **levels of resources**, the **complexity of their operations and transactions**, and having **activities and funding sources** that span a range of areas from local to global..

3.8 The table below summarises the three Tiers:

Tier	Accountability requirements	Secondary indicators	Financial reporting
1	Broadest accountability requirements	Very large Highly complex operations or transactions Global / international activity and/or funding Public listing Holds funds in fiduciary capacity	National or international accrual based guidance, but could draw on INPAG where appropriate. Could be developed in a later stage of the project to a full suite of standards
2	Intermediate accountability requirements in terms of scope and scale	Large, medium or small Intermediate complexity National / international activity and/or funding	The Guidance being developed by the IFR4NPO Project is has this group in mind
3	Narrowest accountability requirements	Very small / micro Simple operations and transactions Local / national activity and/or funding	Cash basis reporting is likely to be appropriate. Could be developed as a part of the project in a later stage, as a separate set of guidance

Question 1: What are the TAG's views with respect to using the extent of accountability requirements as the primary factor in distinguishing between NPOs in different tiers?

Question 2: What are the TAG's views with respect of using size, complexity and areas of activity or funding as secondary indicators?

4. Messaging about tiered reporting

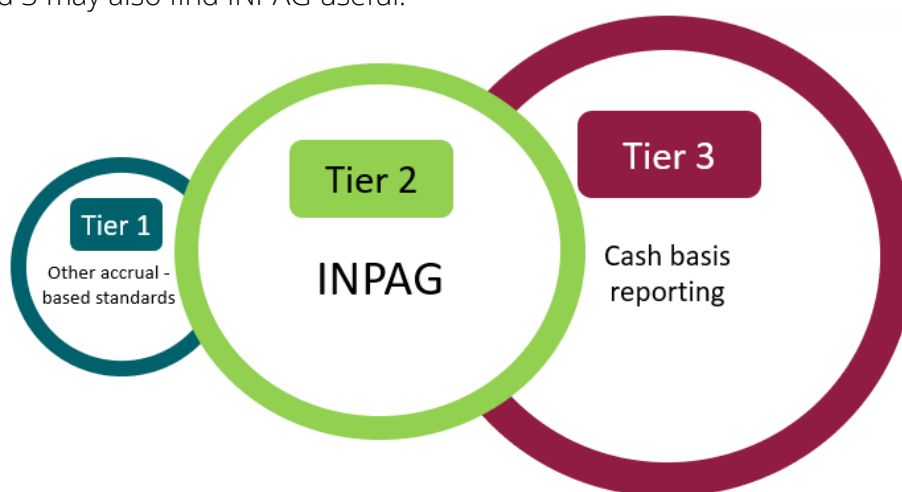
4.1 With respect to tiered reporting, the following key messages are proposed.

- The Guidance is intended to be useful for all NPOs
- NPOs differ in type, activity, geographical coverage, size and complexity. The accountability and financial reporting needs will therefore vary.
- While developing the Guidance, it is necessary to have a 'target group' in mind.
- If NPOs globally were divided into three loosely defined tiers, this Guidance is being developed to address the needs of the middle tier.
- Each individual jurisdiction has the authority to decide which NPOs will be required or allowed to apply the Guidance in their jurisdiction

4.2 The draft animated video script includes the following text

Which types of NPOs are we designing INPAG for? One of the strengths of the sector is its diversity! So, imagine if NPOs were divided into 3 broad groups. Tier 3 are very small NPOs, with fewer accountability requirements where simpler, cash basis reporting is most appropriate. Tier 2 are NPOs that have broader accountability requirements and need to understand their assets and liabilities. INPAG is designed with their accounting and reporting needs in mind. Tier 1 NPOs have the most extensive accountability to stakeholders, possibly involving public listing, where international or national accrual-based standards could be needed. It is up to each jurisdiction to consider application of the tiers to NPOs in their own country. They may wish to adopt, adapt or align, so that over time, INPAG will become a standard for the sector.

- 4.3 Visual representation.** It is proposed to use a graphic similar to the one below to represent the 3 tiers in the video. The intention is to convey that a larger number of entities are likely to fall in Tier 3, and a smaller number in Tier 1. The overlapping nature of the circles is intended to imply that organisations in Tiers 1 and 3 may also find INPAG useful.



Question 4: Do TAG members have any comments about any terms, phrases or graphics proposed for the video?

5. Nature and name of the Guidance

5.1 References have been made to the nature of the guidance in the Consultation Paper (CP), the CP launch video, and the website FAQs as follows:

- CP Part 1 Para 4.8: 'The time, financial and human resources that would be needed to develop a separate full suite of international standards for NPOs is not currently available to the IFR4NPO project.'
- CP Part 1 Para 4.9: 'The Guidance will need to provide a coherent suite of financial reporting standards for NPOs.'
- Launch video quote from Afghanistan Country Champion ' This project will serve as a one-stop-shop booklet providing all the Guidance that are needed'.
- FAQ: Will the guidance address gaps in existing international standards in respect of sector-specific issues or be comprehensive and stand alone? A: This is a question that will be addressed in the consultation paper. There are advantages and disadvantages of each approach. Respondents to the consultation paper will be able to share their views.

