



Practitioners Advisory Group

Issue Paper

AGENDA ITEM: PAGFG06-03

6 February 2025 – Online

Section 35 Narrative reporting – sensitive information

Summary	<p>This paper:</p> <ul style="list-style-type: none">• provides PAG with an update on developments on the approach to the non-disclosure of sensitive information in the narrative report• seeks PAG’s views on the Secretariat’s proposed approaches to developing new Implementation Guidance which seek to address the concerns raised on the reporting of sensitive information in the narrative report (and as it might relate to grant expenses).
Purpose/Objective of the paper	<p>The purpose of this paper is to seek PAG’s views on the approach to the final guidance in Section 35 <i>Narrative reporting</i> for the non-disclosure of information which is sensitive.</p>
Other supporting items	<p>PAGFG01-02, PAGFG03-03</p>
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Actions for this meeting	<p>Comment on the guidance on the non-disclosure of narrative information in the INPAG Implementation Guidance and the removal of the sensitive information exception from the authoritative guidance.</p>

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Section 35 Narrative reporting – sensitive information

1. Introduction

- 1.1 This paper:
- provides PAG with an update on developments on the approach to the non-disclosure of information which is sensitive, or which may prejudice the ability of the NPO to deliver its mission, in the narrative report
 - seeks PAG's views on the Secretariat's proposed approaches to developing new Implementation Guidance to address the concerns raised by some PAG members and respondents to Exposure Draft (ED1) and in focus group commentary on the reporting of sensitive information in the narrative report (similar issues arise for grant expenses).

2. Background and development of guidance to date

- 2.1 PAG members will be aware that following the feedback on ED1 it received reports in May and June 2024 which featured the exception for the reporting of sensitive information in the narrative report in Section 35 *Narrative reporting*.
- 2.2 The ED1 for Section 35 and its Invitation to Comment acknowledged that in rare cases mandatory narrative reporting disclosures could lead to a risk of harm to NPO staff/volunteers, the public and service recipients. The ED1 and subsequent drafts of the authoritative guidance for Section 35 permits non-disclosure of aspects of the mandatory requirements, where an NPO engages in such sensitive activities. This is also supported by Implementation Guidance.
- 2.3 PAG members will be aware that in the responses to ED1 and discussions at the focus group there was a wide range of views. These views ranged from the need for effective reporting of the topics required by Section 35 for the users of NPO general purpose financial reports, to the risk that meeting those requirements might be sensitive or prejudice the ability of the NPO to deliver its mission.
- 2.4 Similar issues relating to the reporting of sensitive information apply to Section 24 Part I *Grant expenses* where an exception for reporting sensitive information was included in Exposure Draft 2.
- 2.5 Both PAG and TAG members recognised the difficulties regarding the non-disclosure of sensitive information in the narrative report. TAG members' views

were that more guidance could be provided to support the preparers of NPO general purpose financial reports.

- 2.6 This guidance was distilled from two sources; the Australian Charities and Not-for-Profits Commission Commissioner's Interpretation Statement: Commercially Sensitive Information (ACNC Commissioner's Statement) and the IFRS Foundation Advisory Council Agenda Paper on the Disclosure of Sensitive Information (IFRS Foundation Agenda Paper), March 2019. Both the sets of guidance used were not directly applicable to the consideration of sensitive information for NPOs as both related to commercially sensitive information.
- 2.7 Interestingly, since these discussions, in the IASB's recent deliberations (9 December 2024) on targeted refinements to the proposals in the Exposure Draft (ED) Management Commentary, they discussed why an exception for commercially sensitive information is unnecessary in the context of the requirements in the revised Practice Statement. Staff papers argued that there was not a need to include an exception because the ED requires high-level, aggregate information and therefore does not require granular information.
- 2.8 PAG considered the additional guidance in what was intended to be the draft final guidance on sensitive information at its June 2024 meeting. This resulted in a number of supportive comments about the additional guidance. However, one member was strongly of the view that there should be no disclosure if the exception is being used.
- 2.9 Similar comments were made by some members of the focus group for narrative reporting that met around a similar time to consider the Secretariat's proposals following the feedback on ED1. Feedback from this focus group indicated that there might be difficulties with a prescriptive approach, including that it would be difficult for a standard to resolve the issues.
- 2.10 This additional guidance was provided to the TAG at its July meeting. TAG members were supportive overall, but advice included that the amount of additional guidance on sensitive information risks it becoming rules based.
- 2.11 The Secretariat agreed to explore the development of a case study to illustrate the application of the guidance in a real world situation. This would be developed with the support of NPOs. Unfortunately, this has proved to be problematic due to the availability of relevant personnel and concerns about how information could be shared with the Secretariat so that it wouldn't create unintended consequences. Consequently, the Secretariat has been unable to produce case

