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April 15, 2014

Ms. Stephenie Fox
The Technical Director
International Public Sector Accounting Standards Board (IPSASB)
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2 CANADA

Dear Ms. Fox:

1. The International Consortium on Governmental Financial Management (ICGFM) welcomes the opportunity to respond to Exposure Draft (ED) 54 distributed by the IPSASB on RPG 3, "Reporting Service Performance Information". We are pleased that the IPSASB is recommending some practice guidelines in this area.
2. Working globally with governments, organizations, and individuals, ICGFM is dedicated to improving financial management by providing opportunities for professional development and information exchange. ICGFM conducts two major international conferences each year and publishes an international journal twice each year. Services are provided to its membership through an international network. ICGFM represents a broad array of financial management practitioners (accountants, auditors, comptrollers, information technology specialists, treasurers, and others) working in all levels of government (local/municipal, state/provincial, and national). Since a significant number of our members work within government and audit institutions around the world, our response to this recommended practice guideline is one from an international perspective.
3. Our responses to the comments on the specific matters are as follows:
 - a. **Comment 1.** Do you generally agree with the proposals in the ED? If not, please provide reasons. **Response.** We are pleased that the IPSASB is issuing authoritative guidance that gives public sector entities the option of issuing a service performance report

to apply the guidance rather than requiring adherence to the guidance. There are many entities which are not in a position to report on service delivery.

- b. **Comment 2.** Do you agree with the definitions in paragraph 8? If not, how would you modify them? **Response.** Suggested modifications are shown below:

- (1) We would prefer the term “public service delivery” rather than “service performance”. Then it is possible to talk about the level of performance in delivering public services. Public services are those services provided by governments (local, municipal, or larger-scale) to the public. The need for services that no individual can or will pay for, but that benefit all by their presence, is one of the justifications for taxation. Examples of such services are sewage, trash disposal, and street cleaning. On a larger scale, public education and public health services are also public services. Public service delivery is the implementation of those services and making sure they reach those people and places when and where intended.
- (2) We would like to see the term “value for money” used as this embraces both efficiency and effectiveness. This is a term used to assess whether or not an organization has obtained the maximum benefit from the goods and services it both acquires and provides, within the resources available to it.

- c. **Comment 3.** Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED’s coverage of this? **Response.** In general, we believe this proposed RPG is not specific enough to be of much value. It seems to us that the RPG should refer to those service delivery indicators that currently exist so that the reader can better relate to them. If a decision is made not to use real-world examples, the reasoning should be included in the Basis for Conclusions. Some examples are given below:

- (1) In paragraphs 10 and 23, we would prefer to see real-world examples used by the UNDP with their Millennium Development Goals (MDGs).
- (2) In paragraph 12, another example could be cost per student educated. The more students in a class, the more efficient the teacher since the cost per student is reduced; however, the teacher is less effective in getting their points across as the class sizes become larger. Thus, a balance between efficiency and effectiveness is necessary.
- (3) In paragraph 48, the website reference for those performance indicators required for the Health and Education Ministries should be provided.
- (4) Paragraphs 67 and 73 mention trend analysis; however, no examples are given. We suggest the following be added to paragraph 73 to make it public sector specific: “For example, ten-year trend information on progress toward achieving the MDGs, improving the ranking on Corruption Perception Index (CPI), lessening the debt to Gross Domestic Product (GDP), or reducing the level of deficit relative to the overall GDP would be especially beneficial.” A reference to the Transparency International website for the CPI or to the European Union website for those GDP indicators used within their jurisdiction would be beneficial.
- (5) In paragraphs 50 and 80, illustrations are needed.

- d. **Comment 4.** Do you agree that service performance information should: (a) Be reported annually; and, (b) Use the same reporting period as that for the financial statements? If not how would you modify the ED's provisions on these two matters? **Response.** Agree.
 - e. **Comment 5.** Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them? **Response.** Agree.
 - f. **Comment 6.** Do you agree with: (a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and (b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)? If not how would you modify them? **Response.** We would have a strong preference to present service delivery information as part of the financial statements since this enables inputs to be linked to outputs. In paragraph 43, an illustration should be included.
 - g. **Comment 7.** Do you agree with the ED's proposed approach to presentation of service performance information within a report, which: (a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and (b) Does not specify one particular style of presentation such as, for example, a statement of service performance? If not how would you modify this approach? **Response.** As far as feasible, service delivery information should be linked to the financial inputs related to the provision of the services. Without this linkage it is impossible to assess value for money.
 - h. **Comment 8.** Do you agree with the ED's identification of service performance information that (a) Should be "displayed", where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51); (b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and, (c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80). If not, how would you modify the ED's identification of information for display and for disclosure? **Response.** Agree.
 - i. **Comment 9.** Do you agree with: (a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and (b) The guidance and principles that the ED provides with respect to choice of performance indicators? If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators? **Response.** Agree.
4. Other observations are as follows:
- a. We realize that all public sector organizations have not identified their vision, mission, objectives and goals but they may still have service delivery measures that can be evaluated. It would be beneficial to the readers of the RPG if they could see where the

- level of performance for the service deliveries fit in the overall management structure for the public sector entity.
- b. Paragraph 5 refers to requirements in the ED. The ED is recommended guidance and there are no requirements! If there are requirements, they need to be clearly identified.
 - c. The following should be added to paragraph 56: “Typically, performance indicators meet the following criteria—Specific, Measurable, Attainable, Relevant, and Time-bound (SMART).”
 - d. In BC2, the fiscal statistics published by the IMF is not mentioned even though the IMF compiles these statistics from the GFS reports submitted by all countries.
5. We appreciate the opportunity to comment on this ED and would be pleased to discuss this letter with you at your convenience. If you have questions concerning this letter, please contact Dr. Jesse Hughes, CPA, CIA, CGFM at jhughes@odu.edu or 757.223.1805.

Sincerely,



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5 May 2014

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Submitted to: www.ifac.org

Dear Stephenie

ED 54, *Reporting Service Performance Information*

Thank you for the opportunity to comment on ED 54, *Reporting Service Performance Information* (ED 54). ED 54 was exposed in New Zealand and some New Zealand constituents may have made comments directly to you.

We are pleased that ED 54 addresses many of our comments on the Consultation Paper *Reporting Service Performance Information*.

In our view, the overall performance of public sector entities cannot be fully reflected in financial statements alone. Financial information needs to be assessed having regard to the services delivered, which are reflected in service performance information.

We understand the IPSASB's rationale for developing a Recommended Practice Guideline (RPG). We consider the RPG to be appropriate at this time and a good starting point. However, as a jurisdiction that has been doing service performance for more than 20 years, we consider that detailed guidance and enhancements will be required in the future.

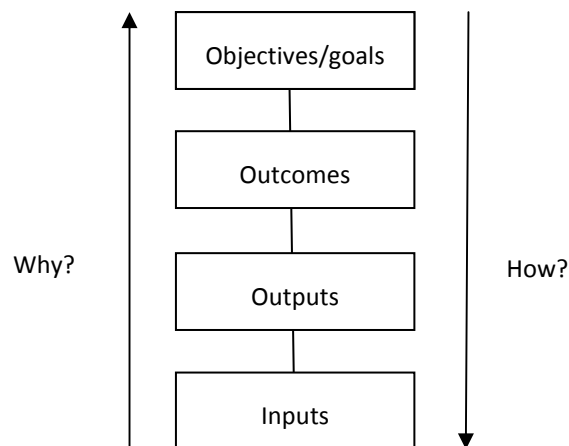
We would encourage the IPSASB to consider developing a standard on reporting service performance information at a later stage. Developing a standard would be consistent with the objective of general purpose financial reporting in that it would assist entities to provide information useful for accountability and decision making purposes. Further, the importance of information on service performance is highlighted in the IPSASB's *Conceptual Framework* (2013) which explains that the primary objective of governments and most public sector entities is to provide services to constituents¹.

We broadly support the proposals in the ED. Although we have not responded to the Specific Matters for Comment, we have one comment that we believe is important for the IPSASB to consider before finalising the RPG.

¹ IPSASB *Conceptual Framework* (2013), paragraph 2.22

We agree that an entity should be able to select the types of performance indicators that it reports. However, we consider that the RPG could provide more guidance on, or examples of, the potential linkages between the types of performance indicators to assist an entity in selecting indicators. The selection of appropriate performance indicators is fundamental to assessing how well an entity has met its objectives.

The RPG would benefit from a clear explanation of how the performance indicators are linked. Our views on the linkages are set out in the following diagram.



The “why” question will get an entity from its inputs via outputs and outcomes to its end goals or objectives; that is, the question will help an entity explain why it uses various inputs to produce certain outputs, to influence certain outcomes, to ultimately achieve its objectives. The “how” question will take an entity from its end goals or objectives via outcomes and outputs back to its inputs; that is, the question will help an entity explain how to achieve its objectives by influencing certain outcomes, by producing certain outputs, by using various inputs.

If you have any questions or require clarification of any matters in this submission, please contact Aimy Luu Huynh (aimy.luuhuynh@xrb.govt.nz) or me.

Yours sincerely

Michele Embling
Chair – New Zealand Accounting Standards Board
Email: Michele.Embling@xrb.govt.nz



May 6, 2014

Stephenie Fox
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Re: PSA Staff Comments on Exposure Draft Reporting Service Performance Information

Thank you for the opportunity to provide input on the Exposure Draft, *Reporting Service Performance Information*. We feel that this project is an important initiative as the resulting guidance will assist public sector entities in meeting their responsibility of being publicly accountable and in providing users with information which is useful for decision-making purposes.

Overall, PSAB staff is in support of the proposals in the Exposure Draft. Responses to the Specific Matters for Comment are set out the Appendix to this letter and represent the views of PSAB staff and not those of the Public Sector Accounting Board (PSAB).

Thank you again for the opportunity to provide you with input on this Exposure Draft. We hope that you find our comments helpful.

Sincerely,

Tim Beauchamp,
Director, Public Sector Accounting

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APPENDIX

General Comments

a) *Non-authoritative guidance*

PSAB staff agrees with the IPSAB decision to issue non-authoritative guidance. An authoritative standard would also achieve the objectives; however, it could discourage public sector entities that do not have the resources, capacity and experience to prepare a service performance information report from adopting IPSASs. Further, the area of reporting of service performance information is an evolutionary process which builds on research, experimentation, practical experience and consensus and will therefore require time to mature.

The framework will encourage public sector entities that choose to report service performance information to report on a consistent basis and ensure comparability of service performance information among public sector entities.

Given that the Recommended Practice Guideline is non-authoritative, paragraph 4 of the Exposure Draft may be problematic in this regard. It states service performance information should not be described as complying with the Recommended Practice Guideline unless it complies with all the requirements. Although this paragraph is included in both RPG 1, *Long term sustainability of public finances* and RPG 2, *Financial statement discussion and analysis*, it may not be appropriate for service performance reporting due to its evolving nature and the diversity of existing practice. This Recommended Practice Guideline is intended to help preparers develop effective methods of reporting on service performance.

The RPG could acknowledge that service performance reporting is evolutionary and allow that entities could progress to an outcome reporting model over time as they develop capacity and experience. This would be consistent with the fact that performance reporting practices are an evolutionary process. It also recognizes that some recommended practices require more effort than others to implement and, therefore, full implementation of all of the recommended practices will likely be achieved progressively.

Non-authoritative guidance may encourage public sector entities to include the components of the reporting framework and use a standardized terminology proposed in the Recommended Practice Guideline. As entities experiment with applying the principles, it may be the precursor to issuing an IPSAS in the long term. Non-authoritative guidance 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.

b) *Best practice guidance*

IPSASB is proposing to issue a Recommended Practice Guideline that sets out principles based framework for the reporting of service performance information by public sector entities. The Recommended Practice Guide is intended to focus on reporting service performance information that meets the needs of users of General Purpose Financial Reports. The Recommended Practice Guideline has been structured to accommodate diverse accountability and decision-making contexts

world-wide. It also recognizes the divergent information needs of users arising from the nature of the services provided and the context for their provision. The IPSASB concluded that a Recommended Reporting Guideline should be able to be applied to entities in jurisdictions where service performance reporting requirements already exist.

Service performance reporting has historically focused on input and output measures. The performance information was used in assessing how efficiently entities used resources to provide services. The performance information tended to be more quantitative in nature. These indicators have been used in management of operations when comparing actual performance to benchmarks and experience of other entities.

More recently, it is generally accepted that one of the main objectives of service performance reporting for public sector entities is to provide information useful for evaluating the effectiveness of the entity in achieving its policy objectives. Those policy objectives may be set out by legislative mandate, budget, speech from the throne or strategic plan are being met. Service performance is reported in order to demonstrate accountability as to how public policy objectives are being met.

This is consistent with the Basis of Conclusion appended to the Recommended Practice Guideline. It states that the recommended reporting practice is underpinned on the principle that public sector entities discharge their obligations to account for, and justify the use of, the resources raised from constituents through service performance reporting. The information in the report should aid users assess the entity's achievement of service delivery objectives. Comparison between service delivery objectives and achievements during the reporting period should also assist in making decisions about the future allocation of resources among competing programs.

The closest the Exposure Draft comes to incorporating this conclusion is in paragraph 55 that states, "An entity is encouraged to display information about its intended outcomes and its achievements with respect to those outcomes." This paragraph, however, fails to recognize such reporting as a recommended best practice.

Reflecting that the primary objective of a service performance report is accountability, it should describe the strategic direction of the public sector entity. The strategic direction reflects an entity's high-level priorities and long-term goals. The service performance report needs to present time-oriented service performance information that would assist users make periodic assessments of the degree to which progress is being made in the achievement of certain goals and objectives.

