

Technical Advisory Group

AGENDA ITEM: TAGFG03-01
26 and 27 September 2024 – Hybrid

Structure and content of INPAG – Feedback from ED1

Summary	This paper sets out the proposed changes to the Preface to INPAG to incorporate the feedback to ED1. It also proposes the structure of INPAG and its related documents.
Purpose/Objective of the paper	The Preface to INPAG provides context to its creation and how it is expected to be used. This paper proposes revisions to the Preface based on way forward discussed with TAG members at its meeting on 16 July 2024. It also proposes the structure for INPAG that will be reflected in the final document.
Other supporting items	TAGFG02-02 (16 July 2024), TAGFG03-Annex
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Actions for this meeting	Comment on: <ul style="list-style-type: none">(i) the drafting changes proposed to the Preface; and(ii) the ordering of the Sections within INPAG to promote its ease of use.

Technical Advisory Group

Structure and content of INPAG– Feedback from ED1

1. Introduction

- 1.1 The purpose of the Preface is to set INPAG in context by explaining the history of its development, its relationship to international financial reporting standards, its scope including narrative reporting and the basis of its preparation. It also describes the organisation of INPAG, its future maintenance and authority.
- 1.2 The TAG members were provided with a summary and a high level analysis of the consultation responses to the Specific Matters for Comment (SMC) relating to the Preface at its meeting on 16 July 2024. The Exposure Draft had only one Significant Matters for Comment (SMCs), which related to the structure of INPAG and how it could be improved. The majority of those that responded, 92%, agreed with the structure of INPAG, with 3% disagreeing and 5% neither agreeing nor disagreeing.
- 1.3 TAG members were also provided with a summary of other issues raised by respondents that did not relate to any of the other SMCs.
- 1.4 While there was overwhelming support for the structure, as previously described to TAG members, there was feedback about how it could be improved. The main points related to the ease of using of the guidance including the benefits or otherwise of similarity with the *IFRS for SMEs* Accounting Standard.
- 1.5 The TAG provided advice on the points raised and these are reflected in revisions to the Preface and proposals about the structure of the final guidance.

2. Structure of INPAG material - volumes

- 2.1 As set out in TAGFG02-02 respondents commented on the structure of the material within INPAG with consequences for the overall ease of use. Respondents were concerned that locating guidance in different volumes might make the guidance more complex. This was considered by TAG members and following this discussion, the Secretariat proposes that INPAG is comprised of:
 - Authoritative Guidance
 - Non-authoritative Guidance (comprising implementation guidance, illustrative examples and illustrative financial statements)
 - Basis for Conclusions
- 2.2 This reflects the view that the Authoritative Guidance should be separated from the non-authoritative guidance and that these should be separate from the Basis for Conclusions.

- 2.3 TAG members discussed whether application guidance should be consolidated into other materials or should be kept separate. There were differing views, but there was support for incorporating application guidance into the main text with limited exceptions.
- 2.4 TAG members supported the separation of additional application guidance for Sections that have not been reviewed in this edition of INPAG, but where additional guidance is helpful because of new NPO-specific material elsewhere in INPAG. A current example of this is the application guidance for Section 12 *Fair value measurement*, which was developed to support new guidance related to donations.
- 2.5 TAG members discussed whether keeping application guidance for long sections would be beneficial. Some TAG members were of the view that the length of the section should not be a driver for its separation. They noted that incorporating application guidance might lead to an overall reduction in the length of the material by removing duplication and would remove the risk of lack of consistency. TAG members also commented that separate application guidance might be useful for material that is not likely to be used frequently.
- 2.6 Other TAG members were of the view that separating the application guidance from the core text in each section allows amplification of the core principles to support understanding. There was consensus that the application should be part of the authoritative guidance.
- 2.7 It is proposed to take a consistent approach to the location of the application guidance, so that it is easier for users to understand whether application guidance is likely to exist. The Secretariat is therefore proposing that separate application guidance is only prepared for those sections of INPAG that haven't been fully reviewed. For all other sections the application guidance that has been developed will be incorporated into either the main authoritative text or into the implementation guidance as appropriate.
- 2.8 Noting the point about frequency of use, the Secretariat is of the view that it doesn't currently have enough evidence to identify to which parts of the text might not be used frequently. The Secretariat intends to keep this under review for future consideration.

Question 1: Do TAG members support the Secretariat proposal that separate application guidance is only prepared for those sections of INPAG that have not been fully reviewed?

3. Structuring the content - ordering

- 3.1 Respondents to ED1 expressed views on the benefits or otherwise of similarities between INPAG and the *IFRS for SMEs* Accounting Standard. This included support for a consistent structure from the small number that commented on this issue.

