

**Meeting:** International Public Sector Accounting  
Standards Board

**Meeting Location:** New York, USA

**Meeting Date:** December 3–6, 2012

## Agenda Item 3

For:

☐ Approval

☒ Discussion

☐ Information

### Objective(s) of Agenda Item

1. The objectives of agenda item 3 are:
  - (a) to further review responses to the Consultation Paper (CP), *Reporting Service Performance Information*;
  - (b) to **provide** direction on the nature of guidance to be developed; and
  - (c) to **confirm** preliminary views 3 and 4, and **reach** consensus on the specific matters for comment

### Material(s) Presented

Agenda Item -3                      Covering memo summarizing the significant issues and related staff analyses and recommendations.

Detailed Collation of Responses to the CP, including Project Staff Analysis and Recommendations were included with the materials provided to the IPSASB for the September, 2012 meeting.

### Background and Summary of Initial Review of Responses (September 2012)

2. The CP, *Reporting Service Performance Information*, was developed to communicate and solicit feedback on (1) the preliminary views reached by the International Public Sector Accounting Standards Board (IPSASB), and (2) other specific matters related to the reporting of service performance information on which the IPSASB has not yet reached a preliminary view.
3. The CP set out a consistent framework for reporting service performance information of public sector entities and was developed based on a principles-based approach. This framework focuses on meeting the needs of intended users consistent with the public sector conceptual framework. The CP 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. Although no two jurisdictions have identical service performance reporting frameworks that public sector entities are required or encouraged to follow within general purpose financial reports (GPFs), 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 CP also was intended to present a standardized service performance information terminology with associated working definitions.

4. The responses to the CP were preliminarily considered at the September 2012 IPSASB meeting and will be further reviewed at the December 2012 IPSASB meeting. Thirty-four responses were received to the CP. An analysis of the respondents by region, function and language was included with the September 2012 meeting materials. A collation of the responses, by Preliminary View (PV) and Specific Matter for Comment (SMC) of the CP, also was provided with the September 2012 meeting materials.
5. At the September 2012 meeting, the IPSASB began discussions of the responses, particularly preliminary views 1 and 2 and provided direction on a number of issues as follows:
  - (a) The IPSASB confirmed preliminary view 1, which stated that the reporting of service performance information is necessary to meet the objectives of financial reporting (accountability and decision-making) as proposed in Phase 1 of the Conceptual Framework 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*. The IPSASB tentatively agreed that any future due process document should define service performance reporting in a manner that incorporates both the objectives of accountability and decision-making. The IPSASB also tentatively agreed that service performance information is necessary for public sector entities to fulfill their duty to be publicly accountable for non-financial as well as financial resources and that this should be clarified in any future due process document.
  - (b) The IPSASB also confirmed preliminary view 2, which stated that developing a standardized service performance information terminology for the reporting of service performance information is appropriate, and should include the seven terms included in Table A of the CP. The IPSASB agreed not to include a definition of economy indicators. The IPSASB agreed that immediate and intermediate outcomes could be included in discussion, but that these terms should not be separately defined. The IPSASB considered other terms identified by respondents (for example, activities and processes) but agreed not to include any further definitions in the standardized service performance information terminology.

#### **Issue 1: Nature of Guidance to be Developed**

6. The TBG believes that at this stage of the IPSASB's discussions of the responses to the CP it is important for the board to assess the responses related to the nature of the guidance to be developed (SMC 1) and provide direction on how to proceed. The detailed responses to SMC 1 are set out in Agenda Paper 7.1 from the September 2012 meeting.
7. SMC 1 questioned whether the IPSASB should consider issuing (a) non-authoritative guidance for those public sector entities that elect to report service performance information, (b) authoritative guidance requiring public sector entities that elect to issue a service performance report to apply the guidance; this is also known as a voluntary standard (comparable to IPSAS 22) or (c) authoritative guidance requiring public sector entities to report service performance information – a mandatory standard.

8. If the IPSASB determines that it is most appropriate to issue non-authoritative guidance (alternative a), the basis for further development would be an Exposure Draft (ED) of a Recommended Practice Guide (RPG). If the IPSASB determines that it is most appropriate to issue some sort of authoritative guidance (alternative b or c), the basis for further development would be an ED of a proposed IPSAS, either as a voluntary or mandatory standard.
9. Many (14) respondents (#1, 4, 5, 6, 10, 13, 14, 16, 17, 20, 22, 23, 24, 29) indicated that the IPSASB should consider issuing non-authoritative guidance for those public sector entities that choose to report service performance information. The main arguments made by these respondents were that this option:
  - Does not discourage entities from applying IPSASs because of lack of service performance information or desire to present information differently than per the proposal;
  - Recognizes that service performance information is still to evolve;
  - Reflects that some countries already have performance reporting arrangements in place led by national jurisdictions, governing bodies or by donors which an additional layer from IPSASB would overlap rather than complement;
  - Reflects a lack of clarity that some entities will not have to report service performance information and some entities would be able to report their service performance without following the guidance established by IPSASB;
  - Accepts that the proposed guidance is not prescriptive and is not intended as a template for reporting all service performance information, and is not therefore of the nature of an accounting standard; and
  - Follows from a view that while reporting on service performance is a very valuable way of providing a more complete view in financial reports of the performance of an entity substantially engaged in service provision, reporting on service performance is not strictly speaking necessary, particularly for financial statements.
10. Other arguments made by respondents questioned the role of the IPSASB in issuing any authoritative guidance in the area of non-financial reporting, noting that many jurisdictions already have parallel legislative requirements or that the public sector has the necessary expertise to decide on the nature of the service performance information to be disclosed. One respondent suggested the material as presented is more useful as practice guidelines to assist in decisions taken at national level, rather than at an entity level. Another thought that authoritative guidance that gives the choice of applying the guidance in the first place appears to be contrary to the idea of being subject to and in compliance with a set of standards.
11. Two of these respondents (#1, 5) supported non-authoritative guidance but indicated that the IPSASB's aim should eventually be towards issuing authoritative guidance for those public sector entities that elect to issue a service performance report or for all public sector entities to apply. Their concern was that if the guidance is non-authoritative some public sector entities would choose not to report any service performance information, or they would choose to report on another basis.
12. Many (10) other respondents (#2, 3, 7, 9, 12, 25, 26, 28, 33) supported the IPSASB issuing authoritative guidance requiring public sector entities that elect to issue a service performance