It is recommended that the Recommended Practice Guide should state upfront that the ultimate goal of a service performance report should be to provide information about the entity's intended outcomes and its achievements with respect to those outcomes. Providing information on outcomes assists users assess whether the entity's service provision is having the intended effect and whether the resources spent on services are producing the intended results. To encourage preparers to adopt the Recommended Practice Guideline, it could acknowledge that initially preparers may not be able to comply with all the requirements of this RPG.

Specific Matter for Comment 1

Do you generally agree with the proposals in the ED? If not, please provide reasons.

Subject to the General Comments above, we generally agree with the proposals in the Exposure Draft.

Specific Matter for Comment 2

Do you agree with the definitions in paragraph 8? If not, how would you modify them?

PSAB staff generally agrees with the seven terms and working definitions. They are representative of essential elements within the service performance reporting framework proposed by IPSASB. They achieve the objective of providing a standardized service performance information terminology with associated working definitions.

However, we would make the following observations.

a) Outcomes

The Exposure Draft proposes the definition, “Outcomes are the impacts on society, which occur as a result of the entity’s outputs, its existence and operations.” We suggest that the definition exclude the terms “existence and operations”. Inclusion of the impacts that result from an entity’s existence and operations suggests that performance can be passive.

While public sector entities exist to carry out public policy objectives as set out by legislation or other mandate, well managed entities operate in accordance with a budget, strategic, operational or other plan. The plan establishes the specific performance goals by interpreting the broad policy objectives set out in legislation or mandate. They also determine how resources get allocated among an entity’s programs, operations and activities. Public sector performance is reported against the plan in order to demonstrate accountability as to how public policy objectives are being met. Publicly reporting on what was accomplished against what was planned explains significant differences and identifies areas where changes to performance expectations, targets or strategies may be necessary.

We would also suggest that the definition include reference to the fact that an outcome must be reasonably attributable to outputs.

b) Efficiency/Effectiveness

These are performance indicators by definition. That is, they are quantitative measures, qualitative measures, and/or qualitative discussions of the nature and extent to which an entity is using resources, providing services, and achieving its service performance objectives. Incorporating these concepts in the definitions and guidance is inconsistent with IPSASB’s stated intention in the consultation paper. It stated that IPSASB did not intend to identify specific indicators of service performance within the framework developed.

Similarly, paragraph .53 and .54 indicate that judgment is needed to determine the most suitable set of performance indicators to be reported. Performance indicators selected should be related in such a way that users can ascertain how efficiently and effectively the entity has used its resources to deliver

services and achieve its service performance objectives. As well, paragraph BC.35 states that “the presentation of service performance information will vary between entities depending on (a) the services that the entity provides, (b) the nature of the entity, and (c) the regulatory environment or other context within which the entity operates.

Because services provided, service performance objectives, and applicable service performance indicators depend on these different factors, the IPSASB decided that the RPG should not identify specific performance indicators that must be presented. Instead, it should identify broad types of information that should be reported and provide guidance on achievement of the qualitative characteristics when selecting service performance information.

As stated in paragraph BC37, the Recommended Practice Guideline should provide guidance on how an entity should choose the types of performance indicators that it reports. The principle is captured in paragraph BC36. A report should facilitate users’ assessment of an entity’s service performance, including both (a) its achievement of objectives and (b) the extent to which it has used resources efficiently and effectively to deliver outputs and achieve outcomes.

c) Outcomes/Effectiveness

There may be confusion between outcomes and the performance indicator of effectiveness. The Exposure Draft proposes that outcomes are the impacts on society which occur as a result of the entity’s outputs. Effectiveness is the relationship between actual results and service performance objectives in terms of outputs or outcomes. Both definitions suggest that outcomes and effectiveness may be interchangeable concepts. Both terms imply the target that the entity’s activities are intended to accomplish.

To illustrate the potential for confusion, paragraph .14 states that “The “percentage reductions in infants contracting measles” would be one possible outcome indicator...” Similarly, paragraph .10 provides the example of an effectiveness indicator as the percentage reduction in the number of infants contracting measles.

To avoid confusion, we suggest that one or the other definition be deleted. The definition of effectiveness in GASB Concepts Statement 2 may be considered. It defines effectiveness “as an ends-oriented concept that measures the degree to which predetermined goals and objectives for a particular activity or program are achieved.”

d) Service Performance Objective/Effectiveness

A service performance objective is defined as “a description of the planned result(s) that an entity is aiming to achieve expressed in terms of inputs, outputs, outcomes, efficiency or effectiveness.” This reflects that IPSASB’s desire is that a service performance report could be based on either attainment of planned inputs, outputs, outcomes, efficiency or effectiveness.

If this is the intent of IPSASB, the suggested definition of effectiveness is not inclusive when it states that efficiency is the relationship between actual results and service performance objectives in terms of outputs or outcomes. Effectiveness could also be the attainment of planned inputs. We suggest

that the phrase “in terms of outputs or outcomes” be eliminated to be consistent with the definition of service performance objectives.

e) *Objectives/Goals*

The Recommended Practice Guideline does not include a definition of goal. While it is true that both objectives and goals are used interchangeably, there are some differences in the context of performance reporting that may warrant reconsideration of the decision not to include a reference to goals. This may be important when one of the stated objectives of the Recommended Practice Guideline is the provision of a standardized service performance information terminology with associated working definitions.

Inclusion will reinforce the perspective of a time element to the accomplishment of goals to the service performance report. As stated in Consultation Paper paragraph 4.17, users may benefit from service performance indicators that allow them to assess the extent to which (a) progress is being made towards the end result, and (b) that a service is likely to achieve that desired end result.

Objectives and goals imply the target that an entity's activities are intended to accomplish. What sets them apart is the time frame. A goal is a statement of what an entity desires to achieve. An objective is what it expects to achieve within a specific period of time.

A goal is a measurable statement of the desired long-term impact of an entity's programs and activities. Goals generally address change. Public policy goals are generally achieved over a long period. Objectives are how you will achieve a goal. An objective is a specific, measurable statement of the desired immediate or direct outcomes of the program that support the accomplishment of a goal.

In addition, goals may be achieved as a result of multiple objectives. For example, a goal to improve road safety could be achieved by an objective of improving road design (an activity may be extending on and off ramps on major highways) and an objective of reducing speed (an activity may be installation of traffic calming devices in neighborhoods).

While both goals and objectives should be tangible and measurable, goals by their nature may or may not be quantitatively measurable. In most cases objectives are measurable.

Specific Matter for Comment 3

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED's coverage of this?

PSAB staff generally agrees that the Exposure Draft adequately addresses reporting at different levels within government. PSAB staff agrees that the service performance information included in General Purpose Financial Reports should be prepared for the same reporting entity as for General Purpose Financial Statements for the following reasons:

- a) Links all of the information provided for an entity in the General Purpose Financial Report, whether financial and non-financial in nature.
- b) Users are able to identify the relationships between the financial information (resources) and the service performance information for decision making.

There may be situations when it is not practical to provide service performance information for the same reporting entity because the information is either not available or not available on a timely basis for reporting purposes. This could be prevalent when entities are first developing the capacity to prepare performance reports. In these situations, it may be appropriate to provide service performance information covering the key objectives of the entity as available. Such information could still be useful to the users of service performance information and preferable to not providing any information at all. The ultimate objective would remain the reporting service performance information for the reporting entity as a whole.

This reporting strategy may be problematic in light of paragraph .05 that states that “Service performance information should not be described as complying with this RPG unless it complies with all the requirements of this RPG.” This may discourage entities from preparing service performance reports.

The Recommended Reporting Practice does not reflect the comments of many respondents to the Consultation Paper. They commented that it may be necessary to report for a different reporting entity than for the General Purpose Financial Statements because:

- a) GBEs have their own performance measures as applied in the private sector;
- b) several entities, both within and outside the reporting entity, may contribute jointly to one service;
- c) public sector entities may be reporting on their service performance within a service area; and
- d) service performance information is generally reported within a budget framework.

These respondents felt that the reporting boundaries should be left up to the discretion of the reporting entity and not prescribed by IPSASB.

Specific Matter for Comment 4

Do you agree that service performance information should:

- (a) Be reported annually; and,*
- (b) Use the same reporting period as that for the financial statements?*

If not how would you modify the ED’s provisions on these two matters?

PSAB staff generally agrees that service performance information should be reported annually and for the same reporting period as that for financial statements. However, given the complexity of some outcomes, it may not be practical to report annually. For example, to assess performance, more sophisticated data and analyses may be required such as completion of a program evaluation. Due to

the complexity and expense of doing a these types of assessments, it may not be practical to complete it annually. The guidance should recognize that in order to report annually, it may be necessary to extrapolate performance based on analysis from previous reports updated for inputs and outputs achieved during a period.

Specific Matter for Comment 5

Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

PSAB staff generally agrees with the proposed principles for presentation.

Specific Matter for Comment 6

Do you agree with:

(a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and

(b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?

If not how would you modify them?

PSAB staff generally agrees with the factors for consideration in deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report. PSAB staff generally agrees with the additional information to present when reporting service performance information in a separately issued report.

Regardless of the decision, the guidance should make it clear that it is important to link financial and non-financial performance information. When financial and non-financial performance information is linked, results and resources are aligned, and the relationship between them described and demonstrated. This information will assist users in assessing the accountability of the entity for the use of the resources.

Specific Matter for Comment 7

Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

(a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and

(b) Does not specify one particular style of presentation such as, for example, a statement of service performance?

If not how would you modify this approach?

PSAB staff generally agrees with the proposed approach to presentation.

Specific Matter for Comment 8

Do you agree with the ED's identification of service performance information that:

- (a) Should be "displayed", where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);*
- (b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and,*
- (c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).*

If not, how would you modify the ED's identification of information for display and for disclosure?

PSAB staff generally agrees with the proposed identification of service performance information.

However, narrative discussion and analysis should include information on significant lessons learned during the reporting period and a plan of how the issues will be addressed in the future. Users are interested in knowing that lessons learned are being addressed. It may also identify areas requiring further study or evaluation that requires changes to strategies or refining the performance measures.

PSAB staff does not support inclusion of the discussion in paragraph .76 and .77 related to risk assessment and risk tolerance. It is not clear how the extensive discussion of the parameters around the risk of "false positives" and "false negatives" would assist preparers of service performance reports. The discussion deals with technical issues more related to specific program design and do not have a place in a principles based Recommended Practice Guideline on service performance reporting.

PSAB staff recommends that the principle should be as follows:

The public performance report should include information about the significant risks critical to understanding performance. This information includes the nature of the impact that these risks have had on the decisions made and strategies adopted. This information contributes to explaining and understanding the results that have been achieved.

Risk refers to factors that may affect the achievement of service performance objectives either adversely or positively. A strategic plan would generally describe the significant risks and opportunities identified and discuss what the plan is to manage those risks. The discussion of risk would focus on those risks that had a significant impact on performance. Such disclosures will provide users with a better appreciation of the challenges that were faced and will help clarify why certain results proved more difficult to achieve than expected or others were better than expected. Examples of such risks include public health and safety issues, significant political changes, significant unexpected economic changes and significant demographic trends impacting the delivery of an activity.

Specific Matter for Comment 9

Do you agree with:

(a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and

(b) The guidance and principles that the ED provides with respect to choice of performance indicators?

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

PSAB staff generally agrees with the approach of providing principles and guidance on the identification of the type of performance indicators that entities present. PSAB staff does not believe the guidance should require entities to report on particular types of performance indicators.



ACT
Government

Chief Minister and Treasury

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Dear Ms Fox

Exposure Draft (ED) 54 – Reporting Service Performance Information

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on Exposure Draft (ED) 54 *Reporting Service Performance Information*.

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee comprises the senior accounting policy representatives from all Australian States, Territories and the Australian Government.

HoTARAC supports the IPSASB's ongoing efforts in developing specific requirements and guidance for public sector issues, such as the planned Recommended Practice Guideline for reporting service performance information. Although the requirements in ED 54 provide a worthwhile foundation, current frameworks within Australian public sector jurisdictions generally contain more detailed requirements.

HoTARAC does not have any significant concerns with the proposals in ED 54. The Attachment to this letter sets out HoTARAC's comments on each Specific Matter for Comment.

If you have any queries regarding these comments, please contact Alison Cuthbert from Queensland Treasury and Trade on +61 7 3035 1431 or by email to alison.cuthbert@treasury.qld.gov.au.

Yours sincerely

David Nicol
Chair

Heads of Treasuries Accounting and Reporting Advisory Committee

21 May 2014

HoTARAC VIEWS RE IPSASB EXPOSURE DRAFT 54 REPORTING SERVICE PERFORMANCE INFORMATION

General comments

HoTARAC commends the IPSASB's efforts in developing a Recommended Practice Guideline for reporting service performance information. HoTARAC supports the IPSASB's strategy to develop specific requirements and guidance on public sector issues.

HoTARAC recognises that the primary function of governments and most public sector entities is to provide services to constituents. Users of General Purpose Financial Reports (GPFRs) require information on service performance to hold entities accountable and to make decisions with respect to resource allocation and service provision.

HoTARAC's responses to each Specific Matter for Comment in the ED are set out below.

Specific Matter for Comment 1

Do you generally agree with the proposals in the ED? If not, please provide reasons.

HoTARAC generally agrees with the proposals in the ED. The reporting of service performance information is necessary to meet the objectives of financial reporting i.e. accountability and decision-making. Reporting of service performance information facilitates transparency, continuous improvement in performance, and greater trust and confidence in public sector service delivery.

