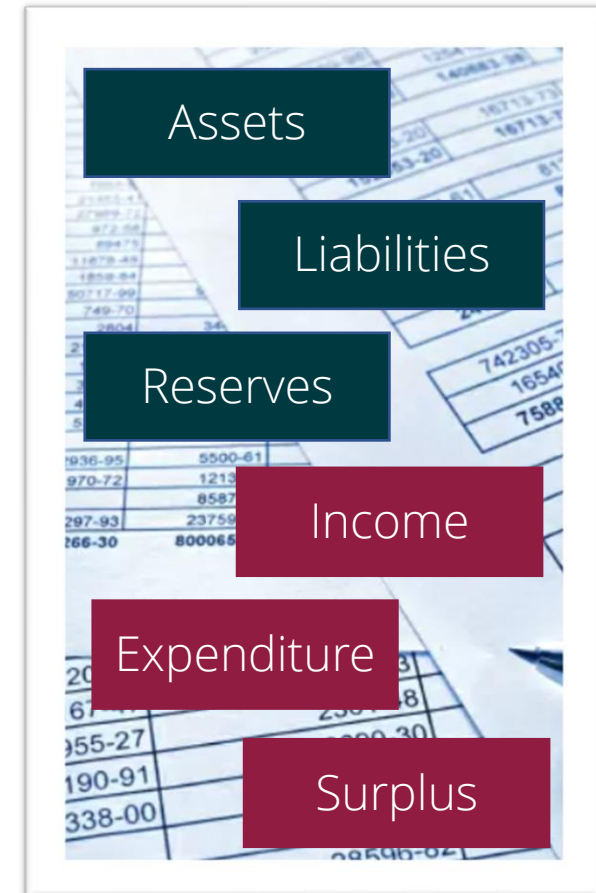




# Focus Group – Narrative Reporting

Developing international financial reporting guidance for non-profit organizations



[www.ifr4npo.org](http://www.ifr4npo.org)

# Welcome and aims

- This focus group seeks specific input in developing the narrative reporting guidance.
- Explore issues related to the advantages and disadvantages of a proposed approach to narrative reporting that has been developed on the basis of the consultation responses.
- Particularly interested in whether the proposals meet user needs, the implications for preparers, and any additional specific reporting requirements.



# Agenda

Topic	Time
Welcome and agenda	00.00 – 00.05
Consultation Paper proposals and responses	00.05 – 00.20
Proposed way ahead	00.20 – 00.45
Specific requirements?	00.45 – 00.55
<b>Next steps</b>	00.55 – 01.00



# Narrative reporting – Part 1

## Consultation paper approach

- Inclusion of non-financial reporting information
- Core premise in the development of guidance
- Meet stakeholder and user needs

## Narrative reporting necessary

- Context to financial information
- Information about projects, programmes and wider activities
- Meet broader stakeholder information needs



We asked...what, if any, do you see as the main challenges with Guidance that includes non-financial information reporting?

# Narrative reporting – Part 1



You said...that it was important to include non-financial information reporting within the Guidance but there were challenges including:

- **Scope** given the need to ensure comparability and consistency while being relevant and applicable to a diverse range of NPOs and finding the right **balance** between being flexible and prescriptive.
- **Timing** given the different international initiatives ongoing in this area.
- **Reliability and integrity of data** including issues connected to audit and assurance and fair and balanced reporting.
- **Integration** with existing reporting to donors and other stakeholders.
- **Capacity** of NPOs, recognising the **costs**, skills and expertise needed.



# Views on CP responses?

- Poll - which of these issues is most significant to you?
  - ✓ Open a new tab on your browser or on your smart phone
  - ✓ Go to menti.com
  - ✓ Enter the number 9027 6482
- Rank these issues in order of importance
  1. **Scope and balance** of reporting
  2. **Timing** of introduction given international initiatives
  3. **Reliability and integrity** of data
  4. **Integration** with existing reporting
  5. **Capacity and cost** to undertake this reporting
- Any other observations or comments on the responses to the Consultation Paper?

# Narrative reporting – Part 2



Part 2 described the NPO specific issue related to narrative reporting. It highlighted that:

- Financial statements do not tell the whole story.
- Narrative information is important for NPOs to demonstrate accountability and stewardship.
- Non-financial information can capture the most important aspects of performance.
- Disclosure requirements currently vary across jurisdictions.

1

'Do nothing' - Leave organisations/ jurisdictions to follow existing guidance on narrative reporting by NPOs.