report to apply the guidance, in other words a voluntary standard, similar to IPSAS 22. The main arguments made by these respondents were that this option:

- Provides consistency and comparability in reporting service performance information when an entity elects to report it;
  - Guards against countries being discouraged from adopting IPSASs, where service performance information may be seen as a barrier to claim compliance with IPSASs in preparing financial statements;
  - Allows for a reasonable grace period before potentially moving to authoritative requirements;
  - Avoids creating the situation whereby entities that currently comply with IPSAS may not be able to do so because of the cost, complexity and experience factors;
  - Ensures the provision of key indicators to recipients of services in jurisdictions that do not have authoritative guidance or a regulatory framework requiring public entities to report on performance;
  - May encourage public sector service performance reporting to continue evolving over time while enhancing comparability of the service performance information that is reported by those public sector entities that choose to do so;
  - Takes the view that that option (c) is not appropriate at this time due to the varying maturities and capabilities of jurisdictions to report service performance, and may not be realistic or necessarily helpful, as often a public sector entity cannot draw direct conclusions about the performance of its services when compared to another without having regard to the context, service priorities, resources and the way a service is delivered; and
  - Takes the view that option (a) is not appropriate as issuing non-authoritative guidance would not be a reliable way to achieve consistent and comparable information across those entities.
13. Two of these respondents (#12, 26) supported authoritative guidance for public sector entities that elect to issue a service performance report, but indicated that the IPSASB's aim should eventually be towards issuing guidance requiring all public sector entities to report service performance information. The respondents favoured authoritative guidance that requires public sector entities that elect to issue a service performance report to apply the guidance, on the basis that this would enhance comparability of the service performance information reported by those public sector entities.
14. Some (6) respondents (#11, 15, 19, 21, 30, 32) supported the IPSASB issuing authoritative guidance requiring public sector entities to report service performance information. In other words they supported a mandatory standard. The main arguments made by these respondents were that this option:
- Follows from the view that service performance information is necessary to meet the objectives of general purpose financial reporting;
  - Would make reporting of service performance information by public sector entities worldwide mandatory, would ensure that more comparable information is provided, and ensure that users would have the information necessary for assessing the service performance of a public sector entity;

- Could enhance compliance because mandatory requirements are more effective than encouragement; and
  - Could be achieved through a 'comply or explain' approach.
15. Developing mandatory standards 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 comparability of service performance information.

## **Conclusion**

16. The responses to the CP on this issue are mixed, with almost a 50/50 split among those who commented on the issue. A slight majority supported some type of authoritative guidance over non-authoritative guidance. In addition, even those who supported non-authoritative guidance expressed a preference for authoritative material in the long-term.
17. On balance, the TBG is concerned that the practice of service performance reporting is not sufficiently developed for the IPSASB to issue authoritative guidance at this time, whether a voluntary or mandatory standard. The TBG also believes that authoritative guidance may not be appropriate because we are not considering the reporting of a tightly integrated set of performance information with the financial statements. The TBG is sympathetic to the view that, without some sort of authoritative requirement, few entities will elect to report service performance information and notes that there was support among respondents for authoritative guidance. However, at this time the TBG recommends that the guidance should be in the form of an RPG and that staff proceed to develop an ED on that basis.
18. It should be noted that the project staff has reservations about this approach. They argue that experience has demonstrated that without some sort of authoritative guidance the likelihood of reporting service performance information is low. In addition, there was good support among many respondents for some sort of authoritative guidance. The project staff therefore prefers option b – that the IPSASB issue authoritative guidance requiring public sector entities that elect to issue a service performance report to apply the guidance – a voluntary standard similar to IPSAS 22. On this basis the project staff would recommend developing an ED of an IPSAS.

### **Matter(s) for Consideration**

1. What type of guidance do you think the IPSASB should issue related to service performance reporting? Do you agree with the TBG that non-authoritative guidance is more appropriate at this time or do you favour the project staff's recommendation for authoritative guidance requiring public sector entities that elect to issue a service performance report to apply the guidance?

## **Financial and Non-Financial Information**

19. The CP states in paragraph 1.2 that GPFs include financial and non-financial information and that service performance information is part of GPFs. Respondent #7 noted that the CP does not explicitly state that service performance information can be either financial or non-financial. Paragraph 4.10 of the CP discusses that the proposed indicators link financial (inputs) and non-financial information to communicate to users how resources were used to produce outputs and to

contribute to the achievement of outcomes. As a result the project staff recommends adding “financial and non-financial” to the last sentence of paragraph 1.5 for clarity. The sentence as amended would read as follows, “The reporting of service performance information will assist public sector entities in meeting this responsibility by providing users with financial and non-financial information to assist them in assessing (a) the entity’s performance in providing services, and (b) the effects of those services.”

