**INTERNATIONAL FEDERATION OF ACCOUNTANTS**
277 Wellington Street West Tel: (416) 204-3400
Toronto, ON M5V 3H2 Fax: (416)977-8585
Internet: http://www.ifac.org

# Agenda Item 2.0

**DATE:** August 15, 2011
**MEMO TO:** Members of the IPSASB
**FROM:** Lisa Parker
**SUBJECT:** Reporting Service Performance Information

## Objectives

- To discuss the final draft of the Consultation Paper on service performance information and approve the issuance of the document.

## Agenda Material

2.0 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 and June 2011 meetings, the IPSASB discussed drafts of the Consultation Paper on the reporting of service performance information. This Consultation Paper will communicate and solicit feedback on the IPSASB's preliminary views and other specific matters that they have not reached consensus on 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 final draft of the Consultation Paper for review and possible approval for issuance of the document at this meeting. The final draft of the Consultation Paper incorporates the views and agreements reached on the issues discussed at the June 2011 meeting.

4. The project staff welcomes feedback on the final draft of the Consultation Paper necessary for IPSASB to approve its issuance. Lisa will be in attendance at the September 2011 meeting.

5. In addition, the members of the Task Based Group (TBG) on service performance, Ken Warren, Sheila Fraser, and Bharti Prasad, have reviewed the

final draft of the Consultation Paper and provided suggestions for its improvement, which have been incorporated in Agenda Paper 2.0.

Appendix – Excerpt from Draft June 2011 IPSASB Minutes

# 2. SERVICE PERFORMANCE REPORTING

**Discuss the second draft of the Consultation Paper (Agenda Item 2)**

The IPSASB welcomed back Lisa Parker, a Project Manager with the US Governmental Accounting Standards Board, who is serving as the lead staff member on this phase of the project. Lisa and the Task Based Group led the discussion.

Initial discussions on the first draft of the Consultation Paper, *Service Performance Information* were held at the March 2011 IPSASB meeting. At this meeting, Members provided the project staff with additional feedback on the content and format of the Consultation Paper.

At the June meeting, the Members tentatively agreed that presenting five preliminary views of the IPSASB was appropriate. These five preliminary views include the:

1. Importance of service performance information to general purpose financial reports (GPFRs);

2. Four types of service performance information identified as necessary components when reporting service performance information;

3. Working definitions established for the terms included in the standardized service performance information terminology;

4. Applicability of the qualitative characteristics of information and pervasive constraints on that information included in GPFRs; and

5. Users of service performance information.

Members then provided the project staff with direction for the preparation of the final draft of the Consultation Paper. 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 tentatively agreed upon by the majority of the Members:

Section 1.1, *What is Service Performance Reporting*

- The paragraphs within this section that reference the Conceptual Framework need to be removed and placed within a new subsection that discusses just the Conceptual Framework. This subsection should be titled ‘Conceptual Framework’ and placed first in this Introduction section.

Section 1.2, *Why Service Performance Reporting is Important*:

- This section should be restructured with some of the discussion in subsection 2.0 to reach the IPSASB's preliminary view on the importance of service performance information to GPFRs.

- Paragraph 1.2.4 should not include the discussion in the last sentence because there are very few cases where the value of the services taxpayers and citizens receive relate to the taxes and fees they pay.

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

- This section should include a third option of issuing an IPSAS requiring public sector entities which choose to issue a report to apply the guidance.

### *Section 2 – Scope and Objective of the Service Performance Reporting Project*

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

Section 2.0, *Scope and Objective of the Service Performance Reporting Project:*

- This section should separate the scope and objective discussions and present them in separate sections.

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

- This section should not include the discussion of the objective of this project. This discussion should be moved to Section 1.

Section 2.2, *Service Performance Reporting Boundaries:*

- This section should provide further clarification for consolidated entities or group entities on how to group the entities and where the indicators are coming from (i.e., which entities should be within the boundary of, and how to consolidate entities for the purpose of, a service performance report).

### *Section 3 – Service Performance Terminology*

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

*Section 3.3 through 3.9, Working Definitions of Service Performance Terminology:*

- These sections should include simple examples of all of the definitions.

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

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

- Generally, the discussions in Section 4 should be consolidated with the discussions in Section 6, wherever possible.

Section 4.1, *Users of Service Performance Information:*

- This section should only discuss the users identified in the Conceptual Framework project and should not introduce new types of users.

Section 4.2, *Needs of Users of Service Performance Information:*

- Paragraph 4.2.1 needs to clarify which concepts are being referred to.

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

- The repetition in this section needs to be deleted.

### *Section 7 – Alternatives for Reporting Service Performance Information*

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

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

- The references to 'traditional' GPFRs in this section need to be deleted because the types of GPFRs vary among different public sector entities.

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

***Next Steps***

A final draft of the Consultation Paper will be presented to the IPSASB for approval at the September 2011 meeting.

International Public Sector Accounting Standards Board

**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*.

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 reporting financial performance information, a 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 across 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 entities, a framework that focuses on meeting the needs of intended users.