- 3.2 However, the possibility of renumbering INPAG has been made clear in each Exposure Draft and no comments have been received that objected to this. This was discussed with TAG members at the meeting in July 2024 to gather views.
- 3.3 TAG members expressed a range of views. Some were very supportive of the proposal to renumber. They cited the benefit that for those that were familiar with the *IFRS for SMEs* Accounting Standard it would mitigate against assumptions being made about INPAG content.
- 3.4 There were also some dissenting views. Those that disagreed with the renumbering raised concerns that renumbering may create an impression that all content has been reviewed and felt that keeping the relationship to the *IFRS for SMEs* Accounting Standard is important.
- 3.5 It was also noted that because guidance evolves over time, keeping a logical order to content is a challenge. The use of alpha characters to insert new text was suggested to allow new sections to be promoted to earlier in INPAG.
- 3.6 The Secretariat had previously explored two options for the structuring the INPAG sections. The first option was to retain the numbering in the *IFRS for SMEs* Accounting Standard, but to provide a navigation table that shows which Sections relate to the financial reporting areas covered by INPAG. The financial reporting categories in Appendix A have been updated to reflect feedback from TAG members.
- 3.7 A second option was to completely reorder the Sections through renumbering. The objective of the reordering would be to improve access to and navigation of the content in INPAG. An example based on the financial reporting categories in option 1 is in Appendix B.
- 3.8 Following the TAG discussion, a third option has now been developed that retains the numbering in the *IFRS for SMEs* Accounting Standard but inserts new sections as appropriate using alpha characters. The financial reporting categories in option 1 would also be used. This is shown in Appendix C.
- 3.9 INPAG will contain a table that shows the section number in INPAG compared to the section number in the *IFRS for SMEs* Accounting Standard, where either option 2 or 3 is used.
- 3.10 As guidance specifically for NPOs, there is an opportunity to group sections in a way that may be more beneficial to INPAG users. It also provides the opportunity to give INPAG its own clear identity, which meets the expectation that INPAG is guidance specifically for NPOs. It should also be noted that the *IFRS for SMEs* Accounting Standard may not be familiar to all potential INPAG users. This is a one off opportunity that will be more difficult to revise at a future date.
- 3.11 TAG members supported the renumbering of INPAG, noting that INPAG is designed for NPOs and that this should be reflected in its structure. A Focus Group was planned for 5 September to seek further feedback from the sector. Unfortunately

this did not take place due to insufficient attendees. This has now been rescheduled for 23 October 2024

- 3.12 The Secretariat is of the view that option 2 in Appendix B provides a cleaner structure and sense of identity for NPO financial reporting. However, given the differences of view, the Secretariat proposes to defer finalisation of the option until the Focus Group has taken place and this feedback can be considered. Given the work needed to renumber sections and ensure that cross references are correct, this decision needs to be made by no later than the 31 December 2024.

Question 2: Do TAG members have any further comments on the financial reporting categories?

Question 3: Do TAG members have any further advice on the proposal to renumber INPAG?

4. Drafting changes to the Preface

- 4.1 The discussion in paragraphs 2.1-3.12 relate to the overall structure of INPAG rather than the content of the Preface itself.
- 4.2 As noted in TAGFG02-02 one respondent was of the view that INPAG uses complicated phrases and sentence structures, which may be difficult to understand in English and create further complications on translation.
- 4.3 The Secretariat undertook to identify opportunities to improve the ease of understanding this Section and other material originated by the Secretariat. As a consequence, a number of changes are proposed to the Preface. A summary of the changes is in Appendix D. A tracked change version of the full Preface can be found in a separate paper TAGFG03 – Annex.
- 4.4 There were also more detailed drafting suggestions. The most significant are discussed below. Five respondents raised a question about whether INPAG is intended to be guidance or a standard. INPAG has been developed as a stand-alone standard and therefore goes beyond what many might consider to be guidance. As a consequence, it is proposed to change the emphasis in describing INPAG going forward. It is proposed to describe INPAG as a standard rather than guidance.
- 4.5 The Preface states that all INPAG paragraphs have equal weight, but one respondent highlighted that this might appear to conflict with the explanation that the core text is supported by Application Guidance and non-authoritative Implementation Guidance. To address this concern an amendment has been made to paragraph GP23 and GP24 (now GP22 and GP23) to make clear that all paragraphs in the authoritative guidance have equal weight. This means that application guidance has the same weight as any other authoritative guidance. Updates (extract below using new paragraph numbers) have also been made to say that that the Implementation Guidance and the Basis for Conclusions are supporting material.