**Matters for Consideration:**

2. Do you agree with the project staff recommendation to add “financial and non-financial” to the last sentence of paragraph 1.5?

**Issue 2: Preliminary View (PV) 3**

20. PV 3 stated that the 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.
21. A large majority (24) of the respondents either agreed (#2, 6, 8, 10, 12, 14, 16, 17, 24, 26, 29, 33) or partially agreed (#1, 3, 4, 5, 7, 9, 11, 13, 19, 23, 25, 32) with PV 3. A number of specific proposals were provided for improvement and these are further discussed below. It should be highlighted that overall there is strong agreement with PV 3 and the TBG and project staff believe that this position has strong support. The discussions of issues below have not resulted in substantive changes and are generally simply matters of clarification in response to singular or few respondents.
22. The project staff agrees with Respondent #32 that the CP does not specifically state what service performance information should be included within GPFRs. As a result, the project staff recommends changing the heading immediately preceding paragraph 5.1 to “Components To Be Reported.” The project staff also recommends amending the last sentence in paragraph 5.2 to:

**“The similar service performance information components identified within these frameworks and therefore should be reported in GPFRs include:”**

**a) Information of the Scope of the Service Performance Information Reported**

23. Respondent #7 stated that they do not agree with the analogy presented in the second sentence of paragraph 5.3 of the CP that the description of the scope of service performance information has some similarities with the statement of accounting policies in a set of GPFSSs. The project staff does not see any value in the analogy relating the scope of service performance information to the statement of accounting policies in a set of GPFSSs. As a result, the project staff recommends amending the second sentence of paragraph 5.3 as follows:

**“The description of the scope of service performance information sets out the parameters of the service performance information to be conveyed.”**

24. The project staff agrees with Respondent #7 that 5.3 (a) of the CP does not require a statement of whether all services are included in the service performance report but only a listing of those services that are included. The project staff believes that there is some value to users in knowing if the service performance report is comprehensive. As a result, the project staff recommends

amending 5.3 (a) as follows: “Whether all services have been included in the service performance information reported and if not what services have been included;” Further, the project staff agrees with this same respondent that paragraph 5.6 of the CP combines the concepts of the “level of detail” and the “approach taken to determine which services to report” and that these distinctions are not made in paragraph 5.3 (f). However, the project staff believes that it is not appropriate to include the “approach taken” because the intent of the discussion is to focus on providing users with information on whether the report is providing them summarized information or detailed information of the service performance information. As a result, the project staff recommends deleting “**or the approach taken to determine which services to report on**” in the first sentence of paragraph 5.6.

**b) Information on the Public Sector Entity’s Objectives**

25. One respondent (#7) noted that the requirement to include descriptions of the information on objectives in the second sentence of paragraph 5.8 of the CP needs further clarification. The project staff does not believe that it was the intent of the IPSASB to require a public sector entity to provide formal descriptions and explanations of how each indicator reported links to the objectives and agrees that this would be too onerous and overwhelm users with information of questionable value. As a result, the project staff recommends deleting “**descriptions of**” from the second sentence of paragraph 5.8 and replacing “**explain**” with “**indicate**” in the first sentence of paragraph 5.10.
26. The project staff agrees with Respondent #7 that the requirement to explain how the entity’s objectives were established as required in paragraph 5.10 would be too onerous for inclusion in a service performance information report because identifying an entity’s service objectives are part of another, more detailed process that is normally determined by government and agreed at a higher level. The project staff does not believe that it was the intent of the IPSASB to require a public sector entity to include a discussion of the processes that may have been used to develop the objectives, but rather to simply identify these processes. For example, it is the understanding of the project staff that if a public sector entity establishes their objectives through a strategic planning process and these objectives are included in the strategic plan, then simply identifying that the objectives come from the strategic plan in the service performance report is sufficient. Further, the project staff believes that paragraph 5.10 of the CP is not consistent with 5.8 (b). Paragraph 5.10 discusses the need to include *how* the objectives are established and paragraph 5.8(b) includes the need to include the *source* of the objectives. As a result, the project staff recommends amending the first sentence of paragraph 5.10 as follows:

**“Service performance information should include the sources of the objectives,...”**
27. The project staff disagrees with Respondent #2 that a discussion is needed on the linkage between a public sector entity’s vision, mission, objectives, and targets. The research did not identify vision and mission as information that is consistently reported across jurisdictions. The project staff believes that many public sector entities are establishing objectives without actually having adopted formal vision or mission statements. Further, paragraph 5.10 of the CP acknowledges the need to explain the link between the objectives and the indicators of achievement of those objectives. However, the project staff believes that the last sentence of paragraph 5.10 needs further clarification because service performance indicators are not used as targets but rather used to

assess the achievement of targets. As a result, the project staff recommends amending this last sentence of paragraph 5.10 as follows:

**“Service performance indicators measure the degree of achievement of the objectives.”**

**c) Information on the Achievement of Objectives**

28. The project staff agrees with the editorial suggestion made by respondent #7 and therefore recommends that the IPSASB consider amending paragraph 5.12(a) and the first sentence of paragraph 5.13 to, **“.....assessing the entity’s performance in achieving its service objectives.”** The project staff believes that this amended wording more appropriately conveys the intending meaning.