This Consultation Paper (CP) communicates and solicits feedback on (a) the preliminary views reached by the International Public Sector Accounting Standards Board (IPSASB), and (b) other specific matters related to the reporting of service performance information on which the IPSASB has not yet reached a preliminary view. It also highlights and analyzes 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 IPSASB is in the process of developing a conceptual framework for public sector financial reporting. Many of the issues in the Conceptual Framework project are relevant to, and have been incorporated in, this project. In December 2010 the IPSASB issued an 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). CF–ED 1 covered (a) the role, authority, and scope of financial reporting, (b) the objectives and users of financial reporting, (c) the qualitative characteristics of financial reporting, and (d) the reporting entity. Consultation papers have been issued covering (1) the definition and recognition of the elements of financial statements, and (2) the measurement basis (or bases) that may validly be adopted for the elements that are recognized in the financial statements. The IPSASB also intends to issue a consultation paper that considers the concepts that should be adopted in deciding how to report financial and non-financial information in General Purpose Financial Reports (GPFRs).

# EXECUTIVE SUMMARY

Public sector entities have a responsibility (a) to be publicly accountable to their users (recipients of services or their representatives, and the providers of resources or their representatives), and (b) to provide information that is useful for the decision-making purposes of those users. The reporting of service performance information will assist public sector entities in meeting this responsibility. Service performance information that assists users in assessing how efficiently and effectively public sector entities are using resources to provide services and achieve their objectives is an important part of GPFRs.

GPFRs of public sector entities 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 (a) the achievement of financial and service delivery objectives in the current reporting period, and (b) 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 is necessary to achieve the objectives of financial reporting by 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 entities, a framework that focuses on meeting the needs of intended users. Although no two jurisdictions have identical service performance reporting frameworks that public sector reporting entities are required or encouraged to follow within GPFRs, there are similarities in the service performance information that is reported. Consideration of these similarities has provided the basis for the components of the reporting framework proposed in the CP.

The framework proposed in this CP includes the more common components of service performance information identified to be necessary to meet the needs of users. The IPSASB proposes that a report on service performance should include (a) information on the scope of the service performance information reported, (b) information on the public sector entity's objectives, (c) information on the achievement of those objectives, and (d) narrative discussion of the achievement of those objectives.

The IPSASB also believes that the same six qualitative characteristics and three pervasive constraints of the information currently included in GPFRs of public sector reporting entities apply as well to service performance information and the reporting of this information.

Finally, a sub-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 is expected to enhance a user's understanding of service performance information.

# REQUEST FOR COMMENTS

The IPSASB would welcome comments on whether you agree or disagree with the Preliminary Views in this CP. The IPSASB also is requesting feedback on the specific matters on which it has not reached consensus. 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 further promulgations by the IPSASB on service performance reporting.

Preliminary Views for Comment in this CP are provided below.

**Preliminary View 1:**

The reporting of service performance information is necessary to meet the objectives of financial reporting (accountability and decision making) as proposed in CF–ED 1 (Section One).

**Preliminary View 2:**

Developing a standardized service performance information terminology for the reporting of service performance information is necessary to enhance consistency and comparability. The following seven terms and working definitions that represent essential elements within the service performance reporting framework are proposed:

*Objective*—An objective is a statement of the result a reporting entity is trying to achieve.

*Inputs*—Inputs are the resources of a reporting entity used to produce outputs in delivering its objectives.

*Outputs*—Outputs are the goods and services, including transfers to others, provided by a reporting entity in delivering its objectives.

*Outcomes*—Outcomes are the impacts of an output in delivering the reporting entity's objectives.

*Efficiency Indicators*—Efficiency indicators are measures of the relationship between inputs and outputs.

*Effectiveness Indicators*—Effectiveness indicators are measures of the relationship between outputs and outcomes.

*Performance Indicators*—Performance indicators are quantitative or qualitative measures that describe the extent to which a service is achieving its objectives. (Section Three)

**Preliminary View 3:**

The users of service performance information are the same as the users of GPFRs of public sector entities identified in CF–ED 1. These user groups are (a) recipients of services or their representatives, and (b) providers of resources or their representatives (Section Four).

**Preliminary View 4:**

The proposed components of service performance information to be reported are (a) information on the scope of the service performance information reported, (b) information on the public sector entity's objectives, (c) information on the achievement of objectives, and (d) narrative discussion of the achievement of objectives (Section Five).

**Preliminary View 5:**

The same qualitative characteristics of information and pervasive constraints on the information that is currently included in GPFRs of public sector reporting entities also apply to service performance information. The qualitative characteristics of information are (a) relevance, (b) faithful representation, (c) understandability, (d) timeliness, (e) comparability, and (f) verifiability. The pervasive constraints on that information are materiality, cost/benefit relationship, and achieving an appropriate balance between the qualitative characteristics (Section Six).

The Specific Matters for Comment in this CP are provided below.

**Specific Matter for Comment 1:**

Should the IPSASB consider issuing authoritative (an issued 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 GPFRs be prepared for the same reporting entity as for general purpose financial statements (GPFSs)? (Section Two)

**Specific Matter for Comment 3:**

Do you agree that specific indicators of service performance that are reported by public sector entities should be excluded from the scope of this project? (Section Two)

**Specific Matter for Comment 4:**

This CP identifies four dimensions of service performance information that are necessary to meet the needs of the identified users (Section Four). These are:

(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 "service recipient perception" information;

(c) comparisons of actual performance to projected (or targeted) results, including information on the factors that influence results; and

(d) time-oriented information, including the comparisons of actual results over time and to milestones.