2

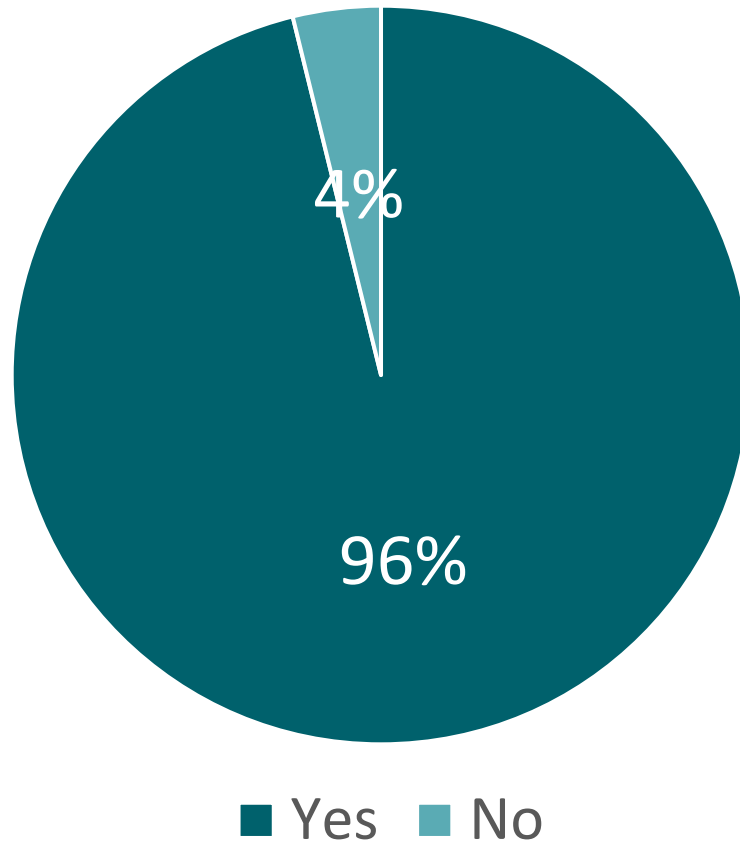
Apply existing international guidance on narrative reporting, tailored as appropriate for reporting in the NPO context.

3

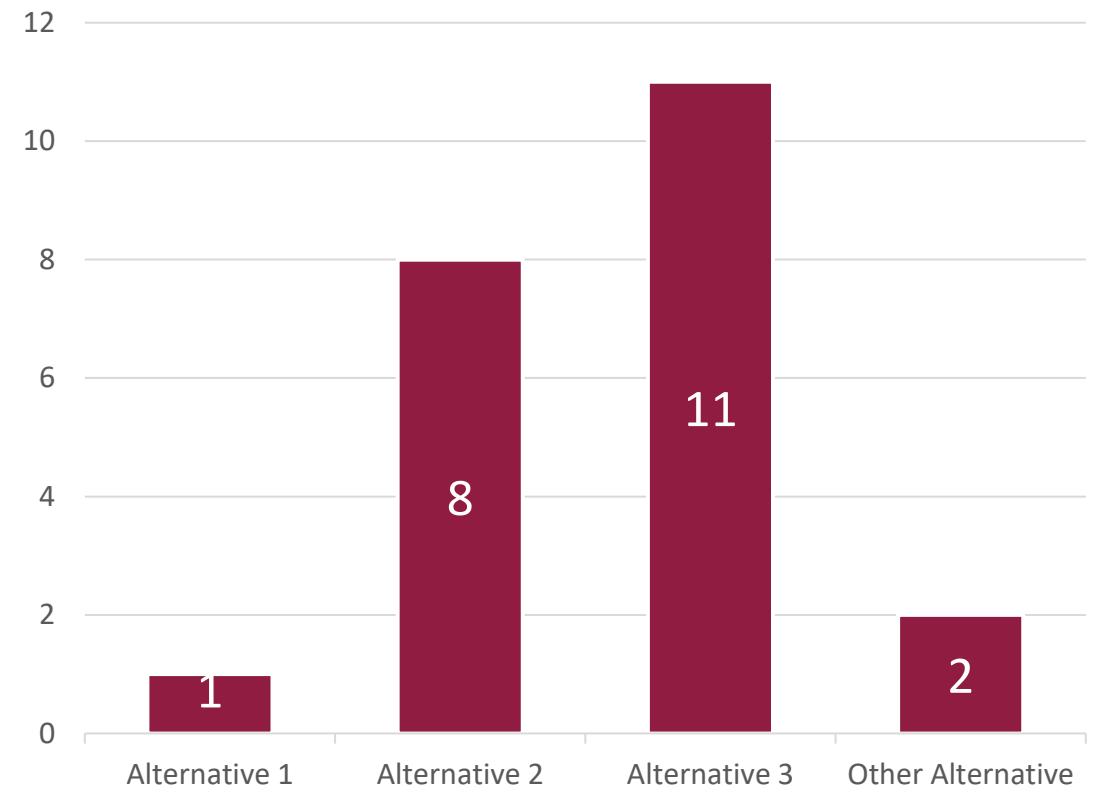
Apply integrated reporting, following the IIRC Framework, tailored as appropriate for reporting in the NPO context.

# Narrative Reporting – Part 2

Do you agree with the description?

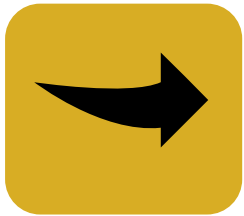


Please identify the alternative treatment that you favour for issue 10





# Proposal needs to reflect



- Proportionality given diversity of the sector and the capacity and capability of NPOs;
- needs of users of NPO GPFs; and
- high-level principles rather than a detailed prescriptive framework.