**d) Narrative Discussion of the Achievement of Objectives**

29. Respondent #1 stated that requiring a description of the indirect consequences, intended or unintended, is likely to fail for time reasons and because of lack of facts. Although the project staff believes that implicit in 5.19 (c) and even (b) was that these indirect consequences and factors that may have influenced result were to be included in the narrative discussion if they have been identified at the time the service performance information is reported. However, in order to clarify this, the project staff recommends, adding **“if identified”** to both 5.19 (b) and (c). Further, the project staff believes that paragraph 6.5 through 6.7 of the CP appropriately discusses materiality and cost-benefit as a pervasive constraint that applies to all of the qualitative characteristics, which includes timeliness.
30. Although the project staff believes that paragraph 5.20 clarifies what is meant by “balanced explanations” in paragraph 5.19(a). The last sentence of paragraph 5.20 states that “The discussion should include both positive and negative aspects of an entity’s service performance.” However, in order to make this even clearer and to address the concern of Respondent #7 of what is meant by “balanced”, the project staff recommends that this sentence be amended as follows:
- “To be balanced, the discussion should include.....”**
31. The project staff agrees with Respondent #7 that providing an example of an unintended consequence would assist in illustrating its meaning. The project staff agrees with the example provided by this respondent and recommends that it be included in paragraph 5.22 after the second sentence as follows:

**“For example, where a program is initiated to reduce the level of poverty and unemployment within a specific area, and it is noted that the pregnancy rate is reduced or that the spread of HIV/AIDS is lower in areas where the program was initiated due to better access to information or health care and less idle time, such consequences would be considered as “indirect” to the original objective.”**

**Information on the Public Sector Entity’s Objectives/ Information on the Achievement of Objectives/ Narrative Discussion of the Achievement of Objectives**

32. The project staff does not agree with Respondent #3 that the key activities of the public sector entity need to be included as a component of service performance information. However, the project staff recommends that this component, information on the achievement of objectives, and the narrative discussion of the achievement of the objectives be amended to specify “key”



objectives. The project staff believes this amendment would focus the service performance report on information that is essential to users for assessing the achievement of the public sector entity's objectives without overwhelming them. Although the project staff recognizes that paragraph 5.12 and 5.13 discuss the need to include relevant indicators of service performance, the project staff believes that relevant information is different from key information. Service performance information can be relevant without representing "key" activities/indicators. For example, an output measure may be relevant in that it provides information aligned with the purpose for its use but may not necessarily represent a key indicator of the achievement of a public sector entity's objectives.

### **Challenges of Reporting Service Performance Information**

33. The project staff acknowledges that the CP discusses in paragraph 5.24 what characteristics service performance information will possess if it is likely to be useful to users, and also discusses in paragraph 5.30 that service performance information is most useful to users when it considers their interests, needs, levels of understanding, and public involvement. However, as noted by Respondent #6, the CP does not specifically discuss the forms and methods of communication that would most effectively communicate service performance information. The project staff believes that effectively communicating service performance information is, in part, dependent on the form used to communicate that information (for example, web site or printed materials). As a result, the project staff recommends including a discussion in the next due process document that addresses the many potential forms of communication and how to most effectively provide public access to that information.
34. The project staff agrees with the editorial suggestion made by Respondent #7 and therefore recommends changing "**expectations**" to "**objectives**" in paragraph 5.24(a) of the CP. The project staff believes that this change would provide more consistency with the terminology used throughout any future due process document.
35. The project staff agrees with the editorial suggestion made by Respondent #32 and therefore recommends amending the second sentence of paragraph 5.28 as follows, "**Users are primarily interested in how inputs are used to produce outputs, which are then used to achieve desired outcomes.**" The project staff believes this amendment will help to clarify the concept.

### **Respondents in Disagreement with PV 3**

36. Those few respondents that disagreed with PV 3 (#18, 31) stated that guidance on service performance reporting is outside the scope of GAAP financial statement preparation and should not form part of IPSAS, the components of service performance to be reported would provide a broad view of performance, and that the components reflect essentially the non-accounting nature of reporting and would cut across several entities. First, the project staff believes that the scope of GAAP should be more appropriately discussed as part of the conceptual framework project. Second, the project staff agrees that the components of service performance information proposed in the CP would intentionally provide a broad view of a public sector entity's performance. Further, the project staff agrees that some of these components may allow for the reporting of service performance information that might include information about several entities.
37. The detailed responses to PV 3 are set out in Agenda Paper 7.1 from the September 2012 meeting.

## **Conclusion**

38. There is overall support for the components of service performance information to be reported to 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. The project staff recommends that the IPSASB confirm this preliminary view.
39. The project staff recommends changing the heading immediately preceding paragraph 5.1 to "Components To Be Reported." The project staff also recommends amending the last sentence in paragraph 5.2 to, "The similar service performance information components identified within these frameworks and therefore should be reported in GPFRs include:"
40. Several recommendations were made by respondents to improve the explanatory discussions of the proposed components of service performance information to be reported in any future due process document and the challenges of reporting service performance information. The project staff recommends that the IPSASB agree with the project staff recommendations included in paragraphs 28 through 41.

### **Matters for Consideration:**

3. Do you **confirm** the preliminary view that the 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?
4. Do you **agree** with the project staff recommendations outlined in this agenda paper?

### **Issue 3: Preliminary View (PV) 4**

41. PV 4 stated that the qualitative characteristics of information and pervasive constraints on the information that is currently included in GPFRs of public sector entities also apply to service performance information.
42. A large majority (21) of the respondents either agreed (#4, 5, 6, 7, 10, 12, 16, 17, 20, 24, 29, 32, 33) or partially agreed (#1, 3, 8, 9, 11, 13, 14, 25) with PV 4. A number of specific proposals were provided for improvement and some have resulted in recommendations that have been made by the project staff. It should be highlighted that overall there is strong agreement with PV 4 and the TBG and project staff believe that this position has strong support. The discussions of issues below have not resulted in substantive changes and are generally simply matters of clarification in response to a few respondents.

