



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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Agenda Item

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DATE: May 16, 2011
MEMO TO: Members of the IPSASB
FROM: Lisa Parker
SUBJECT: Reporting Service Performance Information

Objectives

- To discuss the second draft of the Consultation Paper on service performance information.

Agenda Material

2.1 Consultation Paper – Service Performance Information

Background

1. The objective of this project is to use a principles based approach to develop a consistent framework for reporting service performance information of public sector services that focuses on meeting the needs of intended users. At the March 2011 meeting, the IPSASB discussed the draft Consultation Paper on the reporting of service performance information. This Consultation Paper will communicate and solicit feedback on the various issues related to the reporting of service performance information.
2. The draft Consultation Paper highlighted and analyzed existing approaches used by public sector entities around the world, where the reporting of service performance information is a feature of public sector financial management. The draft Consultation Paper also highlighted the initial discussions and the tentative agreements reached by the IPSASB on the issues discussed at the June and November 2010 meetings.
3. The next step of this project, as requested by the IPSASB, was to produce the second draft of the Consultation Paper for review and discussion at this meeting. The second draft of the Consultation Paper incorporates the views and agreements reached on the issues discussed at the March 2011 meeting.
4. The project staff welcomes feedback on the second draft of the Consultation Paper and any restructuring that may be considered necessary to more effectively communicate its contents. If the IPSASB reaches agreement on the content and format of the information presented within the second draft of the Consultation Paper, a final Consultation Paper will be presented to the IPSASB for approval at the September 2011 meeting.

5. As you are aware, the GASB is providing the key staff resources on this project. The Consultation Paper has been prepared by Lisa Parker, a project manager at the GASB with input from other staff members on her team at the GASB. IPSASB staff has provided oversight where needed. Lisa will be in attendance at the June 2011 meeting.
6. In addition, the members of the Task Based Group (TBG) on service performance, Ken Warren, Sheila Fraser, and Bharti Prasad, have reviewed the second draft of the Consultation Paper and provided suggestions for its improvement, which have been incorporated in Agenda Paper 2.1.

Appendix – Excerpt from Draft March 2011 IPSASB Minutes

3. SERVICE PERFORMANCE REPORTING

The IPSASB welcomed Lisa Parker, a Project Manager with the US Governmental Accounting Standards Board, who is serving as the lead staff member on this the project. Lisa was present at the meeting and led much of the discussion.

Initial discussions of the individual issues presented within the Consultation Paper were held at the June and November 2010 IPSASB meetings. At the March 2011 meeting, the IPSASB deliberated the first draft of the Consultation Paper, *Service Performance Information*. Members first provided the project staff with feedback on the content and format of the Consultation Paper.

A consensus was reached that presenting the Consultation Paper as a neutral document that focuses on the content of a service performance report and provides discussion of the issues, rather than presenting preliminary views of the IPSASB, was most appropriate. The Members agreed that this neutral format will provide respondents a basis on which to form a response to the due process document.

Generally, the Members agreed that the document was too long and that some of the background research should be deleted from the Consultation Paper and moved to an appendix. The Members also agreed that the information related to the December 2010 Exposure Draft, *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity* (CF ED1) could be deleted from the Consultation Paper. The Members agreed that most respondents to this Consultation Paper will be knowledgeable about CF ED1 and the issues within it that relate to the service performance information project. Finally, the Members agreed that the references to “measures/indicators” should be changed to “indicators” as this is the more commonly recognized terminology.

Members then provided the project staff with direction for the preparation of the second draft of the Consultation Paper to be presented to the IPSASB at the June 2011 meeting. Each section of the draft Consultation Paper was discussed individually. The following reflects the major issues, where applicable, discussed for each individual section.

Section 1 – Introduction to Service Performance Reporting

The following amendments were discussed and agreed upon by the majority of the Members:

Section 1.1, *What is Service Performance:*

- This section needs a clear reference back to the conceptual reporting framework when stating that service performance reporting is a part of General Purpose Financial Reports (GPFRs).
- This section should not discuss service performance information being used for internal management purposes. The Members noted that this deletion will highlight that the Consultation Paper is focused on the reporting of this information for external users.

Section 1.3, Why Voluntary Guidance on the Reporting of Service Performance Information:

- This section should not state that the Consultation Paper is intended to inform the development of voluntary reporting guidance. Rather, a consensus was reached that this section should provide a more neutral discussion that identifies the options of required or voluntary guidance and the advantages and disadvantages associated with each alternative. This format will provide respondents to the Consultation Paper a basis on which to form a response to the due process document.

Section 2 – Scope of the Consultation Paper

The following amendments were discussed and agreed upon by the majority of the Members:

Section 2.1, Development of a Consistent Framework for Reporting Service Performance Information:

- This section should include a discussion, similar to the fiscal sustainability project, on the basis of accounting necessary for the reporting of service performance information. The discussion should include how to use the service performance information in the context of GPFR and to enhance the reporting of accountability.

Section 2.2, Service Performance Information outside the Scope of this Project:

- This section should discuss the scope of the project and not the scope of the information and the title of this section should be changed to reflect this.
- Paragraph 2.2.2 should not be included in this section but is more appropriate in Section 1.2, *Why Service Performance Reporting is Important*.

Section 3 – Service Performance Terminology

The following amendments were discussed and agreed upon by the majority of the Members:

Section 3.1, *Status of a Standardized Service Performance Terminology*:

- This section needs to provide a context for what constitutes a key element.

Section 3.2, *Potential Definitions of Service Performance Terminology*:

- The diagram in Paragraph 3.2.2 needs to delete goals and place the efficiency and effectiveness measures below the inputs, outputs, and outcome measures to reflect that they represent relationships.
- Generally, a consensus was reached that this section needs to present the preliminary views of the IPSASB in regards to how to define these terms. The preliminary views should be referred to as working definitions.

Section 3.3, *Goals*:

- This section should be deleted as the Members were in consensus that they did not want to distinguish between goals and objectives in a standardized service performance terminology.

Section 3.4, *Objectives*:

- The working definition of objectives should be, “An objective is a statement of the result a public sector entity is aiming to achieve” and included within the discussion of this section.

Section 3.5, *Efficiency Indicators*:

- The working definition of efficiency indicators should be, “Efficiency indicators are measures of the relationship between inputs to outputs or outcomes” and included within the discussion of this section.

Section 3.6, *Effectiveness Indicators*:

- The working definition of effectiveness indicators should be, “Effectiveness indicators are measures of the relationship between outputs to outcomes” and included within the discussion of this section.

Section 3.7, *Inputs* and Section 3.8, *Outputs*:

- The working definitions of inputs and outputs should be included within the discussions of their respective sections.

Section 3.9, *Outcomes*:

- The working definition of outcomes should be, “Outcomes are the impacts of a program or service (outputs) in terms of achieving the objectives” and included within the discussion of this section.

Section 3.10, *Performance Indicators*:

- The working definition of performance indicators should be “Performance indicators are quantitative or qualitative measures that describe the extent to which a program or service is achieving its objectives” and included within the discussion of this section.

Section 4 – The Objectives of Reporting Service Performance Information and Users of Service Performance Information

The following amendments were discussed and agreed upon by the majority of the Members:

Section 4.3, *Service Performance Information Needed to Meet User Needs*:

- Paragraph 4.3.1 needs to clarify that the service performance information identified as being necessary to meet user needs is not an exhaustive list. Paragraph 4.3.2 needs to clarify that the types of information identified are not mutually exclusive and that there are some overlaps that exist between them.

Section 4.10, *Information on Factors that Influence Results*

- This section needs to clarify that this information would be presented as a narrative description.

Section 5 – The Qualitative Characteristics of Service Performance Information

The following amendment was discussed and agreed upon by the majority of the Members for the entire section:

- The focus of this entire section needs to be on how the qualitative characteristics are attributed to the content elements presented in Section 6, *Which Content Elements of Service Performance Information Should be Considered for Inclusion in General Purpose Financial Reports*.

Section 6 – Which Content Elements of Service Performance Information Should be Considered for Inclusion in General Purpose Financial Reports

The following amendment was discussed and agreed upon by the majority of the Members:

Section 6.3, *Information on the Scope of the Service Performance Information Presented*:

- The discussion of disclosure necessary on the extent of assurance or verification, if any, obtained on service performance information does not belong in the scope section and needs to be placed elsewhere in the

Consultation Paper. It was recommended that this discussion may be more appropriately placed in the qualitative characteristic discussion.

Section 7 – Alternatives for Reporting Service Performance Information

The following amendments were discussed and agreed upon by the majority of the Members

Section 7.1, Relationship between General Purpose Financial Statements and General Purpose Financial Reports:

- This section needs to clarify what is meant by General Purpose Financial Reports.
- This section should not be prescriptive on where to report service performance information, but rather discuss all of the options for respondents to consider and provide feedback.
- This section should include a discussion of the decision tree included in the Conceptual Framework Project.

Members asked staff to work with the TBG to develop a second draft of the Consultation Paper taking into account the comments noted above.

Consultation Paper

September 2011

Comments requested by March 15, 2012

Service Performance Information



**International Federation
of Accountants**

REQUEST FOR COMMENTS

The International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting body within the International Federation of Accountants (IFAC), approved for publication in September 2011 this Consultation Paper, *Service Performance Information*.

The proposals in this Consultation Paper may be modified in light of comments received before being issued in final form. Comments are requested by **March 15, 2012**.

Respondents are asked to submit their comments electronically through the IFAC website (www.ifac.org), using the “Submit a Comment” link on the Exposure Draft and Consultation Papers page. Please note that first-time users must registers to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the IFAC website. Although IFAC prefers that comments be submitted electronically, email may be sent to stepheniefox@ifac.org. Comments can also be faxed to the attention of the IPSASB Technical Director at + (416) 977-8585, or mailed to:

The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto Ontario M5V 3H2 CANADA

Copies of this Consultation Paper may be downloaded free-of-charge from the IFAC website at <http://www.ifac.org>.