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

**Specific Matter for Comment 5:**

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

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# 1 INTRODUCTION TO SERVICE PERFORMANCE REPORTING

## 1.1 Conceptual Framework

1.1.1 IPSASB's December 2010 Exposure Draft, (CF–ED 1) establishes the concepts that underpin general purpose financial reports (GPFRs) of public sector entities that adopt the accrual basis of accounting, other than Government Business Enterprises. The IPSASB will apply these concepts in developing International Public Sector Accounting Standards (IPSASs) or non-authoritative guidance that apply to the preparation and presentation of GPFRs of public sector entities, including service performance reporting.

1.1.2 The objective of GPFRs by public sector entities is to provide information about the reporting entity that is useful to 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 (a) financial and non-financial, and quantitative and qualitative information about the achievement of financial and service delivery objectives in the current and previous reporting periods, and (b) anticipated future service delivery activities and resource needs. CF-ED 1 notes that 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.

## 1.2 What is Service Performance Reporting

1.2.1 The primary objective of public sector entities is to deliver goods and services and not to generate profits. Their success can be only partially evaluated by examining 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 information**. Such service performance reporting is part of GPFRs.

1.2.2 At this time, the practice of reporting service performance information is fairly diverse across various jurisdictions. 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.

## 1.3 Why Service Performance Reporting is Important

1.3.1 The need for service performance information has become increasingly topical and relevant to the enhancement of public sector accountability and decision making. Public sector entities have a responsibility to be publicly accountable to recipients of their services or their representatives, and the providers of resources

or their representatives (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 to assist them in assessing (a) the entity's performance in providing services, and (b) the effects of those services.

1.3.2 Fulfilling its duty to be publicly accountable requires public sector entities to provide an explanation or reason for their activities, and the results of efforts to achieve the specified objectives. Providing service performance information in GPFRs is necessary for public sector entities to fulfill their duty to (a) be publicly accountable for financial resources, (b) demonstrate adherence to legal requirements and the efficiency and effectiveness of services, and (c) account for the level of services provided and the resources used in doing so. Providing service performance information also can influence decisions of users in their transactions with a public sector entity.

**Preliminary View 1**

The reporting of service performance information is necessary to meet the objectives of financial reporting (accountability and decision making) as proposed in CF–ED 1.

### 1.4 Guidance on the Reporting of Service Performance Information

1.4.1 Although some public sector entities report service performance information, there is no widely accepted form or content for this reporting. The IPSASB recognizes that improving the quality of service performance information 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.

1.4.2 The IPSASB is considering three options in developing guidance on the reporting of service performance information. These options are the issuance of (a) non-authoritative guidance for those public sector entities that choose to report service performance information, (b) an IPSAS requiring public sector entities that choose to issue a service performance report to apply the guidance, or (c) an IPSAS requiring public sector entities to report service performance information.

1.4.3 If non-authoritative guidance is established by the IPSASB, those public sector entities that choose to report service performance information would have access to a reporting framework for reporting this information. 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 although (a) some public sector entities will choose to follow the non-authoritative guidance developed and, additionally, (b) governments would be encouraged to adopt the guidance, some public sector entities will choose not to report any service performance information, or they will choose to report on another basis. Therefore, some would argue that such guidance will be of limited benefit in ensuring that users are provided with high quality information, and that IPSASB resources would be better directed elsewhere.

1.4.4 Developing an IPSAS that does not require reporting of service performance information, but that requires public sector entities that choose to issue a service performance report to apply the guidance, would enhance comparability of the service performance information reported by those public sector entities. If public sector entities choose to issue a report, or jurisdictions regulate that a report be provided, those entities would be required to report service performance information according to the established standards.

1.4.5 Developing an IPSAS requiring that public sector entities report service performance information would help ensure that users have the information necessary for assessing the service performance of a public sector entity, and also would 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.

## 2 OBJECTIVEAND SCOPE OF THE SERVICE PERFORMANCE REPORTING PROJECT

### 2.1 Objective of the Service Performance Reporting Project

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 entities, a framework that focuses on meeting the needs of intended users.

2.1.2 In developing the framework, the IPSASB has reviewed and compared existing national standards, guidance, and regulatory requirements for performance reporting (or its equivalent) in the public sector from 26 selected jurisdictions (Appendix A), the United Nations, and the Organization for Economic Co-operation and Development (OECD). The existing approaches, identified during the research, 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 GPFSs. That reporting entity is the entity that (a) receives resources for providing services, and (b) is accountable to users for the achievement of its objectives. This view does not, however, preclude a government reporting on its service performance within a sector (which may involve a number of entities); however, such reporting is outside the scope of the proposed framework.

### 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. 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 does not believe that this project should identify specific 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 internationally across public sector entities. Although some consistent terminology is utilized by public sector entities, many of these entities have not defined some or all of the terms they use. Moreover, the same terms sometimes have different meanings in different jurisdictions. One of the sub-objectives of this project is to develop definitions that can be applied internationally.

3.1.2 Developing a standardized service performance information terminology will enhance users' understanding of service performance information reported using the framework proposed in this CP. The IPSASB has identified seven terms that represent essential elements within the service performance reporting framework. 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 B.