### **Faithful Representation—Table B**

43. CF—ED1 includes the characteristic of completeness in the qualitative characteristic of faithful representation. CF—ED1 states that, "Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error. In practice, it may not be possible to know or confirm whether information presented in GPFRs is fully complete, neutral, and free from material error. However, information should be as complete, neutral, and free from material error as possible." As a result, the project staff does not agree with Respondent #3 that it is necessary to

add completeness as qualitative characteristic of service performance information. However, the project staff recommends including “**complete**” in the applicability to service performance reporting discussion for faithful representation in Table B.

### **Comparability—Table B**

44. Respondent #8 stated that service performance information reported also should be consistent across reporting periods. Paragraph 3.22 of CF-ED 1 states that “Consistency refers to the use of the same accounting policies and procedures, either from period to period within an entity or in a single period across more than one entity. Comparability is the goal, and consistency helps in achieving that goal.” Therefore, the project staff believes that the conceptual framework already acknowledges that consistency is necessary in order to achieve comparability. However, the project staff recommends that a sentence be added to the applicability to service performance reporting section of comparability in Table B. The project staff recommends the following sentence, **“Because consistency helps in achieving comparability, if service performance indicators are modified or replaced or the manner of presentation is changed, it is important to communicate to users that a change has taken place and the reasons for that change.”**

### **Balance Between the Qualitative Characteristics**

45. The project staff agrees with Respondent #9 that paragraph 6.9 of the CP may not appropriately discuss the point beyond which some trade-offs between the qualitative characteristics would not be considered acceptable. As a result, the project staff recommends adding the following sentence to the end of paragraph 6.9:

**“For example, it would not be appropriate if, as a result of making trade-offs, the service performance information reported was no longer verifiable.”**

### **Respondents in Disagreement with PV 4**

46. Those Respondents that disagreed with PV 4 (#18, 23, 26, 31) stated that guidance on service performance reporting is outside the scope of GAAP financial statement preparation and should not form part of IPSAS, reporting requirements for service performance information may be validated outside the framework for accounting standards and therefore a framework is not required, and the qualitative characteristics relate to financial statements (GPFs) and not service performance information (GPFR). CF—ED 1 provides information on the qualitative characteristics of, and constraints on, information included in GPFRs, not GPFs. The project staff believes that it is more appropriate for the IPSASB to consider this issue, and the scope of GAAP issue, in its deliberations of the conceptual framework project.
47. The detailed responses to PV 4 are set out in Agenda Paper 7.1 from the September 2012 meeting.

### **Conclusion**

48. Overall there is support for the qualitative characteristics of information and pervasive constraints on the information that is currently included in GPFRs of public sector entities to also apply to service performance information. The project staff recommends that the IPSASB confirm this preliminary view.

49. Very few staff recommendations were made as a result of comments received from respondents on the qualitative characteristics. The project staff recommends that the IPSASB agree with the project staff recommendations included in paragraphs 48 through 51.

**Matters for Consideration:**

10. Do you **confirm** the preliminary view that the qualitative characteristics of information and pervasive constraints on the information that is currently included in GPFRs of public sector entities to also apply to service performance information?
11. Do you **agree** with the project staff recommendations outlined in this agenda paper?

**Issue 5: Specific Matter for Comment (SMC) 2**

50. SMC 2 questioned whether respondents agreed that this project should not identify indicators of service performance? The detailed responses to SMC 2 are set out in Agenda Paper 7.1 from the September 2012 meeting.
51. Almost all (30) respondents (#1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 28, 29, 30, 31, 32, 33) agreed that this project should not identify indicators of service performance. Paragraph 2.3 of the CP states that, "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."
52. A few (3) respondents (#5, 15, 27) stated that this project should identify indicators of service performance. It would be difficult, if not impossible, to develop minimum guidance on the selection of performance indicators because the services provided by public sector entities are so numerous and diverse. Further, the project staff believes that those directly involved in the preparation of the service performance report may need to collaborate with individuals and organizations that have specific technical knowledge, such as other management personnel, elected officials, parliament, citizens, auditors, professional associations, and other interested parties. The unique perspectives and professional and technical knowledge of these individuals and groups can inform the selection of performance indicators by the public sector entity. Finally, the project staff believes that because public sector entity objectives may not be the same for identical services, identifying performance indicators may not provide relevant information on the achievement of those objectives.

**Conclusion**

There is strong support for not identifying indicators of service performance within this project.

