

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

**Meeting Location:** Toronto, Canada

**Meeting Date:** June 17–20, 2013

## Agenda Item 9

For:

☐ Approval

☒ Discussion

☐ Information

### Reporting Service Performance Information

#### Objective of Agenda Item

1. To **provide direction** on the issues identified and any further issues that arise during the discussion, for development of a draft RPG, *Reporting Service Performance Information*.

#### Materials Presented

Agenda Item 9.1	Issues Paper
Previously distributed	CP, <i>Reporting Service Performance Information</i>

#### Actions Requested

2. The IPSASB is asked to consider the significant issues in Agenda Item 9.1 and provide direction on those issues.

## **Reporting Service Performance Information**

### **Background**

#### *Consultation Paper on Reporting Service Performance Information*

1. The IPSASB issued a Consultation Paper (CP) *Reporting Service Performance Information* in September 2011, with a response date of March 15, 2012. (The CP has been circulated separately to Members, for their information.) The CP presented a principles based framework for reporting service performance information, including the proposal 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 objectives, and
  - (d) Narrative discussion of the achievement of objectives.
2. The CP also proposed that the qualitative characteristics and constraints apply to service performance information, and presented a standardized service performance information terminology. The standardized terminology proposed working definitions for five types of service performance indicators: input, outputs, outcomes, efficiency indicators and effectiveness indicators.

#### *Review of Responses—September and December, 2012*

3. At its December 2012 meeting the IPSASB completed its review of responses to the CP, which had begun at its September meeting. Appendix A provides the IPSASB's decisions arising from that review. The IPSASB also directed Staff and the Task Based Group (TBG) to begin initial development of a draft document, while awaiting further direction on whether the document should be an International Public Sector Accounting Standard (IPSAS) or a Recommended Practice Guide (RPG). The TBG for Reporting Service Performance Information consists of Sheila Fraser, Masud Muzaffar, Ron Salole, and Ken Warren.

#### *Development of a Recommended Practice Guide*

4. Initial work on a draft document was developed into a draft RPG, after the IPSASB, at its March 2013 meeting, decided that information additional to that included in the financial statements should be addressed through development of an RPG. The development process took the proposals in the CP, to the extent that those were confirmed by the IPSASB's review of responses in September and December of 2012, as a starting point. The structure used for draft RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances* (see Agenda Item 7.1) was applied, then adapted for this topic. Concepts in Chapters 1 to 4 of the Conceptual Framework and CF-ED4, *Presentation in General Purpose Financial Reports* have also been applied.
5. The TBG provided review comments on early drafts of the RPG in April and May. The significant issues presented in this paper were identified during those two TBG reviews. The TBG determined

that IPSASB feedback on these issues should be sought at this meeting, rather than review of a draft RPG, given that the RPG may change, depending on directions with respect to these issues.

## Significant Issues

6. This memo begins by highlighting an overarching issue with respect to the RPG's approach. It then presents three issues with respect to the RPG's coverage of:
  - (a) Selection of services to be reported;
  - (b) Selection of performance indicators to be reported; and,
  - (c) Organization of service performance information.

### The RPG's Overall Approach—Minimum Standard or Guidance on Decisions?

7. An RPG provides guidance. An entity is encouraged, but not required, to follow the applicable RPG when reporting information covered by the RPG as part of its General Purpose Financial Reports (GPFRs). Although an RPG provides guidance, it may also be described as a set of requirements. For example, draft RPG 1 includes the statement that: "Long term fiscal sustainability information should not be described as complying with this RPG unless it complies with all the requirements of this RPG." Furthermore, reporting of information in accordance with an RPG is described in draft RPG 1 as representing "good practice".
8. When developing an RPG for reporting service performance information the challenge is to develop guidance that will be useful when applied to very diverse services, diverse service performance objectives, and diverse accountability and decision-making contexts world-wide. Arguably service performance reporting quality depends in part on the extent to which it meets the particular information needs arising from the services provided and the context for their provision. For example, a report that tells the story of factors influencing progress toward critical targets may look quite different to a report that provides an account of services delivered. This argues in favor of an RPG that identifies the decisions that preparers will need to make, then provides guidance on how such decisions should be made, rather than an RPG that establishes minimum standards.
9. The establishment of "minimum standards" would involve more detailed and restrictive requirements. These would go beyond the framework proposed in the CP, which set out, for example, the type of content that should be included in a report on service performance (see paragraph 1 above), and the need to ensure that information reported meets the qualitative characteristics of financial reporting. The question then arises of whether an RPG that consists of options and guidance for entity's choice between different options will provide sufficient guidance, such that an entity following its requirements will report according to "good practice".