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PREFACE

In addition to more traditional financial performance information, a large number of public sector entities around the world are currently reporting performance information about the services they provide (referred to as service performance). The practice of reporting service performance information is fairly diverse in various jurisdictions.

The objective of this project is to use a principles based approach to develop a consistent framework for reporting service performance information of public sector services that focuses on meeting the needs of intended users.

This Consultation Paper (CP) will highlight and analyze existing approaches used by public sector entities around the world, where the reporting of service performance information is a feature of public sector financial management. This CP will communicate and solicit feedback on the various issues related to the reporting of service performance information.

The IPSASB also is in the process of developing a conceptual framework for public sector financial reporting. It issued an Exposure Draft in December 2010 (CF-ED1), covering: (1) the role, authority, and scope of financial reporting, (2) the objectives and users of financial reporting, (3) the qualitative characteristics of financial reporting, and (4) the reporting entity. Further Consultation Papers have been issued covering: (1) the definition and recognition of the elements of financial statements, (2) consideration of the measurement basis (or bases) that may validly be adopted for the elements that are recognized in the financial statements. A Consultation Paper that considers the concepts that should be adopted in deciding how to present financial and non-financial information in General Purpose Financial Reports (GPFRs) is also intended to be issued. Many of the issues in the Conceptual Framework project are relevant to, and have been incorporated in this project.

EXECUTIVE SUMMARY

Public sector entities have a responsibility to be publicly accountable to their users (recipients of services or their representatives and the providers of resources or their representatives). The reporting of service performance information will assist public sector entities in meeting this responsibility by providing users with information that will assist them in assessing the entity's performance in providing services and the effects of those services. Service performance information that assists users in assessing how efficiently and effectively public sector entities are using resources to provide services and achieve their established objectives is an important part of general purpose financial reporting (GPFRs).

GPFRs of public sector entities, including reports that include service performance information, are developed primarily to respond to the information needs of service recipients and resource providers who do not possess the authority to require a public sector entity to disclose the information they need for accountability and decision-making purposes. GPFRs can report information about the past, present, and future that is useful to users—including financial and non-financial quantitative and qualitative information about the achievement of financial and service delivery objectives in the current reporting period, and anticipated future service delivery activities and resource needs.

GPFRs are a central component of, and support and enhance, transparent financial reporting by governments and other public sector entities. The IPSASB believes that including service performance information as part of GPFRs would represent a significant improvement in financial reporting practices for public sector entities. In the past, service performance information has not been included as part of external reporting by many public sector entities.

The primary objective of this CP is to present a principles based approach to developing a consistent framework for reporting service performance information of public sector services that focuses on meeting the needs of intended users. The research identified that although no two jurisdictions have identical service performance reporting frameworks that are required or encouraged within GPFRs, there are some similarities in the service performance information that is reported. These similar types of service performance information have provided the basis for the components of the reporting framework proposed in the CP.

The framework proposed in the CP includes the more common components of service performance information identified during the research that are necessary to meet the needs of users. A report on service performance should include: (1) Information on the scope of the report, (2) Information on objectives, (3) Information on the achievement of objectives, and (4) Narrative discussion of results.

The IPSASB also believes that the same qualitative characteristics and pervasive constraints of the information included in GPFRs of public sector reporting entities are applicable to service performance information and the reporting of this information.

Finally, a secondary objective of this CP is to present a standardized service performance information terminology with associated working definitions. The development of a standardized service performance information terminology may enhance a preparer's understanding of how service performance information would be reported using the service performance reporting framework in the CP.

REQUEST FOR COMMENTS

The IPSASB would welcome comments on all the issues presented in the CP. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale, and where applicable, provide a suggestion for proposed changes to the CP.

The Specific Matters for Comment requested in the CP are provided below.

Specific Matter for Comment 1:

Should the IPSASB consider issuing authoritative (standard) or non-authoritative (voluntary) guidance on the reporting of service performance information (Section One)?

Specific Matter for Comment 2:

Should service performance information included in general purpose financial reports (GPFRs) be prepared for the same reporting entity as for GPFRs (Section Two)?

Specific Matter for Comment 3:

Should identification of the specific indicators of service performance that are reported by public sector entities not be included in the scope of this project (Section Two)?

Specific Matter for Comment 4:

Should the IPSASB develop a standardized service performance information terminology and associated working definitions to enhance a preparer's understanding of how to report service performance information using the service performance reporting framework in the CP (Section Three)?

Specific Matter for Comment 5:

Do you agree with the following working definitions established by the IPSASB (Section Three)?

An **objective** is a statement of the result a public sector entity is aiming to achieve.

Performance indicators are quantitative or qualitative measures that describe the extent to which a service is achieving its objectives.

Inputs are the resources of a reporting entity used to produce outputs.

Outputs are the goods and services, including transfers to others, provided by a reporting entity.

Outcomes are the impacts of a service (output) in terms of achieving the objectives.

Efficiency indicators are measures of the relationship between inputs to outputs or outcomes.

Effectiveness indicators are measures of the relationship between outputs to outcomes.

Specific Matter for Comment 6:

Do you agree that the users of GPFRs of public sector entities identified in the Conceptual Framework ED 1 are also the users of service performance information (Section Four)?

Specific Matter for Comment 7:

The CP identifies types of service performance information that are necessary to meet the needs of the identified users, which are not mutually exclusive (Section Four). These are:

- Information on the public sector entity's objectives;
- Input, output, outcome, efficiency and effectiveness indicators;
- Comparisons of actual results over time and to targets;
- Time-oriented information;
- Customer satisfaction and customer perceptions information;
- Information on the need or demand for services; and
- Information on factors that influence results.

Do you agree with these types of service performance information or are there types that should be added or deleted?

Specific Matter for Comment 8:

The CP is prepared on the basis that the same qualitative characteristics of information and pervasive constraints on that information included in GPFRs of public sector reporting entities are applicable to service performance information. The qualitative characteristics of information are: relevance, faithful representation, understandability, timeliness, comparability, and verifiability. The pervasive constraints on that information are materiality, cost/benefit relationship, and achieving an appropriate balance between the qualitative characteristics (Section Five). Do you agree?

Specific Matter for Comment 9:

Do you agree with the types of service performance information identified as necessary components when reporting service performance information that include (Section Six):

- Information on the scope of the report;
- Information on objectives;
- Information on the achievement of objectives; and
- Narrative discussion of results?

Specific Matter for Comment 10:

Should service performance information be reported in a separately issued GPFR (authoritative or non-authoritative), as part of the traditional GPFR that is currently issued (annual financial report) but not part of the general purpose financial statements (authoritative), or in a separately issued GPFR and as part of the currently issued traditional GPFR (Section Seven)?

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1 INTRODUCTION TO SERVICE PERFORMANCE REPORTING

1.1 What is Service Performance Reporting

- 1.1.1 The objective of general purpose financial reporting (GPFRs) by public sector entities is to provide information about the reporting entity that is useful to external users for accountability and decision-making purposes. GPFRs of public sector entities include, but are more comprehensive than, financial statements including their notes. They report information that is useful to users—including financial and non-financial quantitative and qualitative information about the achievement of financial and service delivery objectives in the current and previous reporting periods, and anticipated future service delivery activities and resource needs. GPFRs are likely to comprise multiple reports, each responding more directly to certain aspects of the objectives of financial reporting and certain matters within the scope of financial reporting.
- 1.1.2 The primary objective of public sector entities is to deliver goods and services and not to generate profits. As a result, their success can be only partially evaluated by examination of their financial position and financial performance information at the reporting date. The IPSASB believes that the reporting of performance information about services being provided is necessary to meet the objectives of financial reporting by public sector entities. Performance information about services being provided is referred to as **service performance**. Such service performance reporting is, by definition, part of GPFRs.
- 1.1.3 The International Public Sector Accounting Standards Board's (IPSASB's) December 2010 Exposure Draft, *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity* (CF-ED 1) establishes the concepts that underpin general purpose financial reporting by public sector entities that adopt the accrual basis of accounting, other than Government Business Enterprises (GBEs). The IPSASB will apply these concepts in the development of International Public Sector Accounting Standards (IPSASs) or non-authoritative guidance applicable to the preparation and presentation of GPFRs of public sector entities, including service performance reporting.
- 1.1.4 The practice of reporting service performance information is fairly diverse in various jurisdictions at this time. In some jurisdictions, public sector entities are required by law to report service performance information annually while in others, the reporting of service performance information is a voluntary action by entities striving to enhance accountability and informed decision-making. The scope of service performance information reported, the extent of its linkage with financial information, and the amount of detail provided also varies between jurisdictions.

1.2 Why Service Performance Reporting is Important

- 1.2.1 The need for service performance information has become increasingly topical and relevant to the enhancement of public sector accountability. All public sector

entities have a responsibility to be publicly accountable to their recipients of services or their representatives and the providers of resources or their representatives (hereinafter collectively referred to as “users”). The reporting of service performance information will assist public sector entities in meeting this responsibility by providing users with information that may help them in assessing the entity’s performance in providing services and the effects of those services.

- 1.2.2 Financial reporting is not an end in itself but is intended to provide information useful for accountability and decision-making purposes. Holding public sector entities accountable for the efficiency and effectiveness of services they are responsible for is a critical feature of good governance. Service performance information can influence decisions of service recipients and resource providers in their transactions with the reporting entity.
- 1.2.3 Financial reporting helps fulfill a public sector entity’s duty to be publicly accountable. Fulfilling this duty to be publicly accountable requires the public sector entity to provide an explanation or a satisfactory reason for their activities and the results of efforts to achieve the specified objectives. In answering to users, public sector officials are fulfilling their duty to be publicly accountable for the stewardship of financial resources, adherence to legal requirements, the efficiency and effectiveness of services, the level of services provided and the resources used in doing so.
- 1.2.4 Providing service performance information may encourage consideration during decision-making processes of whether results are being achieved through the use of resources which are consistent with the objectives of the public sector entity. When considering or influencing policy decisions, service performance information may assist users in determining efficient and effective services. Taxpayers and citizens who compare the value of the services they are receiving from public sector entities with the taxes and fees that they pay for these same services, may utilize service performance information in making cost-efficiency and cost-effectiveness assessments.