5.2 The following phrases are discussed, with proposals on whether and how they could be used.

- **Stand-alone.** Users will be able to find what they need in one place, as opposed to a companion guide which requires reference to two documents. We propose to use this phrase in connection with INPAG.
- **Coherent.** The context for use of this word is that the Guidance needs to cover all the main economic events and transactions for which an NPO would need to account, not just those where NPO specific solutions are necessary. We therefore propose to use this phrase in connection with INPAG.
- **Set or suite of standards.** The IFRS for SME is a single Standard, while IFRS and IPSAS are both described as comprehensive suites of Standards. It is proposed to use the word standard, with a small 's' with care, being sure to distinguish from Standards issued by international bodies authorised to do so. It is proposed to use the word 'set' but not 'suite'.
- **Booklet.** Since this word could imply something very short, such as a brochure or pamphlet, and the IFRS for SME standard is about 250 pages, we propose not to use this term.

Question 5: What are the TAG's views on the proposed intended meaning and usage of the phrases: stand alone, coherent, and set of standards.

6 Messaging about the nature and name of the Guidance

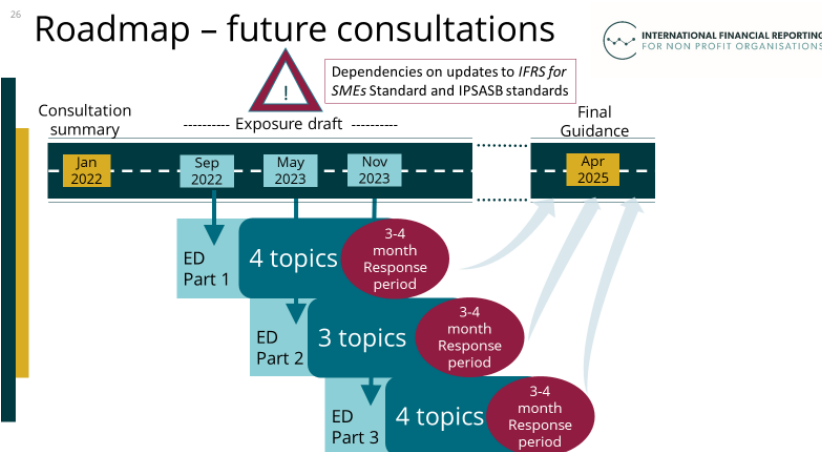
- 6.1 We also need to address the naming of the Guidance itself. It is important that the name of the Guidance does not create any confusion with the *IFRS for SMEs* Standard itself. As a consequence, anything with the use of 'IFRS' in it, might be problematic. We are therefore planning to call the Guidance 'International Non-financial Accounting Guidance' (INPAG). This has many benefits, not least of which it is easier to say.
- 6.2 There has been no public mention of the name of the Guidance to date. The exposure draft will be issued as International Non-Profit Accounting Guidance (INPAG). It will be important for stakeholders to recognise that INPAG is the fruit of the IFR4NPO project. The Project will continue to exist as a vehicle for finalising the Guidance and supporting INPAG adoption.
- 6.3 **Timing.** It is proposed to launch the name and brand of the Guidance alongside the event on 2 February 2022 where the response to the Consultation paper will be presented. This will keep a good sense of momentum, forward motion and continuity. With immediate effect, any existing reference on the website or presentations that refers to 'the IFR4NPO Guidance' can be changed to 'The Guidance being developed by the IFR4NPO Project'.
- 6.4 **Branding.** It is proposed to develop a new logo for INPAG maintaining the circular image from the IFR4NPO logo, but with a new colour and the letters 'INPAG'. In this way the INPAG brand will be discrete from, but clearly connected to the IFR4NPO Project. Graphic designers are being consulted to draw up options.
- 6.5 **Language and imagery.** It is proposed to use the following phrases and images:
- The IFR4NPO Project is developing the INPAG Guidance
 - INPAG will be in the form of a stand-alone document
 - INPAG will address both general and prioritized sector-specific accounting and reporting issues.
 - The sections within INPAG will form a coherent set of standards.
 - Imagery: a tree (IFR4NPO project) bearing a fruit (INPAG), which is helpful because the tree continues to exist after the fruit has been born.
- 6.6 **The draft animated video script includes the following text**
- What will the Guidance be called? We are excited to announce that the Guidance will be called INPAG –International Non-Profit Accounting Guidance. Using IFRS for SME as a starting point, sections will be edited, replaced, added or removed to address non-profit issues as prioritized. INPAG will be stand-alone Guidance, so that preparers and auditors can find what they need in one place.*

Question 6: With respect to the messaging around INPAG, what are the TAG's views on the content, branding, approach and timing?

Question 7: Are there any terms or phrases in the draft video script about the name and nature of the Guidance that TAG members have concerns about?

7 Messaging about the exposure draft phase

- 7.1 In the paper TAGED02-03 discussed on 8 September 2021, it was proposed to issue the Exposure Draft in 3 parts.
- 7.2 It is proposed to use imagery similar to the graphic below in the video, accompanied by the text 'We will be releasing the Exposure Draft of INPAG in three parts to get your feedback.'



Question 8: Do TAG members have any concerns about the graphical representation of the Exposure Draft as shown?

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