#### Matter for Consideration

1. The IPSASB is asked to **provide direction** on whether the RPG should:
  - (a) Establish the minimum standards expected for service performance reporting;
  - (b) Identify the decisions that preparers will need to make, providing guidance on how such decisions should be made; or
  - (c) Provide a mixture of minimum standards and guidance on decisions.

### Services to be Reported—Comprehensive, Selective or Choice?

10. Public sector entities generally provide many different services. Service performance information on every single service provided is likely, in many cases, to overwhelm users, while undermining the understandability of the reported information. There are two broad ways to respond to this situation; reporting on a “comprehensive basis” or on a “selective basis”.
11. When reporting on a comprehensive basis entities aim to report service performance information on the majority of services provided. Wherever possible no significant service is excluded from the coverage provided. The aim is to provide information that will allow users to get a full picture of the services for which the entity is accountable. Some services are still likely either to be excluded from coverage or subsumed within a larger group, because of the impossibility of providing information on every service provided. Reporting services on a comprehensive basis usually involves grouping similar services together and finding performance indicators that apply across each group. This may mean that information on important differences between similar services is under reported, although there may be scope to provide supporting or narrative information on service differences.
12. In other jurisdictions, service performance information is reported on a “selective basis”. Reporting focuses on presenting performance in achievement of the overall objective(s), and this is presented annually. Due to the volume of different types of services contributing to the objective(s), it may not be possible to present information on all services. Instead, services are selected to illustrate the types of services provided by the entity within a particular service area. Information on major services may be reported annually, but information on other services is reported progressively over a multi-year period. The aim is to ensure that users are not overloaded with information in any one year, and information on performance against objective(s) is not obscured. For example, an entity with the aim of ensuring food safety will establish objectives related to that aim. The agency provides many different services affecting different foods (meat, fish, vegetables, etc.) and different food industry processes (growth, processing, etc.). Given the large number of programs involved, information on only a few major ones would be reported each year, with others reported on a rotating basis.
13. The CP did not raise the question of which approach—comprehensive or selective—should be applied. But it did envisage that an entity could be in the position of reporting on only some of the services that it provides, and described the need for information about which services, if any, were excluded from coverage.
14. Staff proposes that an entity be able to choose whether to report services on a comprehensive or selective basis. The RPG should establish that this decision (comprehensive basis or selective basis) is a matter for jurisdictions or the entity, while also providing principles appropriate for each situation. The services selected for presentation should meet the needs of users and the objectives of financial reporting, while achieving the qualitative characteristics. The entity would need to ensure that selection is not skewed to present a misleadingly favorable or unfavorable picture of its service performance.

#### Matter for Consideration

2. The IPSASB is asked to **confirm** that the RPG should provide guidance on how an entity should select those services on which it will report, allowing either a comprehensive basis or selective basis for that choice.