Specific Matter for Comment 2

Do you agree with the definitions in paragraph 8? If not, how would you modify them?

HoTARAC considers the development of standard service performance information terminology for reporting purposes is appropriate to facilitate consistency in interpretation across public sector entities in different jurisdictions. HoTARAC agrees with the definitions in paragraph 8.

HoTARAC notes, (also raised in Specific Matter for Comment 5), that paragraph 31 has introduced new terms that have not been defined. The terms are 'service delivery', 'service delivery objectives', 'service delivery activities' and 'service delivery achievements'. HoTARAC recommends the Recommended Practice Guideline define what these terms mean and how they affect the reporting of service performance information.

Specific Matter for Comment 3

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED's coverage of this?

HoTARAC supports the aim of the Recommended Practice Guideline to provide users with sufficient and understandable service performance information to ensure public sector entities are accountable and transparent regarding their use of scarce resources.

In determining the scope of service performance information reported, the same reporting boundaries as those used for an entity's financial statements should be used.

Where separate reporting entities exist within an economic entity such as a Whole of Government, service performance information should be reported at the individual reporting entity level as well as at the economic entity level.

HoTARAC recommends including the option to allow reporting by economic entities to use cross-referencing to lower-level reporting entities' service performance information (rather than restating it) based on the grounds of cost-efficiency and readability.

HoTARAC acknowledges that there may be certain circumstances where it may be more appropriate to consolidate service performance information rather than simple cross referencing e.g. where a program to achieve an outcome is delivered by more than one entity.

Specific Matter for Comment 4

Do you agree that service performance information should:

- (a) Be reported annually; and*
- (b) Use the same reporting period as that for the financial statements?*

If not how would you modify the ED's provisions on these two matters?

- (a) HoTARAC agrees with the proposal that service performance information be reported, at a minimum, on an annual basis. HoTARAC further suggests that where entities provide half-yearly financial statements, service performance information should also be encouraged to be provided, albeit at a less detailed level than annually, where the costs justify the benefits. It should be emphasised that multi-year service performance objectives should be included, regardless of the frequency of reporting; the extended timeframe of such objectives should not be a deterrent to disclosing progress with their achievement. Progressive updates in respect of multi-year objectives, with a focus on current period achievements, should be reported.
- (b) HoTARAC agrees that service performance information should be reported in respect of the same reporting period as that used for the general purpose financial statements, to ensure users understand the financial context to that information. HoTARAC believes that if the two sets of information are not aligned, the meaningfulness of the service performance information is severely diminished.

Specific Matter for Comment 5

Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

HoTARAC agrees with the principles outlined in paragraphs 31 to 39, in particular the inclusion of qualitative characteristics for service performance information. It is recognised that the principles-based (rather than rules-based) approach in ED 54 provides entities greater flexibility to report service performance information that is relevant and appropriate to their specific objectives and circumstances.

ED 54 should further emphasise the need for preparers of service performance information to determine the appropriateness and relevance of information to be provided each year to ensure the entity effectively discharges its accountability and transparency obligations in the context of changing internal and external operating environments.

In that regard, HoTARAC supports the concept of materiality being an important factor for preparers to consider in assessing what and how information should be presented. However, HoTARAC recommends that the IPSASB provide examples to guide preparers in applying the concept of materiality to service performance information.

As previously outlined in Specific Matter for Comment 2, HoTARAC notes that paragraph 31 has introduced new terms that have not been defined. The terms are 'service delivery', 'service delivery objectives', 'service delivery activities' and 'service delivery achievements'. HoTARAC recommends the Recommended Practice Guideline define what these terms mean and how they affect the reporting of service performance information.

Specific Matter for Comment 6

Do you agree with:

- (a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and*
- (b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43).*

If not how would you modify them?

- (a) HoTARAC supports the options to provide service performance information as either part of the report that includes the financial statements (e.g. an annual report) or in another report. However, HoTARAC believes it is most useful if the information is included in the same report as the financial statements. Further, HoTARAC recommends that –
 - the service performance information be linked to any associated disaggregated information contained in those financial statements;
 - the financial statements refer to the location of the service performance information to enable easy access by users; and
 - the entity clearly states that the service performance information has not been audited.

It should be noted that HoTARAC does not support the inclusion of service performance information within the financial statements, due to the impracticalities of auditing such information.

- (b) HoTARAC agrees with the additional information listed in paragraph 43. An additional requirement HoTARAC recommends is that the separately issued report explain where to locate the financial statements for that reporting period. This would assist in cross-checking and promote a greater context in which to understand the service performance information.

Specific Matter for Comment 7

Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

- (a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further consideration applicable to this decision, and*
- (b) Does not specify one particular style of presentation such as, for example, a statement of service performance?*

If not how would you modify this approach?

- (a) HoTARAC agrees with the principles-based (rather than rules-based) approach to the presentation of service performance information. This allows each entity to adapt the principles to best meet the varying needs of their users of service performance information, according to the identity and objectives of those users.
- (b) Consistent with the above preference, HoTARAC recommends that the preparation of a "Statement of Service Performance" only be optional, as the alignment of traditional financial statements with the proposed statement may be unable to be accomplished in a useful and meaningful way.

HoTARAC notes that, although the ED does not specify a particular reporting format, the ED is structured to imply a preference for reporting service performance information as a 'Statement of Service Performance'. If that is not IPSASB's intention, HoTARAC recommends that the discussion of a 'Statement of Service Performance' as 'one way to present service performance information ...' (paragraphs 44-45) be included in the section 'Information for Display' because the statement is merely one way of displaying information.

Specific Matter for Comment 8

Do you agree with the ED's identification of service performance information that:

- (a) Should be "displayed", where information selected for display should communicate the key messages in a general purpose financial report (see paragraph 50 to 51);*
- (b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and*
- (c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).*

If not how would you modify the ED's identification of information for display and for disclosure?

- (a) HoTARAC supports the suggestions in paragraphs 50 to 51. However, HoTARAC recommends that the IPSASB provide further clarity in paragraph 51 regarding the basis for the "planned" and "actual" information for the reporting period. In particular, HoTARAC recommends that both these sets of information be sourced from publicly-released information where available, so that users have a consistent reference point.

HoTARAC also believes the proposed RPG should more strongly emphasise that 'Information for Display' covers both positive and negative aspects of service performance. This is as important for the 'Information for Display' as for the 'Information for Disclosure' (paragraph 70). It also helps ensure any service performance information reported complies with the principles of 'faithful representation' (paragraph 34).

- (b) HoTARAC supports the suggestions in paragraphs 70 to 77.
- (c) HoTARAC supports the suggestions in paragraph 80.

Specific Matter for Comment 9

Do you agree with:

- (a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and*
- (b) The guidance and principles that the ED provides with respect to choice of performance indicators?*

If not how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

- (a) HoTARAC supports the development of a reporting framework that facilitates comprehensive and balanced reporting of service performance information. HoTARAC agrees that the requirements should not identify specific performance indicators, as the nature of activities undertaken by individual public sector entities globally would vary widely. The content of service performance information reported by an individual entity needs to be relevant and tailored to that entity's activities and objectives.
- (b) HoTARAC agrees with the level of guidance and principles contained within the ED with respect to the choice of performance indicators.

The proposed Recommended Practice Guideline specifies that the overriding principle is that performance indicators 'should be selected on the basis of their importance to users and their usefulness ...' (paragraph 53). This principle ensures each indicator selected is appropriate.

In addition, the Basis for Conclusions says 'the set of performance indicators presented should form a holistic system such that they communicate a coherent, integrated view of the entity's service performance' (paragraphs BC36 and BC40). HoTARAC believes this principle expressed in the Basis for Conclusion should be incorporated into the proposed RPG to ensure that the set of indicators, as well as each indicator, is appropriate, coherent and internally consistent.

Editorial suggestions

Paragraph 18(d)

There is an additional letter 'd' at the beginning of the sentence.

Paragraph 42

Reference is made to paragraph 44, whereas the actual paragraph reference should read paragraph 41.



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19th May 2014

**The Technical Director
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CANADA**

Dear Stephenie,

Comments on Exposure Draft 54, Reporting Service Performance Information

The Zambia Institute of Chartered Accountants welcomes the opportunity to comment on the Exposure Draft 54, Reporting Service Performance Information issued by the International Public Sector Accounting Standards Board (IPSASB), in December 2013.

We commend the IPSASB on its efforts towards developing Recommended Practice Guideline (RPG) so that guidance on reporting service performance information would be provided to users. Service performance reporting would help ensure that users have the information necessary for assessing the service performance of a public sector entity and comparability would be enhanced.

The Institute deliberated the ED and our responses to specific questions are as follows:

Question 1

Do you generally agree with the proposals in the ED? If not, please provide reasons.

Comment

We do generally agree with the proposed recommended practice guideline, as it would provide guidance on reporting service performance information. Government and Public sector entities should be assessed in the context of the achievement of service delivery objectives, therefore provision of non-financial would enhance the usefulness of the financial information.

Question 2

Do you agree with the definitions in paragraph 8? If not, how would you modify them?

Comment

We do agree with the proposed definitions (Effectiveness, Efficiency, Inputs, Outcomes, Outputs, Performance indicators and a service performance objective) in paragraph 8. Standardization of these vital (seven terms) service performance terminology would enhance comparability of service performance information to be reported by the reporting entity.

Question 3

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED's coverage of this?

Comment

We feel that the ED has adequately addressed reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities.

Question 4

Do you agree that service performance information should:

- (a) Be reported annually; and,
- (b) Use the same reporting period as that for the financial statements?

If not how would you modify the ED's provisions on these two matters?

Comment

We are of the view that, service performance information should be reported annually and use the same reporting period as that for the financial statements, except under exceptional circumstances.

Question 5

Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

Comment

We propose that the qualitative characteristics of service performance information should be categorized between fundamental and enhance qualitative characteristics. The proposal is in line with the IASB's terminologies in their proposed conceptual framework.

Question 6

Do you agree with:

- (a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and
- (b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?

If not how would you modify them?

Comment

We do agree with the proposed presentation, service performance information should either be presented as part of a report that includes the financial statements or in a separately issued report. RPG should not restrict entities to reporting service performance information either in a separate report or in the same report as the financial statement. There should be flexibility in order to allow for jurisdictional differences and also give an opportunity to a reporting entity to consider the cost implications. Further, we do support the proposed factors to be considered when making such assessment.

Question 7

Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

- (a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and
- (b) Does not specify one particular style of presentation such as, for example, a statement of service performance?

If not how would you modify this approach?

Comment

We support the IPSASB view, the principle-based approach is the modern and best practice. The focus should be on principles rather than stipulating a standard reporting structure, the information should be tailored according to the nature of the services, needs of users and the regulatory environment.

Question 8

Do you agree with the ED's identification of service performance information that:

- (a) Should be "displayed", where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);
- (b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and,
- (c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).

If not, how would you modify the ED's identification of information for display and for disclosure?

Comment

We have no comments.

Question 9

Do you agree with:

- (a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and
- (b) The guidance and principles that the ED provides with respect to choice of performance indicators?

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

Comment

We do agree with the proposed principle-based approach.

The Institute will be ready to respond to any matters arising from the above comments.

Yours faithfully

Modest Hamalabbi
Technical and Standards Manager



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Re: Proposed Recommended Practice Guideline – Reporting Service Performance Information

Dear Ms Fox,

Please find herewith the reply of the Public Sector Accounting Standards Council (CNOCP or the “Council”) to the Exposure Draft (ED) “Reporting Service Performance Information”.

As an introductory remark, the Council wishes to stress the undeniable interest of the subject of public sector performance, particularly in the current context of crisis in public finance and demand for greater transparency.

Nevertheless, the Council, which has had the opportunity on several occasions to comment on the IPSAS Board’s Work Program, maintains its point of view that the IPSAS Board should give priority to developing a complete set of accounting standards adapted to the public sector.

Performance is a vast subject and two different reporting approaches might possibly be adopted; one of these would be to provide accountability information on the main public service missions, and the other, in addition to providing accountability information would be to make value judgments on, for example, the implementation of the budget or the success of social or health policies, etc. Whilst the Council recognizes, in principle, the need for public entities to be accountable for the policies, missions and actions which they conduct, the Council



is opposed to any form of service performance report containing this kind of critical analysis and value judgment.

Moreover, the Council wishes to repeat the remarks it made in response to the previous consultation, namely that the IPSAS Board does not have the authority to undertake this kind of exercise. Indeed, the Council believes that the subject of performance is by essence political and cannot readily be dealt with through accounting standards (or *Recommended Practice Guidelines*) and is therefore outside the terms of reference of the IPSAS Board.

No accounting standard setter whatsoever really has the legitimacy necessary to assess the financial and non-financial performance of public policies and services delivered by public entities. Communication assessing the achievement of public policy goals is the sovereign responsibility of national legislative authorities that define the objectives of public policy as well as the expected outcomes and monitoring achievements.

As stated in the Council's response of the 4th May 2012 to the previous consultation on this subject, and even supposing a definition of GPFR (*General Purpose Financial Reports*) existed, the Council would not be in favour of introducing a supplementary performance report, as each jurisdiction is in a position to introduce the mechanisms suited to its own circumstances. The Council is also totally opposed to including this type of service performance information in the financial statements (*General Purpose Financial Statements*). In order to illustrate these comments, the Council has included an appendix giving an overview of the way France has dealt with the issue of public sector performance, starting with the Central Government and then extending the scope of the measures to other public entities.

Yours sincerely,

Michel Prada

REPLIES TO THE QUESTIONS

Specific Matter for Comment 1

Do you generally agree with the proposals in the ED? If not, please provide reasons.