## 3.2 Working Definitions and Examples of Service Performance Terminology

3.2.1 The IPSASB believes that establishing working definitions and providing examples for the seven terms identified will assist in communicating these concepts and provide for consistent application in the use of these terms. The order of terms and associated working definitions discussed below are not meant to signify priority. The terms are:

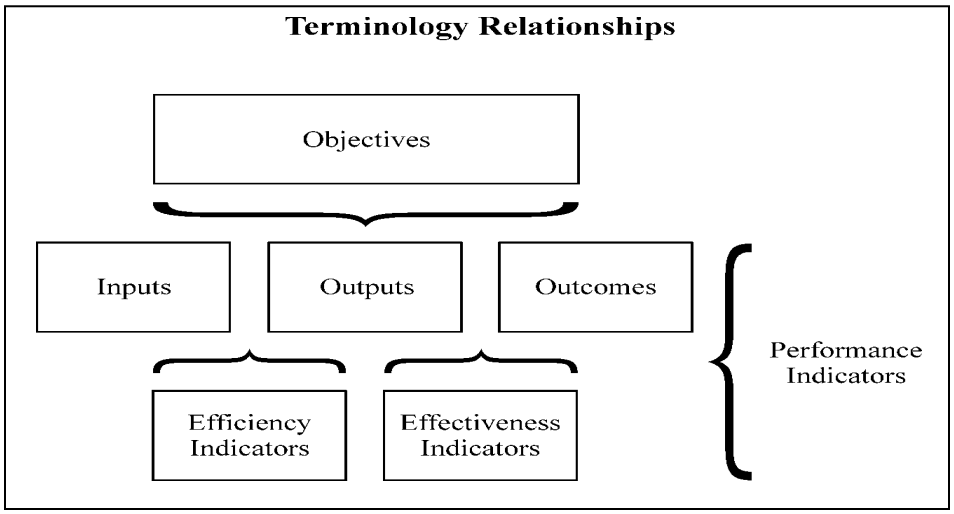
- Objectives;
- Inputs;
- Outputs;
- Outcomes;
- Efficiency indicators;
- Effectiveness indicators; and
- Performance indicators.

3.2.2 The working definitions (which, as previously noted, are included in Appendix B) were developed by the IPSASB after considering the research on the use of these terms by various public sector entities. This research informed the IPSASB's deliberations on the establishment of these working definitions.

3.2.3

| Term | Working Definition | Example |
|---|---|---|
| Objective | An objective is a statement of the result a reporting entity is trying to achieve. | To reduce the number of infants who contract measles. |
| Inputs | Inputs are the resources of a reporting entity used to produce outputs in delivering its objectives. | Cost to inoculate infants for measles. |
| Outputs | Outputs are the goods and services, including transfers to others, provided by a reporting entity in delivering its objectives. | Percentage of total infant population inoculated for measles. |
| Outcomes | Outcomes are the impacts of an output in delivering the reporting entity's objectives. | Reduction in the percentage of infants that contract measles. |
| Efficiency indicators | Efficiency indicators are measures of the relationship between inputs and outputs. | Cost per infant inoculated for measles. |
| Effectiveness indicators | Effectiveness indicators are measures of the relationship between outputs and outcomes. | Percentage of infants inoculated for measles that contracted measles. |
| Performance indicators | Performance indicators are quantitative or qualitative measures that describe the extent to which a service is achieving its objectives. | Examples above for inputs, outputs, outcomes, efficiency indicators, and effectiveness indicators. |

3.2.4 The diagram that follows depicts the relationships that exist between the seven terms identified.




**Preliminary View 2**

Developing a standardized service performance information terminology for the reporting of service performance information is appropriate, and would include the following seven terms and working definitions that represent essential elements within the service performance reporting framework:

*Objective*—An objective is a statement of the result a reporting entity is trying to achieve.

*Inputs*—Inputs are the resources of a reporting entity used to produce outputs in delivering its objectives.

*Outputs*—Outputs are the goods and services, including transfers to others, provided by a reporting entity in delivering its objectives.

*Outcomes*—Outcomes are the impacts of an output in delivering the reporting entity's objectives.

*Efficiency Indicators*—Efficiency indicators are measures of the relationship between inputs and outputs.

*Effectiveness Indicators*—Effectiveness indicators are measures of the relationship between outputs and outcomes.

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

## 4 USERS OF SERVICE PERFORMANCE INFORMATION, THEIR NEEDS, AND INFORMATION NEEDED TO MEET THEIR NEEDS

### 4.1 Users of Service Performance Information

4.1.1 The users of service performance information identified in this CP are the two groups of users of GPFRs of public sector entities identified in CF–ED 1. 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 users 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 to represent the interests of service recipients and resource providers; and

(c) public sector entities, including international organizations that provide financial aid to developing or distressed public sector entities, in fulfilling their responsibility of practicing appropriate diligence in the granting or loaning of funds.

**Preliminary View 3**

The users of service performance information are the same as the users of GPFRs of public sector entities identified in CF–ED 1. These user groups are: (a) recipients of services or their representatives, and (b) providers of resources or their representatives.

### 4.2 Needs of Users of Service Performance Information

4.2.1 The IPSASB has proposed in 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 financial information needs of users identified in CF–ED 1 are also relevant for accountability and decision-making purposes related to service performance information.