**Matters for Consideration:**

14. Do you **agree** that this project should not identify indicators of service performance?

**Issue 6: Specific Matter for Comment (SMC) 3**

53. SMC 3 questioned whether service performance information included in GPFRs should be prepared for the same reporting entity as for general purpose financial statements (GPFSS)? The detailed responses to SMC 3 are set out in Agenda Paper 7.1 from the September 2012 meeting.
54. Many (15) respondents (#3, 4, 6, 7, 8, 9, 12, 13, 15, 21, 24, 27, 28, 32, 33) stated that service performance information included in GPFRs should be prepared for the same reporting entity as for GPFSSs.
55. Many (11) other respondents (#2, 5, 10, 14, 16, 17, 18, 20, 22, 23, 25) stated that service performance information included in GPFRs should be prepared for a different reporting entity than for GPFSSs. These respondents stated that it would be necessary to report service performance information for a different reporting entity than GPFSSs because (a) GBEs have their own performance measures as applied in the private sector, (b) several entities may contribute jointly to one service, (c) public sector entities may be reporting on their service performance within a service area, (d) service performance information is generally reported within a budget framework, or (e) the boundaries should be left up to the discretion of the reporting entity and not prescribed by IPSASB.
56. The project staff believes that if a GBE has their own established performance indicators, these indicators also would be reported for the GBE regardless of whether the service performance information was being reported at the enterprise level or at the entity wide level. The GBE would have the same objectives in either case and would therefore report the same indicators or a subset of these indicators at the entity wide level which they are reporting in more detail at the enterprise level.
57. Paragraph 2.4 of the CP states that, "This view does not, however, preclude a government reporting on its service performance within a service area (which may involve a number of entities); however, such reporting is outside the scope of the proposed framework. As a result, the project staff believes that the CP already recognizes and addresses this issue.
58. The project staff acknowledges that the proposed framework for reporting service performance information could be applied to individual service areas of the reporting entity. The project staff believes that IPSASB does not establish guidance for the reporting of service performance information at individual service levels. However, the project staff believes that reporting entities could encourage these service levels to apply the framework when reporting their individual service performance information separately from the reporting entity. By doing so, this would make the compilation of the service performance information easier for the reporting entity.
59. The project staff believes that if service performance information is already being prepared as part of the budget process for service levels it will make the accumulation of this information much easier at the reporting entity level. The project staff believes that where the service performance information is currently being reported is immaterial.
60. The project staff believes that reporting service performance information for the same reporting entity as for GPFSSs would allow the users to identify the relationships between the financial information (resources) and the service performance information, allowing for a more informed decision-making. Further, the project staff believes that allowing entities to select their own boundaries for service performance reporting would not provide users with consistent and comparable service performance information across jurisdictions or that is consistent with GPFSSs.

61. The project staff agrees with Respondent #6 that the entity with overarching responsibility should report the performance information for the services they provide jointly with other entities. As a result, the project staff recommends that this responsibility for reporting is clarified in the next due process document and the parenthetical "(which may involve a number of entities)" is removed from paragraph 2.4.
62. The project staff agrees with Respondent #33 that any future due process document should include a provision with criteria to assist preparers in determining which programs or services should be included in the reporting of service performance information. The project staff recommends that the IPSASB include clarifying guidance to assist public sector entities in determining which services should be included in the reporting of service performance information. The project staff agrees that without this clarification, public sector entities may report ALL services and therefore overwhelm and confuse users. Further, the project staff believes that this guidance will assist in focusing the reporting of performance information on services that contribute to the achievement, or lack thereof, of the public sector entities key objectives.

### **Conclusion**

63. Most respondents stated that service performance information included in GPFRs should be prepared for the same reporting entity as for GPFSSs. As noted above and for the reasons discussed, the project staff recommends that the IPSASB reach a consensus that service performance information included in GPFRs should be prepared for the same reporting entity as for GPFSSs.
64. The project staff recommends that the IPSASB clarify that the entity with the overarching responsibility should report the performance information for the services they provide jointly with other entities and that the parenthetical in paragraph 2.4 be deleted in any further due process documents.
65. The project staff also recommends that the IPSASB include clarifying guidance to assist public sector entities in determining which services should be included in the reporting of service performance information.

### **Matters for Consideration:**

15. Do you **agree** that service performance information included in GPFRs should be prepared for the same reporting entity as for GPFSSs?
16. Do you agree with the project staff recommendation to clarify that the entity with the overarching responsibility should report the performance information for the services they provide jointly with other entities and that the parenthetical in paragraph 2.4 be deleted in any further due process documents?
17. Do you agree with the project staff recommendation to add clarification to assist public sector entities in determining which services should be included in the reporting of service performance information?

#### **Issue 7: Specific Matter for Comment (SMC) 4**

66. SMC 4 questioned whether the dimensions of service performance information identified in the CP are appropriate? These dimensions include (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 perceptions or experience 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 comparisons of actual results over time and to milestones (the "when" dimension). The detailed responses to SMC 4 are set out in Agenda Paper 7.1 from the September 2012 meeting.
67. Many (15) respondents (#1, 2, 6, 7, 8, 10, 12, 13, 15, 17, 21, 22, 24, 30, 33) stated that they agreed with the four dimensions of service performance information identified in the CP.
68. Many (10) other respondents (#3, 4, 11, 14, 16, 19, 20, 25, 28, 29, 33) were classified by the project staff as partially agreeing with the four dimensions of service performance information identified in the CP. A number of specific proposals were provided for improvement and a few have resulted in recommendations that have been made by the project staff. Two of these project staff recommendations relate to other preliminary views or specific matters for comment and are therefore included in other sections of this paper.

#### **Needs of Users of Service Performance Information**

69. The project staff agrees with the editorial suggestion provide by Respondent #32 to remove inconsistencies between paragraph 4.3 of the CP and paragraphs 2.7 through 2.11 of CF-ED 1 and therefore recommends deleting "financial" from the second sentence of paragraph 4.3. The project staff believes that by removing "financial" any future guidance will not be explicitly drawing a distinction between financial and non-financial needs of users.
70. Contrary to the belief of Respondent #32, the project staff believes that the proposed framework does not and should not provide guidance on anticipated future service delivery activities, objectives, and resource needs. The project staff believes that paragraph 1.2 of the CP provides context as to what the conceptual framework has identified as information that is useful to users in order to meet the objectives of GPFR, which does include anticipated future service delivery activities, objectives, and resource needs. However, the project staff believes that paragraph 4.4 of the CP places too much emphasis on future oriented information, which is not included in the proposed framework. Further, the project staff does not believe that paragraph 4.4 provides additional information to the CP that is not already provided in paragraphs 1.2 and 4.3. As a result, the project staff recommends deleting paragraph 4.4 from any future guidance that is prepared as part of this project.