The Council believes that the subject of performance is by essence political and cannot readily be dealt with through accounting standards and is therefore outside the terms of reference of the IPSAS Board. Consequently, the comments made in response to this question should not be interpreted as agreement with ED54.

The Council generally disagrees with the proposals in the ED because it believes that service performance information can in no circumstances be linked to the financial statements.

For this reason, the Council disagrees with certain points in the ED. These points include:

- the location of disclosures,
- and the boundary for reporting entities.

The ED proposes that service performance information should be presented as part of a report that includes the financial statements, or in a separately issued report. However, the wording of the ED is ambiguous. Indeed, it does not specifically refer to either “*General Purpose Financial Statements*” or “*General Purpose Financial Reports*”. The Council is uncertain whether the IPSAS Board is suggesting a different form of communication. Whatever solution is adopted (report including the financial statements as opposed to GPFS, or GPFR), the Council disagrees with linking service performance information to the financial statements.

The ED requires service performance information to be presented by the same reporting entity as for the financial statements. In the Council’s opinion, the definition of the reporting entity for service performance purposes should be adaptable according to the circumstances prevailing in different jurisdictions. Accordingly, service performance reporting should not necessarily be linked to the legal structure of public entities; otherwise it could be distorted by the existing organisational or funding structures. Conversely, reporting information by mission or public service programme may prove more relevant.

Specific Matter for Comment 2

Do you agree with the definitions in paragraph 8? If not, how would you modify them?

The Council believes that the subject of performance is by essence political and cannot readily be dealt with through accounting standards and is therefore outside the terms of reference of the IPSAS Board. Consequently, the comments made in response to this question should not be interpreted as agreement with ED54.

The Council wishes to draw the attention of the IPSAS Board to the fact that “inputs” may be easily obtained from accounting or budgetary data because they are often quantifiable. On the other hand, “outputs” and “outcomes” are harder to quantify and cannot be systematically expressed as standard monetary units of measurement.

Moreover, it should be noted that the qualitative effects of services such as justice, education, or defence are difficult to assess. This is an illustration of the fact that, whilst a rigorous definition of performance indicators is required there is also need for pragmatism to ensure that they are appropriate in the circumstances.

The Council also notes that performance is often evaluated by reference to the three E’s: economy, efficiency, effectiveness. The term economy suggests a prudent use of resources with the objective of minimising costs (expense, time spent, efforts made, etc.) without any negative effects on the expected results. The Council believes that the economic use of resources is a particularly important objective of the public sector. The Council believes that it is a significant weakness of the ED not to identify this objective specifically as a major aspect of the performance of policies, missions and actions conducted by public entities.

Specific Matter for Comment 3

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED’s coverage of this?

The Council believes that the subject of performance is by essence political and cannot readily be dealt with through accounting standards and is therefore outside the terms of reference of the IPSAS Board. Consequently, the comments made in response to this question should not be interpreted as agreement with ED54.

As stated in the reply to Question 1, the Council is of the opinion that the choice of which entities are required to publish service performance information should be totally flexible.

Based on French practice, the Council stresses that the boundaries for reporting service performance information are not necessarily similar or related to the concept of control.

Specific Matter for Comment 4

Do you agree that service performance information should:

- (a) Be reported annually; and,**
- (b) Use the same reporting period as that for the financial statements?**

If not how would you modify the ED's provisions on these two matters?

The Council believes that the subject of performance is by essence political and cannot readily be dealt with through accounting standards and is therefore outside the terms of reference of the IPSAS Board. Consequently, the comments made in response to this question should not be interpreted as agreement with ED54.

- a) The Council notes that, in practice, communication on service performance is generally annual but the reporting period could be adapted to suit requirements.
- b) The Council is not opposed to an annual reporting period provided the choice of a different period is allowed if required. The Council stresses that communication on service performance and the financial statements should be disconnected.

Specific Matter for Comment 5

Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

The Council believes that the subject of performance is by essence political and cannot readily be dealt with through accounting standards and is therefore outside the terms of reference of the IPSAS Board. Consequently, the comments made in response to this question should not be interpreted as agreement with ED54.

The Council has no particular comments on the principles set out in paragraphs 31 to 39.

Nevertheless, the Council has reservations about the wording of paragraph 31 which places too much emphasis on the publication of financial results. As mentioned in the answer to question 2, service performance in the public sector cannot be systematically measured by reference to financial results. The Council would stress that performance should be assessed from the point of view of the three primary users who are the citizen, the service recipient and the taxpayer.

Specific Matter for Comment 6

Do you agree with:

- (a) **The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and**
- (b) **The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?**

If not how would you modify them?

The Council believes that the subject of performance is by essence political and cannot readily be dealt with through accounting standards and is therefore outside the terms of reference of the IPSAS Board. Consequently, the comments made in response to this question should not be interpreted as agreement with ED54.

- a) The Council is opposed to including service performance information in the financial statements or even in a report including financial statements. As stated in the reply to question 1, the Council considers the expression “as part of a report that includes the financial statements” to be ambiguous.
- b) The Council believes service performance information should not be systematically linked to the financial statements. For this reason the Council disagrees with the requirement, set out in paragraph 43(e) of the ED, to identify and locate the financial statements to which the service performance information relates, when the latter information is presented in a separate report.

Because of the different reservations expressed by the Council in its reply to the exposure draft on consolidation, it also believes that the additional disclosures required in paragraphs 43(b) and (c) are not relevant.

Specific Matter for Comment 7

Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

- (a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and**
- (b) Does not specify one particular style of presentation such as, for example, a statement of service performance?**

If not how would you modify this approach?

The Council believes that the subject of performance is by essence political and cannot readily be dealt with through accounting standards and is therefore outside the terms of reference of the IPSAS Board. Consequently, the comments made in response to this question should not be interpreted as agreement with ED54.

- a) The Council notes the factors, set out in paragraphs 40 to 41 of the ED, which are to be considered when deciding where to locate service performance information (as part of a report that includes the financial statements or in a separate report). The Council is of the opinion that the choice of entities required to present service performance information should be totally flexible. Indeed, the Council considers that there is no strict correlation between the scope of the financial statements and that of service performance reporting (see reply to question 1).
- b) The Council agrees that the ED should not provide a presentation model for service performance reporting.

Specific Matter for Comment 8

Do you agree with the ED's identification of service performance information that:

- (a) Should be “displayed”, where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);**
- (b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and,**
- (c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).**

If not, how would you modify the ED's identification of information for display and for disclosure?

The Council believes that the subject of performance is by essence political and cannot readily be dealt with through accounting standards and is therefore outside the terms of reference of the IPSAS Board. Consequently, the comments made in response to this question should not be interpreted as agreement with ED54.

The Council is not in favour of the IPSAS Board developing standards for “*General Purpose Financial Reports*”. It is against the location of service performance information being determined by a pronouncement, even if the latter takes the form of a recommendation.

The Council is against the inclusion of service performance information in the financial statements, either in narrative form or in more detailed form with figures referenced to supporting detail in the notes.

Specific Matter for Comment 9

Do you agree with:

- (a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and**
- (b) The guidance and principles that the ED provides with respect to choice of performance indicators?**

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

The Council believes that the subject of performance is by essence political and cannot readily be dealt with through accounting standards and is therefore outside the terms of reference of the IPSAS Board. Consequently, the comments made in response to this question should not be interpreted as agreement with ED54.

The Council agrees with the ED's approach which does not define the performance indicators to be published.

The general nature of the terms used in the ED (*inputs, outputs, outcomes*, etc.) leaves enough flexibility.



APPENDIX

PRESENTATION OF THE FRENCH EXPERIENCE

1. The experience of the State: the model introduced by the Constitutional Bylaw on Budget Acts (“LOLF”) of the 1st August 2001

The profound budgetary reform of the State, initiated in the years 1998-2000, enacted in the Constitutional Bylaw on Budget Acts, originated in Parliament. This demonstrates the interest of the legislature for these matters. The Parliament was convinced, as the President of the National Assembly recently remarked, *“of the need to carry out an in-depth reform of our budgetary and accounting rules in order to make better use of public money and improve the quality of service provided to citizens”*.

The LOLF can be considered as the financial constitution of France. It officially recognized the integration of budgetary and accounting matters by incorporating general accounting and audit provisions for the Central Government’s accounts into the body of budgetary law.

The LOLF has two fundamental objectives¹:

- “Increase the involvement of Parliament, both in approving the initial budget and in the process of assessment and control:
 - o As a result of the LOLF, France has moved from an approach based on quantities of resources employed (in particular on the practice of approved services²) to accountability starting with the first euro spent: each euro paid by the taxpayer must be useful. It is no longer the quantity of resources allocated to a project which is important, but the effectiveness and efficiency of public spending.
- Modernising public management, comprising two pillars:
 - o Making the management of public policies result-oriented,
 - o Improving accounting in order to make it an instrument for modernisation.

¹ Source : Fabrice Robert “Local Finance” (« Les finances locales » La documentation française)

² Prior to the LOLF, the budget was broken down into continuing measures and new measures, of which only the latter were subject to debate in Parliament (approximately 6% of budget spending).

A long process of maturation, discussion and sharing experience led to the development of a model of performance management, and especially management “by performance”, now an integral part of the budgetary process and practice in most departments working for the State.

2. Performance at the heart of the LOLF model

a) A model based on transparency and accountability

The first guides to the LOLF defined performance as the “capacity to achieve pre-defined objectives, expressed in terms of socio economic effectiveness, of quality of service or management efficiency”. These three types of objectives correspond respectively to the point of view of the citizen, of the service recipient and of the taxpayer.

The LOLF placed performance at the heart of the budgetary debate with the ambition of introducing performance-oriented management. The aim is to achieve convergence between the preparation of the budget and the analysis of the performance of public policies, with a view to optimizing resources and ensuring the relevance of the objectives of public action and the results obtained.

Thus, whereas the budget was previously presented by nature of expense, since the entry into force of the LOLF, it is presented by large public policy in the form of “missions” broken down into “programmes” which are sub-divided into “actions”.

Each programme is associated with a strategy, precise objectives, expected results and performance indicators. A programme manager is named with responsibility for presenting:

- Annual performance projects (PAP) appended to the initial Draft Budget Bill,
- Annual performance reports (RAP) appended to the Budget Review Act.

For each indicator there are two target amounts: a medium term target amount and a target amount for the period covered by the Budget Bill. In this way the legislature can ascertain the projected progress of the programme it has approved.

b) Greater transparency and more faithful representation in the accounts

As stated above, the LOLF includes general accounting and audit provisions for Central Government.

The LOLF makes provision for accounts with three dimensions, budgetary, accounting and the analysis of the cost of actions.



The General Account of Central Government is appended to the Budget Review Act (which reports on the implementation of the Budget Act).

By making the issues at stake and the corresponding resources visible, according to a matrix presentation which links the programme to the related budget envelopes, these measures increase significantly the powers of decision and assessment of Parliament.

As a framework for transforming public management, the LOLF has introduced greater transparency and clarity into public action and created a performance culture, with clearly identified managers who are accountable for their actions within the framework of budgetary procedures.

3. The LOLF model applied to Social Security

The quest for performance has also had an impact on social security organisations. Hence, the Agreements on Objectives and Management (“COG”) which are intended to enable users to benefit from reliable and modern services whilst striving for constantly improved efficiency. The approach linking objectives and results applied to social security policies is derived from the LOLF model.

Thus the quality and efficiency programme (PQE), appended to the draft Social Security Finance Bill provides an insight into the performance of Social Security policies.

4. The extension of the LOLF model to other public entities?

Discussion and experimentation have now begun with a view to defining a coherent model for local governments, since the latter implement many public policies. The participants in these discussions often attempt to adopt a LOLF type approach with three main characteristics:

- The structural link between performance and the corresponding credit envelopes;
 - o Public action comprises missions, divided up into programmes and actions. Credit envelopes are allocated to the programmes under the responsibility of programme managers. The related indicators are used to verify that the results are achieved.
- Modernisation of accounting, improving the quality of the accounts and making them an instrument for monitoring performance,
- The re-appropriation of the budget by those responsible (Parliament, governing body...).



FRENCH VERSION

Nous vous prions de bien vouloir trouver ci-joint la réponse du Conseil de normalisation des comptes publics (le CNOCP ou le Conseil) à l'exposé-sondage ED54 relatif au rapport sur la performance des services.

A titre liminaire, le Conseil souligne l'intérêt indéniable du thème de la performance du secteur public abordé dans l'exposé-sondage, en particulier dans le contexte actuel de crise des finances publiques et de demande de transparence accrue.

Toutefois, le Conseil, qui a eu l'occasion de s'exprimer à plusieurs reprises sur le programme de travail de l'IPSAS Board, maintient son point de vue selon lequel l'IPSAS Board devrait donner la priorité à la production d'un référentiel complet de normes comptables adaptées au secteur public.

Le sujet de la performance est très vaste et peut potentiellement se traiter sous deux angles différents ; d'une part, celui de rendre compte dans le but d'informer des grandes missions de service public qui peuvent être menées, et, d'autre part, celui de rendre compte mais en accompagnant cette information de jugements de valeur qui pourraient en particulier porter sur l'exécution budgétaire ou encore la réussite de politiques sociales, de santé, etc. Si le Conseil ne peut pas contester l'intérêt évident pour des entités publiques de rendre compte « dans l'absolu » des politiques, missions ou actions qu'elle mène, le Conseil est opposé à tout rapport sur la performance de service comportant de telles analyses critiques ou jugements de valeurs.