4.2.2 Users may also require information about (a) the entity's anticipated future service delivery activities and objectives, and (b) 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 From the research, the IPSASB identified four different dimensions of service performance information as being relevant to meeting the needs of users. These dimensions of service performance information are:

(a) information on the public sector entity's objectives, including the need or demand for these objectives to be achieved (the "why" dimension);

(b) input, output, outcome, efficiency, and effectiveness indicators, including "service recipient perception" information (the "what" dimension);

(c) comparisons of actual performance to projected (or targeted) results, including information on the factors that influence results (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 rest of this section discusses these dimensions of service performance information and associated issues. The following section (Section 5) describes how these dimensions can be recognized as components and presented in a GPFR.

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 a public sector entity's objectives provides a basis (a) for assessing why a service is being provided, and (b) for comparing achievement against intended results. In many jurisdictions, public sector entities provide planning reports on the entity's mission and objectives, why these are important, and how it will achieve them.

4.4.2 However, it is less common for entities to report information on the needs of service recipients and the relationship between these needs and the entity's objectives. Some believe that it may be appropriate to consider the reporting of this type of information to explain the reason for the public sector entity's objectives. The level of resources committed to providing public services may then be related to recipients' needs. This, then, helps users of the reports to understand the level of service performance achieved and whether the level of services provided is appropriate to meet the demand for that particular service.

4.4.3 Others suggest that information on the need or demand for services may not be available, or may not be reliable, because service recipients may be expressing a need for a service without placing it into an appropriate context. They express concern that 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 Service Recipient Perception Information*

4.5.1 Input, output, and outcome indicators are most commonly used to report what service performance was delivered. Input, output, and outcome indicators are definitive, and provide a clear and understandable means of communicating service performance information objectively. These indicators also link financial and non-financial information to communicate to users how resources were used, and what was achieved as a result of their usage. Because inputs are used directly or indirectly to produce outputs (and contribute to the achievement of outcomes), reporting these indicators together may assist users in assessing the financial management of public resources and provide greater accountability, because the relationship between inputs and outputs is more evident than if they are reported separately.

4.5.2 Output and outcome indicators may include service recipient perceptions of the quality of, and satisfaction with, 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 recipient-focused, this information assists in ensuring a complete view of the results of services.

4.5.3 Although some argue that indicators of service recipient perceptions are useful because they show how others perceive a reporting entity's performance, others disagree. Those who disagree note that (a) recipient perceptions are lagging indicators that may provide an inaccurate picture of current performance, and (b) the perceptions may be not reliable. They suggest that reporting service recipient perceptions carries a risk that decisions and assessments may be made based on inaccurate perceptions rather than actual results.

*4.6 Comparisons of Actual Performance to Projected (or Targeted) Results, Including Information on the Factors that Influence Results*

4.6.1 Comparisons of actual performance to projected (or targeted) results are important to the usefulness of service performance information because they provide a frame of reference for users to assess how well services are delivered. Developing indicators and targets helps users to assess the degree of accomplishment of the entity's objectives. Indicators of actual service performance, if reported alone, do not provide a basis or context for assessing service performance.

4.6.2 External and internal factors other than the service delivery itself may influence service performance. A narrative discussion that assists users in understanding how actual results have been affected by factors other than the service being provided is likely to be appropriate when reporting on variances between actual performance and projected or targeted results.

4.6.3 At the same time, establishing linkages between factors that influence results and the delivery of services can be difficult. Because of the lack of identifiable correlations, it can be challenging to use the factors that may influence results in assessing service performance. As a result, users may make erroneous conclusions about a 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 achieving certain objectives. In many cases, a public sector entity take years to achieve the desired final results. Therefore, users may benefit from service performance indicators that allow them to assess the extent to which (a)

progress is being made towards the end result, and (b) a service is likely to achieve that desired end result.

4.7.3 Others believe that time-oriented information received by users may inaccurately convey information about the progress made on achieving desired end results. In cases where it takes a long time to achieve results, early indications may be misleading and may lead users to form an inaccurate conclusion on whether the program or service is likely to achieve the final desired results.

## 5 WHICH COMPONENTS OF SERVICE PERFORMANCE INFORMATION SHOULD BE INCLUDED IN GPFRs

### 5.1 Components in Current Use

5.1.1 The previous section (Section 4) discusses the dimensions of service performance information and associated issues. This section describes how these dimensions of service performance can be recognized as components and presented in a GPFR.

5.1.2 The research identified that although no two jurisdictions have identical service performance reporting presentation frameworks that are required or encouraged to be followed within GPFRs, there are similarities in the presentation of service performance information reported. The similar service performance information components identified within these frameworks include:

(a) information on the scope of the service performance information reported;

(b) information on the public sector entity's objectives;

(c) information on the achievement of objectives; and

(d) narrative discussion of the achievement of objectives.

### 5.2 Information on the Scope of the Service Performance Information Reported

5.2.1 The research identified that the scope of the service performance information reported was a commonly reported component of service performance information included in GPFRs. The description of the scope of service performance information has some similarities with the statement of accounting policies in a set of financial statements, in that they both set out the parameters of the information conveyed. Information on the scope of the service performance information reported includes descriptions of:

(a) what services have been included in the service performance information reported;

(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 reported;

(d) the frequency of the service performance information reported;

(e) the sources of the service performance information reported; and

(f) the level of detail of the service performance information reported.