1.3 Guidance on the Reporting of Service Performance Information

- 1.3.1 While many public sector organizations report service performance information, there is no widely accepted form or content for these reports. The IPSASB recognizes that improving the quality of service performance information reported is an evolutionary process that builds on research, experimentation, practical experience and consensus. As a result, the reporting of service performance information is likely to evolve over time.
- 1.3.2 There are two options that the IPSASB is considering in developing guidance on the reporting of service performance information. These options include the issuance of: (1) an IPSAS requiring public sector entities to report service performance information, or (2) non-authoritative guidance for those public sector entities that voluntarily choose to report service performance information.

- 1.3.3 Developing an IPSAS on the reporting of service performance information will help ensure that users have the information necessary for assessing the service performance of a public sector entity and also will enhance the comparability of service performance information. If reporting service performance information is required, public sector entities that follow IPSASs would report such information according to the established standards. Requiring service performance information to be reported could discourage some public sector entities from adopting IPSASs.
- 1.3.4 If non-authoritative guidance is established by the IPSASB, those public sector entities that voluntarily choose to report service performance information would have access to a reporting framework for reporting this information without potentially impeding the adoption of IPSASs. Reporting service performance information using a consistent framework would provide users with consistent and comparable information for assessing the service performance of a public sector entity. However, it can be assumed that while some public sector entities will choose to follow the non-authoritative guidance developed and additional governments will be encouraged to adopt the guidance, some public sector entities will choose not to report any service performance information. Therefore, some would argue that an essential user need will not be met.

2 SCOPE AND OBJECTIVE OF THE SERVICE PERFORMANCE REPORTING PROJECT

- 2.0.1 The scope of this project is service performance information. In CF-ED1, the IPSASB proposes that the scope of financial reporting is determined by the information needs of the primary users of GPFRs and the objectives of financial reporting and responds to the operating characteristics of public sector entities. The scope of financial reporting will evolve in response to user information needs, consistent with the objectives of financial reporting.
- 2.0.2 In proposing this framework, the IPSASB has not been constrained by the view that broader information within the scope of GPFRs will be published in a single report that also includes general purpose financial statements (GPFs). Such information may be published in a number of separate reports.

2.1 Development of a Consistent Framework for Reporting Service Performance Information

- 2.1.1 The objective of this project is to use a principles based approach to develop a consistent framework for reporting service performance information of public sector services that focuses on meeting the needs of intended users.
- 2.1.2 In developing the framework for reporting service performance information, the IPSASB has reviewed and compared existing national standards, guidance, and regulatory requirements for performance reporting (or its equivalent) in the public and private sectors from 26 selected jurisdictions, the United Nations, and the Organization for Economic Co-operation and Development (OECD). The

existing approaches identified during the research that are used by public sector entities around the world, where the reporting of service performance information is a feature of public sector financial management, were used to help form the basis for the service performance reporting framework included in this CP.

2.2 Service Performance Reporting Boundaries

- 2.2.1 To meet accountability requirements, the IPSASB believes that service performance information included in GPFRs should be prepared for the same reporting entity as for GPFRs. It is the reporting entity that receives resources for providing services and is accountable to users for the achievement of its objectives. This view does not however preclude a government reporting on its performance within a sector (which may involve a number of entities); however, this is outside the scope of the proposed framework. Sometimes, separate public sector entities may be responsible for funding and for the provision of the same services, in which case the funder's performance reporting would focus on its funding and monitoring activities, while the provider's performance reporting would focus on the quality, quantity and cost of the services delivered.

2.3 Scope Exclusions of the Service Performance Reporting Project

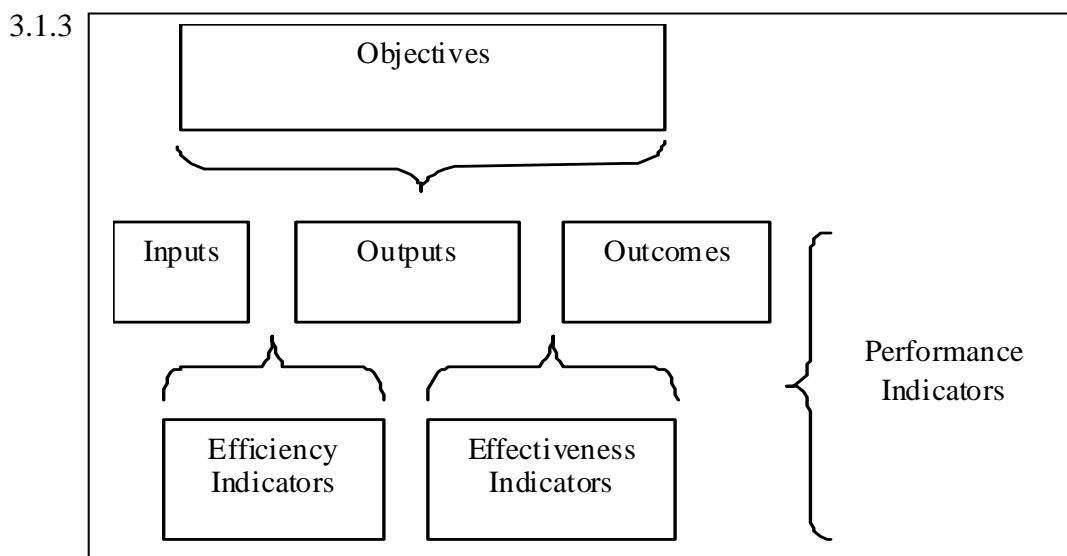
- 2.3.1 The purpose of this project is to work towards a generally accepted framework for reporting service performance information, within which specific performance indicators will not be provided. Identification of the specific indicators of service performance that are reported by public sector entities are therefore outside the scope of this project. The services provided by public sector entities are diverse and often complex in nature. Public sector entities have different objectives for the services they deliver. Therefore, the relevant indicators of these services may differ between public sector entities. As a result, the IPSASB believes that it is not appropriate as part of this project to determine relevant indicators of service performance.

3 SERVICE PERFORMANCE TERMINOLOGY

3.1 Why Develop a Standardized Service Performance Terminology

- 3.1.1 A standardized service performance information terminology does not currently exist globally across public sector entities. This is due in part to the fact that, although some consistent terminology is utilized by public sector entities throughout the world, many of these entities have not defined some or all of the terms used. Moreover, the same terms sometimes have different meanings in different jurisdictions. One of the secondary objectives of this project is to develop definitions that can be applied internationally.
- 3.1.2 Developing a standardized service performance information terminology may enhance a preparers understanding of how to report service performance information using the service performance reporting framework proposed in this

CP. As a result, the IPSASB has identified seven terms from the service performance reporting framework that represent essential elements within the reporting of service performance information. These terms are depicted in the diagram below. A discussion of how the seven terms were identified, other terms that were considered, and definitions of the terms identified in the research can be found in Appendix A.



3.2 Working Definitions of Service Performance Terminology

3.2.1 The IPSASB believes that establishing working definitions for the seven terms identified in the diagram above will assist in communicating these concepts and provide for consistent application in their use by preparers of reports that include service performance information. The order of terms and associated working definitions discussed below are not meant to signify priority. The terms include:

- Objectives,
- Performance indicators,
- Inputs,
- Outputs,
- Outcomes,
- Efficiency indicators, and
- Effectiveness indicators

3.2.2 The working definitions were developed by the IPSASB after considering the research results on the definitions of these terms being used by various public sector entities, which (as previously was noted) is included in Appendix A. The definitions identified for these terms informed the IPSASB's deliberations on the establishment of these working definitions.

3.3 *Objectives*

3.3.1 An objective is a statement of the result a public sector entity is aiming to achieve.

3.4 *Performance Indicators*

3.4.1 Performance indicators are quantitative or qualitative measures that describe the extent to which a program or service is achieving its objectives.

3.5 *Inputs*

3.5.1 Inputs are the resources of a reporting entity used to produce outputs.

3.6 *Outputs*

3.6.1 Outputs are the goods and services, including transfers to others, provided by a reporting entity.

3.7 *Outcomes*

3.7.1 Outcomes are the impacts of a program or service (outputs) in terms of achieving the objectives.

3.8 *Efficiency Indicators*

3.8.1 Efficiency indicators are measures of the relationship between inputs to outputs or outcomes.

3.9 *Effectiveness Indicators*

3.9.1 Effectiveness indicators are measures of the relationship between outputs to outcomes.

4 THE OBJECTIVES OF REPORTING SERVICE PERFORMANCE INFORMATION AND USERS OF SERVICE PERFORMANCE INFORMATION

4.1 Users of Service Performance Information

4.1.1 The two groups of users of GPFRs of public sector entities identified in the CF-ED 1 are the same two groups of identified users of service performance information in this CP. GPFRs of public sector entities, including reports that include service performance information, are developed primarily to respond to the information needs of service recipients and resource providers who do not possess the authority to require a public sector entity to disclose the information they need for accountability and decision-making purposes.

4.1.2 Examples of the use of service performance information in this context include:

- a) citizens and residents holding the public sector entity accountable for the services they pay for and receive,
- b) the legislature (or similar body) and individual members of the legislative body (or a similar representative body) fulfilling their responsibilities in representing the interests of service recipients and resource providers,

- c) public sector entities and other international organizations that provide financial aid to developing or distressed public sector entities fulfilling their responsibility of practicing appropriate diligence in the granting or loaning of funds, and
- d) specific interest groups that may find service performance information useful for their own specific purposes.