Par ailleurs, le Conseil réitère les remarques formulées lors de la précédente consultation selon lesquelles l'IPSAS Board ne peut s'engager dans un tel exercice. Le Conseil considère en effet que le sujet de la performance, par essence politique, ne se prête guère à la normalisation comptable et ne s'inscrit donc pas dans le cadre des compétences de l'IPSAS Board.

Un normalisateur comptable, quel qu'il soit, n'a pas de réelle légitimité pour traiter d'un sujet tel que celui de l'appréciation de la performance financière ou non financière des politiques publiques et des services rendus par des entités publiques. La communication



sur les réalisations et l'évaluation des politiques publiques sont du ressort des pouvoirs politiques souverains dont la responsabilité est de formuler des exigences en termes d'objectifs de politiques publiques, de résultats espérés et de suivi des réalisations.

Conformément à la réponse du Conseil à la précédente consultation sur le même sujet, datée du 4 mai 2012, et quand bien même le GPFR (« *General Purpose Financial Reports* ») serait défini, le Conseil n'est pas favorable à le compléter par un rapport sur la performance, chaque législation étant susceptible de mettre en place les mécanismes qui lui sont le mieux adaptés. Il est également totalement opposé à ce que ce type d'information sur la performance des services figure dans les états financiers (« *General Purpose Financial Statements* »). Afin d'illustrer ces commentaires, le Conseil apporte, en annexe du présent document, un témoignage sur la manière dont la France a abordé la question de la performance du secteur public, en commençant par l'Etat, puis en étendant progressivement le périmètre à d'autres entités publiques.



REPONSES AUX QUESTIONS

Question 1 – Etes-vous globalement d'accord avec les propositions de l'exposé-sondage ? Sinon, prière d'en donner les raisons.

Le Conseil considère que le sujet de la performance, par essence politique, ne se prête guère à la normalisation comptable et ne s'inscrit donc pas dans le cadre des compétences de l'IPSAS Board. Par conséquent, les commentaires en réponse à cette question ne valent pas accord sur le projet ED 54.

Le Conseil est globalement en désaccord avec les propositions de l'exposé-sondage dans la mesure où il estime que l'information sur la performance des services ne peut en aucun cas être liée aux états financiers.

En ce sens, certains éléments de l'exposé-sondage suscitent l'opposition du Conseil. Il s'agit notamment de :

- l'emplacement de l'information à fournir,
- et du périmètre des entités devant fournir une information.

L'exposé-sondage propose que l'information sur la performance des services soit comprise dans un rapport qui comprend les états financiers, ou, à défaut, soit publiée dans un rapport séparé. Or cette rédaction de l'exposé-sondage soulève une certaine ambiguïté. En effet, celle-ci ne vise explicitement ni les « *General Purpose Financial Statements* » ni les « *General Purpose Financial Reports* ». Le Conseil s'interroge de savoir si l'IPSAS Board suggère un mode de communication différent. Qu'elle que soit la solution retenue (rapport incluant les états financiers versus GPFS, ou GPCR), le Conseil rappelle son désaccord sur le fait de lier l'information sur la performance des services et les états financiers.

S'agissant du périmètre des entités devant fournir une information, l'exposé-sondage dispose que l'entité publiant des informations sur la performance des services devrait être la même que celle présentant des états financiers. Le Conseil est d'avis que le périmètre des entités devant produire une information sur la performance des services doit pouvoir être adapté aux circonstances particulières prévalant dans les différentes juridictions. A ce titre, la publication d'informations sur la performance des services ne doit pas être nécessairement liée aux structures juridiques des entités publiques, faute de quoi, les biais liés à des modes d'organisation ou de financement ne pourront pas être évités. A l'inverse, une publication d'information par type de mission ou de programme de service public peut s'avérer plus pertinent.



Question 2 – Etes-vous d'accord avec les définitions du paragraphe 8 ? Sinon, comment les modifieriez-vous ?

Le Conseil considère que le sujet de la performance, par essence politique, ne se prête guère à la normalisation comptable et ne s'inscrit donc pas dans le cadre des compétences de l'IPSAS Board. Par conséquent, les commentaires en réponse à cette question ne valent pas accord sur le projet ED 54.

Le Conseil attire l'attention de l'IPSAS Board sur le fait que les éléments entrants (« *inputs* ») peuvent aisément provenir de données comptables et/ ou budgétaires dans la mesure où ils sont quantifiables. En revanche, les éléments fournis (« *outputs* » - « *outcomes* ») sont plus difficilement quantifiables et ne peuvent être systématiquement appréhendés par des unités de mesure monétisées et standardisées.

Par ailleurs, il convient de noter qu'il est difficile d'apprécier des effets qualitatifs de « prestations » telles que celles de justice, d'enseignement ou de défense. Un tel exemple illustre le fait que les indicateurs de performance doivent certes être définis avec rigueur mais également avec pragmatisme pour une meilleure adaptation au contexte.

Le Conseil note également que l'évaluation de la performance est souvent décrite en référence aux trois E : économie, efficience et efficacité. Le terme « économie » renvoie à l'idée d'une utilisation prudente des ressources avec l'objectif de minimiser les coûts (dépenses, temps passés, efforts fournis, etc.) sans que cela ait un effet négatif sur les résultats attendus. Le Conseil estime que l'objectif d'économie des moyens utilisés est particulièrement important pour le secteur public. A ce titre, le Conseil estime que l'exposé-sondage présente une lacune significative car il n'évoque pas de manière explicite cet objectif comme un élément majeur pour rendre compte de la performance des politiques, missions ou actions menées par des entités publiques.



Question 3 – Etes-vous d'accord sur le fait que l'exposé-sondage traite de manière adéquate l'information sur la performance des services communiquée par les entités à différents niveaux au sein du gouvernement, y compris les cas où une entité contrôlante communique une information sur la performance des services comprenant celle fournie par les entités contrôlées ? Sinon, comment modifieriez-vous l'exposé-sondage sur ce sujet ?

Le Conseil considère que le sujet de la performance, par essence politique, ne se prête guère à la normalisation comptable et ne s'inscrit donc pas dans le cadre des compétences de l'IPSAS Board. Par conséquent, les commentaires en réponse à cette question ne valent pas accord sur le projet ED 54.

Le Conseil est d'avis que toute flexibilité est requise en matière de détermination du périmètre des entités qui seraient soumises à la publication d'informations sur la performance des services (voir réponse à la question 1).

La pratique française conduit le Conseil à souligner que le périmètre d'analyse de la performance des services n'est pas nécessairement similaire ou lié à celui qui pourrait être déterminé en fonction de la notion de contrôle.

Question 4 – Etes-vous d'accord sur le fait que l'information sur la performance des services devrait :

- (a) être fournie chaque année et**
- (b) correspondre à la même période que celle couverte par les états financiers ?**

Dans la négative, comment modifieriez-vous les dispositions de l'exposé-sondage sur ces sujets ?

Le Conseil considère que le sujet de la performance, par essence politique, ne se prête guère à la normalisation comptable et ne s'inscrit donc pas dans le cadre des compétences de l'IPSAS Board. Par conséquent, les commentaires en réponse à cette question ne valent pas accord sur le projet ED 54.

- a) Le Conseil note qu'en pratique la communication sur la performance des services a souvent une périodicité annuelle, mais que cette communication pourrait être organisée avec une périodicité différente selon les besoins.
- b) Le Conseil n'est pas opposé à la périodicité annuelle sous réserve de la possibilité de choix d'un rythme différent en cas de besoin. Le Conseil insiste sur le fait qu'il ne convient pas de lier la communication de l'information sur la performance des services et les états financiers.

Question 5 – Etes-vous d'accord avec les propositions de l'exposé-sondage concernant la présentation de l'information sur la performance des services (voir paragraphes 31 à 39) ? Sinon, comment les modifieriez-vous ?

Le Conseil considère que le sujet de la performance, par essence politique, ne se prête guère à la normalisation comptable et ne s'inscrit donc pas dans le cadre des compétences de l'IPSAS Board. Par conséquent, les commentaires en réponse à cette question ne valent pas accord sur le projet ED 54.

Le Conseil n'a pas de commentaires particuliers quant aux principes exposés dans les paragraphes 31 à 39.

Le Conseil a néanmoins une réserve sur la rédaction du paragraphe 31 qui met un accent indu sur la publication d'informations relatives aux résultats financiers. Ainsi que cela est indiqué en réponse à la question 2, la performance des services au sein de la sphère publique ne peut pas être systématiquement mesurée en termes de résultats financiers. A ce titre, le conseil rappelle également que l'analyse de la performance devrait être effectuée sous les points de vue des trois utilisateurs premiers que sont le citoyen, l'utilisateur et le contribuable.

Question 6 - Etes-vous d'accord avec :

- (a) les facteurs identifiés pour permettre de décider si l'information sur la performance des services doit être représentée dans un rapport qui inclut les états financiers ou si elle doit être présentée dans un rapport séparé (voir paragraphes 41 à 42), et
- (b) l'information additionnelle à présenter lorsque l'information sur la performance des services est présentée dans un rapport séparé (voir paragraphe 43) ?

Sinon, quelles seraient vos modifications ?

- a) Le Conseil est opposé à l'inclusion de l'information sur la performance des services dans des états financiers ou même dans un rapport comprenant des états financiers. Comme cela est exprimé dans la réponse à la question 1, le Conseil estime que la formulation retenue (« inclus dans un rapport comprenant les états financiers ») est ambiguë.

- b) Le Conseil estime que l'information sur la performance des services ne doit pas être systématiquement liée aux états financiers. C'est pourquoi il s'oppose au complément d'information proposé par l'exposé-sondage en § 43-e qui requiert, dans le cas où l'information sur la performance des services est présentée dans un rapport séparé, de préciser quels sont les états financiers auxquels cette information se rapporte et d'indiquer également comment trouver ces états financiers.

En raison des différentes réserves exprimées à l'occasion de la réponse à l'exposé-sondage sur la consolidation, le Conseil estime également que les compléments d'informations proposés par l'exposé-sondage en §43-b et § 43-c sont peu pertinents.

Question 7 – Etes-vous d'accord avec l'approche proposée par l'exposé-sondage pour la présentation de l'information sur la performance des services dans un rapport qui

- (a) **précise aux entités ou juridictions le périmètre pour décider comment présenter l'information, en application des principes de présentation de l'exposé-sondage et autres éléments d'appréciation applicables à cette décision, et**
- (b) **ne spécifie pas de type de présentation particulier, comme par exemple un état de la performance des services ?**

Sinon, comme modifieriez-vous cette approche ?

Le Conseil considère que le sujet de la performance, par essence politique, ne se prête guère à la normalisation comptable et ne s'inscrit donc pas dans le cadre des compétences de l'IPSAS Board. Par conséquent, les commentaires en réponse à cette question ne valent pas accord sur le projet ED 54.

- a) Le Conseil a pris note des paragraphes 40 à 41 de l'exposé-sondage qui exposent les facteurs devant être pris en compte pour décider de la localisation de l'information relative à la performance des services (dans un rapport incluant les états financiers ou dans un rapport séparé). Le Conseil est d'avis que toute flexibilité doit être offerte pour décider du champ des entités devant présenter l'information sur la performance des services. En effet, le Conseil considère qu'il ne doit pas y avoir de correspondance absolue entre le périmètre des entités publiant des états financiers et le périmètre des informations sur la performance (voir réponse à la question 1).
- b) Le Conseil approuve l'absence de modèle de présentation de la performance dans l'exposé-sondage.

Question 8 – Etes-vous d'accord avec le fait que l'exposé-sondage identifie l'information sur la performance des services qui :

- (a) devrait être présentée (« *displayed* ») là où l'information sélectionnée dans cette perspective communique les messages clés dans un rapport financier à portée générale (cf. paragraphes 70 à 77),
- (b) devrait être présentée (« *disclosed* ») en tant que partie de commentaires narratifs et d'analyse, et
- (c) devrait être considérée comme partie de l'information sur la performance des services communiquée (voir paragraphe 80) (« *disclosure* ») ?

Sinon, comment modifieriez-vous l'identification par l'exposé-sondage de l'information à présenter (« for display and for disclosure ») ?

Le Conseil n'est pas favorable à ce que l'IPSAS Board normalise les « *General Purpose Financial Reports* ». Il ne souhaite pas que l'emplacement de l'information sur la performance des services soit prédéterminé par un texte, fut-il une recommandation.

Le Conseil est opposé à ce qu'une information sur la performance des services figure dans les états financiers que ce soit sous forme narrative ou sous une forme plus développée avec des chiffres référencés aux données de l'annexe aux états financiers.

Question 9 – Etes-vous d'accord avec :

- (a) l'approche de l'exposé-sondage qui fournit des principes et un guide d'identification des types d'indicateurs de performance que les entités présentent plutôt que de requérir de ces entités de communiquer sur des types particuliers d'indicateurs de performance (ex : « *outcomes* » et « *outputs* »),
- (b) les indications et principes que l'exposé-sondage fournit en lien avec le choix des indicateurs de performance ?

Sinon, comment modifieriez-vous la description des indicateurs de performance qui devraient être présentés et / ou les indicateurs relatifs à la sélection des indicateurs de performance ?

Le Conseil considère que le sujet de la performance, par essence politique, ne se prête guère à la normalisation comptable et ne s'inscrit donc pas dans le cadre des compétences de l'IPSAS Board. Par conséquent, les commentaires en réponse à cette question ne valent pas accord sur le projet ED 54.



Le Conseil est d'accord avec l'orientation prise par l'exposé-sondage qui consiste à ne pas définir les indicateurs de performance devant être publiés.