### Selection of Service Performance Indicators to be Reported

15. As stated earlier, the CP identified the following five different types of service performance indicators: inputs, outputs, outcomes, efficiency indicators and effectiveness indicators. While the CP stated that there should be “comprehensive reporting” on the five indicators, it also stated that:
- (a) Service performance indicators should help users to form opinions about the important aspects of an entity's service performance, *without overwhelming them with too much information*; and,
  - (b) Presentation of service performance indicators should strike a *balance* between being (i) concise enough to be understandable, and (ii) providing detailed coverage of multiple aspects related to each service objective.
16. Staff proposes that the RPG provides guidance on how an entity should choose the types of performance indicators that it reports on services, rather than stipulate that an entity report all five types of indicators for the services reported. This approach would support the CP's view that service performance information should support users' assessment of the entity's achievement of its service objectives. Service objectives may change over time, evolving from a focus on inputs to a focus on outputs and efficiency, then outcomes and effectiveness. If an entity is able to adjust its reporting of performance indicators to align them with its service performance objectives, then the information presented is more likely to be useful to users and meet the qualitative characteristics, while supporting achievement of the objectives of GPFRs.

#### Matter for Consideration

3. The IPSASB is asked to **confirm** that the RPG should provide guidance on how an entity should select the types of performance indicators that it reports on services.

### Organization of Service Performance Information

17. During development of the draft RPG the TBG has considered different ways in which service performance could be organized. This issue was not discussed in the CP. The RPG's could either:
- (a) Propose one way that service performance information should be organized, with the main method under discussion by the TBG to date being a tabular form, described as a “statement of service performance”; or,
  - (b) Allow one or more information organization methods (tabular, narrative, and graphical), while also providing principles that should be applied to guide jurisdictions and/or preparers when they choose between the different possible information organization approaches.
18. In some jurisdictions there are requirements that service performance information be reported in a “statement of service performance”. A statement of service performance often takes a tabular form, similar to that used for financial statements. It has columns for the previous years projected (budget), and actual performance for each service reported. An example of this type of format is provided in Appendix B. This method of information organization supports understandability and comparability when numerical or “summary descriptive” performance indicators (e.g. “satisfactory or unsatisfactory”) are reported on multiple services. Statements of service performance can be supported with more in-depth discussion, similar to that provided in financial discussion and analysis for the financial statements.

19. In other jurisdictions preparers apply principles to identify how best to organize information, with reference to the particular types of services, desired outcomes or planned achievements on which information needs to be reported. This allows preparers to use more in-depth, information rich narrative or case studies, when that is more appropriate given the type of service provided. Service achievements could be misrepresented or poorly described if a statement format were the only form of presentation permitted.
20. For some services the performance expectations are complex and the use of numerical or “summary descriptive” performance indicators may not adequately describe performance. A narrative or case study reporting approach is necessary to fully convey service objectives and achievements in those situations. Example 2 in Appendix B illustrates this narrative format.
21. If the RPG allows entities to choose the most appropriate way to organize their service performance information, then the entity is able to tailor its presentation to the needs of users, so that it supports achievement of the objectives and qualitative characteristics of financial reporting. The availability of choice is also consistent with the wide diversity of services provided by public sector entities. One argument against this approach is that it implies less standardization, and less ability to make comparisons between entities. Arguably service performance information differs from financial statements information due to the diversity of service reported, and comparability relates to reporting at either a national jurisdiction or service area level. It should be noted in this context that the IPSASB decided that specify service performance indicators should not be identified in any pronouncement. Since the indicators themselves will not be comparable, another argument against requiring a single presentation format is that it would not achieve the benefits of comparability—but will sacrifice the benefits to be gained from allowing scope to organize information in a way that meets the needs of users.
22. The approach used in RPG, *Service Performance Reporting* could be similar to that in the draft RPG 1 *Reporting on the Long-Term Sustainability of an Entity's Finances*, where an entity can choose to present projections either in tabular statements or graphical formats. (See Agenda Item 7.1, paragraphs 23 to 24). RPG 1 establishes the options available, and then provides guidance on that presentation choice, stating that an entity needs to (a) balance considerations of understandability and relevance, and, (b) should ensure that its presentation...is not skewed to present a misleadingly favorable or unfavorable picture, and, (c) formats... should be consistent between reporting periods.

