



## **Agenda Item 3: Reporting Service Performance Information**

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IPSASB Meeting

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## Objectives of this Session

- **Review responses** received on ED 54, *Reporting Service Performance Information*; and
- **Provide directions** for development of the Recommended Practice Guideline (RPG)

## Background

- ED 54, *Reporting Service Performance Information* approved in December 2013:
  - Issued December, with 31 May 2014 deadline for responses.
  - 24 responses received
  - Response collation in Agenda Item 3.2
- Consultation Paper:
  - ED developed after IPSASB's review of responses to the Consultation Paper, *Reporting Service Performance Information*

## Overview of Issues—1

1. RPG's overall approach (SMC 1 and General Comments)
  - (a) Meaning of guidelines
  - (b) Clarify compliance
  - (c) Assessment of economy
  - (d) Implementation guidance.
2. Definitions of terms (SMC 2)
3. Reporting at different levels of government (SMC 3)
4. Reporting frequency and reporting period (SMC 4)

## Overview of Issues—2

5. Presentation principles (SMC 5)
6. Reports separate from financial statements—factors and information (SMC 6)
7. Information presentation within a report (SMC 7)
8. Information for display and disclosure (SMC 8)
9. Choice of performance indicators (SMC 9)

## 1. RPG's overall approach (SMC 1, General Comments)

SMC 1 asked constituents whether they generally agreed with the ED's proposals:

- 20 respondents agreed
- 4 disagreed

## SMC 1: Overall Approach—Reasons to disagree

- Reporting service performance information:
  - Outside IPSASB mandate and accounting's scope (R6, R21 and R24).
  - Should not be linked to the financial statements (R6);
- Reporting entity should adapt to jurisdictional circumstances; and, economy should be included (R6);
- RPG could reduce quality of reporting (inadequate coverage of multi-year reporting and minimum approach), and disagrees with outputs/outcomes dichotomy (R21);
- RPG lacks framework, too comprehensive, and audit issue not addressed (R23)

## SMC 1: Overall Approach—Reasons to disagree

### Staff view:

- Reasons to disagree are either fundamental or relate to specific issues:
  - Fundamental concerns were considered by IPSASB during earlier project stages.
  - Specific issues discussed under other issues/SMCs.
- Four other issues for discussion (raised in SMC 1 or General Comments)



## 1.RPG's overall approach: (a) Requirements/guidelines

- Contradiction between RPG's role as guidelines and the word "requirements" in paragraph 5:

Page 2: RPGs are pronouncements that provide guidance on good practice in preparing GPFRs that are not financial statements...RPGs do not establish requirements.

Paragraph 5: Service performance information should not be described as complying with this RPG unless it complies with all the requirements of this RPG.

- *Staff recommendation:* Retain present wording, which is consistent with RPGs 1 and 2. (Provide explanation in Basis for Conclusions.)

## 1. RPG's overall approach: (b) Clarify compliance

Respondents had concerns about “requirements” versus “choice with encouragement”:

- RPG should focus exclusively on requirements (no encouragements) (R14)
- Confusion about what the RPG requires (R19)
- RPG needs to clearly distinguish between *minimum essentials* and disclosures that are *encouraged but not required* (R23)

Staff recommends:

- Staff to ensure clear distinction between minimum requirements and encouragements, with recommendation in December; and
- Additional wording in the Basis for Conclusions.

## 1.RPG's overall approach: (c) Assessment of economy

- *Respondents:* Assessment of economy:
  - Assessment of economy is important, but ED does not acknowledge this (R6 and R21)
  - Economy is a consideration when looking at service delivery (R17 and R18)
- *Note:* Chapter 2 of the Conceptual Framework:
  - Reporting non-financial as well as financial information about service delivery activities, achievements and/or outcomes during the reporting period will provide input to assessments of the economy, efficiency, and effectiveness of the entity's operations.
- *Staff recommends:* Revise RPG objective to include assessment of economy.

## 1. RPG's overall approach: (c) Economy

Revise RPG objective:

Service performance information can also assist users to assess the entity's service economy, efficiency and effectiveness.

## 1. Overall approach: (d) Implementation guidance.

- Implementation guidance needed:
  - Case studies or illustrations in an appendix (e.g. R1 and R8)
  - Many more examples (R1)
  - Website links or references to facilitate access to examples and guidance available from jurisdictions with extensive experience of service performance reporting (R19 and R23)
- Staff recommends:
  - Do *not* add implementation guidance to RPG
  - Facilitate access to examples through reference to jurisdictions with experience (Appendix or Basis for Conclusions).