#### **Service Performance Information Needed to Meet User Needs**

71. The project staff acknowledges the concerns of Respondent #32 on the "why," "what," "how," and "when" labels to the dimensions identified. The project staff believes that the focus of Section 4 is not the "dimensions" but rather the service performance information needed to meet user needs. Although the project staff sees no harm in calling them dimensions of service performance information, the project staff does not believe it is necessary to title these dimensions (why, what, how, and when). Further, the project staff believes that deleting these titles may alleviate some

confusion around their purpose. As a result, the project staff recommends deleting the parenthetical phrases included after each of the four dimensions presented in paragraph 4.5.

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

72. The project staff agrees with Respondent #4 that whether information on the need or demand for the objectives to be achieved would be required is not clear in paragraphs 4.7 through 4.9 of the CP. As a result, the project staff recommends that a sentence be added to the beginning of paragraph 4.8. This sentence would be:

**“Information on the public sector entity's objectives MAY include information on the need or demand for these objectives.”**

73. The project staff agrees with the editorial suggestion provided by Respondent #32 that it is unclear what is meant by “appropriate context” in paragraph 4.9 of the CP. As a result, the project staff recommends amending paragraph 4.9 as follows: **“..... because service recipients may be expressing a need for a service without prioritizing the need for that service in relation to other needs for different services. For example, a taxpayer may express a need for a higher level of police protection services without realizing that if the governmental entity meets this need, it will result in either a reduction in fire protection services or an increase in taxes.”**

#### **Input, Output, Outcome, Efficiency, and Effectiveness Indicators, Including Service Recipient Perception or Experience Information**

74. Respondent #1 expressed concern with an outcome being reduced only to the quality of service in paragraph 4.11 of the CP. Paragraph 4.11 of the CP states that “output and outcome indicators MAY include service recipient perceptions of or experiences with the quality of services.” The project staff does not believe that this reduces outcomes to ONLY quality of service based on the use of the word “may.” However, the project staff believes that the second sentence of paragraph 4.11 should be amended to recognize that service recipient perceptions may also improve results. Therefore, the project staff recommends that this sentence be amended as follows:

**“.....for improving the quality and results of the services.....”**

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

75. The project staff agrees with Respondent #1 that it may not be possible to report all of the factors that have influenced performance results. As a result, the project staff recommends that any future due process document should clarify that only those factors that have significant implications on the public sector entity's achievement of their objectives should be included in the discussion of the factors that have influenced results. The project staff believes that this clarification will assist public sector entities in reporting more concise service performance information that will not overwhelm and confuse users.

#### **Time-Oriented Information, Including Comparisons of Actual Results over Time and to Milestones**

76. The project staff agrees with Respondent #32 that the term “milestones” may be a bit confusing, especially given that it is only referenced in this section discussing the dimensions and with regard to the time-oriented information dimension. The project staff believes that the references to



“milestones” could be deleted without changing the meaning or purpose of this dimension. As a result, the project staff recommends deleting all references to milestones in the discussion of time-oriented information.

#### **Respondents in Disagreement with SMC 4**

77. Those respondents that disagreed with SMC 4 (#5, 9, 18, 23, 27, 31, 32) stated that the dimensions of service performance information unnecessarily increase the complexity of the subject matter without adding value, provide significant overlap with the components of service performance information, and that IPSASB is not the appropriate body for defining service performance reporting parameters.
78. The project staff does not agree that the dimensions, which were identified by the research, unnecessarily increase the complexity of reporting service performance information. The project staff believes that the dimensions provide a simple way to summarize the types of service performance information users need for accountability and decision-making purposes.
79. The project staff believes that Section 4 of the CP, which discusses the dimensions of service performance information from the perspective of users needs, establishes the foundation for the components of service performance information to be reported that are also identified in Section 5 by identifying the service performance information necessary to meet user needs. Although the project staff recognizes that there is some overlap between these dimensions and the components, the project staff believes that it is important to establish that user needs are driving the process of identifying the appropriate components of service performance information to be reported. By presenting the dimensions separately and first in the CP, the project staff believes that it appropriately communicates that user needs are being addressed in the proposed components of service performance information reported, which are presented immediately following the dimensions.

#### **Conclusion**

80. There is overall support, although some recommendations for improvements to the discussions, for the four dimensions of service performance information identified in the CP as (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 perceptions or experience 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 comparisons of actual results over time and to milestones (the “when” dimension). As noted above and for the reasons discussed, the project staff recommends that the IPSASB reach a consensus that the four dimensions of service performance information included in the CP are necessary to meet the needs of users identified in CF–ED 1.
81. The project staff recommends deleting “financial” from paragraph 4.3, deleting paragraph 4.4 in its entirety, and deleting the parenthetical phrases included after each of the four dimensions presented in paragraph 4.5.
82. The project staff recommends that a clarifying sentence on whether information on the need or demand for the objectives to be achieved would be required be added to the beginning of paragraph 4.8. This sentence would be, “Information on the public sector entity’s objectives MAY

include information on the need or demand for these objectives.” The project staff also recommends amending paragraph 4.9 by changing the sentence and adding an example.