#### **Matter for Consideration**

4. The IPSASB is asked to **provide direction** on whether the RPG should:
  - (a) Require that service performance information be presented in a tabular format (a statement of service performance), with accompanying discussion and analysis; or
  - (b) Require that preparers organize information with reference to the particular types of services and desired outcomes and objectives reported; or,
  - (c) Provide guidance on how an entity should choose between two or more formats, with a tabular format (a statement of service performance) being one choice within the allowable set of different information organization approaches.

## APPENDIX A: IPSASB DECISIONS ON SERVICE PERFORMANCE INFORMATION REPORTING

### Decisions from September 2012 Meeting

- A1. With respect to Preliminary View (PV) 1 the IPSASB tentatively agreed that
- (a) Any future due process document should define service performance reporting in a manner that incorporates both the objectives of accountability and decision-making; and,
  - (b) 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.
- A2. With respect to PV 2 the IPSASB confirmed 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 further tentatively agreed on the following definitions for the seven terms to be included in the standardized service performance information terminology, as follows:

**Objective**—An objective is a statement of the results a reporting entity is aiming to achieve. (No change from the definition proposed in the Consultation Paper).

**Performance Indicators**—Performance indicators are quantitative measures and/or qualitative discussions of the nature and extent to which a reporting entity is using resources, producing goods and services, and achieving its objective.

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

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

**Outcomes**—Outcomes are the impacts of outputs that are used in achieving the reporting entity's objectives.

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

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

- A3. The IPSASB also tentatively agreed not to include any additional terms in the standardized service performance information terminology.

### Decisions from December 2012 IPSASB Meeting

- A4. The IPSASB confirmed PV3 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.

- A5. The IPSASB confirmed PV4 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.
- A6. With respect to SMC 1 the IPSASB decided that the question of whether non-authoritative or authoritative (voluntary or mandatory standard) guidance should be developed could not be answered at this time. The IPSASB agreed that in order to be consistent, principles needed to be developed as to when each type of guidance was appropriate, rather than addressing this question on a project by project basis. As a result, the IPSASB directed the staff to develop a draft of these principles for further discussion.
- A7. At its March 2013 meeting the IPSASB's discussion of applicable principles concluded that RPGs should be developed for topics such as service performance information reporting.
- A8. The IPSASB reached agreement on the following other specific matters for comment presented in the CP:
- (a) This project should not identify specific indicators of service performance (SMC 2).
  - (b) Service performance information included in GPFRs should be prepared for the same reporting entity as for GPFs (SMC 3).
  - (c) The dimensions of service performance information include (SMC 4):
    - Information on the public sector entity's objectives, including the need or demand for these objectives to be achieved;
    - Input, output, outcome, efficiency, and effectiveness indicators, including service recipient perceptions or experience information;
    - Comparisons of actual performance to projected (or targeted) results, including information on the factors that influence results; and
    - Time-oriented information, including comparisons of actual results over time and to milestones.
  - (d) 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 (SMC 5).



## APPENDIX B: EXAMPLES OF SERVICE PERFORMANCE INFORMATION ORGANIZATION

### Example 1: Statement of Service Performance Format

#### STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE: VOTE SOCIAL DEVELOPMENT

##### Output Expense: Adoption Services

**Scope:** The management of services, incorporating education, assessment, reporting, counseling, and mediation, to all people who are party to adoption-related matters, past or present.

**Summary of Performance:** Both performance standards in this output expense have been met or exceeded. Over 99 per cent (797) of prospective adoptive parents who attended the Child, Youth and Family education program evaluated the program as achieving its objective of preparing them adequately for their assessment for suitability to adopt or foster.