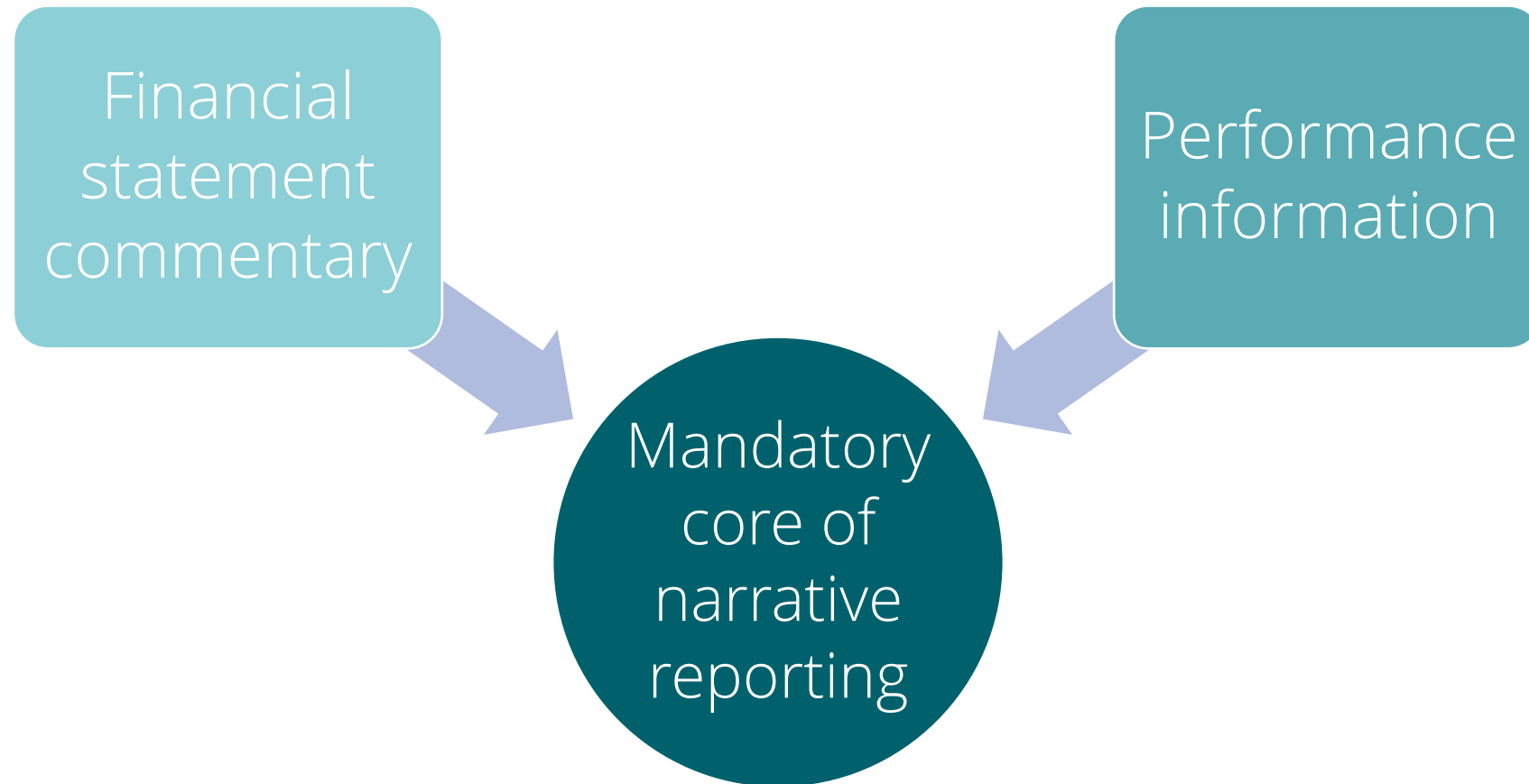
# Big picture

A framework and principles solution based on existing IASB and IPSASB guidance

Relatively simple basic core of mandatory requirements

Adaptable, so that NPOs can go beyond this basic core if they wish

# Proposal – two main areas



# Proposal – financial statements analysis

Overview of activities and operating environment

Financial objectives and strategies

**Commentary on  
Financial  
Statements**

Analysis of the financial statements including significant measures, changes and trends

Principal risks and uncertainties affecting financial statements, and mitigation strategies



# Proposal – Performance

Performance objectives

Performance indicators

Achievement of performance objectives

# Your thoughts?

- How would this approach address any concerns raised about narrative reporting?
- What do you see as the advantages of this approach?
- Are there any disadvantages with this approach?

# Specific requirements?



We asked...what additional guidance on what specific reporting requirements or recommendations would be beneficial?

Although most respondents supported a frameworks and principles solution, there was support for specific requirements. This included areas that NPOs could report on as part of the proposed solution such as:

- How the NPO is structured, managed and governed
- Its purpose, mission, vision, values and objectives.
- Information about any major programs or other initiatives

In addition there were questions as to whether sustainability reporting would be included.

# Specific requirements?

- Are there any specific requirements that you would like to see apply to all NPOs?



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