4.2 Needs of Users of Service Performance Information

- 4.2.1 IPSASB has proposed in the CF-ED 1 that, “The scope of financial reporting should evolve in response to users’ information needs, consistent with the objectives of financial reporting.” The IPSASB also proposed that the elements, recognition and measurement phases of the CF-ED 1 should be developed to initially focus on key aspects of financial statements and that the application of these concepts to other areas of financial reporting, such as the reporting of service performance information, would be considered subsequently.
- 4.2.2 The financial information needs of users identified in CF-ED 1, also represent their needs for accountability and decision-making purposes related to service performance information.
- 4.2.3 Users require information about the entity’s anticipated future service delivery activities and objectives, and the amounts and sources of cost recoveries necessary to support those activities. Service performance information will provide service recipients, resource providers, and their representatives with additional information important for their assessment of these matters.

4.3 Service Performance Information Needed to Meet User Needs

- 4.3.1 Four different dimensions of service performance information, currently being reported, were identified as being relevant to meeting the needs of users. These dimensions of service performance information include:
 - a) information on the public sector entity’s objectives (the “why” dimension),
 - b) input, output, outcome, efficiency, and effectiveness indicators, including “customer satisfaction” and “customer perceptions” information (the “what” dimension),
 - c) comparisons of actual results to costs and to targets (the “how” dimension), and
 - d) time-oriented information, including the comparisons of actual results over time and to milestones (the “when” dimension).
- 4.3.2 The dimensions of service performance information identified as being relevant to meet the needs of users is not an exhaustive list, but rather a representation of those types of service performance information that were identified in the research.

4.3.3 Two additional types of service performance information currently being reported by public sector entities were also identified as being noteworthy in meeting the needs of users. These two types of service performance information are information on the need or demand for services and information on the factors that influence results. Because services are primarily provided to address the needs of users, information on the need or demand for services may be necessary for users to make an assessment of the level of services necessary to achieve desired results. Such information expands on information provided on the public sector entity's objectives. Because there may be external and internal factors that influence service performance, other than the service delivery itself, information on the factors that influence results may be necessary for users to make an assessment of the affects of these factors on actual results. Such information expands on the comparisons of actual results to costs and to targets. The different dimensions of service performance information identified as being relevant to meeting the needs of users are therefore not mutually exclusive and include:

- (a) Information on the public sector entity's objectives, including the need or demand for these objectives to be achieved;
- (b) Input, output, outcome, efficiency and effectiveness indicators, including customer satisfaction and customer perceptions information;
- (c) Comparisons of actual results to costs and to targets, including information on the factors that influence results; and
- (d) Time-oriented information, including the comparisons of actual results over time and to milestones.

4.4 *Information on the Public Sector Entity's Objectives, Including the Need or Demand for these Objectives to be Achieved*

4.4.1 Information on the public sector entity's objectives provides users with a basis for assessing the degree of achievement of the intended results of public sector services, and whether the indicated purpose of a service is consistent with what users believe is important. In many jurisdictions' public sector entities provide not only service performance reports, but also planning reports on the entities' mission, and objectives, why these are important, and how it will achieve them. Information on the public sector entity's objectives has been identified as a component of information that needs to be reported in order to effectively communicate service performance (Section 6.4).

4.4.2 Information on the need or demand for services was not identified during the initial research as a type of service performance information currently being separately reported by public sector entities to meet the needs of users. However, because services are primarily provided to address the needs of users, some believe it may be appropriate to consider the reporting of this type of information, to explain the reason for the public sector entity's objectives. These needs, when recognized and expressed by users, may create a demand for a service. The level of resources committed to providing such a service may reflect what is required to satisfy that need and to achieve the desired results. The level of service provided,

however, may be more or less than necessary to satisfy the level of need for that service. In certain instances, information about the level of need or demand for a service may help users to understand the level of service performance achieved and whether the level of services provided is appropriate to meet the need for that particular service. Information on the need or demand for services has been identified in the discussion of efficiency and effectiveness indicators (Section 6.6) as information that needs to be considered when reporting these indicators.

- 4.4.3 Others believe that information on the need or demand for services is often not available, and when available may not be reliable because taxpayers and customers may be expressing a need for a service without placing it into the context of all services being provided with available resources. Reporting on the demand for services may provide users with service performance information that distracts them from the actual results of services.

- 4.5 *Input, Output, Outcome, Efficiency, and Effectiveness Indicators, Including Customer Satisfaction and Customer Perception Information*

- 4.5.1 Input, output, and outcome indicators are the most common types of service performance information currently reported. Input, output, and outcome indicators are definitive and provide a clear and understandable means of communicating service performance information in an objective way. For example, the cost to repair a pot hole (input), the number of pot holes repaired (output), and the increase in average speed of drivers over repaired roads (outcome). These indicators also are the most common types of service performance information because they link financial and non-financial information to communicate to users how entrusted resources were used and what was achieved as a result of their usage.
- 4.5.2 Because inputs are used directly or indirectly to produce outputs (and contribute to the achievement of outcomes), this information may assist users in assessing the fiscal stewardship of public resources and provide greater accountability. When financial and non-financial service performance information is linked, results (outputs and outcomes) and resources (inputs) are aligned, and the relationship between them may become more evident to users. For example, in some jurisdictions, input information, expressed as the costs of services is part of the financial statements. Information on input, output, outcome, efficiency, and effectiveness indicators has been identified as a component of information that needs to be reported by public sector entities in order to effectively communicate service performance (Section 6.6).
- 4.5.3 Output and outcome indicators may include customer perceptions of the quality and satisfaction with the results of services. This information is often important for holding public sector entities accountable for improving the quality of the services they provide. Particularly where the services are customer focused, this information assists in ensuring a more complete view of the results of services and including results not reflected in public sector entities' other "objective" indicators of outputs and outcomes. Indicators of customer satisfaction and customer perceptions, often identified as an outcome indicator, allow

identification and evaluation of differences between the quantitative indicators of achievement of results and the qualitative indicators of how others perceive those results.

- 4.5.4 Conversely, customer satisfaction and customer perceptions may not be as useful in cases where there is little or no customer element, as for example, with defense activities. Also, they often are lagging indicators because they are formulated based on information that is reported to them after the fact, which may provide an inaccurate picture of current performance. As well, the perceptions may be based on information that is not reliable because of its source. The reporting of customer satisfaction and customer perceptions may therefore lead to inaccurate assessments of service satisfaction levels, which in turn may lead to decisions being made based on inaccurate perceptions rather than actual results.

4.6 *Comparisons of Actual Results to Costs and to Targets, Including Information on the Factors that Influence Results*

- 4.6.1 Comparisons of actual results to costs and to targets are important to the usefulness of service performance information because it provides a frame of reference for users to assess service performance. Service performance indicators, if presented alone, do not provide a basis or context for assessing service performance. Comparability has been identified as a qualitative characteristic that service performance information needs to possess (Section 5.1).
- 4.6.2 Comparisons of targets to actual results also are useful in the reporting of public sector service performance. Developing indicators, targets, and benchmarks helps public sector entities at all levels to better assess the degree of accomplishment of the entities' objectives.
- 4.6.3 Although information on factors that influence results was not identified during the initial research, there may be external and internal factors that influence service performance, other than the service delivery itself. It is likely therefore to be appropriate to consider the narrative reporting of this type of information, because it may assist users in understanding how actual results may be affected by factors other than the service being provided. Providing service performance information on the factors that influence results may assist users in understanding that results are affected by other factors as well as the services provided and in determining whether a service needs to be modified to address certain factors that are not associated with the direct delivery of the service. Information on factors that influence results has been identified as a component of information that needs to be reported in order to effectively communicate service performance (Section 6.7).
- 4.6.4 Conversely, establishing linkages between factors that influence results and the delivery of services is very difficult. Therefore, it is challenging to use the factors that may influence results in assessing service performance because of the lack of identifiable correlations. There is a risk that use of these factors may lead to users making erroneous conclusions about the public sector entity's performance.

4.7 *Time-oriented Information Including the Comparisons of Actual Results over Time and to Milestones*

- 4.7.1 Time series comparisons provide users with information of value in assessing whether results are improving, deteriorating, or remaining the same over time. Time series comparisons also assist users in assessing the reasonableness of targets.
- 4.7.2 Time-oriented service performance information is likely to be important to users who wish to make periodic assessments of the degree to which progress is being made in the achievement of certain objectives. In many cases, it takes a public sector entity many years to achieve the desired final results. Therefore, users may benefit from service performance indicators that allow them to assess whether progress is being made towards the end result and whether a service is likely to achieve that desired end result. Time-oriented indicators have been identified as a type of service performance information that may assist users in assessing the public sector entities achievement of its objectives (Section 6.5).
- 4.7.3 Others believe that time-oriented information received by users may inaccurately convey information about the progress made on the achievement of desired end results. For example, an indicator of a program's results, at a given time, may not reflect positively that progress is being made to support the achievement of desired end results. However, as the program continues, this same indicator may conversely indicate satisfactory progress because results are being measured after more time has passed. This may lead users to form an inaccurate conclusion on whether the program or service is likely to achieve the final desired results.

5 THE QUALITATIVE CHARACTERISTICS OF SERVICE PERFORMANCE INFORMATION

5.1 The Qualitative Characteristics of Information Included in GPFRs of Public Sector Entities

- 5.1.1 The IPSASB has proposed that the qualitative characteristics of information included in GPFRs of public sector reporting entities are: relevance, faithful representation, understandability, timeliness, comparability, and verifiability. The IPSASB has also recognized that there are pervasive constraints on the information included in GPFRs. These constraints are materiality, cost-benefit, and achieving an appropriate balance between the qualitative characteristics. In the CF-ED 1, the following is stated in paragraph 3.5, "The need for additional guidance on interpreting and applying the qualitative characteristics to information that extends the scope of financial reporting beyond financial statements including their notes will be considered in the development of any IPSASs and other pronouncements of the IPSASB that deal with such matters."
- 5.1.2 The IPSASB has considered the applicability of the qualitative characteristics of information included in GPFRs, already identified by the IPSASB, to service performance information. Based on this consideration, the IPSASB believes that the same qualitative characteristics of information included in GPFRs of public

sector reporting entities are applicable to service performance information. The IPSASB also believes that the pervasive constraints of information included in GPFRs are applicable to the reporting of service performance information.