Les dénominations (« *inputs* », « *outputs* », « *outcomes* », etc.) utilisées dans l'exposé-sondage sont suffisamment larges pour laisser une grande flexibilité.



ANNEXE

PRESENTATION DE L'EXPERIENCE FRANCAISE

1. L'expérience de l'Etat : le dispositif prévu par la loi organique relative aux lois de finances (LOLF) du 1^{er} août 2001

La profonde réforme budgétaire de l'Etat, née dans les années 1998-2000, qui s'est traduite dans la loi organique relative aux lois de finances, est d'initiative parlementaire. Cela démontre l'intérêt du législateur pour ces questions. Le Parlement était en effet convaincu, comme l'a récemment relevé le Président de l'Assemblée nationale, *« de la nécessité de modifier en profondeur nos règles budgétaires et comptables afin de mieux utiliser l'argent public et d'améliorer la qualité du service rendu aux citoyens »*.

La LOLF peut être assimilée à une constitution financière de la France. Elle a consacré l'imbrication des sujets budgétaires et comptables, en introduisant la comptabilité générale et la certification des comptes de l'Etat, dans le corps même de la loi budgétaire.

La LOLF poursuit deux buts essentiels³ :

- « Accroître le rôle du Parlement, tant sur l'autorisation budgétaire initiale que sur l'évaluation et le contrôle :
 - Grâce à la LOLF, la France est passée d'une logique de moyens quantitatifs (fondés notamment sur la pratique des « services votés »⁴) à la justification au premier euro : chaque euro versé par le contribuable doit être un euro utile. L'important n'est plus le volume des moyens consacré à une action, mais l'efficacité et l'efficience des dépenses publiques.
- Moderniser la gestion publique, qui se décline en deux grands principes :
 - Orienter la gestion publique vers l'atteinte des résultats attendus des politiques publiques,
 - Améliorer la comptabilité pour en faire un outil de modernisation.

Un long processus de maturation, de réflexion et de partage d'expériences a permis de mettre au point un dispositif de pilotage de la performance, et surtout « par la

³ Source : Fabrice Robert « Les finances locales » (La documentation française)

⁴ Avant la LOLF, le budget se décomposait en mesures de reconduction et mesures nouvelles, seules ces dernières étant réellement débattues au Parlement (6% de la masse budgétaire environ).



performance », désormais bien ancré dans le processus d'élaboration budgétaire et dans la pratique de la plupart des services œuvrant pour l'Etat.

2. La performance au cœur du dispositif LOLF

a) Un dispositif fondé sur la transparence et la responsabilisation

Les premiers guides diffusés sur la LOLF définissaient la performance comme la « capacité à atteindre des objectifs préalablement fixés, exprimés en termes d'efficacité socio-économique, de qualité de service ou d'efficience de la gestion ». Ces trois types d'objectifs correspondent respectivement au point de vue du citoyen, de l'utilisateur et du contribuable.

La LOLF a mis la performance au cœur du débat budgétaire avec pour ambition de piloter par la performance. Il s'agit bien de faire converger la préparation budgétaire et l'analyse de la performance des politiques publiques, en veillant à l'optimisation de la ressource, à la pertinence des objectifs fixés à l'action publique et à ses résultats.

Ainsi, alors que le budget était présenté par nature de dépenses, depuis l'entrée en vigueur de la LOLF, il reflète les grandes politiques publiques présentées sous forme de « missions » décomposées en « programmes » qui se déclinent en « actions ».

A chaque programme sont associés une stratégie, des objectifs précis ainsi que les résultats attendus et les indicateurs de performance. Un « responsable de programme », nommé désigné, est responsable de l'élaboration :

- des projets annuels de performances (PAP) présentés à l'appui du projet de loi de finances initiale,
- des rapports annuels de performances (RAP) annexés à la loi de règlement.

A chaque indicateur correspondent deux valeurs cibles : une valeur cible à atteindre à moyen terme et une valeur cible définie pour l'année concernée par le projet de loi de finances. Ainsi, le législateur doit-il avoir connaissance de la trajectoire de progrès dans laquelle s'inscrit le programme qu'il a voté.

b) Des comptes plus transparents et sincères

Comme indiqué *supra*, la LOLF contient des dispositions relatives à la comptabilité générale de l'Etat et à sa certification.

La LOLF prévoit une comptabilité à trois dimensions, budgétaire, comptable et d'analyse du coût des actions.



Le compte général de l'Etat est annexé à la loi de règlement (qui rend compte de l'exécution de la loi de finances).

Par la visibilité ainsi donnée aux enjeux et aux moyens corrélés, selon une présentation matricielle qui lie les programmes et les enveloppes de crédits budgétaires, ces mesures doivent permettre d'accroître sensiblement le pouvoir d'arbitrage et d'évaluation du Parlement.

Cadre de transformation de la gestion publique, la LOLF a introduit plus de transparence et de lisibilité dans l'action publique ainsi qu'une culture de résultat, avec des responsables clairement identifiés qui rendent compte de leur action dans le cadre de la procédure budgétaire.

3. Le dispositif LOLF décliné pour la Sécurité sociale

La recherche de la performance a également impacté les organismes de sécurité sociale. Ainsi, les « Conventions d'objectifs et de gestion » (COG) ont-elles pour ambition de permettre aux usagers de bénéficier des performances d'un service fiable et moderne, en recherchant constamment les conditions d'une plus grande efficience. La démarche articulée entre les objectifs et les résultats appliquée aux politiques de sécurité sociale s'inspire de la LOLF.

Ainsi les programmes de qualité et d'efficience (PQE), annexés au projet de loi de financement de la sécurité sociale présentent-ils un éclairage sur la performance des politiques de Sécurité sociale.

4. L'extension du dispositif LOLF à d'autres entités publiques ?

Des réflexions et des expérimentations s'ouvrent désormais dans la perspective de la détermination d'un dispositif cohérent pour les collectivités territoriales, celles-ci étant porteuses de nombreuses politiques publiques. Pour mener ces réflexions, les acteurs cherchent souvent à transposer une démarche de type LOLF qui se résumerait à trois grandes caractéristiques :

- Le lien organique entre la performance et les crédits ;
 - o L'action publique s'articule autour de missions, décomposées en programme et actions. Les programmes disposent d'enveloppes de crédits et sont confiés à des responsables de programmes. Des indicateurs associés permettent de vérifier la bonne atteinte des résultats.



- La rénovation comptable, pour améliorer la qualité des comptes et en faire un outil au service de la performance ;
- La réappropriation par les responsables (Parlement, assemblée délibérante...) du budget.



28 May 2014

Ms Stephenie Fox
The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2 CANADA

Dear Ms Fox,

**Exposure Draft 54: Proposed Recommended Practice Guideline
Reporting Service Performance Information**

The Australasian Council of Auditors-General (ACAG) welcomes the opportunity to comment on the above Exposure Draft. The views expressed in this submission represent those of all Australian members of ACAG.

ACAG supports the Recommended Practice Guideline (RPG) noting it provides a set of principles for a framework for the reporting of service performance information. ACAG notes that the RPG seeks to outline minimum requirements which need to be met for an entity to comply with these guidelines. However, when comparing the principles to more mature frameworks in Australia, ACAG believes that some changes to the RPG will benefit users. In consideration of this view, when addressing the specific matters for comment, ACAG provides additional comments and suggestions for improvement.

The opportunity to comment is appreciated and I trust you will find the attached comments useful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. O'Neill', is written over a horizontal line.

Simon O'Neill
Chairman
ACAG Financial Reporting and Auditing Committee

Exposure Draft 54: Proposed Recommended Practice Guideline Reporting Service Performance Information

Specific Matter for Comment 1

Do you generally agree with the proposals in the ED? If not, please provide reasons.

ACAG generally agrees with the proposals in the ED. The reporting of service performance information is an important step in assisting users in assessing whether an entity is performing efficiently and effectively against its specified objectives.

Specific Matter for Comment 2

Do you agree with the definitions in paragraph 8? If not, how would you modify them?

ACAG agrees with the proposed definitions in paragraph 8.

Specific Matter for Comment 3

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED's coverage of this?

ACAG generally agrees that the ED adequately addresses reporting of service performance information at different levels within government. However, it is noted that the ED's guidance on aggregation addresses controlled entities only and not situations where the delivery of programs involve multiple non-controlled entities. As noted in our submission to the IPSASB's CP on this subject, ACAG suggests that the ED should explicitly accommodate consistent measurement and reporting of service performance information for programs that involve multiple entities within the same jurisdiction.

ACAG also supports the proposal for entities to report against original and revised objectives where the accountability for services is transferred during the reporting period.

Specific Matter for Comment 4

Do you agree that service performance information should:

- (a) Be reported annually; and,*
- (b) Use the same reporting period as that for the financial statements?*

If not how would you modify the ED's provisions on these two matters?

ACAG agrees that service performance information should be reported annually using the same reporting period as the financial statements and be reported at the same time.

In addition, ACAG believes that where users require entities to prepare half-yearly financial statements, and the benefits outweigh the costs, the ED should encourage the half-yearly reporting of service performance information.

Specific Matter for Comment 5

Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

ACAG generally agrees with the proposed principles for the presentation of service performance information. However, ACAG considers that the ED could further emphasise the need for a well-defined balanced set of performance indicators. A full understanding of performance can only be obtained with a complete set of balanced performance measures. For example, an efficiency measure may show an entity has not achieved any productivity gain, however a complementary measure may show that the quality of the service has improved or the backlog has reduced. Similarly when looking at building projects, it is not sufficient to only track whether the project is on time and on budget. If approved quality standards are not adhered to, the entity could deliver (or accept) a sub-standard piece of infrastructure which will incur higher maintenance costs in the future and might not achieve the desired outcomes. There are inherent trade-offs in allocating resources and dangers in analysing only some aspects of outcomes.

Further, ACAG believes that the ED could more clearly articulate that externally reported performance information should be derived from the performance information an entity's executive uses on a regular basis to manage the business. Ideally, the external and internal performance measures should be aligned and cascaded down to business units or divisions.

ACAG believes that for service performance information to be relevant (paragraph 34), it is critical for performance indicators to link directly with the objective of the service. When considering the relevance of service performance information, performance indicators should also "measure the extent to which the entity has achieved objectives" for the purpose of "holding the entity accountable..." and "users' decision making". Relevant indicators should explain what is happening and why, and show whether performance is improving or declining over time.

ACAG believes the use of materiality in paragraph 36 to select service performance information for presentation conflicts with materiality's inclusion in paragraph 35 as a pervasive constraint. ACAG would like to repeat the view expressed in its submissions on CF-ED 1 and the CP that ACAG considers materiality to be an aspect of relevant and sufficient information instead of a reporting constraint.

ACAG notes paragraph 37 states that "Assessing whether the benefits of providing information justify the related costs is often a matter of judgment", which could be construed to allow an entity to not report service performance information. Costs should be considered when determining the extent and nature of the performance measures used, but should not cause information to not be reported.

Specific Matter for Comment 6

Do you agree with:

- (a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and*
- (b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?*

If not how would you modify them?

ACAG agrees with the factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements, or in a separate report. However, ACAG's preference is for service performance information to be presented as part of a report that includes the financial statements, as this approach is considered more useful to users. ACAG also agrees with the additional information to be presented when issued in a separate report. In ACAG's experience in Australia, jurisdiction-specific guidance or legislation will also determine the reporting presentation format. However, authoritative guidance from the IPSASB will assist in ensuring jurisdictional guidance or legislation is based on a commonly accepted framework with minimal variation.

ACAG also recommends that where service performance information is presented as part of a report that includes the financial statements, an explicit statement be made that the information does not form part of the audited financial statements. While the service performance information may not be subject to audit, it would still fall within the scope of IAS 720 *The Auditor's Responsibility Relating to Other information in Documents Containing Audited Financial Statements*. ACAG believes that the placement of information is a decision for governments and parliaments and allows them the ability to elect to have the information audited, reviewed or not subject to specific assurance procedures.

Specific Matter for Comment 7

Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

- (a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and*
- (b) Does not specify one particular style of presentation such as, for example, a statement of service performance?*

If not how would you modify this approach?

ACAG agrees with the proposed flexible approach to presenting service performance information. However, as discussed in Specific Matter for Comment (SMC) 5, ACAG believes it is important that a balanced set of measures is developed and reported on. Similarly, in relation to cross-entity programs or output delivery as noted under SMC 3, the need for consistency in presentation and evaluation is important for long-term trend analysis.

Specific Matter for Comment 8

Do you agree with the ED's identification of service performance information that:

- (a) Should be "displayed", where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);*
- (b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and,*
- (c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).*

If not, how would you modify the ED's identification of information for display and for disclosure?

ACAG generally agrees with the proposed service performance information that should be displayed and disclosed for reporting purposes. However, ACAG notes paragraph 55 states that "An entity is encouraged to display information" about its intended outcomes and achievement of its outcomes. ACAG believes that outcome measurement is very important to public sector entities and their stakeholders and is not convinced by the explanation in BC38 that because outcome information is difficult the decision was only to "encourage" its reporting. Therefore, ACAG suggests a change in the wording to require outcome reporting unless there are valid reasons for not doing so.

Similarly, paragraph 80 requires certain information to be "considered" for disclosure. ACAG believes that as the information assists users to better understand and interpret service performance information it should be disclosed. ACAG also believes that the disclosures should include an explanation about an entity's outcomes, the relationships between services and outcomes, and how outcome performance indicators measure the extent to which outcomes have been achieved.

As outlined in SMC 3, cross-entity disclosures should also be encompassed within the guidance for Presentation of Service Performance Information.

