



# Technical Advisory Group Issue Paper

AGENDA ITEM: TAFG07-05  
25 March 2025 – Online

## Narrative Reporting – Final guidance

Summary	This paper provides TAG members with the amendments to the final guidance following TAG's advice at its May and July 2024 meetings for Section 35 <i>Narrative reporting</i> .
Purpose/Objective of the paper	This paper presents the approaches to the proposed final amendments to Section 35 its Implementation Guidance and Basis for Conclusions. It seeks TAG's views on the updates and whether further changes are necessary to finalise the guidance.
Other supporting items	TAGFG01-01, TAGFG02-02, TAGFG06-03
Prepared by	Sarah Sheen
Actions for this meeting	<b>Comment on:</b> <ul style="list-style-type: none"><li>• The additional guidance and suggested changes to the exception for sensitive information.</li><li>• The approach to users in Section 35 for the mandatory reporting requirements.</li><li>• The approach to potential conflicts with regulatory requirements.</li></ul>

# Technical Advisory Group

## Narrative Reporting – Final guidance

### 1. Introduction

- 1.1 This paper provides amendments to the draft final guidance for Section 35 *Narrative reporting*, its Implementation Guidance and Basis for Conclusions following TAG's advice at its May and July 2024 meetings.
- 1.2 A draft of the full final guidance for Section 35, the Section 35 Implementation Guidance and the Basis for Conclusions is contained in a separate Annex.

### 2. Background

- 2.1 TAG members considered the final guidance on Section 35 at its meeting in July 2024. This report considers the advice provided at that meeting. TAG members were also invited to provide detailed comments on that July draft and the Annex containing the final draft includes the outcomes of the useful detailed feedback from several TAG members.
- 2.2 One substantial issue which remained outstanding was the treatment of sensitive information ie information which would compromise the safety or wellbeing of individuals working/volunteering for the NPO, or those to whom it provides goods and services. TAG considered the treatment of sensitive information at its February 2025 meeting as it relates to grant expenses.
- 2.3 This report seeks TAG's views on the final guidance.

### 3. Sensitive information

- 3.1 TAG members will be aware that 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. ED1 and subsequent drafts of the authoritative guidance for Section 35 permitted the non-disclosure of aspects of the mandatory requirements, where an NPO engages in such sensitive activities. This was supported by Implementation Guidance.

- 3.2 Similar issues relating to the reporting of sensitive information apply to Section 24 Part I *Grant expenses* and TAG considered these at its February 2025 meeting (see TAGFG06-03). The Secretariat will not repeat the history and background to the developments for a new approach in this report.
- 3.3 TAG members will be aware of the issues relating to sensitive information and the tension between the potential lack of transparency and accountability caused by non-disclosure and the valid concerns about disclosing information which might place service users, the NPO its volunteers and staff at risk of some form of harm. TAG members will be aware that it considered additional guidance at its July 2024 meeting.
- 3.4 The Secretariat is concerned that based on the strength of individual views that the inclusion of an exception in the guidance might not meet its original intention. Providing relatively prescriptive guidance may be more problematic for NPOs that have sensitive information, than seeking to meet information requirements based on principles.
- 3.5 Following the same overall approach proposed in TAGFG06-03 the Secretariat now propose 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.
- 3.6 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 has also been explained in the Basis for Conclusions (see paragraphs BC35.24–BC35.32).
- 3.7 The Secretariat therefore proposes removing ED1 paragraph G35.7 from the authoritative text. The original Implementation Guidance (see ED1 paragraphs IG35.4–IG35.6) has also been removed and replaced.
- 3.8 The new Implementation Guidance is presented in the separate Annex (see paragraphs IG35.1–IG35.6). This adapts the original ED1 text in Section 35 and some of the text of previous drafts of the Implementation Guidance (see new draft final guidance paragraph IG35.3). 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.
- 3.9 The proposed new Implementation Guidance:

- sets out that information should be excluded where there is risk to the safety or wellbeing of the NPO, its staff and volunteers;
  - indicates that the NPO should consider reporting (but is not required to report) that certain information has been excluded;
  - provides examples of circumstances where information might be sensitive;
  - 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 exist with aspects of its operations; and
  - indicates that an NPO will remain in compliance with the requirements of INPAS in circumstances where sensitive information has been excluded.
- 3.10 Following TAG’s February 2025 meeting the Secretariat has also included additional guidance to confirm that the guidance on the exclusion of sensitive information does not prevent an NPO from complying with national legislative requirements or any professional obligations (see paragraph IG35.6).
- 3.11 The Secretariat intends to hold a further focus group on the approach to sensitive information on 20 March 2025 and will verbally update the TAG on focus group member’s views on the new approach.
- 3.12 When considering the equivalent proposals for Section 24 Part 1 *Grant expenses*, the implications for audit were discussed. In particular would the non-disclosure of sensitive information result in an audit qualification or audit remarks that would have the same effect in highlighting the existence of sensitive activities.
- 3.13 The Secretariat has commenced a discussion with the International Audit and Assurance Standards Board on this issue. The Secretariat will consider any further actions it might need to take, once these discussions have concluded.

**Question 1:** What are TAG’s views on the approach to the draft Implementation Guidance for sensitive information relating to the narrative report?

**Question 2:** What are TAG members’ views on the extent to which NPOs be encouraged to report that information has been excluded to balance the risk arising from sensitive information with transparency?