5.1.3 Similar to financial information, service performance information needs to possess certain qualitative characteristics in order to effectively communicate to users the performance of an entity or its services. The components of service performance information discussed in Section 6 are enhanced by the qualitative characteristics. The qualitative characteristics help to ensure that certain basic attributes are possessed by the service performance information being reported.

5.1.4 The qualitative characteristics and their applicability to service performance reporting are included in the chart below.

Qualitative Characteristic	Applicability to Service Performance Reporting
Relevance	Service performance information should have a close logical relationship between the information provided and the purpose for which it is intended to be used.
Faithful Representation	Service performance information should provide a realistic representation of the service performance of a public sector entity's services.
Understandability	Service performance information should be communicated to users simply and clearly.
Timeliness	Service performance information should be reported to users before it loses its capacity to be useful for accountability and decision-making purposes.
Comparability	Service performance information should provide users with a basis and context for assessing a public sector entity's service performance.
Verifiability	Service performance information should provide users with a basis for assessing whether the information in a service performance report could be replicated by independent evaluators using the same measurement methods.

5.2 Constraints on Service Performance Information

5.2.1 Materiality, cost/benefit relationship, and achieving an appropriate balance between the qualitative characteristics are pervasive constraints on the reporting of service performance information. A pervasive constraint represents a limitation that is applicable to all of the qualitative characteristics. For example, if the costs of reporting service performance information are considered to be

greater than the benefits that the information may provide to users, this may supersede the need to report service performance information.

5.3 *Materiality*

- 5.3.1 Materiality represents the magnitude of an omission or misstatement of service performance information that is significant enough to make it probable that the assessment of a reasonable person relying on the service performance information would have been changed or influenced by the omission or misstatement. Materiality depends on both the nature and amount of the service performance information reported in the particular circumstances of each public sector entity. As a result, it is not possible to specify a uniform quantitative threshold at which service performance information becomes material for a specific public sector entity.

5.4 *Cost/Benefit*

- 5.4.1 The reporting of service performance information provides benefits to users but also imposes costs. The benefits of reporting service performance information should justify those costs. Assessing whether the benefits of providing service performance information justify the related costs is often a matter of judgment because it is often not possible to identify and quantify all of the benefits or costs of reporting service performance information.

5.5 *Balance between the Qualitative Characteristics*

- 5.5.1 Reaching an appropriate balance between the qualitative characteristics is necessary when reporting service performance information. As noted in the CF-ED 1, the qualitative characteristics work together in different ways to contribute to the usefulness of the service performance information. For example, in order for service performance information to be relevant, it must also be timely and understandable.
- 5.5.2 There often is a balancing or trade-off between the qualitative characteristics that is necessary to achieve the objectives of accountability and informing decision-making. The relative importance of the qualitative characteristics in each situation is a matter of professional judgment. For example, there is often a trade-off between the degree of verifiability and the relevance of service performance information being reported. However, there may be a point beyond which some trade-offs between the qualitative characteristics would not be considered acceptable.

6 WHICH COMPONENTS OF SERVICE PERFORMANCE INFORMATION SHOULD BE CONSIDERED FOR INCLUSION IN GENERAL PURPOSE FINANCIAL REPORTS

6.1 Components in Current Use

- 6.1.1 The research identified that although no two jurisdictions have identical service performance reporting frameworks that are required or encouraged within GPFRs, there are some similarities in the service performance information that is reported.

The similar service performance information components identified within these frameworks were: information on the scope of the report, information on objectives, information on the achievement of objectives, comparisons over time and of actual to targeted results, narrative discussion of results, and certain qualitative characteristics that non-financial information (performance indicators) needs to possess.

- 6.1.2 Two of these components identified, comparisons over time and of actual to targeted results and certain qualitative characteristics that non-financial information needs to possess, are included within the qualitative characteristics (Section 5) that service performance information needs to possess in order to effectively communicate to users the performance of an entity or its services.

6.2 Components of Service Performance Information that Should be Considered for Inclusion in General Purpose Financial Reports

- 6.2.1 The more common components of service performance information identified during the research that are necessary to meet the needs of users include:

- a) Information on the scope of the report;
- b) Information on objectives;
- c) Information on the achievement of objectives; and
- d) Narrative discussion of results.

6.3 *Information on the Scope of the Service Performance Information Presented*

- 6.3.1 The research identified the scope of the service performance information presented as a commonly reported component of service performance information included in GPFs. Information on the scope of the service performance information presented should include descriptions of:

- a) What services have been included in the service performance information presented;
- b) The reasons why the services being reported on were chosen, including any capacity considerations that may have influenced their inclusion;
- c) The period covered by the service performance information presented;
- d) The frequency and sources of the service performance information presented; and
- e) The level of detail of the service performance information presented.

- 6.3.2 The reporting of service performance information should include a statement of scope describing what services are included in the report as well as a description of those services, the reasons they were chosen for inclusion, and any capacity considerations that may have influenced their inclusion. Most entities are

complex, often with many separate programs offering multiple services. An entity may choose to only report selected programs or services within its service performance report rather than the entity in its entirety. This choice may be based on a number of factors including the materiality, risk, and sensitivity of the service performance information. As a result, users of a service performance report need information to be able to determine which programs or services are included as well as the reasons why they were chosen for inclusion in the service performance report. When users have this information, they may determine if the service performance report is relevant to them and if it will provide the kind of information they need to make informed decisions and reach conclusions about the results of the entity's service performance.

- 6.3.3 The statement of scope also should describe the period covered by the report or specific reported service performance indicators and the frequency and sources of service performance information collected. Providing this type of scope information may give users a basis for determining whether the service performance information is reported regularly and in a timely manner. When users have this information, they may be able to determine if the service performance information is useful for their assessment of accountability and their decision-making.
- 6.3.4 The statement of scope should identify the level of detail of the service performance information presented—for example, at an overview or executive summary level of an entity as a whole or at a more detailed level by geographic area—and the reasons an entity has decided to report at that level. Users of service performance information may have different levels of knowledge, interests, and needs for this type of information. Therefore, in order to meet the varying needs of the majority of users, an entity needs to consider what level or levels of detail are necessary to most effectively communicate service performance information. In knowing what service performance information is included within each level, users' may more appropriately choose which level or levels of detail provide them with the information they need to make assessments and informed decisions.

6.4 *Information on Objectives*

- 6.4.1 The research identified information on the objectives of a public sector entity as a commonly reported component of service performance information included in GPFRs. Information on objectives should include descriptions of:

- a) The objectives of the services being presented;

- b) The sources of the objectives presented;
 - c) The link between the objectives and the indicators of the achievement of the objectives being presented; and
 - d) How the objectives for the entity as a whole relate to the objectives of specific services, if applicable.
- 6.4.2 The reporting of service performance information should state the objectives of the services included within the report. Providing information on their objectives will give users a basis for understanding what an entity intends to accomplish through its services. When users have this information they may be able to assess whether services are directed towards the accomplishment of what the entity has agreed to accomplish. They also may be able to assess the degree to which the reported service performance information provides a basis for assessing the results of the achievement of those objectives. Providing this information directly relates to the service performance information needed to meet user needs identified in Section 4.4.
- 6.4.3 Service performance information should state the sources of the objectives and explain the link between the objectives and the indicators of achievement of those objectives. Objectives need to set forth what the entity intends to achieve, while service performance indicators need to provide relevant indicators of the level of accomplishment of those objectives. Providing users with information on the sources of the entity's objectives may assist them in assessing how relevant those objectives are to their needs and interests based on who is responsible for the establishment of the objectives. For example, objectives that are established strictly by management may not consider the needs and interests of various types of users. Providing information on how objectives link to the reported service performance indicators may assist users in assessing an entity's achievement of those objectives.
- 6.4.4 Some entities establish objectives for the entity as a whole as well as objectives for their specific services. These entities also should articulate how the objectives of specific services relate to the objectives of the entity as a whole, to the extent such a relationship exists. It is important for users to be able to understand whether entity wide objectives are being advanced through the entity's specific services. Providing users with information on both levels of objectives may allow them to determine if the entity-wide objectives are encompassed within the objectives of the entity's specific services.
- 6.5 *Information on the Achievement of Objectives*
 - 6.5.1 The research identified information on the achievement of an entity's objectives as a commonly reported component of service performance information included in GPFRs. Information on the achievement of objectives should include:
 - a) Relevant indicators that provide a basis for assessing the service performance of the services presented; and

- b) Positive achievement and lack of achievement in the objectives of services.

- 6.5.2 The reporting of service performance information should focus on indicators that will assist users in assessing the performance of the services being reported and the achievement of objectives. The use of relevant indicators within a service performance report may provide users with necessary information to facilitate their development of conclusions regarding the important aspects of an entity's service performance without overwhelming them with more information than they can assimilate. The number and type of indicators reported may vary depending on the level of reporting, with additional indicators included at more detailed levels of reporting. This more detailed level of reporting may include time oriented indicators that provide users with a basis for assessing the degree to which progress is being made on the achievement of the objectives. Providing this information directly relates to the service performance information needed to meet user needs identified in Section 4.7.
- 6.5.3 Striking a balance between being concise enough to be understandable and comprehensive and objective enough in its coverage of an entity's objectives to communicate results, whether positive or negative should be considered. The use of several levels of reporting may assist entities in achieving this balance by allowing more concise presentations at higher levels and more comprehensive coverage at more detailed levels. To the degree feasible, a service performance report needs to present the service performance indicators that users consider to be important and relevant. Providing information to users on the achievement of objectives that is comprehensive, objective, and relevant, may encourage a broader use of this information, which may in turn provide users with a basis for more informed decision-making.
- 6.5.4 Providing users with information to determine whether there are additional service performance indicators that may provide them with a basis for assessing the achievement of an entity's objectives should be considered. This information may assist them in identifying what objectives are not being measured. Also, by providing information on service performance indicators that are based on estimates, users may ascertain the degree to which they may choose to rely upon the service performance indicators. A user also needs a basis for assessing the degree to which an entity has achieved what it intends to achieve. Without objectives users would not have a basis for making this assessment. Therefore, entities that do not have formal objectives need to have some method of determining what they intend to accomplish and how to communicate this to users of a service performance report.