GP22 INPAG provides authoritative guidance for NPOs. Authoritative guidance sets the recognition, measurement, presentation, and disclosure requirements that NPOs must follow. All the paragraphs in the authoritative guidance have equal authority (except as specified in paragraph G2.2).

GP23 This edition of INPAG also includes authoritative Application Guidance. The INPAG Secretariat has developed this for sections that it has not fully reviewed, but where there are consequential amendments arising from fully reviewed or new sections. Additional support for preparers applying INPAG is provided in non-authoritative Implementation Guidance (including illustrative examples) and a Basis for Conclusions that accompany INPAG. The Basis for Conclusions provides further detail on the technical and practical considerations taken into consideration during the development of INPAG. Non-authoritative guidance is not mandatory. The Implementation Guidance and the Basis for Conclusions are separate to INPAG.

4.6 Another point was raised about whether there is a hierarchy of guidance if in rare circumstances an NPO's transaction is not covered by INPAG. The Preface has been updated (paragraph GP19 (now GP18)) so that NPOs must first look to IFRS based guidance, then IPSAS and then to guidance developed that national standard setters internationally have created per the extract below. The wording of the latter point is important so as not to infer that guidance can only be sought from the jurisdiction's national standard setter.

GP25 If there is an absence of specific guidance in INPAG, NPOs may use guidance and principles from IFRS Accounting Standards and its conceptual framework. If this does not address the issue, IPSAS, and its conceptual frameworks can then be used. If neither of these provides specific guidance, NPO-specific jurisdictional-level standards can be considered. Guidance from these sources can be used provided the principles do not conflict with the requirements in the hierarchy of sources used to make accounting policy decisions in paragraphs G10.4-G10.5.

4.7 One respondent was of the view that the guidance should be aimed predominantly at preparers, and that this should be clarified. The Secretariat is of the view that preparers and their auditors are intended to be the main users of INPAG and this clarification is provided in GP24 (now GP23).

4.8 One respondent was confused by the references to the *IFRS for SMEs Accounting Standard* and in particular what was meant by the lack of updating certain sections when terminology updates have been made. On reflection the Secretariat considers that some of this material would be better placed in the Basis for Conclusions, which already provides part of the commentary. Drafting changes have therefore been made to both the authoritative text and the Basis for Conclusions.

4.9 There was also feedback that related to the adoption of INPAG and separately clarity about regulatory considerations such as compliance with local laws. Amendments have been made to the Basis for Conclusions to address these both of these points. New paragraphs have been added in relation to INPAG Practice Guide 1 –

Supplementary statements and the intention that adoption by donors and regulatory bodies can lead to harmonisation of reporting requirements to address the point about adoption. Another paragraph has been added that explains that legislative and regulatory bodies including standard setters are expected to take account of local regulatory requirements including compliance with local laws, when determining how to apply INPAG in their jurisdiction. These new paragraphs are in Appendix E.

- 4.10 A number of respondents raised questions about the ongoing maintenance of the INPAG and its accompanying guidance. Discussions are still taking place about the maintenance of the guidance. At this point the text has been updated to say that CIPFA will maintain INPAG. This will be reviewed when there is greater certainty about the future beyond the project.
- 4.11 In reviewing the Preface to take account of feedback and to improve understandability, the Secretariat noted that the Preface does not itself describe INPAG, although this is included in the Basis for Conclusions. The Secretariat has included now this description in GP 21 on the basis that it may be useful to the users of INPAG.
- 4.12 Collectively these amendments have resulted in extensive changes to the drafting. These changes do not alter the substance of the content previously exposed and have been made primarily to help ease of understanding.

Question 4: What are TAG members' views on whether INPAG should be positioned as a standard rather than guidance?

Question 5: Do TAG members have any comments on the proposed amendments to the drafting of the Preface?

Question 6: Do TAG members have any comments on the updated Basis for Conclusions (including the new paragraphs in Appendix E)?

5. Next steps

- 5.1 Subject to comments made by TAG members, no further changes are proposed to be made to the Preface unless feedback on other Sections identifies a fatal flaw.
- 5.2 Subject to the feedback from TAG members and the rescheduled Focus Group the Secretariat will develop plans for the structure of the content within INPAG. The consolidation of application guidance will be reflected in the sections that have either been fully reviewed or newly developed. The final drafts for comment by the TAG will include this consolidation. Application guidance for the sections that have not been fully reviewed will be retained separately.
- 5.3 If the INPAG contents are renumbered using either of the options in Appendix B and Appendix C, this will take place once a final draft of each of the sections has been agreed. This timing is intended to mitigate against any confusion if renumbering is attempted whilst sections are still being finalised.