## 1. Overall approach: (d) Implementation guidance.

- Reasons to *not* add implementation guidance:
  - Provision of detailed examples may imply “one right approach” and not be helpful for the many different services, different contexts for service delivery
  - Issue considered during ED development—diversity one barrier to development of helpful examples
  - More effective to provide access to examples through reference to jurisdictions with experience

## 1. RPG's overall approach: Action Requested

Members are asked to **indicate** whether they agree to:

(a) Retain RPG's approach of: requirements with which entities comply, if they apply the RPG.

(b) Include more to clarify the (i) *requirements*, essential for compliance and (ii) *encouragements*.

(c) Revise RPG's objective to include economy:

Service performance information can also assist users to assess the entity's service economy, efficiency and effectiveness.

(d) *Not* provide implementation guidance, but note jurisdictions with extensive experience of service performance reporting in Appendix or in Basis for Conclusions.

## 2. Definitions of Terms (SMC 2)

SMC 2 asked constituents whether they agreed with the definitions in paragraph 8 of the ED.

- 14 respondents agreed
- 4 partially agreed
- 4 disagreed
- 2 did not comment



## 2. Definitions of Terms (SMC 2)

Respondents provided recommendations on:

- Revisions to existing definitions, and
- Additional, new definitions.

## 2. Definitions: Revisions to Existing Definitions

### Respondents:

- Agreed with definitions for “inputs” and “efficiency”
- Proposed revisions: *Staff recommendation*
  - Effectiveness *Consider revision*
  - Outcomes *No change, additional explanation*
  - Outputs *No change, additional explanation*
  - Performance Indicators *No change*
  - Service Performance Objectives *No change*

## 2. Definitions of Terms—Action Requested:

Staff recommendations to revise definition of “effectiveness”:

Effectiveness is the relationship between service performance objectives expressed in terms of planned outputs or outcomes and actual results for those objectives;

## 2. Definitions of Terms—Additional Definitions

- Staff recommendation: No additional definitions:
  - “Goal” (R3);
  - “Service delivery” (and related terms) (R4);
  - “Impacts” (R11), with R19 also commenting on impacts in the context of the definition of outcomes;
  - “Cost” (R11), with R23 also commenting on the lack of a definition of “costs of services”;
  - “Performance targets”, and “services” (R19);
  - “Materiality”, “Entity”, “Controlling entity, and “controlled entity” (R20); and
  - Economy (R21’s General Comments).

## 2. Definitions of Terms—Additional Definitions

- Reasons for recommendation to not add definition:
  - “*Goal*”: Used once in RPG, replace with objective
  - “*Service delivery*” and “*Impacts*”: Understandable without definition
  - “*Costs of services*”: Concerns better addressed through additional narrative (added to paragraphs 64-65) rather than definition
  - “*Performance targets*”: Sufficiently clear without definition
  - “*Services*”: Described under “output” definition, previous decision
  - “*Materiality*”: Described in Conceptual Framework
  - “*Entity*”, Controlling and controlled entity: Defined in other IPSASs
  - “*Economy*” (R21’s General Comments): Previous IPSASB decision

## 2. Definitions of Terms—Action Requested:

Members are asked to **indicate** whether they agree with the staff recommendations to:

(a) Revise definition of “effectiveness”:

*Effectiveness* is the relationship between service performance objectives expressed in terms of planned outputs or outcomes and actual results for those objectives;

(b) Make no further revisions to the RPG’s definitions; and

(c) Not include any additional definitions in the RPG.

### 3. Reporting at different levels of government (SMC 3)

SMC 2 asked respondents whether they agreed that ED adequately addressed reporting by entities at different levels, including where a controlling entity reports information that encompasses services provided by controlled entities:

- 16 agreed
- 4 disagreed
- 4 did not comment

### 3. Reporting at different levels of government (SMC 3)

#### Reasons to disagree:

- Reporting entity:
  - Should be flexible (R6) and adapted to users' needs, and not apply accounting definition of reporting entity (R21).
  - Public availability (the approach in IPSAS 24, *Budget Information*) should be guiding principle (R22).
  - Reporting entity should be entity responsible for implementation of public policy, (not necessarily accounting's notion of control (R24)).
- Overload and costs:
  - Reporting overload at parent level will result (R21), and
  - Benefit-cost should be considered, particularly for small entities, so report by “public policy” rather than “public entity” (R24).