FINANCIAL PERFORMANCE INFORMATION ACTUAL 2011 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2012 \$000	MAIN ESTIMATES 2012 \$000	APPROPRIATIO N VOTED 2012 \$000
	Revenue			
7,202	Crown	7,176	8,991	7,176
46	Department	46	46	46
–	Other	–	–	–
7,248	Total Revenue	7,222	9,037	7,222
7,087	Total Expense	5,989	9,037	7,222
161	Net Surplus/(Deficit)	1,233	–	–

##### Service Performance Information

##### Output: Adoption Services

ACTUAL 30 JUNE 2011	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2012	STANDARD 30 JUNE 2012
98.2%	<b>Quality</b> The percentage of prospective adopted parents evaluating the education programme as achieving its objectives <sup>1</sup> will be between	99.5%	95–100%
New measure in 2011/2012	<b>Timeliness</b> Assessments of adoption applicants completed within 90 days will be no less than	80.6%	80%

<sup>1</sup> Research shows educating and preparing prospective adoptive parents results in more stable adoptions and less placement disruption.

## Output Expense: Care and Protection Services

**Scope:** Social work services, both statutory and informal, that protect and assist children and young people who are in need of care and protection.

**Summary of Performance:** All performance standards in this output expense have been met or exceeded. The continuing improvement in performance can be attributed to the quality of overall social work practice and to the 47 additional care and protection social workers recruited during the year. Being responsive to children and young people in need of care and protection services is the key priority for Child, Youth and Family. Response times to notifications continue to meet or exceed standards. This is despite an increase in notifications of 2,053 this year.

### Financial Performance Information

ACTUAL 2011 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2012 \$000	MAIN ESTIMATES 2012 \$000	APPROPRIATION VOTED 2012 \$000
	Revenue			
325,748	Crown	331,223	325,752	331,223
797	Department	945	797	1,225
959	Other	1,018	1,799	1,799
<b>327,504</b>	<b>Total Revenue</b>	<b>333,186</b>	<b>328,348</b>	<b>334,247</b>
<b>327,629</b>	<b>Total Expense</b>	<b>330,637</b>	<b>328,348</b>	<b>334,247</b>
<b>(125)</b>	<b>Net Surplus/(Deficit)</b>	<b>2,549</b>	<b>–</b>	<b>–</b>

### Service Performance Information

#### Output: Engagement and Assessment

ACTUAL 30 JUNE 2011	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2012	STANDARD 30 JUNE 2012
	<b>Timeliness</b> The percentage of reports of concern that require further action are allocated to a social worker within the timeframe appropriate to the safety of the child or young person will be between:		
98.1%	Critical (less than 24 hours)	98.6%	95–100%
97.8%	Very Urgent (up to 48 hours)	97.7%	90–95%
	The percentage of actions taken at sites by a social worker to establish the immediate safety of the child or young person, and to confirm the response time and further action required, within the following timeframes will be between:		
91.8%	Urgent (up to seven days)	94.4%	85–95%
94.1%	Low Urgent (up to 28 days)	94.6%	85–95%
83.9%	The percentage of investigations/child and family assessments completed within 60 days for those aged five and over is no less than	85%	80%

[Source: New Zealand Ministry of Social Development Annual Report 2012.]

## Example 2: Narrative Format for Service Performance Information

### NATIONAL SCIENCE FOUNDATION

**Outcome Goal 1** *Discoveries at and across the frontier of science and engineering.*

**Targets:**

- Make important discoveries; uncover new knowledge and techniques, both expected and unexpected, within and across traditional boundaries.
- Forge new high-potential links across those boundaries.

*Assessment:* Successful. All groups of experts rated NSF successful.

*Tangible examples:* Specific advances in biology, funding the Nobel Prize Winner in Chemistry, research in the Antarctic and Arctic, and discoveries in how the young learn.

**Outcome Goal 2** *Connections between discoveries and their use in service to society.*

**Targets:**

- The results of NSF awards are rapidly and readily available.
- The results are fed as appropriate into education or policy development.
- The results are used by other federal agencies or the private sector.

*Assessment:* Successful. 42 of 43 expert groups rated NSF successful.

*Tangible examples:* Predicting storms, oceanographic research in service of fisheries management, practical application of digital library, sustainability projects, award-winning NSF supported children's science television shows.

[Source: National Science Foundation, Canada (2000), quoted in OAG–Canada (2003) *Reporting on Outcomes: Setting Performance Expectations and Telling Stories*, April 2003.]