Question 7: Do TAG members have any comments on the timing of the renumbering of INPAG if this option is progressed?

September 2024

Appendix A - INPAG Navigation table

Category	Existing Section
Accounting principles	Section 1 - NPOs Section 2 - Concepts and pervasive principles Section 12 – Fair value measurement Section 35 – Narrative reporting
Financial statements	Section 3 - Financial statements Section 4 - Statement of Financial Position Section 5 - Statement of Income and Expenses Section 6 - Statement of Changes in Net Assets Section 7 - Statement of Cash Flows Section 8 - Notes to the financial statements Section 10 – Accounting policies, estimates and errors Section 36 – Fund accounting
Revenue related	Section 23 - Revenue
Expense related	Section 20 - Leases Section 21 - Provisions and contingencies Section 24 – Expenses Section 25 - Borrowing costs Section 28 - Employee benefits Section 29 – Income tax
Non-financial assets	Section 13 - Inventories Section 16 - Investment property Section 17 - Property plant and equipment Section 18 - Intangible assets other than goodwill Section 27 - Impairment of assets Section 34 – Specialised activities
Financial assets and liabilities	Section 11 - Financial instruments Section 22 – Liabilities and equity claims
Accounting boundaries	Section 9 - Consolidated and separate financial statements Section 14 - Investments in associates Section 15 - Joint arrangements Section 19 - Business combinations and goodwill
Accounting re-statements/presentation	Section 30 - Foreign currency translation Section 31 - Hyperinflation Section 32 - Events after the end of the reporting period Section 33 - Related party disclosures Section 37 - Supplementary information Section 38 – Transition to INPAG

Appendix B - Structure of INPAG (renumbered)

Category	Renumbered
Accounting principles	Section 1 - NPOs Section 2 - Concepts and pervasive principles Section 3 - Narrative reporting Section 4 - Fair value measurement
Financial statements	Section 5 - Financial statements (merge Statement of Financial Position, Statement of Income and Expenses, Statement of Changes in Net Assets, Statement of Cash Flows and Notes to the financial statements) Section 6 - Accounting policies, estimates and errors Section 7 - Fund accounting
Revenue related	Section 8 - Revenue
Expense related	Section 9 - Expenses Section 10 - Employee benefits Section 11 - Provisions and contingencies Section 12 - Leases Section 13 - Borrowing costs Section 14 - Income tax
Non-financial assets	Section 15 - Inventories Section 16 - Investment property Section 17 - Property, plant and equipment Section 18 - Intangible assets other than goodwill Section 19 - Impairment of assets Section 20 - Specialised activities
Financial assets and liabilities	Section 21 - Financial instruments Section 22 - Liabilities and equity claims
Accounting boundaries	Section 23 - Consolidated and separate financial statements Section 24 - Investments in associates Section 25 - Joint arrangements Section 26 - Business combinations and goodwill
Accounting re-statements/presentation	Section 27 - Foreign currency translation Section 28 - Related party disclosures Section 29 - Supplementary information Section 30 - Events after the end of the reporting period Section 31 - Hyperinflation Section 32 - Transition to INPAG

Appendix C – Structure of INPAG (inserted sections)

Category	Existing Section
Accounting principles	Section 1 - NPOs Section 2 - Concepts and pervasive principles Section 2a – Narrative reporting Section 12 – Fair value measurement
Financial statements	Section 3 - Financial statements Section 3a – Fund accounting Section 4 - Statement of Financial Position Section 5 - Statement of Income and Expenses Section 6 - Statement of Changes in Net Assets Section 7 - Statement of Cash Flows Section 8 - Notes to the financial statements Section 10 – Accounting policies, estimates and errors
Revenue related	Section 23 – Revenue Section 24 – Not used
Expense related	Section 20 - Leases Section 21 - Provisions and contingencies Section 23a – Expenses Section 25 - Borrowing costs Section 28 - Employee benefits Section 29 – Income tax
Non-financial assets	Section 13 - Inventories Section 16 - Investment property Section 17 - Property plant and equipment Section 18 - Intangible assets other than goodwill Section 27 - Impairment of assets Section 34 – Specialised activities
Financial assets and liabilities	Section 11 - Financial instruments Section 22 – Liabilities and equity claims Section 26 – Not used
Accounting boundaries	Section 9 - Consolidated and separate financial statements Section 14 - Investments in associates Section 15 - Joint arrangements Section 19 - Business combinations and goodwill
Accounting statements/presentation	Section 23b – Supplementary information Section 30 - Foreign currency translation Section 31 - Hyperinflation Section 32 - Events after the end of the reporting period Section 33 - Related party disclosures Section 35 – Transition to INPAG