6.6 *Types of Indicators on the Achievement of Objectives*

- 6.6.1 As noted earlier, the research identified five broad types of service performance indicators. The five types of service performance indicators identified include: (1) inputs, (2) outputs, (3) outcomes, (4) efficiency, and (5) effectiveness. The value of these types of indicators are enhanced when linked back to the objectives established by that particular public sector entity. Aligning input, output, and

- outcome indicators with the objectives established may help users to assess the relationship between resources and results and how resource availability may have influenced the achievement of the objectives.
- 6.6.2 Users of service performance information may need different types of indicators because they understand, analyze, and make assessments of the information in different ways. Including indicators from some, but not all, types may not provide users with sufficient service performance information to accurately assess performance of a public sector entity's services. Providing this information directly relates to the service performance information needed to meet user needs identified in Section 4.5.
- 6.6.3 In order to assess the achievement of objectives, users need information about indicators from each of the five types because including indicators from some but not all types may not provide users with the information necessary for them to assess certain aspects of an entity's service performance. For example, reporting only input indicators does not provide information on the quantity of services being provided, and information on the degree to which desired results are being achieved. Second, reporting only output indicators does not provide information on the resources used in providing services, and information on the degree to which desired results are being achieved. Lastly, reporting only outcome indicators does not provide information on the level or type of resources used in achieving those outcomes, and information on the quantity of services being provided to achieve those outcomes.
- 6.6.4 However, reporting all five types of indicators, inputs, outputs, outcomes, efficiency, and effectiveness, may result in too many indicators being reported. This may overwhelm users and lessen their ability to focus on those indicators that would have the greatest influence on their assessment of accountability or decision-making processes. In addition, public sector entities that lack the resource capacity to report all five types of indicators may become discouraged and as a result, decide not to report any service performance information. Further, some may attempt to report all five types of indicators even when reliable data is not available for all five types of indicators leading to the reporting of inaccurate service performance information to users.
- 6.6.5 Information on the relationships between input, output, and outcome indicators also are commonly needed by users. These indicators are often expressed as "efficiency" (input-to-output) indicators and "effectiveness" (output-to-outcome) indicators. Efficiency indicators are more valuable when linked back to the objectives established for public sector services being provided. Efficiency indicators provide information that may assist users in assessing the production of outputs using a given level of resources. Effectiveness indicators provide information that may assist users in assessing whether the outcomes being achieved are commensurate with the outputs provided.
- 6.6.6 However, not being able to gather relevant and reliable cost (input) information may prove to be an impediment to a public sector entity developing efficiency indicators. This may discourage public sector preparers from attempting to report

service performance information. The inability to gather relevant and reliable input information also may lead to the reporting of efficiency indicators that are not accurate indicators of service performance. This may mislead users and result in inappropriate assessments of the efficiency of public sector services. The inability to gather relevant and reliable outcome information and to establish a causal relationship between the outputs produced with the outcomes achieved may prove to be an impediment to a public sector entity developing effectiveness indicators. This may also discourage public sector preparers from attempting to report service performance information or lead to the reporting of inaccurate indicators of service performance.

- 6.6.7 A public sector entity can be delivering programs or services efficiently and effectively without meeting the actual need or demand for those programs or services. For example, a public sector entity may have an objective of providing a safe source of water to its service recipient population. Efficiency and effectiveness indicators that measure only a portion of the population may reflect that this objective is being met when in reality only a small percentage of the entire service recipient population is actually receiving a safe source of water. As a result, information on the need or demand for services needs to be considered when reporting efficiency and effectiveness indicators. Providing this information directly relates to the service performance information needed to meet user needs identified in Section 4.4.

6.7 *Narrative Discussion of the Achievement of Objectives*

- 6.7.1 The research identified a narrative discussion of the achievement of objectives as a commonly reported component of service performance information included in GPFRs. A narrative discussion of the achievement of objectives should include a discussion of:
- a) The objective explanations of the results being reported;
 - b) The factors that may have influenced the achievement, or lack thereof, of the objectives of services presented; and
 - c) The indirect consequences, both intended and unintended, of the services provided.
- 6.7.2 A narrative discussion of the achievement of objectives should provide an objective explanation of the results being reported. This discussion needs to focus on the major and critical results being reported, together with the reasons why the actual results differed from the intended results. The discussion of the achievement of objectives presents a balanced view, including both positive and negative aspects of an entity's service performance. Providing users with objective and balanced information on the achievement of objectives may assist users in determining that the service performance report includes the information that is necessary to faithfully represent major results.
- 6.7.3 Including a narrative discussion of the factors that may have influenced the achievement, or lack thereof, of objectives, within the reporting of service

performance information may assist users in understanding the reported achievements and the public sector entities understanding of the factors that may have influenced those achievements, or lack thereof. Providing this information directly relates to the service performance information needed to meet user needs identified in Section 4.6.

- 6.7.4 The indirect consequences (both positive or negative and intended or unintended) of the services provided also need to be discussed. These consequences may not be directly associated with the stated objectives of a public sector entity or its services and may not be anticipated. Providing this information may assist users in understanding that the results of services may include effects that are beyond those anticipated by the entity. Understanding these effects may assist users in their assessment of the results of services because they may alter the users' perception of results achieved and therefore may lead users to reach more informed conclusions.
- 6.7.5 Similar to indicators of service performance, the discussion of the achievement of objectives and factors that influence those achievements needs to strike a balance between being concise and comprehensive. To the degree feasible, the discussion also needs to focus on the information that users consider to be most important. Providing a narrative discussion of the achievement of objectives and factors that influenced those achievements that is concise and comprehensive may encourage the use of this information, which may then provide a basis for more informed decision-making by users.

6.8 Challenges of Reporting Service Performance Information

- 6.8.1 Reporting service performance information to service recipients and resource providers that can be used for accountability and decision-making purposes is most likely to be useful when:
 - a) Service performance expectations are clearly specified and the degree of their achievement is clearly presented,
 - b) Responsibility for the service performance can be clearly assigned,
 - c) The relationship between inputs, outputs, and outcomes is understood,
 - d) Service performance information can be reliably measured,
 - e) Service performance information is presented in an understandable manner,
 - f) There is assurance the service performance information is not biased, and
 - g) The consequences of the service performance information to service recipients and resource providers are clear.
- 6.8.2 In many areas of public sector program and service activity, complexity makes it common that performance expectations are only set broadly. Therefore, it is important to identify service performance expectations clearly. For example, when services are delivered by professionals, using their collection of professional skills and knowledge to react to rapidly changing conditions, it can

- be very difficult to set targets, and there will be appropriate opposition if targets are set that are not sensitive to user needs. Also, there can be political value in not presenting specific service performance expectations. The lack of specified service performance expectations removes the possibility of public sector officials being held accountable for their achievement.
- 6.8.3 For service performance information to be used in assessing accountability and making decisions, users need to be able to assess the degree to which their expectations for service performance have been achieved. If no results of service performance are reported to compare against expectations, users will not have a basis for assessing whether service performance is acceptable.
 - 6.8.4 Where responsibilities are shared between entities or organizational units, it can be difficult to attribute the service performance. Therefore, it is important to assign responsibility for the service performance. Splitting the shared responsibilities to overcome this issue may make it harder to determine whether the desired outcome is being achieved.
 - 6.8.5 When reporting service performance information it is important to understand the relationship between inputs, outputs, and outcomes. Often empirical research provides inconclusive evidence of the interrelationship between inputs, processes, outputs, and outcomes. Users are primarily interested in how inputs and outputs are used to achieve desired outcomes. Therefore, understanding the relationship between them is critical to their assessment of service performance.
 - 6.8.6 Given the large number of measurements that can be made of a single program or service, it is common to provide only a few key performance indicators in order to avoid overwhelming users. It is important to present information that can be reliably measured. However, this selection of key performance indicators allows for the manipulation by the selection of those performance indicators that present positive results instead of those that might present negative results. Also, users need to feel assured that the performance indicators being reported are reliable.
 - 6.8.7 Users have different purposes for reviewing service performance information, as well as different interests, needs, levels of understanding, and public involvement. As a result, the reporting of service performance information is most useful to users when it considers these differences when preparing a report and the information in an understandable manner.
 - 6.8.8 As with the reporting of all accountability reports there are disincentives for preparers to provide service performance information critical of their performance. If the service performance information reported is not regarded as a faithful representation of the public sector entity's performance, users may be unwilling to invest time and resources to review the report and assess performance. Therefore, it is important to provide some level of assurance that the service performance information reported is not biased.
 - 6.8.9 How to respond to the service performance information reported is not always obvious to users. Therefore, it is important to provide a clear discussion of possible consequences of the service performance information to service

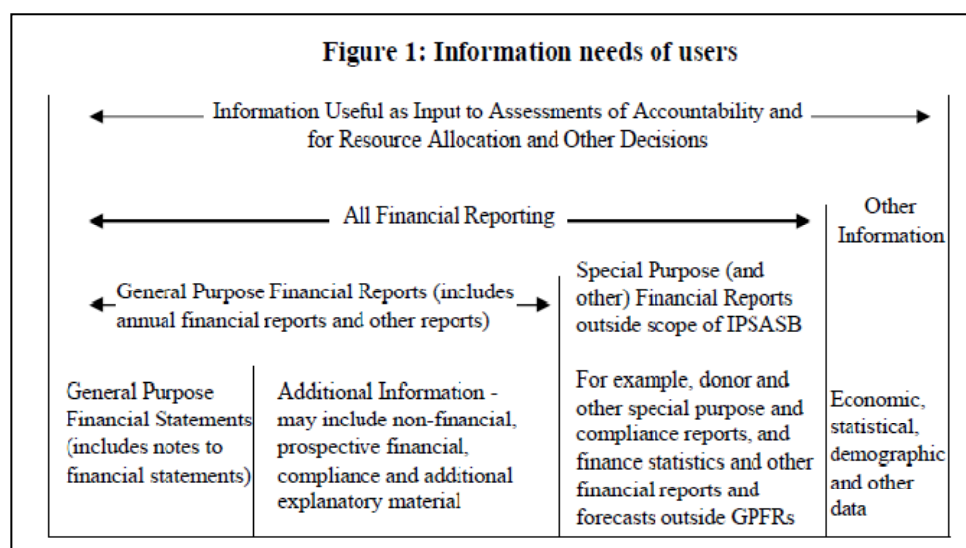
recipients and resource providers. For example, to the extent that an outcome produced is not as effective or efficient as expected, further analysis will be necessary to assess whether the appropriate action is to provide more or less resources in delivering those services or to modify the service being provided.