83. The project staff recommends that the second sentence of paragraph 4.11 be amended to recognize that service recipient perceptions may also improve results. This amended sentence would be, “.....for improving the quality and results of the services.....”
84. The project staff also recommends that any future due process document clarify that only those factors that have significant implications on the public sector entity’s achievement of their objectives should be included in the discussion of the factors that have influenced results.
85. Finally, the project staff recommends deleting all references to milestones in the discussion of time-oriented information.

**Matters for Consideration:**

18. Do you **agree** that the four dimensions of service performance information included in the CP are necessary to meet the needs of users identified in CF–ED 1?
19. Do you **agree** with the project staff recommendation to delete “financial” from paragraph 5.3, delete paragraph 4.4 entirely, and delete the parenthetical phrases included after each of the four dimensions presented in paragraph 4.5?
20. Do you **agree** with the project staff recommendation to add a clarifying sentence on whether information on the need or demand for the objectives to be achieved would be required to the beginning of paragraph 4.8 and to amend paragraph 4.9?
21. Do you **agree** with the project staff recommendation to amend paragraph 4.11 to recognize that service recipient perceptions may also improve results?
22. Do you agree with the project staff recommendation that any future due process document clarify that only those factors that have significant implications on the public sector entity’s achievement of their objectives should be included in the discussion of the factors that have influenced results?
23. Do you **agree** with the project staff recommendation to delete all references to milestones in the discussion of time-oriented information?

**Issue 7: Specific Matter for Comment (SMC) 5**

86. SMC 5 questioned whether service performance information should be reported (a) as part of the GPFR that is currently issued (for example, an annual financial report) but not part of the GPFSS, (b) in a separately issued GPFR, or (c) in both a separately issued GPFR and as part of the currently issued GPFR? The detailed responses to SMC 5 are set out in Agenda Paper 7.1 from the September 2012 meeting.
87. Many (14) respondents (#4, 5, 6, 7, 8, 11, 12, 13, 21, 24, 25, 27, 28, 32) stated that service performance information should be reported as part of the GPFR that is currently issued but not part of the GPFSS (option A). A few (3) other respondents (#2, 14, 16) stated that service performance information should be reported in a separately issued GPFR (option B). The project staff agrees that including service performance information within the currently issued GPFR that includes the GPFSS would be appropriate. However, the project staff believes that reporting service

performance information in a separately issued GPFR also would be appropriate for the reasons stated in the CP.

88. A few (4) respondents (#13, 15, 20, 32) stated that service performance information should be reported in both a separately issued GPFR and as part of the currently issued GPFR (option C). The project staff does not believe that it is appropriate to split the service performance information reported between the currently issued GPFR that includes the GPFSs and a separately issued GPFR in any circumstance. Rather, the project staff believes that it is important to report all of the service performance information required by this framework in one GPFR. The project staff believes that reporting parts of the service performance information in separate GPFRs could make it difficult for users to know where to access specific service performance information and could result in duplicating information or not providing complete information in either place.
89. Paragraphs 7.8 and 7.9 of the CP discuss the reporting of service performance information in more than one GPFR. However, the project staff agrees with Respondent #10 that the CP does not discuss the need to reconcile differences that may exist between the service performance information reported within these multiple reports, whether GPFRs or not (for example, budget and special purpose compliance reports). The project staff believes that, in instances where the same indicators of service performance information are reported in multiple reports with different results (for example, due to different reporting periods) or when different indicators of service performance are reported in multiple reports providing results for similar programs or services, any differences should be identified and disclosed in a narrative discussion in the GPFR. As a result, the project staff recommends including a provision in the next due process document to identify and report these differences in a narrative discussion within the GPFR.
90. Many (11) other respondents (#1, 3, 9, 10, 17, 19, 22, 23, 26, 29, 33) stated that where service performance information is reported should not be prescribed by the IPSASB. The project staff agrees that the IPSASB should not prescribe where service performance information is reported. However, the project staff believes that all service performance information required by this framework should be reported together in either the currently issued GPFR or a separately issued GPFR. The project staff recognizes that reporting service performance information in a separately issued GPFR may encourage more public sector entities to issue service performance reports including this information and may make this information more accessible and understandable to users. The project staff also recognizes that some or all of the service performance information being reported may represent different time periods than the financial information currently reported in the GPFS. However, the project staff also recognizes that in some instances service performance information could be presented in the currently issued GPFR which may allow users to more readily access and analyze financial information and service performance information in one report with which they may already be familiar, and therefore assist in their decision-making. As a result, the project staff believes that it is most appropriate for the IPSASB to not prescribe where a public sector entity reports service performance information but rather give them the option of reporting all service performance information together in either the currently issued GPFR or in a separately issued GPFR.

## **Conclusion**

91. The project staff recommends that the IPSASB not prescribe where a public sector entity reports service performance information but rather provide that all service performance information could be reported in either the currently issued GPFR or in a separately issued GPFR.

92. The project staff recommends that in instances where the same indicators of service performance information are reported in multiple reports with different results (for example, due to different reporting periods) or when different indicators of service performance are reported in multiple reports providing results for similar programs or services, any differences should be identified and disclosed in a narrative discussion in the GPFR.

**Matters for Consideration:**

24. Do you **agree** with that the IPSASB should not prescribe where a public sector entity reports service performance information but rather provide that all service performance information could be reported in either the currently issued GPFR or in a separately issued GPFR?
25. Do you **agree** that in instances where the same indicators of service performance information are reported in multiple reports with different results (for example, due to different reporting periods) or when different indicators of service performance are reported in multiple reports providing results for similar programs or services, any differences should be identified and disclosed in a narrative discussion in the GPFR?