5.2.2 Most entities are complex, often with many separate programs offering multiple services. Some entities may choose to report only selected programs or services within a service performance report rather than all the entity's services. 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 to know which services have been included in a service performance report, as well as the reasons why those services were chosen for inclusion.

5.2.3 Alternatively, some entities may meet the challenge of reporting on many separate programs offering multiple services by limiting the level of detail of the service performance information reported—for example, by providing an overview or executive summary of an entity's service performance. Users of service performance information may have different levels of knowledge, interests, and needs. Therefore, in order to meet the varying needs of the majority of users, an entity needs to consider what level of detail is necessary to most effectively communicate service performance information. The approach that is taken and the rationale for that approach should be explained. The discussion of the qualitative characteristics in Section 6 is relevant when deciding what to report.

5.2.4 Users who have information about the level of detail in the report or the approach taken to determine which services to report on may determine (a) if the service performance report is relevant to them, and (b) 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.

5.2.5 The discussion of the scope also should describe the period covered by the information reported and the frequency and sources of service performance information collected. Providing this type of scope information gives users (a) a basis for determining whether the service performance information is reported regularly and in a timely manner, and (b) a better basis for interpreting the information. When users have this information, they are able to determine if the service performance information is useful for their assessment of accountability and their decision making.

### 5.3 Information on the Public Sector Entity's Objectives

5.3.1 The research identified that information on the objectives of a public sector entity was 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 reported;

(b) the sources of the objectives reported;

(c) the link between the objectives and the indicators of the achievement of the objectives being reported; and

(d) how the objectives for the entity as a whole relate to the objectives of specific services, if applicable.

5.3.2 The reporting of service performance information should state the objectives of the services included within the report. Providing information on the entity's 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 resources are directed towards 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 achievement of those objectives.

5.3.3 Service performance information should state how the objectives are established, relate those objectives to the demand or needs of service recipients, and explain the link between the objectives and the indicators of achievement of those objectives. Objectives set out what the entity intends to achieve. Service performance indicators used as targets set user expectations of the level of accomplishment of those objectives.

5.3.4 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. 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.

### 5.4 Information on the Achievement of Objectives

5.4.1 The research identified that information on the achievement of an entity's objectives was 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 reported;

(b) the degree to which service performance objectives have been met; and

(c) comparisons of indicators over time and between actual and targeted results.

5.4.2 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. Relevant indicators help users to form opinions about the important aspects of an entity's service performance, without overwhelming them with too much information. 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 most relevant reporting may include time-oriented indicators and comparisons between actual and targeted results that provide users with a basis for assessing the degree to which progress is being made on achievement of the objectives.

5.4.3 An entity should consider how to strike a balance between being (a) concise enough to be understandable, and (b) comprehensive and objective enough in its coverage of an entity's objectives to communicate results, whether positive or negative. The use of several levels of reporting may assist entities in achieving this balance by allowing more concise reporting at higher levels, and more comprehensive coverage at more detailed levels.

5.5 *Types of Indicators on the Achievement of Objectives*

5.5.1 As noted earlier, the research identified five broad types of service performance indicators. The five types of service performance indicators identified include (a) inputs, (b) outputs, (c) outcomes, (d) efficiency, and (e) effectiveness. The value of these indicators is enhanced when they are linked to the objectives established by the public sector entity. Aligning input, output, and outcome indicators with the objectives established helps users to assess the relationship between resources and results, and how resource availability may have influenced the achievement of the objectives.

5.5.2 To assess the achievement of objectives, users need information about all five types of indicators. Presenting indicators from some but not all types is unlikely to provide users with the information necessary for them to assess an entity's service performance. For example, reporting only input indicators does not provide information on the quantity of services being provided, and 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 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 to achieve those outcomes, and on the quantity of services being provided to achieve those outcomes.

5.5.3 Despite the need for comprehensive reporting on all five types of indicators (inputs, outputs, outcomes, efficiency, and effectiveness), entities need to be wary of reporting too many indicators and overwhelming users. Public sector entities therefore need to use judgment in selecting those indicators that would have the greatest influence on a user's assessment of accountability or informed decision making. The discussion of the qualitative characteristics in Section 6 is relevant to the selection of performance indicators.

5.5.4 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 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.

### 5.6 Narrative Discussion of the Achievement of Objectives

5.6.1 The research identified that a narrative discussion of the achievement of objectives was 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) balanced explanations of the results being presented;

(b) the factors that may have influenced the achievement, or its lack, of the objectives of services reported; and

(c) the indirect consequences, both intended and unintended, of the services provided.

5.6.2 A narrative discussion of the achievement of objectives should provide balanced explanations 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 should include both positive and negative aspects of an entity's service performance.

5.6.3 Including a narrative discussion of the factors that may have influenced the achievement, or its lack, of objectives within the reporting of service performance information may assist users in understanding the reported achievements, and the factors that may have influenced those achievements, or their lack.

5.6.4 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.

5.6.5 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 conciseness and comprehensiveness. To the degree feasible, the discussion also needs to focus on the information that users consider to be most important.