7 ALTERNATIVES FOR REPORTING SERVICE PERFORMANCE INFORMATION

7.1 Relationship between General Purpose Financial Statements and General Purpose Financial Reports

7.1.1 In its first Conceptual Framework CP, issued in September 2008, the IPSASB distinguished traditional General Purpose Financial Statements (GPFSs) and General Purpose Financial Reports (GPFRs). The exhibit (reproduced from that CP) below illustrates the relationship between GPFSs and GPFRs.

7.1.2



7.1.3 GPFRs of public sector entities include, but are more comprehensive than, GPFSs (including their notes). GPFRs can report information about the past, present, and future that is useful to users—including financial and non-financial quantitative and qualitative information about the achievement of financial and service delivery objectives in the current reporting period, and anticipated future service delivery activities and resource needs. GPFRs are likely to comprise multiple reports, each responding to certain aspects of the objectives of financial reporting and matters included within the scope of financial reporting. The reporting of service performance information could represent one or more of these multiple types of reports.

7.1.4 Whether the IPSASB develops authoritative standards that are required or non-authoritative voluntary guidance for the reporting of service performance information, public sector entities could report this information, (1) in a separately issued general purpose financial report (authoritative or non-authoritative), (2) as part of the traditional general purpose financial report that is currently issued

(annual financial report) but not part of the general purpose financial statements (authoritative), or (3) in a separately issued general purpose financial report *and* as a part of the currently issued traditional general purpose financial report (annual financial report).

- 7.1.5 As noted in its CF-ED 1, GPFRs are a central component of, and support and enhance, transparent financial reporting by governments and other public sector entities. The IPSASB believes that including service performance information as part of GPFRs would represent a significant improvement in financial reporting practices for public sector entities. In the past, service performance information has not been included as part of external reporting by many public sector entities.
- 7.1.6 GPFRs focus on providing information to meet the needs of financial report users. This information may be provided in the annual financial report, or other separate GPFRs. Based on the objectives of GPFRs discussed in Section 1 (accountability and decision-making), providing users with information that will assist them in assessing the service performance of the reporting entity would help in meeting these objectives. Service performance information that assists users in assessing how efficiently and effectively public sector entities are using resources to provide services and achieve their established objectives should play an important role in GPFR.

7.2 Information Provided in a Separately Issued General Purpose Financial Report

- 7.2.1 Whether the guidance developed by the IPSASB is authoritative or non-authoritative, reporting service performance information in a separately issued GPFR may be appropriate because: (1) service performance information is largely non-financial and not considered to be supplementary to the financial information reported in the traditional GPFs, (2) the time period of some or all of the service performance information being reported may be different than the time period of the GPFs, and (3) service performance information may be of interest to different users than those of GPFs.
- 7.2.2 However, reporting service performance information in a separately issued GPFR may discourage preparers from preparing a service performance report because of the additional time and resources that may be needed. Preparers are already responsible for the preparation of several GPFRs and other financial reports. There often is a relationship between the traditional financial information reported in an annual financial report and service performance information (specifically inputs and efficiency indicators). By reporting service performance information separately, users of this information may have more difficulty in recognizing and assessing these relationships. Users also may have become accustomed to utilizing traditional annual financial reports for their decision-making processes. By reporting service performance information separately and perhaps at a different time than the annual financial report, users may not be aware of its availability and the value of the information to their decision-making.

7.3 Information Provided as Part of the Traditional General Purpose Financial Report

- 7.3.1 If authoritative guidance is developed by the IPSASB, reporting service performance information as part of the traditional GPFR may be appropriate because: (1) preparers would then not be responsible for the preparation of an additional GPFR specifically containing service performance information, (2) users would have the ability to access financial and non-financial information in one report that they may already be familiar with, (3) users may be able to more readily identify the relationship between traditional financial information and service performance information, and (4) presenting service performance information in conjunction with traditional financial information may encourage users of service performance information to become familiar with and use traditional financial information in their decision-making.
- 7.3.2 However, reporting service performance information as part of the traditional GPFR may cause preparers to not report the traditional financial information in as timely a manner. Gathering the nonfinancial information, especially if it relates to a different time period than the financial information, may require more time and resources at the end of the reporting period. Reporting service performance information as part of the traditional GPFR may confuse users of the traditional annual financial report because of the inclusion of nonfinancial information with the financial information already being reported. Reporting service performance information as part of the traditional GPFR also may result in a financial report that is too voluminous, which may discourage the use of this report by many potential users. Further, users who are interested primarily in service performance information may be discouraged from accessing the information because it is not as distinctly reported as it would be in a separate report.

7.4 Information Provided in a Separately Issued General Purpose Financial Report and as Part of the Traditional General Purpose Financial Report

- 7.4.1 Reporting service performance information in a separately issued GPFR and as part of the traditional GPFR may be appropriate because users may be able to access, understand, and analyze service performance information, such as inputs and efficiency indicators, where a relationship exists with traditional financial information.
- 7.4.2 However, reporting service performance information in a separately issued GPFR and as part of the traditional GPFR may create confusion for preparers when trying to determine where to appropriately report service performance information. This could result in inconsistencies between public sector entities in the reporting, as well as between reporting periods for a public sector entity. Reporting service performance information in both a separately issued GPFR and as part of the traditional GPFR also may create confusion for users in knowing where to access specific performance indicators of service performance. Further, reporting service performance information in both places results in either

duplicating information in both traditional GPFRs and separately issued GPFRs or not providing complete service performance information in one GPFR.

Appendix A

Results of the Research on the Standardized Service Performance Information Terminology and Associated Definitions

The research identified six jurisdictions that had defined terms related to the reporting of service performance information. The terminology and related definitions from these six jurisdictions were then reviewed for commonalities. Thirteen common terms were identified for potential inclusion in a standardized service performance terminology. These terms include: effectiveness indicators, efficiency indicators, goals, inputs, objectives, outcomes, immediate outcomes, intermediate outcomes, ultimate outcomes, outputs, performance indicators, results, and targets.

However, only seven of these terms were identified by the IPSASB as being sufficiently discrete items relevant for general purpose financial reporting and therefore appropriate for inclusion in this CP. The results of the research on these seven identified terms follow:

Objectives

Seven definitions of objectives (or a similar term) were identified during the research. The definitions are:

- Objectives are concise, realistic, results-oriented statements of what will be achieved in the short term toward accomplishing goals.
- An objective is the given aim of an action, the expression of the desired outcome.
- Significant objectives are another term for outcomes.
- Objectives are a succinct statement of the key goal(s) being pursued over the medium to long term, reflecting the key components of the intended strategy.
- A strategic goal or strategic objective is a statement of aim or purpose included in a strategic plan (required under the Government Performance and Results Act (GPRA)). In a performance budget/performance plan, strategic goals should be used to group multiple program outcome goals. Each program outcome goal should relate to and in the aggregate be sufficient to influence the strategic goals or objectives and their performance measures.
- An objective is a statement of the condition or state one expects to achieve. An objective is realistic, measurable, and generally within the control of the organization, and time constrained.
- Objectives are the intended physical, financial, institutional, social, environmental, or other development results to which a project or program is expected to contribute.

Most of the identified definitions interpret an objective to be statements of what will be achieved towards the accomplishment of goals or desired results. In these interpretations the definitions explain the relationship between goals and objectives. As a result, distinguishing between what is meant by a goal and an objective may be clearer. Many of these identified definitions interpret an objective as being concise, measurable,

realistic, and time constrained statements of goals or results to be achieved. In these instances, some believe that it is easier to distinguish an objective from a goal, which is a broader statement of desired results, because the relationship is explicitly stated. A few identified definitions state that objectives and goals are synonymous and express desired results. However, some believe that this interpretation creates confusion on how to distinguish between the two in a standardized service performance terminology. The IPSASB also believes that in many jurisdictions there exists a translation issue between these two terms. The IPSASB tentatively decided that the terms goals and objectives were synonymous and that the term objective was more universally accepted. The IPSASB considers the following definition to best capture what is meant by an objective, “An objective is a statement of the result a public sector entity is aiming to achieve.”

Efficiency Indicators

Four definitions of efficiency measures or indicators were identified during the research. The definitions are:

- Efficiency indicators explore how productively inputs are translated into outputs.
- Efficiency measures reflect the economical and effective acquisition, utilization, and management of resources to achieve program outcomes or produce program outputs. They may also reflect ingenuity in the improved design, creation, and delivery of services to the public, customers, or beneficiaries by capturing the effect of intended changes made to outputs aimed to reduce costs and/or improve productivity, such as the improved targeting of beneficiaries, redesign of goods or services for simplified customer processing, manufacturability, or delivery.
- Efficiency is the relationship between efforts (or inputs) to outputs or outcomes. Efficiency is measured by indicators of the resources used or cost per unit of output or outcome.
- Efficiency is a measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results.

All of the identified definitions interpret efficiency measures or indicators as relating inputs to outputs. Almost all of the definitions also interpret efficiency measures or indicators as relating inputs to outcomes. One of the definitions did not recognize this relationship. By recognizing that efficiency indicators relate inputs to outputs and outcomes, the definition would acknowledge that efficiency is considered to be the relationship between resources used (inputs) and either goods or services provided (outputs) or results achieved (outcomes). Generally, efficiency is considered to be enhanced by providing more goods or services or achieving better results with the same or fewer resources. The IPSASB believes that efficiency indicators are well understood and that the following definition reflects common usage of the term, “Efficiency indicators are measures of the relationship between inputs to outputs or outcomes.”