study information. It will now not be possible to develop case studies ahead of the publication of the first edition of INPAG.

- 2.12 The Secretariat is concerned that both the dichotomy and strength of individual views has meant that the guidance developed to meet the concerns of respondents might not meet its original intention. More prescriptive guidance may be more problematic for NPOs that have sensitive information, than seeking to meet information requirements based on principles.
- 2.13 It is also difficult to address the valid concerns about disclosing information which might place service users, the NPO, its volunteers and staff at risk of some form of harm and also the possibility of presenting an incomplete narrative report (or information on grant expenses) through inappropriate non-disclosure. These difficulties also risk reducing transparency and accountability for the primary users of general-purpose financial reports.

3. Proposed new approach

- 3.1 Taking account of the challenges outlined in Section 2 of this paper, the Secretariat are now proposing to remove the exception on sensitive information in the Section 35 authoritative guidance. Instead, the reporting of sensitive information will be addressed in the Implementation Guidance for the section.
- 3.2 This approach provides flexibility for NPOs to take their own decisions on reporting in accordance with their circumstances, the risks they face and transparency and accountability for the users of NPO general-purpose financial reports. This approach avoids being overly prescriptive and no longer requires an NPO to identify that it has used an exception in preparing its information. This approach will be explained in the Basis for Conclusions.
- 3.3 Paragraph G35.7 is proposed to be removed from the authoritative text (see Appendix A). The original Implementation Guidance has also been removed and replaced.
- 3.4 An early draft of the new Implementation Guidance is presented in Appendix A. This adapts the original draft final text in Section 35 and some of the text of previous drafts of the Implementation Guidance (see new draft final guidance paragraph IG35.8). However, following advice from TAG members, this has been reduced in volume to ensure that the guidance is accessible and concise. It also addresses some of the issues raised by the respondents to ED1 relating to what sensitive information might be and the circumstances in which it might be used.

- 3.5 The proposed new Implementation Guidance:
- sets out that information should be excluded where there is risk to safety or wellbeing of the NPO, its staff and volunteers;
 - indicates where sensitive information is excluded, that NPOs will remain in compliance with INPAG and that the NPO should consider reporting on certain information that has been excluded;
 - provides examples of circumstances where information might be sensitive; and
 - clarifies that the guidance on information which might be excluded is not to be used as a way of hiding poor performance or financial problems that may have arisen with aspects of its operations.
- 3.6 One of the discussion points on sensitive information has been whether any form of reporting should be included when information is not disclosed because the exception has been used. One respondent commented that where an NPO reports that it has used the exception that “This disclosure is little better than reporting sensitive activities.” The Secretariat recognises this risk and would like to explore with PAG members whether the Implementation Guidance should address this issue from a transparency and accountability perspective.

Question 1: What are PAG members’ views on the approach being taken by the Secretariat? What risks do PAG members see?

Question 2: What advice do PAG members have on the draft Implementation Guidance?

Question 3: What are PAG members’ views on the extent to which NPOs be encouraged to report information has been excluded to balance the risk arising from sensitive information with transparency?

