

Definition of Control

I think that as a result of IPSAS 6, all of the entities that have the appetite to consolidate will have done so under this standard, and that IPSAS 35 will convince very few additional organisations to consolidate.

In my opinion the rewording of the definition of control will do little to persuade those charities that ought to be consolidating to do so. There may be the odd entity that previously fell out of the definition because they only entitled the charities to the losses they made, but the majority of charities that don't consolidate, choose to stay separate for practical reasons rather than out of a motivation to hide something.

In contrast to a corporate model where businesses are acquired over time and then consolidated, national charities often arose from grass roots movements where various organisations appeared in various locations in order to meet a specific need in the community. Over time, they realise they have similar objectives, and begin to work together under an agreed operational model. However, each individual location may be a separate legal entity, have its own assets gained through support of local communities, and have its own way of doing things. For those entities, perceived loss of autonomy and control of assets through financial consolidation is a genuine concern and it can also be an administrative nightmare to get the physical consolidation process to work given different financial systems.

I can think of one large charity in particular that probably should be consolidating under both the old and new definitions, but it has been resisting for the aforementioned reasons. In these cases, the new definition may be slightly clearer, however the entity would probably have come to the same conclusion about whether they should be consolidating under either standard. Therefore, I think the wording of the standard is an improvement, however, if these charities haven't consolidated by now, then it is likely the only way to get them to do so will be by coercion.

Presentation

It would be good if you could have a really clear statement as to whether entities should include a Parent and a Group column in their statements. From my reading, I understand the standard does not require a Parent column, but I think entities should be required to have both sets. Otherwise, I think the consolidation actually hides information rather than enhances it.