Effectiveness Indicators

Three definitions of effectiveness indicators were identified during the research. The definitions are:

- Effectiveness indicators explore how well the outputs of an institution achieve the desired outcomes.
- Effectiveness is producing a desired result. Effectiveness measures the degree to which predetermined goals and objectives for a particular activity or program are achieved.
- Effectiveness is the extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.

One of the identified definitions interprets effectiveness indicators as relating outputs to outcomes (results) explicitly. The other identified definition focuses on the achievement of desired results (normally stated as objectives). The last identified definition focuses on the actual and expected achievement of objectives. Although each identified definition utilizes different terminology, they all interpret effectiveness as measuring results. Effectiveness describes the relationship between the desired results of services (objectives) and the actual results achieved. Effectiveness is normally thought of in terms of the extent to which the actual results indicate that desired results have been achieved. An effective program or service is one that has, to a large extent, achieved its desired results. The IPSASB considers the following definition to best capture what is meant by effectiveness indicators, "Effectiveness indicators are measures of the relationship between outputs to outcomes."

Inputs

Six definitions of inputs were identified during the research. The definitions are:

- Inputs are the financial and non-financial resources and authorities given to the entity to carry out activities, produce outputs and accomplish results. Inputs include items such as tax dollars, user fees, transfers, human resources, capital and information.
- Inputs are the resources used to produce the goods and services which are the outputs of the reporting entity. Examples include: labor, capital assets such as land, buildings and vehicles, cash and other financial assets, and intangible assets such as intellectual property.
- Inputs are the resources that contribute to production and delivery of outputs.
- Inputs are the resources that contribute to the production and delivery of an output. Inputs commonly include labor, physical resources, administrative services and IT systems.
- Inputs are the amount of financial and nonfinancial resources (in terms of money, material, and so forth) that are applied to producing a product or providing a service (output). Effort is also referred to as inputs.
- Inputs are the financial, human, and material resources used for the development intervention.

All of the identified definitions interpret inputs similarly as resources that are used to produce outputs. Some of the definitions also provide a more detailed description of

what constitutes a resource such as, financial, non-financial, human, material, and capital. The IPSASB noted a high degree of consistency between the definitions and did not think it was appropriate to include examples in the definition. The IPSASB considers the following definition to best capture what is meant by inputs, “Inputs are the resources of a reporting entity used to produce outputs.”

Outputs

Seven definitions of outputs were identified during the research. The definitions are:

- Outputs are the direct products and services produced by the activities of the entity. An example of an output is the posting of road signs indicating dangerous zones.
- Outputs are the goods and services produced by the reporting entity.
- Outputs are the goods and services produced by the institution for delivery.
- Outputs are the immediate result of government activities e.g. numbers arrested, proportion of the population attending higher education, numbers treated by the National Health Service (NHS). Some public service performance targets may measure outputs, where outcomes are difficult to measure or are not sufficiently within the department's control.
- Outputs describe the level of activity that will be provided over a period of time, including a description of the characteristics (e.g., timeliness) established as standards for the activity. Outputs refer to the internal activities of a program (i.e., the products and services delivered). For example, an output could be the percentage of warnings that occur more than 20 minutes before a tornado forms.
- Outputs are a measure of the quantity of a service or product provided (may include a quality component).
- Outputs are the products, capital goods and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes.

Almost all of the identified definitions interpret outputs similarly as goods (products) and services produced by the reporting entity. In one instance, the identified definition also recognizes that there may be a quality component included within the output indicator. For example, measuring the number of lane-kilometers of road repaired to a certain minimum satisfactory condition. Communicating this quality component may provide relevant information to users in making an assessment of a public sector entity's performance.

A few of the identified definitions interpret outputs as time constrained measures. Presenting time-oriented information is important for users who have a need to make periodic assessments of the degree to which progress is being made in producing goods or delivering services. However, some believe that reporting output measures that are time constrained may provide users with inaccurate information about the progress made on the production of goods and delivery of services and may therefore lead users to form an inaccurate conclusion on whether the program or service is likely to produce desired

goods and deliver desired services. The IPSASB considers the following definition to best capture what is meant by outputs, “Outputs are the goods and services, including transfers to others, provided by a reporting entity.”

Outcomes

Seven definitions of outcomes were identified during the research. The definitions are:

- Outcomes are the consequences of those outputs that can be plausibly attributed to them.
- Outcomes are the impacts on, or consequences for, the community resulting from the existence and operations of the reporting entity. Desired outcomes provide the rationale for action and are the basis on which decisions should be made concerning the outputs as part of the range of possible interventions.
- Outcomes are the medium-term results for specific beneficiaries that are the consequence of achieving specific outputs.
- Outcomes are the ultimate impacts on, or consequences for, the community of the activities of the government. For example, reduced crime, higher educational attainment, and improved health. Outcomes reflect the intended results from government actions and provide the rationale for government interventions.
- Outcomes describe the intended result of carrying out a program or activity. They define an event or condition that is external to the program or activity and that is of direct importance to the intended beneficiaries and/or the public. For a tornado warning system, outcomes could be the number of lives saved and property damage averted. While performance measures must distinguish between outcomes and outputs, there must be a reasonable connection between them, with outputs supporting (i.e., leading to) outcomes in a logical fashion.
- Outcomes are the basic unit of measurement of progress toward achieving desired results. An outcome may be initial, intermediate, or long-term.
- Outcomes are the likely or achieved short-term and medium-term effects of an intervention’s outputs.

The identified definitions present two different interpretations on what is an outcome. In some of the definitions, an outcome is a measure of actual results. In these interpretations, analogies may be drawn to financial reporting, where “outcomes” would be equivalent to “actual results” which may be compared to desired outcomes or budgeted amounts respectively (i.e., outcomes represent what has happened, for example, if the objective is to reduce a toll by a certain amount, the outcome would measure how much it was reduced). In other identified definitions, an outcome is a measure of “intended,” “plausible,” “perceived,” or “possible,” results. In these interpretations outcomes include a planning component of expected results, as well as actual results. Further, in both of these interpretations, the term “results” is considered synonymous with “outcomes.” Using the term interchangeably may cause confusion to users of service performance information.

Some of the identified definitions also include time constraints on the measurement of an outcome such as initial, medium-term or intermediate, long-term, and ultimate. Presenting time-oriented information (Section 4.7) is important for users who have a need to make periodic assessments of the degree to which progress is being made in achieving results. However, some believe that reporting outcome measures that are time constrained may provide users with inaccurate information about the progress made on the achievement of results and may therefore lead users to form an inaccurate conclusion on whether the program or service is likely to achieve the desired results. The IPSASB considers the following definition to best capture what is meant by outcomes, “Outcomes are the impacts of a program or service (outputs) in terms of achieving the objectives.”

Performance Indicators

Eight definitions of performance measures or indicators were identified during the research. The definitions are:

- Performance measures are a metric used to directly or indirectly measure a particular aspect of performance and can include measures of input, output and outcome. To be meaningful, performance measures must be specific, measurable, achievable, results-oriented and time-focused. An example of a performance measure is the number of accidents compared to the volume of traffic on a highway.
- An indicator is a figure or set of figures measuring the achievement of a predefined objective so that performance may be assessed as objectively as possible.
- Performance indicators identify specific numerical measurements that track progress toward achieving a goal.
- Performance measures are the characteristics of outputs that are important to the purchaser and establish how an entity’s delivery of its outputs will be assessed. Performance measures commonly relate to some or all of the following characteristics: quantity, quality, timeliness, location, and cost or price.
- Performance measures establish the basis or means by which performance can be demonstrated against a robust scale.
- Performance measures are indicators, statistics or metrics used to gauge program performance.
- A service effort and accomplishment (SEA) performance measure is a quantifiable expression of the amount, cost, or result of activities that indicate how well and at what level services are provided. SEA performance measures include measures of inputs, outputs, outcomes, cost-output, cost-outcomes, unintended consequences of programs and services, and factors that influence results.
- Performance indicators are a variable that allows the verification of changes in the development intervention or shows results relative to what was planned.

All of the identified definitions interpret a performance measure or indicator to be a quantifiable expression such as a metric, figure, or statistic. By being quantifiable, performance indicators may be more definitive and objective, which may increase the comparability and consistency of this service performance information. The identified definitions also interpret a performance measure or indicator to be a means of communicating the service performance of a public sector entity. The use of performance indicators when reporting service performance information may provide users with necessary information to help them develop their own conclusions about the public sector entity's performance.

Some of the identified definitions also provide specific examples of performance measures or indicators (number of accidents compared to the volume of traffic on a highway), while others explicitly state the types of measures that may be considered to be a performance measure or indicator at the broadest level (input, output, outcome, efficiency, and effectiveness). A definition by its nature should be broad to encompass all essential concepts. Providing specific, more detailed examples in a definition, may limit a preparers understanding of what constitutes a performance measure or indicator and therefore what measures or indicators they report. The IPSASB also was of the view that the definition of performance indicators should acknowledge that they can be quantitative or qualitative. Therefore, the IPSASB considers the following definition to best capture what is meant by performance indicators, "Performance indicators are quantitative or qualitative measures that describe the extent to which a program or service is achieving its objectives."

Other Terms Considered

Six of the thirteen terms identified in the research (goals, immediate outcomes, intermediate outcomes, ultimate outcomes, results, and targets) were determined to not be necessary for inclusion within a standardized terminology. "Goals" was determined to be synonymous with "objectives" for many public sector entities. The IPSASB was of the view not to refer to qualifiers such as "immediate, intermediate, or ultimate" because they believe that the jurisdiction should be able to decide at what level of detail to provide outcome information. "Results" were determined by the IPSASB to be similar to "outcomes" and therefore not appropriate for a standardized terminology. "Targets" were determined by the IPSASB to be similar to "objectives."