Specific Matter for Comment 9

Do you agree with:

- (a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and*
- (b) The guidance and principles that the ED provides with respect to choice of performance indicators?*

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

ACAG agrees with the approach of providing a principles based framework as guidance for good practice. However, ACAG believes that to achieve this, the guidance and principles require further refinement as reflected in earlier comments such as requiring a balanced set of measures (SMC3) and requiring, rather than just encouraging, certain disclosures (SMC8).

Other Comments

ACAG would encourage the IPSASB to consider the development of standards level guidance at a later stage. ACAG believes that the inclusion of an appendix with illustrative examples will help preparers' better understand how to apply the content and concepts within the ED.

Finally, ACAG notes that the ED is silent in relation to IPSAS 24 *Presentation of Budget Information in Financial Statements*. IPSAS 24 requires public sector entities to disclose within financial statements, explanations for material differences arising between actual and publically available budget information. Budget information may, or may not, be utilised in certain aspects of measurement and reporting of service performance information. Whilst the ED at paragraph 66 encourages reporting consistent service performance information wherever possible, guidance in relation to any potential interaction with IPSAS 24 may well prove beneficial to some preparers.

Other Cosmetic Changes

- Section 18 (d) has (d) twice.
- Section 42 refers to paragraph 44, it should be 41.



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30 May 2014

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CANADA

Dear Stephenie

IPSASB Exposure Draft ED 54 Reporting Service Performance Information

The Australian Accounting Standards Board (AASB) is pleased to provide comments on the IPSASB Exposure Draft ED 54 *Reporting Service Performance Information* (the ED). The AASB welcomes the work of the IPSASB in this area and sees it as a positive step towards facilitating improvements to the quality of service performance reporting by public sector entities.

The AASB notes that the ED is written within the context of the IPSASB's Conceptual Framework and the IPSASB's suite of pronouncements. It is within that context that the AASB expresses its comments.

While the AASB broadly agrees with many of the specific proposals, it has a number of suggested improvements. The AASB's main comments on the ED, which are expanded on in the attached Appendix, include:

- the Recommended Practice Guideline (RPG) could usefully make clear that the service performance information an entity should provide should be driven by the entity's objectives;
- in that regard, it would be useful for the RPG to include guidance on the development of relevant objectives, as this is critical to meaningful outcome assessments. The guidance should also highlight the key attributes of a good objective (i.e., it is assessable, there is a clear nexus between the objective and outcomes);
- despite the RPG's non-mandatory status, striking a more appropriate balance between improvements to the quality of service performance reporting practices and the costs entities might incur to make such improvements would benefit users of general purpose service performance information; and
- the RPG should further emphasise the principles for and the circumstances in which 'quantitative measures' or 'qualitative measures' or 'qualitative descriptions' about outputs and outcomes might be most suitable, individually or in combination.

The AASB's comments on the Specific Matters for Comment are set out in the attached Appendix.

If you have any queries regarding any matters in this submission, please contact Joanna Spencer (jspencer@aab.gov.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'K. M. Stevenson'.

Kevin M. Stevenson
Chairman and CEO

AASB's Comments on the IPSASB Exposure Draft ED 54 *Reporting Service Performance Information*

The AASB's views on the Specific Matters for Comment (SMC) in the ED are as follows:

Specific Matter for Comment 1

Do you generally agree with the proposals in the ED? If not, please provide reasons.

The AASB considers that the proposals in the ED show the extent of work undertaken by the IPSASB to date with the preceding Consultation Paper and, in general, agrees with many of the proposals. In addition to some specific issues noted in response to later SMCs the AASB has the following comments and suggestions for improvements.

Whilst acknowledging the reasons why Government Business Enterprises (GBEs) are scoped out of the proposed Recommended Practice Guideline (RPG), the AASB suggests that perhaps, in due course, the IPSASB could provide guidance for GBEs reporting service performance information about their non-commercial operations, such as their performance in fulfilling community service obligations. In the meantime, perhaps GBEs could be encouraged to consider applying relevant aspects of the RPG on a voluntary basis.

The AASB considers that service performance information is potentially broader than what is contemplated in the ED. However, for the purpose of the RPG and therefore General Purpose Financial Reports (GPFRs), the AASB agrees that the RPG should be constrained in the same way as expressed in paragraph 1 (second sentence) of the ED. For clarity, the second sentence of paragraph 1 of the ED should be amended to read 'For the purpose of this RPG, service performance information is information ...'

Further, because many policy objectives in the public sector will commonly take many years to achieve, it would be helpful for the RPG to state that 'service performance information is information for users on an entity's service performance objectives, its achievement of those objectives or progress towards them', alternatively 'the extent of its achievement of those objectives'. This would be consistent with the wording in paragraph 25 of the ED.

Paragraphs 21-22 of the ED appear to suggest a preference for service performance information that can be measured, even though paragraphs 58-59 of the ED acknowledge that qualitative descriptions¹ can also be a valuable source of information for users. The AASB considers that some service performance information is better communicated via qualitative descriptions rather than quantitative or qualitative measures. Further, the ED seems to imply that service performance information should only be presented in either a quantitative **or** qualitative way. Acknowledging that a combination of such information might be appropriate and would support improved reporting, particularly in complex areas.

¹ The AASB considers that the term 'qualitative descriptions' is preferable to 'qualitative discussions' as the latter term is more suited to the context of Management Discussion and Analysis rather than Service Performance Reporting.

AASB submission on IPSASB ED 54 *Reporting Service Performance Information*

The RPG could usefully make clear that service performance information an entity should provide should be driven by that entity's objectives. In that regard, it would also be useful to include guidance on the development of relevant objectives, as relevance of objectives is critical in meaningful output and outcome assessments. The guidance should also highlight the key attributes of a good objective (i.e., it is assessable, there is a clear nexus between the objective and outputs and outcomes).

Where information about aspects of service performance (example., obtaining resources, achieving outcomes, disaggregation of costs, and progress towards long-term objectives) is relevant to users for assessing an entity's achievements of its objectives, then the AASB suggests that the RPG more strongly recommend (rather than merely encourage) disclosure.

The AASB is aware that there is a variety of funding and governance arrangements for public sector entities, and that in some cases such entities might be responsible for generating all or a substantial proportion of their funding, rather than relying on government appropriations; and in some cases disaggregated cost information is relevant to accountability. The comments provided below should be read in this context.

- (a) The AASB notes that the ED does not address information regarding an entity's performance in obtaining resources, (although paragraph 38 of the ED alludes to it by referring to "service performance objectives related to increasing ... inputs ..."). The AASB considers that 'obtaining resources' is a fundamental aspect to be considered for service performance reporting for some entities that would be subject to the RPG and should be addressed in the final RPG, particularly as the ED discusses the impact of resource availability on achieving service performance objectives. In addition, the AASB acknowledges that it may be argued by some that this information could be provided through IPSASB RPG 1 *Reporting on Long-Term Sustainability of an Entity's Finances*, but given that RPG 1 is not mandatory, there is no guarantee that this information would be provided. Furthermore, RPG 1's references to obtaining resources tend to focus on resources from, for example, recognised revenue. However, in a service performance reporting context, information about, for example, volunteer services is also pertinent.
- (b) Paragraph 55 of the ED encourages the display of information about an entity's intended outcomes and its achievements with respect to those outcomes. Consistent with the comments above, the AASB considers that information about an entity's performance against its intended outcomes is a relevant component of service performance and thinks its importance may outweigh the arguments put forward in paragraph BC38 of the ED regarding difficulty for entities to provide outcome information. Although this information may be difficult to obtain, it is likely to be at least as useful as information about outputs, as it provides, for example, information on the impacts on society, and therefore would give an indication as to whether the service provided by the entity is of value to the community. The AASB is particularly of the view that if an entity has made its intended outcomes public then that entity should report its achievements with respect to those outcomes. The AASB explains later in this appendix (see SMC 9) that the use of proxy measures, or indirect measures, of performance might be suitable where more direct outcome measures are unable to be identified or are too costly to obtain and outcome descriptions are not sufficient.

AASB submission on IPSASB ED 54 *Reporting Service Performance Information*

- (c) The AASB considers that paragraphs 65 and 80(g) of the ED should go further than encouraging the reporting of disaggregated cost information. Disaggregated costs should be disclosed on a basis that is relevant to users for their understanding – for example, disclosed on the same basis that management use for the organisation and running of projects. Should the IPSASB choose not to adopt the stronger requirements suggested by the AASB, the AASB recommends that the RPG at least explicitly encourages a distinction between direct and indirect costs – and a functional classification of indirect costs, distinguishing between, for example, administration and fundraising costs (where relevant). Despite the absence of universally agreed definitions of different categories of costs, this information is useful to users in a service performance reporting context because resource providers may be particularly interested in what percentage of obtained resources are consumed by administration or by obtaining resources and therefore are not available to be used directly to provide services. Given the issues inherent in classifying costs between entities, the AASB believes that it may be inappropriate for the IPSASB to specify consistent aggregate measures that an entity should disclose, for example, an administration cost ratio. An alternative focus for the RPG would be to facilitate that provision of information from which users can calculate their own ratios for their particular needs for the purposes of, for example, comparing budget to actual information, or for assessing the same entity over time.

The AASB also considers that an illustrative example or a best practice guide should accompany the RPG, to illustrate what a service performance report might look like. Preparers would also benefit from the availability of a checklist to assist implementation.

Specific Matter for Comment 2

Do you agree with the definitions in paragraph 8? If not, please provide reasons.

In general, the AASB agrees with the definitions provided in paragraph 8 of the ED, except as noted in the following comments.

The AASB considers that the definition of ‘effectiveness’ is tautological because ‘actual results’ and ‘outputs or outcomes’ are the same. The AASB suggests this definition be amended to ‘effectiveness is the relationship between service performance objectives and outputs or outcomes’, which also has the benefit of directly linking service performance objectives to outputs and outcomes.

The proposed definition of ‘outcomes’ states that the mere existence of an entity can be an outcome for that entity. The AASB considers that the existence of an entity controlled by a government should only be regarded as an outcome from a whole of government perspective rather than the entity’s own perspective. This is because it is the activities of an entity that leads to that entity’s performance – an entity’s impact from its existence as separate from its activities should not be attributed to the entity itself. This difference should be reflected in the definitions.

In relation to the proposed definition of ‘outcomes’, the AASB considers that the term ‘society’ should be explained in a way that it is more than a collective term and that it encapsulates individual and/or individual groups and is not exclusively society as a whole.

AASB submission on IPSASB ED 54 *Reporting Service Performance Information*

The AASB thinks that the term ‘performance indicators’ has acquired a narrow meaning in practice due to the pervasive use of the term ‘key performance indicators’, which has a quantitative measurement connotation. Because the ED’s definition refers to quantitative and qualitative measures and qualitative discussions (which the AASB thinks would be better described as qualitative descriptions – see footnote 1 to the AASB’s response to SMC 1 above) a broader term, such as ‘indicators of performance’, may better capture these principles.

Specific Matter for Comment 3

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED’s coverage of this?

The AASB agrees that the issue of reporting of service performance information by entities at different levels within government has been dealt with sufficiently and does not suggest any modifications to the proposals in the ED.

Specific Matter for Comment 4

Do you agree that service performance information should:

- (a) Be reported annually; and,
- (b) Use the same reporting period as that for the financial statements?

SMC 4(a)

The AASB agrees that service performance information should be reported annually. When performance objectives are likely to require periods longer than one year to achieve, the AASB considers paragraph 72 of ED 54 should also require entities to provide information about progress towards achieving those objectives. Consistent with the AASB’s comments in the 4th paragraph of its response to SMC 1, the AASB considers that this information is useful to users to assist in decision-making and recommends that the RPG be definitive and require entities to provide information regarding any progress towards achieving those objectives.

SMC 4(b)

The AASB agrees that, where practicable², service performance information should be presented using the same period as that for the financial statements. The AASB notes that paragraph BC23 of ED 54 suggests that where this is not the case, this situation could be addressed through additional disclosures. However, it does not appear that this recommendation has been included in the RPG explicitly. The AASB suggests that the

² The AASB notes that the last sentence of paragraph 29 of ED 54 contemplates an entity making its own cost vs benefit assessment on whether to align reporting periods. However, consistent with its response to SMC 5 (see subparagraph (a)) below the AASB is of the view that the RPG should be expressed in a way that requires the reporting periods to be aligned, where practicable; with an explanation disclosed where an entity determines that it is not practicable.

AASB submission on IPSASB ED 54 *Reporting Service Performance Information*

RPG states that when the reporting periods for service performance information and financial statements do not align, additional disclosure should be made.

Specific Matter for Comment 5

Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

In general, the AASB agrees with the proposed principles for presentation of service performance information. The AASB has the following specific comments regarding paragraphs 37 and 39 of the ED.