January 2025

Appendix A

Extract of Sensitive Reporting Specifications in ED1

Section 35 *Narrative reporting*

~~G35.7—Exceptionally an NPO shall not disclose aspects of performance information and financial statement commentary that would compromise the safety or wellbeing of individuals working/volunteering for the NPO, or those to whom it provides goods and services, because the information is sensitive and/or could prejudice the ability of the NPO to deliver its mission. An NPO will remain in compliance with the requirements of INPAG where this exception is utilised. When a sensitive information exception has been used, the NPO should disclose that the narrative report has been prepared in accordance with the requirements of this paragraph but is not required to provide any information that would have the effect of highlighting the nature or substance of the sensitive information. An NPO shall present performance information and financial statement commentary related to those operations and activities that does not result in sensitive information~~

Extract from Section 35 Implementation Guidance

~~What is meant by sensitive information or information that could prejudice the ability of the NPO to deliver its mission?~~

~~IG35.4—NPOs are permitted to not disclose aspects of performance information and financial statement commentary where the information is sensitive or could prejudice the ability of the NPO to deliver its mission. Given the diversity of activities undertaken by NPOs, it is not possible to provide a definition or exhaustive list of the activities that could give rise to such information. It is intended to include situations where there is a risk, including of physical harm, to an NPO's staff, its volunteers or the public who engages with the NPO, or that would provoke significant ongoing disruption to the NPOs operating activities in a locality if information was publicly disclosed in the general purpose financial reports.~~

~~IG35.5—Permission to not disclose information must not be used by NPOs as a way of hiding poor performance or financial problems that may have arisen with aspects of its operations. It should be reserved solely for situations where disclosure would jeopardise the safety and security of staff, volunteers or the public that benefit from the goods and services provided by the NPO.~~

~~IG35.6—Examples of sensitive or mission prejudicial information that an NPO may not disclose could include, but is not limited to:~~

- ~~a)—information that identifies the nature of activities being undertaken by an NPO;~~
- ~~b)—information that discloses the scope of geographic activities being undertaken by an NPO;~~
- ~~c)—information that identifies the individuals, communities or groups that benefit from the goods and service provided by the NPO.~~

New Draft Implementation Guidance on Sensitive Information

What should an NPO do if information for the narrative report is sensitive because it could prejudice the ability to deliver its mission?

- IG35.6 Sensitive information will arise when the mandatory reporting requirements of Section 35 would compromise the safety or wellbeing of individuals working/volunteering for the NPO, or those to whom it provides goods and services, because the information is sensitive and/or could prejudice the ability of the NPO to deliver its mission.
- IG35.7 An NPO should present the narrative reporting information required by Section 35 related to those operations and activities that does not result in sensitive information. An NPO should not provide any information that would have the effect of highlighting the nature or substance of sensitive information.
- IG35.8 It is not possible to provide an exhaustive list of types of sensitive information or circumstances which could prejudice the ability of an NPO to deliver its mission. The following are therefore provided to be illustrative of the possible consequences of disclosing information that would qualify as sensitive:
- risk of personal harm, either physical or otherwise, to employees or members of their close family;
 - risk of persecution, harassment, social exclusion or displacement of service beneficiaries;
 - disruption to services, for example, by risk of damage to buildings, other assets or equipment or logistical difficulties in delivering services to service recipients;
 - release of personal information about service recipients or beneficiaries, for example, patient details.
- IG35.9 The guidance in paragraphs IG35.6 to IG35.8 should not be used by NPOs as a way of hiding poor performance or financial problems that may have arisen with aspects of its operations.
- IG35.10 An NPO should consider whether any disclosures can be made in the narrative report about the information excluded, when sensitive information as described in paragraph IG35.6 has not been reported. For example, an NPO providing healthcare support may decide not to report certain information related to the services it provides to patients to avoid reporting personal or confidential information. The NPO's narrative report may include commentary to explain that personal and confidential information has been excluded and to indicate what information it has therefore been able to provide.
- IG35.11 An NPO will remain in compliance with the requirements of INPAG in circumstances where sensitive information has been excluded from the narrative report as long as the exclusion of information arises from risks to safety or wellbeing and prejudice to the NPOs mission as described in paragraph IG35.6 and IG35.8.