#### 4. Amendments following TAG's advice at its July 2024 meeting

4.1 TAG members generally agreed with the approaches suggested in the report provided to the TAG in July 2024.

4.2 TAG members requested that explanation be provided in the Basis for Conclusions about the approach to describing user needs, drawing out the difference between primary users and other users. The Secretariat has therefore added the following paragraph to the Basis for Conclusions which has been inspired by content in the Exposure Draft on the IASB Practice Statement 1 *Management Commentary*. Paragraph BC35.5

*The narrative report focuses on the information needs of the primary users of an NPO's general purpose financial report as described in Section 2 Concepts and pervasive principles. Other users, for example, the NPO's employees, or members of the public not benefitting from the activities of the NPO might also find information in the narrative report useful. However, those other users might have special or additional reporting information requirements. Meeting these information requirements is not an objective of an NPO's narrative report.*

4.3 In addition, one of the TAG members who commented on the drafts of the final guidance referred to the approach to users in the draft text. They noted that the reporting requirements in Section 35 should not be framed in the context of what users might need to understand, but instead the NPO's assessment of what its primary users need. The Secretariat concurs and has therefore:

- Added a new sentence to paragraph G35.5 to indicate that an NPO needs to assess the narrative reporting information that would be of use to its primary users and that this assessment should inform the selection and the type of information reported and the format of its presentation.
- Edited the paragraphs that specify the mandatory narrative reporting requirements to remove references to users' understanding or assessments (edits have been made to paragraphs G35.10, G35.11, G35.13, G35.15 to reflect this change) as this duplicates the overall requirement in G35.5.

4.4 TAG members also requested that the Secretariat examine the implications for INPAS compliance arising from the proposals to address conflicts with jurisdiction narrative reporting requirements. The Secretariat considers that the previous drafting may lead to INPAS compliance issues and is likely to be an issue that will need to be resolved by the relevant regulatory body rather than within the Standard. It has therefore removed suggested drafting about conflicts between the regulatory framework and INPAS (where it was

suggested that the regulatory framework takes precedence) from paragraph G35.4 and the Basis for Conclusions paragraph BC35.22. The Preface clarifies that INPAS is not intended to override jurisdictional legal or regulatory requirements.

- 4.5 A TAG member advised the Secretariat to review the use of “should” and “shall” throughout Section 35 to ensure it is clear whether there is a difference in meaning. The Secretariat considers that the use of “shall” reflects mandatory requirements and has made amendments to paragraphs G35.10 to G35.21. Paragraph G35.36 requiring an NPO to consider reporting other relevant information that goes beyond the mandatory reporting categories has also been changed to shall.

**Question 3:** Do TAG members agree with the approach to user needs in Section 35?

**Question 4:** Do TAG members agree that Section 35 should not include provisions about where INPAS might conflict with regulatory requirements for narrative reports?

**Question 5:** Do TAG members agree with the approach to the use of the terms “should” and “shall” in Section 35?

## 5. Other drafting amendments to the final guidance

- 5.1 The Secretariat received detailed drafting comments from TAG members. These comments contained suggestions for drafting augmentations and minor corrections including amendments for consistency with a standards-based approach to drafting and clarity. The Secretariat has updated Section 35, its Implementation Guidance and the Basis for Conclusions for most of the suggestions made by TAG members.
- 5.2 The Secretariat responses to the more significant issues are set out below.

Comment	Secretariat Response
Suggestion for removal of paragraph G35.7 which refers to the narrative reporting information being fair and balanced.	The Secretariat considers that one of the challenges to narrative reporting is ensuring that information is fair and balanced. This might particularly be the case where an NPO is adopting the



Comment	Secretariat Response
	requirements for the first time and so suggests that this paragraph is retained.
G35.16 to G35.18: refer to 'performance reporting' but only seem to focus on what we are referring to as service performance reporting. That is, they seem to exclude financial performance reporting. It could usefully say that financial performance reporting is the subject of the financial statements and therefore no need to repeat it in the narrative report	The Secretariat is not clear that the performance reporting requirements would only include information which is subject of the financial statements so has not made any amendments.
Comments relating to paragraph G35.29 identified an issue with the following sentence <i>"Where an NPO cannot provide comparative information it shall follow the requirements of Section 3 regarding consistency of presentation."</i>	The Secretariat considers that this is not consistent with the approach in Section 3 which discusses the impracticality of reporting comparative information where reclassifications have taken place so has deleted this sentence.
Suggestion for removal of IG35.38 relating to consistency of information as it is not clear that it provides particularly useful guidance.	The Secretariat is not clear that this paragraph is key guidance, but it has been augmented by a suggestion from a TAG member. This provides additional practical commentary on what an NPO might need to do to ensure consistency of information, which may make it more useful.
Suggestion that paragraph IG35.44 from the May draft of the final guidance which provided commentary that an NPO could include environmental, social and governance (ESG) information, climate related disclosures, and/or broader sustainability reporting in the narrative report is removed.	This paragraph did not include significant guidance but was intended to encourage consideration of these environmental, social and governance (ESG) information, climate related disclosures following feedback from ED1.
Suggestion for the removal of references to other additional material – see paragraph IG35.24 from ED1.	The Secretariat concurs.



**Question 6:** Do TAG members agree with the suggested approaches to the drafting augmentations in Section 35 and its Implementation Guidance?

- 5.3 The Secretariat continues to consider the possibility of creating an illustrative example, mainly to show that similar information can be presented in different formats and that there is not just one way of presenting narrative information. The Secretariat would take a narrow scope to developing such examples to avoid the risk of a boiler plate narrative report. Unfortunately, this could not be developed in the time available. The Secretariat will continue to develop an example outside of the Implementation Guidance.

## **6. Next steps**

- 6.1 Subject to the comments made by TAG members in response to this paper, the Secretariat intends to treat the drafts shared alongside this paper as final.
- 6.2 TAG members will next see the updated paragraphs in the full draft of the document that is planned to be circulated in April 2025. This draft will be used to collect final feedback ahead of the version that will be put forward for approval on 3 June 2025.

**March 2025**