### 3. Reporting at different levels of government (SMC 3)

#### Staff Discussion:

- Reporting entity:
  - Reporting entity issue included as SMC in the Consultation Paper (CP) and no new issues raised in responses received.
  - IPSASB appreciated that a controlling entity could control a GBE.
  - Expanding RPG's scope to include cross-entity reports could reduce RPG's focus on present reporting entity.
- Overload and costs:
  - Already addressed in ED; controlling entities can provide high level summaries and cross-reference to controlled entities' reports.

### 3. Reporting at different levels: Action Requested

Members are asked to **indicate** whether they agree to:

- (a) Confirm ED's approach to reporting at different levels; and,
- (b) Refer revisions, to make present approach clearer, to staff and the TBG.

## 4. Reporting frequency and reporting period (SMC 4)

- ED requires annual reporting with same reporting period as for the financial statements, but may use different reporting period, depending on users' needs.
  - 18 agreed
  - 2 partially agreed (R6 and R23)
  - 2 disagreed (R21 and R24)
  - 2 did not comment

## 4. Reporting frequency and reporting period (SMC 4)

- Respondents' reasons to support different period:
  - Align with budget and related decision process (R21) or relate to objectives and economic, financial and social context (R24);
  - Service performance often focuses on multi-year periods rather than one year (R21 and R24) and reporting too frequently on multi-year objectives is misleading (R24); and
  - Annual reporting will discourage outcome reporting (R23).
- These respondents recommended either that period should be adaptable (R6, R21 and R24); or that exceptions should be allowed (R6 and R23).

## 4. Reporting frequency and reporting period (SMC 4)

- *Staff recommendation:* Confirm ED's present approach
- Reasons:
  - IPSASB considered these issues during ED's development.
  - No new concerns identified by respondents.
  - Most respondents support annual reporting.
  - *Note:* ED includes guidance on reporting annually against multi-year objectives and for multi-year outcomes.

## 4. Reporting frequency and reporting period (SMC 4)

- Respondents recommended specific revisions:
  - Require additional disclosures if entity uses different reporting period from that for financial statements (R8, R14 and R22);
  - Place time restriction on extent of reporting period difference (R20); and
  - Make clear that more frequent (e.g. six-monthly) reporting is also acceptable (R4, R7, R14, R18, R20 and R22).
- *Staff recommends: Revise draft RPG to address these revisions*

## 4. Reporting frequency and period: Action Requested

Members are asked to **indicate** whether they agree:

- (a) Maintain ED's approach to reporting period and reporting frequency; and,
- (b) Revise the draft RPG to address the specific revisions:
  - Require additional disclosures if entity uses different reporting period;
  - Place restriction on extent of reporting period difference; and
  - Make clear that more frequent reporting is acceptable.

## 5. Presentation principles (SMC 5)

ED's proposed principles for presentation of service performance information:

- 14 agreed
- 3 partially agreed
- 3 disagreed
- 4 did not comment



## 5. Presentation principles (SMC 5)

### Reasons to disagree

- Principles should recognize importance of a reliable transaction processing system (R20)
- Materiality has been overemphasized (R23)
- Performance must meet needs of citizens, service users and taxpayers—not just “users” (R24)

*Staff view: Concerns indicate need to address RPG’s understandability and emphasis (but not changes to its principles)*

## 5. Presentation principles (SMC 5)

Specific suggestions to improve coverage:

- Further guidance on application of QCs and constraints (R4, R7, R10, R16, R18, R19, R20 and R23).
- Other specific issues:
  - *Cost/benefit*: Remove scope to use cost/benefit to justify not reporting required information (R7, R8 and R15);
  - *Assessment of financial results*: Reduce emphasis on this use (R6); and,
  - *Jurisdictional requirements*: Revise to convey integrated relationship (RPG and jurisdictional requirements) (R8).

## 5. Presentation principles: Action Requested

Members are asked to **indicate** whether they agree:

- (a) Maintain ED's approach to presentation principles; and,
- (b) Refer respondents' specific suggestions to staff and TBG for further development of the RPG.

## 6. Reports separate from financial statements— factors and information (SMC 6)

ED proposed:

- (a) Factors to consider—decision to include SPI either with financial statements or in a separate report; and
- (b) Additional information when SPI is in a separate report.

- 16 agreed
- 2 partially agreed
- 3 respondents disagreed\*
- 3 did not comment

*\*Disagreed with choice—Issue considered in CP, CP RoR.*

## 6. Reports separate from financial statements— Additional *factors* proposed

- i. Audit considerations (R22); specifically audit costs (R12);
- ii. Timeliness (R12);
- iii. Effects of gathering and preparing the information (R12);
- iv. Costs of each approach (separate report versus in same report as financial statements) (R19); and
- v. Proximity of service performance information to actual–budget-comparisons (R19).