Appendix D – Amendments to the Preface

Summary of changes to the authoritative guidance

Paragraph (original numbering)	Amendment
GP1	Removal of the passive voice
GP2	Change of tense from past to present
GP4	Removal of the passive voice and to improve understandability
GP5	Removal of the passive voice
GP6	Removal of the passive voice
GP7	Removed to be included in the glossary
GP9	Removal of the passive voice
GP10	Simplification of the paragraph by the removing unnecessary text.
GP11	Amendments to make the paragraph easier to understand
GP12	Removal of the passive voice and amendments to make the paragraph easier to understand. Alignment with changes to the description of users in Section 2.
GP13	Removal of the passive voice and amendments to make the paragraph easier to understand
GP14	Updated to reflect the scope and characteristics of NPOs in Section 1. Removal of the passive voice
GP15	Clarification to improve understandability
GP16	Removal of the passive voice
GP17	Removal of the passive voice and amendments to make the paragraph easier to understand
GP18	Removal of the passive voice
GP19	Removal of the passive voice
GP20	Removal of the passive voice
GP21	New text has been added to describe what INPAG is. Removal of the passive voice
GP22	Removal of the passive voice
GP23	Removal of duplicated text relating to the use of the <i>IFRS for SMEs</i> Accounting standard and the passive voice
GP24	Clarification about the status of the Implementation Guidance and the Basis for Conclusion to address comments about possible confusion. Removal of the passive voice.
GP25	Removal of the passive voice.
GP26	Amendments to clarify the hierarchy for the use of material outside of INPAG, where a specific issue is not covered. Removal of the passive voice and amendments to make the paragraph easier to understand.
Comparison table	Clarification that the use of international and national guidance follows a hierarchy. Removal of the passive voice and amendments to make the text easier to understand.

With the removal of paragraph GP7, all subsequent paragraphs have been renumbered.

Summary of changes to the Basis for Conclusions

BC P.1	Updated to refer to INPAG rather than the Exposure Draft
BC P.2	Updated to reflect this is final guidance and not an exposure draft
BC P.2a	Renumbered to BC P.3 as this was additional text proposed in ED2
BC P.3	Removed as this related to the proposal to update the Basis for Conclusions after the Exposure Drafts
BC P.5	Updated to refer to the Governance Group rather than the Steering Group and removal of project references.
BC P.6	Removal of the passive voice and updated to reflect this is final guidance
BC P.7	Updated to refer to the Governance Group and their role in due process.
BC P.15	Updated to make more concise
BC P.19	Updated to make more concise
BC P.23	Updated references to the conceptual framework to reflect this is final guidance rather than in the project phase
BC P.26	Simplification of language
BC P.27	Simplification of language
BC P.28	Removal of the passive voice
BC P.30	Simplification of language
BC P.31	A new paragraph to explain the updates to sections that have not been fully reviewed by the INPAG Secretariat
BC P.32	A new paragraph to explain the existence of INPAG Practice Guide 1 – Supplementary statements
BC P.33	A new paragraph to set out the intention that adoption of INPAG and Practice Guide 1 are intended to lead to greater harmonisation of reporting requirements
BC P.34	A new paragraph to clarify the relationship between INPAG and regulatory and legislative requirements
Footnote	Updated the reference to the <i>IFRS for SMEs</i> Accounting Standard on the presumption that it will be finalised before INPAG is published.

Appendix E – Basis for Conclusions (new paragraphs)

Special purpose financial reports

BC P.32 INPAG sets out the requirements for general purpose financial reporting. It does not address the specific requirements of those that have the authority to request financial information to meet their specific needs. However, in recognition of the importance of special purpose financial reporting to NPOs, a separate guide has been developed. INPAG Practice Guide 1 – *Supplementary statements* provides guidance on the presentation of information for specific grants, project and programmes. The information in any statements prepared using this Practice Guide is linked to the information in INPAG general purpose financial reports.

BC P.33 INPAG Practice Guide 1 is intended to improve the consistency of information needed for special purpose financial reports and improve assurance through connectivity to audited general purpose financial reports. Adoption by donors of INPAG Practice Guide 1 – *Supplementary statements* and INPAG by regulatory bodies can lead to harmonisation of reporting requirements.

Jurisdictional regulation and legislation

BC P.34 Legislative and regulatory bodies including standard setters are expected to take account of local regulatory requirements including compliance with local laws, when determining how to apply INPAG in their jurisdiction. INPAG specifications are not intended to replace or override any local legislative or other regulatory requirements.