**Preliminary View 4**

The proposed components of service performance information to be reported are (a) information on the scope of the service performance information reported, (b) information on the public sector entity's objectives, (c) information on the achievement of objectives, and (d) narrative discussion of the achievement of objectives.

## 5.7 Challenges of Reporting Service Performance Information

5.7.1 Service performance information is most likely to be useful to service recipients and their representatives, and resource providers and their representatives (for accountability and decision-making purposes) when:

(a) service performance expectations are clearly specified and the degree to which those expectations have been achieved is clearly reported;

(b) responsibility for the service performance can be clearly assigned;

(c) the relationship between inputs, outputs, and outcomes is explained;

(d) service performance information can be verified;

(e) service performance information is reported in an understandable manner;

(f) there is a high degree of probability that the service performance information is not biased; and

(g) the possible consequences for the reporting entity as a result of the reported service performance information are clear.

5.7.2 In many areas of public sector service activity, complexity makes it likely that performance expectations are only set broadly. Therefore, it is important to clearly identify service performance expectations. The lack of specified service performance expectations reduces the possibility that public sector entities will be held accountable for their achievements, or their lack.

5.7.3 For service performance information to be used in assessing accountability and for making decisions, users need to able to assess the degree to which their expectations for service performance have been met. 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.

5.7.4 Where responsibilities are shared between entities or organizational units, it can be difficult to attribute service performance. Therefore, it is important to assign responsibility for the service performance so that users can hold the responsible entity or organizational unit accountable for the actual service performance.

5.7.5 When reporting service performance information, it is important to understand the relationship between inputs, 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.

5.7.6 Given the large number of measurements that can be made for a single program or service, to avoid overwhelming users it is common to provide only a few key performance indicators. It also is important to report information that can be reliably measured. However, the selection of key performance indicators provides an opportunity for an entity to be selective in the reporting of performance indicators with a bias towards reporting positive results. Users need to feel

confident that the performance indicators being reported faithfully represent the performance of the service being reported upon.

5.7.7 Users have different purposes for reviewing service performance information, as well as different interests, needs, levels of understanding, and public involvement. Service performance information is most useful to users when it considers these attributes of users and reports information in an understandable manner.

5.7.8 As with reporting on accountability, there are disincentives for preparers to provide service performance information that is 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 confidence that the service performance information reported is not biased.

5.7.9 How an entity will respond to the service performance information reported is not always obvious to users. Therefore, it is important to provide users with a clear discussion of possible consequences for the reporting entity as a result of the reported service performance information. For example, to the extent that an outcome produced is not as effective or efficient as expected, further analysis by the entity 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.

5.7.10 Development of guidance on service performance reporting (whether authoritative or non-authoritative) requires a realistic understanding of these challenges and the extent to which they can be overcome through reporting guidance. As with financial statements, successful high-quality reporting on service performance will depend as much on the competence of preparers, auditors, and users as it does on standard setters.

# 6 THE QUALITATIVE CHARACTERISTICS OF SERVICE PERFORMANCE INFORMATION

## 6.1 The Qualitative Characteristics of Information Included in GPFRs of Public Sector Entities

6.1.1 The IPSASB has proposed that the qualitative characteristics of information included in GPFRs of public sector entities are (a) relevance, (b) faithful representation, (c) understandability, (d) timeliness, (e) comparability, and (f) 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 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."

6.1.2 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 apply to service performance information. The IPSASB also believes that the pervasive constraints of information included in GPFRs apply to the reporting of service performance information.

6.1.3 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 5 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.

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

| **Qualitative Characteristic** | **Applicability to Service Performance Reporting** |
|---|---|
| Relevance | There should be a close logical relationship between the service performance information provided and the purpose for its use. |
| Faithful Representation | Service performance information should provide an unbiased representation of the service performance of a public sector entity's services. An entity will require adequate systems to produce the data. |
| 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 to compare a public sector entity's service performance over time, against targets, and to other public sector entities. |
| 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 bodies using the same measurement methods. |

## 6.2 Constraints on Service Performance Information

6.2.1 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 applies 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.

6.3 *Materiality*

6.3.1 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 a 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.

6.4 *Cost/Benefit*

6.4.1 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.

6.5 *Balance between the Qualitative Characteristics*

6.5.1 Reaching an appropriate balance between the qualitative characteristics is necessary when reporting service performance information. As noted in CF-ED 1, the qualitative characteristics work together in different ways to contribute to the usefulness of the service performance information. For example for service performance information to be relevant, it must also be timely and understandable.

6.5.2 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.

**Preliminary View 5**

The same qualitative characteristics of information and pervasive constraints on the information that is currently included in GPFRs of public sector reporting entities also apply to service performance information. The qualitative characteristics of information are: (a) relevance, (b) faithful representation, (c) understandability, (d) timeliness, (e) comparability, and (f) verifiability. The pervasive constraints on that information are materiality, cost/benefit relationship, and achieving an appropriate balance between the qualitative characteristics.