*Staff recommendation:* Include (v) as additional factor. (Do not include other suggested factors.)

## 6. Reports separate from financial statements— Additional disclosures when separate

- i. Information to link financial and non-financial information, (location of the other report) (R3, R4 and R20)
- ii. Statement that service performance information has not been audited (R4 and R7)
- iii. Applicable legislation (R22)
- iv. Significant services not included in the service performance information and why those services have been excluded (R12)

*Staff recommendation:* Review (i), (iii) and (iv) to staff and TBG for consideration. (Do not have (ii) as disclosure.)

## 6. Reports separate from financial statements— factors and information: Action Requested

Members are asked to **indicate** whether they agree:

- (a) Add factor (v) *Proximity of service performance information to actual–budget-comparisons*; and,
- (b) Refer additional information to staff for consideration:
  - Information to link financial and non-financial information;
  - Information on applicable legislation; and
  - Discussion of significant services that have not been included and why those services have been excluded.

## 7. Information presentation within a report (SMC 7)

ED's approach:

- Allows choice of presentation style;
- Does not specify one style e.g. a “statement of service performance”
  - 17 agreed
  - 1 partially agreed
  - 3 disagreed
  - 3 did not comment



## 7. Information presentation within a report (SMC 7)

Reasons to disagree or partially agreed:

- ED should be more prescriptive (R10)
- Issues outside of SMC 7's intended focus (R20, R23 and R24)

## 7. Information presentation: Action Requested:

Members are asked to **indicate** whether they agree with the staff recommendation to maintain the ED's approach to presentation of information within a report.

## 8. Information for display and disclosure (SMC 8)

ED's identification of information for display and disclosure:

- 16 agreed
- 4 disagreed
- 4 did not comment

## 8. Information for display and disclosure (SMC 8)

Reasons to disagree:

- Service performance information:
  - Outside IPSASB mandate (R6 and R24)
  - Should not include with financial statements (R6);
- Display should focus on inputs and outcomes—narrative on impacts should be in narrative only (R22); and,
- Too much detailed information required—distinguish between minimum requirements and other information (R23).

## 8. Information for display and disclosure (SMC 8)

Respondents' specific suggestions:

- Paragraph 8 disclosures should be required
- Additional information should be required:
  - *Display*: Outcomes.
  - *Narrative*: Lessons learned and plan, and context for services
  - *Disclosures*: More on outcomes, cross-entity disclosures, clarify that list is not exhaustive, and roles and responsibilities.
- Information should not be required: *Display* of costs, *discussion and analysis* (less), *basis* various.

*Staff: Recommend refer suggestions to staff and TBG*

## 8 Information—display & disclosure: Action Requested

Members are asked to **indicate** whether they agree with the staff recommendations to:

- (a) Confirm the ED's broad approach to information for display and disclosure; and,
- (b) Revise the draft RPG to *require* the disclosures in paragraph 80.

## 9. Choice of Performance Indicators (SMC 9)

The ED's approach:

- (a) Does not require reporting of particular performance indicators; and
- (b) Provides principles and guidance for choice of performance indicators.
  - 18 respondents agreed
  - 4 respondents disagreed
  - 2 did not comment

## 9. Choice of Performance Indicators (SMC 9)

Reasons to disagree with ED's approach:

- ED should require all five types of performance indicators (R20);
- Output-outcome dichotomy not useful, and economy indicators should be covered (R21);
- RPG is too detailed; reduce details or provide more guidance (R23); and
- Service performance reporting is outside of IPSASB's mandate (R21 and R24).



## 9. Choice of Performance Indicators (SMC 9)

Specific concerns:

- Outcome reporting should be more clearly encouraged (R8, R12),
- Emphasize *balanced* set of indicators (R7).
- Move some Basis for Conclusions coverage into RPG (R4).
- Provide more guidance on the choice, particularly principles for choosing between ‘quantitative measures’ or ‘qualitative measures’ or ‘qualitative descriptions’ (R8)

## 9.Choice of Performance Indicators: Action Requested:

Members are asked to:

(a) **Confirm** the ED's general approach:

- Choice of performance indicators,
- Principles and guidance for this choice; and,

(b) **Note** that respondents' specific suggestions will be considered by staff and the TBG during further development of the RPG.

## Next Step

- Revise the draft RPG and submit to the December 2014 IPSASB meeting