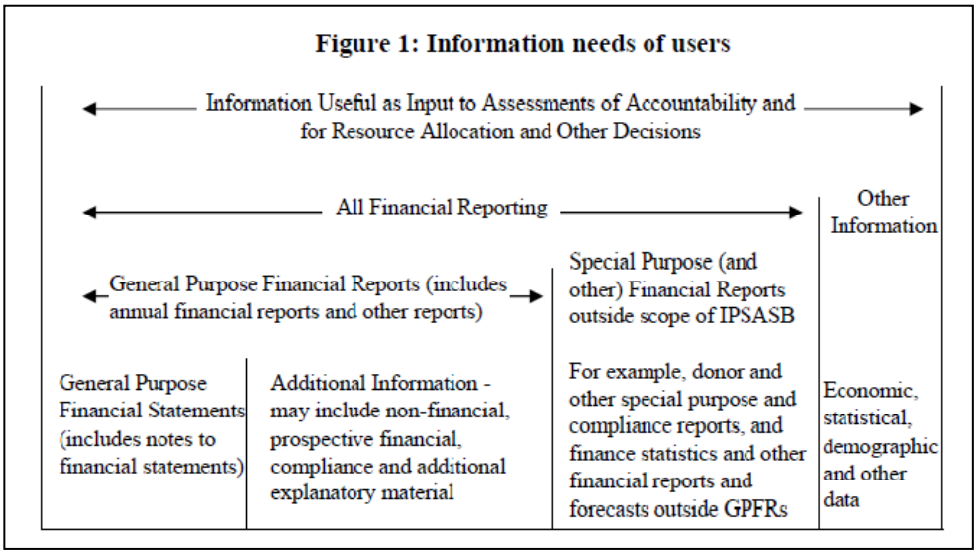
## 7 ALTERNATIVES FOR WHERE TO REPORT SERVICE PERFORMANCE INFORMATION

### 7.1 Relationship between General Purpose Financial Statements and GPFRs

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

7.1.2

**Figure 1: Information needs of users**




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 (a) financial and non-financial quantitative and qualitative information about the achievement of financial and service delivery objectives in the current reporting period, and (b) 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.

7.1.4 Public sector entities could report service performance information (a) in a separately issued GPFR, (b) as part of the GPFR that is currently issued (annual

financial report) but not part of the GPFSs, or (c) in both a separately issued GPFR *and* as a part of the currently issued GPFR (annual financial report).

### 7.2 Information Provided in a Separately Issued GPFR

7.2.1 Reporting service performance information in a separately issued GPFR may be appropriate because (a) service performance information is largely non-financial, and the information reported in GPFSs is financial, and (b) the time period of some or all of the service performance information being reported may be different than the time period of the GPFSs.

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 preparing several GPFRs and other financial reports. There often is a relationship between the 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 annual financial reports for their decision making. 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 GPFR that is Currently Issued (Annual Financial Report)

7.3.1 Reporting service performance information as part of a single accountability report that is currently issued (for example, the annual report) may be appropriate because (a) users may be able to more readily identify the relationship between financial information and service performance information, (b) it may encourage users of service performance information to become familiar with and use financial information in their decision making, (c) preparers would then not be responsible for preparing an additional GPFR specifically containing service performance information, and (d) users would have the ability to access financial and non-financial information in one report with which they may already be familiar.

7.3.2 However, reporting service performance information as part of the current GPFR may have implications for timeliness. Gathering non-financial 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 this GPFR may confuse users, because of the inclusion of non-financial information with the financial information already being reported. Reporting service performance information in this way also may result in a financial report that is too voluminous and difficult to use. Further, users who are interested primarily in service performance information

may be discouraged from accessing the information because it is subsumed within a financial report rather than contained in a separate report.

### 7.4 Information Provided in Both a Separately Issued GPFR and as Part of the GPFR that is Currently Issued

7.4.1 Reporting service performance information in both a separately issued GPFR and as part of the GPFR that is currently issued may be appropriate, because users may be able to access, understand, and analyze service performance information better targeted to their needs, such as inputs and efficiency indicators, where a relationship exists with (a) financial information, and (b) outcome and effectiveness measures in documents focused on public policy.

7.4.2 However, reporting service performance information in this way may create confusion for preparers when trying to determine where to appropriately report service performance information. This could result in reporting inconsistencies between public sector entities, as well as between reporting periods for a single public sector entity. Reporting service performance information in both a separately issued GPFR and as part of the current GPFR also may make it difficult for users to know where to access specific performance indicators of service performance. Further, reporting service performance information in both places could result either in duplicating information, or not providing complete service performance information in either one.

## Appendix A

In developing the framework for reporting service performance information, the IPSASB reviewed and compared existing national standards, guidance, and regulatory requirements for performance reporting (or its equivalent) in the public sector from the following selected jurisdictions:

Argentina
Australia
Brazil
Canada
Chile
China
France
Germany
India
Indonesia
Israel
Italy
Japan
Kenya
Korea
Mexico
Netherlands
New Zealand
Norway
Russia
South Africa
Spain
Switzerland
United Kingdom
United States of America
Uruguay

## Appendix B

## 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, including the following: 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 and 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 and 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. Reporting 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. Reporting time-oriented information (Section 4.7) is important for users who have a need to periodically assess 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 enough to encompass all essential concepts. Providing specific, more detailed examples in a definition may limit a preparer's 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" was determined by the IPSASB to be similar to "outcomes," and therefore not appropriate for a standardized terminology. "Targets" was determined by the IPSASB to be similar to "objectives."