- (a) Paragraph 37 could be read as giving an entity relief from applying aspects of the RPG due to the entity's own cost/benefit assessment, and still be able to claim compliance with the RPG. In terms of compliance with standards, costs vs benefits is not generally applied as an entity-level assessment tool, as it is usually used as a standard-setting criterion. Where information is considered material, a preparer should not be able to exclude the material information on the basis that the cost to it of providing that information is too great in relation to the benefit to the users. Where judgement is involved, there should be transparency about this application disclosed. The AASB notes that in paragraph BC3.33 of *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* the IPSASB expresses a view that an entity should not be able to use the cost/benefit constraint to justify not applying an International Public Sector Accounting Standard (IPSAS) and still claim compliance with IPSASs – the AASB thinks that the same principle should apply here. Accordingly, the AASB is of the view that paragraph 37 needs amending to address this matter, but in a way that continues to be cognisant of the RPG not containing requirements that are a disincentive to its adoption.
- (b) Regarding paragraph 39, the AASB suggests the IPSASB considers how to re-express that paragraph to convey an integrated relationship between the RPG and jurisdictional requirements. One suggestion would be to adopt an approach similar to what was adopted in Australian Accounting Standard AAS 27 *Local Governments* (albeit now superseded) paragraph 15, which stated:

Local governments may be subject to detailed financial reporting requirements set out in legislation. In addition, some users of local government financial reports, such as councillors and regulators, may impose requirements for reporting of information about particular transactions or Funds of the local government, or for reporting of detailed information demonstrating the compliance of the local government with particular legislation. To the extent that these requirements differ from the requirements of this Standard, the foregoing requirements would apply in addition to, not in lieu of, the requirements of this Standard.

AASB submission on IPSASB ED 54 *Reporting Service Performance Information*

Specific Matter for Comment 6

Do you agree with:

- (a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and
- (b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?

If not how would you modify them?

SMC 6(a)

The AASB agrees with the factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report.

The AASB notes there is an apparent assumption made in paragraph 41(c) of ED 54 that when service performance information is provided in the same report as the financial statements it will cost more than if the information were provided in a separate report. However, it is not evident why this assumption is made. The AASB recommends that if there is evidence supporting this assumption, it be explained in the Basis for Conclusions.

SMC 6(b)

The AASB agrees with this additional information and is unaware of anything else that should be presented if the service performance information and financial statements are presented separately. However, the AASB suggests that the IPSASB provide an explanation in the Basis for Conclusions of the differences from the corresponding requirements in paragraph 63 of IPSAS 1 *Presentation of Financial Statements*.

AASB submission on IPSASB ED 54 *Reporting Service Performance Information*

Specific Matter for Comment 7

Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

- (a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and
- (b) Does not specify one particular style of presentation such as, for example, a statement of service performance?

If not how would you modify this approach?

SMC 7(a)

The AASB agrees with the proposed approach for presentation of service performance information in that the approach provides scope for entities or jurisdictions to decide how best to present that information. However, the AASB queries the use of the term 'important services' in paragraph 46 of ED 54 as no context or definition of 'important' is provided or broadly adopted within the public sector. If an entity is to identify its 'important services', consistency would be promoted through guidance on how it is to determine which of its services are important and which are not. The AASB recommends that the term 'important services' be amended to something along the lines of 'services that are key in achieving or delivering an entity's objectives'.

SMC 7(b)

The AASB agrees that the RPG should not specify one particular style of presentation as it is likely to be the type of service provided that will determine how best to present the service performance information relating to that service.

AASB submission on IPSASB ED 54 *Reporting Service Performance Information*

Specific Matter for Comment 8

Do you agree with the ED's identification of service performance information that:

- (a) Should be "displayed", where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);
- (b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and
- (c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).

If not, how would you modify the ED's identification of information for display and for disclosure?

SMC 8(a)

The AASB agrees with the information that should be displayed as proposed in ED 54 paragraphs 50-51.

SMC 8(b)

Subject to the AASB's comments in response to SMC 1 above about outcomes and disaggregation of costs between direct and indirect costs, the AASB generally agrees with the service performance information that should be disclosed as part of a narrative discussion and analysis. The AASB suggests that the RPG clarify that this list is not exhaustive and there may be other information that could be included to help provide an overview of service performance results (having regard to any concerns about 'disclosure overload'). The RPG should provide more clarity around the boundary of any risk trade-off discussion (see paragraph 76 of ED 54) – for example, the type of information that is expected to be disclosed. The AASB thinks risk trade-off disclosures are complex and potentially burdensome if left too broad.

SMC 8(c)

The AASB considers that the information listed in paragraph 80 of the ED should be disclosed, not just considered for disclosure, but, as noted in AASB response to SMC 8(b) immediately above, preparers would need to be conscious not to provide so much detail that it clutters the service performance information being provided.

AASB submission on IPSASB ED 54 *Reporting Service Performance Information*

Specific Matter for Comment 9

Do you agree with:

- (a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and
- (b) The guidance and principles that the ED provides with respect to choice of performance indicators?

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

The AASB responses to SMC 9(a) and (b) below are made subject to its comments in the fifth paragraph of its response to SMC 2.

SMC 9(a)

The AASB agrees with the approach of providing principles and guidance on the identification of types of performance indicators, rather than requiring entities to report on particular types of performance indicators. However, the last sentence of paragraph 22 of the ED implies that a qualitative discussion should only be provided where service performance cannot be meaningfully represented through quantitative and qualitative measures. Consistent with its comment in the fifth paragraph of its response to SMC 1 above (including footnote 1 of that response) the AASB considers qualitative descriptions could usefully complement quantitative and qualitative measures. In relation to quantitative measures the AASB suggests that paragraph 22 could be amended to suggest that proxy measures (indirect measures) of performance might be suitable where more direct outcome measures are unable to be identified or are too costly to obtain.

The AASB also sees some merit in the examples (e.g. in paragraph 23 of the ED) being amended to deal with some of the more challenging measurement issues. Therefore, the AASB suggests, for example, that paragraph 23 of the ED be extended along the lines of 'alternatively, a national government may set an objective of decreasing the incidence of measles by X% by 20yy'.³

In addition, the AASB notes that the ED states that only output performance indicators should be reported and that outcome performance indicators are only encouraged to be reported. As noted in the AASB's response to SMC 1 (see subparagraph (b)), the AASB disagrees that outcome performance indicators should be accorded a lower emphasis than output performance indicators.

SMC 9(b)

The AASB generally agrees with the guidance and principles that the ED provides with respect to choice of performance indicators. However, as noted in the AASB's comments

3 In this case, if a direct measure is not yet available, a proxy measure may be the percentage of infants that have received a vaccination for measles has increased by Y%.

AASB submission on IPSASB ED 54 *Reporting Service Performance Information*

to SMC 1 (and SMC 9(a)) the AASB disagrees that an entity should only be encouraged to display information about its intended outcomes and its achievements with respect to those outcomes (paragraph 55 of the ED), as the AASB believes information about intended outcomes and achievements/outputs are both relevant components of service performance information. Entities seek funds based on their plans, thus their plans and achievements against those plans are vital information for maintaining public trust. Accordingly, the AASB is of the view that they should both be mandated rather than encouraged. Although the AASB understands that outcomes can be difficult to quantify, the AASB thinks that the RPG should accord information about outcomes at least the same level of importance as information about outputs. Therefore, where an entity makes its intended outcomes public, it should display information about its achievements with respect to those outcomes.

IPSASB Exposure Draft ED 54
Proposed Recommended Practice Guideline
Reporting Service Performance Information

response to exposure draft

29 May 2014

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/ 140529 SC0208

Stephenie Fox
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May 2014

Dear Stephenie Fox

IPSASB Exposure Draft 54
Proposed Recommended Practice Guideline
Reporting Service Performance Information

CIPFA is pleased to present its response to this exposure draft, which has been reviewed by CIPFA's Accounting and Auditing Standards Panel.

General comment

This exposure draft is one of a number of initiatives which relate to reporting that goes wider than financial statements, and which has to date resulted in RPG1 *Reporting on the Long Term Sustainability of a Public Sector Entity's Finances* and RPG2 *Financial Discussion and Analysis* which IPSASB issued in 2013. The main counterpart of these types of reporting for the private sector is *Management Commentary* on which the International Accounting Standards Board (IASB) issued a Practice Statement in December 2010.

In line with our response to the 2012 Consultation Paper Reporting Service Performance Information, CIPFA supports the issuance of a Recommended Practice Guideline on this important topic.

In general, we consider that the ED does a good job of setting out recommended practice of providing information on performance, having regard to the potential subjective aspects and difficulties in measurement.

However, performance often benefits from being considered in the context of an overall view of government policy and its aims. The political context within which services are provided is also often relevant. While it may be difficult to provide concrete guidance on how to address these factors, it would be helpful to briefly mention them.

Response to specific questions

Observations on the specific matters for comment are provided in the attached Annex A. Some minor drafting suggestions are provided in Annex B.

I hope this is a helpful contribution to the development of the Board's guidance in this area. If you have any questions about this response, please contact Steven Cain (e:steven.cain@cipfa.org, t:+44(0)20 7543 5794).

Yours sincerely

Alison Scott
Assistant Director

ANNEX A

Specific Matters for Comment

<p>Matter for Comment 1:</p> <p>Do you generally agree with the proposals in the ED? If not, please provide reasons.</p>
<p>CIPFA generally agrees with the proposals in the ED</p>
<p>Matter for Comment 2:</p> <p>Do you agree with the definitions in paragraph 8? If not, how would you modify them?</p>
<p>CIPFA generally agrees with the definitions in paragraph 8.</p> <p>In our view the definition of 'effectiveness' would be clearer and more easily understandable if it used the adjective 'planned' to explicitly acknowledge that this is a comparison between actual results and planned results. We appreciate that this is implicit in the current definition, which refers to service performance objectives, which in a later definition are characterised in terms of planned results. For example</p> <p><i><u>Effectiveness</u> is the relationship between actual results and service performance objectives in terms of planned outputs or outcomes.</i></p>
<p>Matter for Comment 3:</p> <p>Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED's coverage of this?</p>
<p>CIPFA agrees that the ED adequately addresses reporting of service performance information by entities at different levels within government.</p>

Matter for Comment 4:

Do you agree that service performance information should:

- (a) Be reported annually; and,
- (b) Use the same reporting period as that for the financial statements?

If not how would you modify the ED's provisions on these two matters?

CIPFA agrees that (a) and (b) represent good practice, and it is therefore appropriate that the RPG represent these as what *should* occur.

Matter for Comment 5:

Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

CIPFA agrees with these principles. In particular, we note that the descriptions at paragraph 34 are followed by important explanations on how these can be applied intelligently and proportionately, and having regard to specifics of jurisdictional reporting requirements.

Matter for Comment 6:

Do you agree with:

- (a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and
- (b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?

If not how would you modify them?

In line with our comments in our 2012 response, CIPFA considers that the option of separate presentation is addressed.

CIPFA broadly agrees with the material at 41 to 43 and we have no suggested modifications to propose.

Matter for Comment 7:

Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

- (a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and
- (b) Does not specify one particular style of presentation such as, for example, a statement of service performance?

If not how would you modify this approach?

CIPFA agrees with (a) and (b) which provide essential flexibility.

Matter for Comment 8:

Do you agree with the ED's identification of service performance information that:

- (a) Should be "displayed", where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);
- (b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and,
- (c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).

If not, how would you modify the ED's identification of information for display and for disclosure?

CIPFA generally agrees with these proposals.

Matter for Comment 9:

Do you agree with:

(a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and

(b) The guidance and principles that the ED provides with respect to choice of performance indicators?

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

CIPFA agrees with this approach and with the guidance and principles provided.

ANNEX B

Drafting comments and suggestions

Paragraph 17

CIPFA agrees with the content of paragraph 17, but as drafted it does not fit logically with the rest of the section on 'Outcomes' and does not aid understanding. The paragraph could be deleted, or moved.

We presume that the ED provides this explanation to make it clear that it can be difficult to develop objective measures of performance because of external, uncontrolled factors which affect outcomes. This fuller explanation would be a more natural fit in the section on performance indicators.

Paragraph 47

Suggested amendment:

The level of aggregation ~~Aggregation~~ should not be so high as to ~~cover~~ conceal or obscure performance, or so low as to result in detailed listings that also obscure performance and reduce understandability.

Paragraph 54

Suggested amendment:

The set of indicators selected should ~~be related~~ provide information in such a way that users can ascertain how efficiently and effectively the entity has used its resources to deliver services and achieve its service performance objectives.

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Our Ref: PSD/ED012/2014

Monday, 19 May 2014

Stephanie Fox,
IPSASB Technical Director,
International Public Sector Accounting Standards Board,
International Federation of Accountants,
277 Wellington Street West,
Toronto, Ontario M5V 3H2,
Canada.

Dear Stephanie,

RE: Exposure Draft ED 54: Reporting Service Performance Information

The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on the Exposure Draft (ED 54) - Reporting Service Performance Information, issued by the International Public Sector Accounting Standards Board (IPSASB) of IFAC.

The Institute believes that the proposed recommended practice guideline provides a platform to enhance disclosure of service performance in a manner that will enhance comparability of service performance reports/financial statements. It will also ensure that financial statements are more useful. We support the Board's decision to consider application of the qualitative characteristics to service performance information, thus aligning with those of financial information as contained in the IASB's conceptual framework financial reporting.

We have included our responses to each of the Specific Matters for Comment in an appendix to this letter.

If you would like to discuss these comments further, please contact the undersigned on icpak@icpak.com or the undersigned at nixon.omindi@icpak.com.

Yours Faithfully,

Nixon Omindi

For Professional Standards Committee

Appendix – ICPAK's Submission on Exposure Draft 54, Reporting Service Performance Information

Specific Matter for Comment 1

Do you generally agree with the proposals in the ED? If not, please provide reasons.

Yes. We agree with the proposals. The proposals will enhance disclosures that will provide useful information to the users of the financial statements/service performance reports.

Specific Matter for Comment 2

Do you agree with the definitions in paragraph 8? If not, how would you modify them?

We agree with the definitions

Specific Matter for Comment 3

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED's coverage of this?

Yes. The ED adequately addresses the reporting of service performance information at different levels within government.

Specific Matter for Comment 4

Do you agree that service performance information should:

- (a) Be reported annually; and,
- (b) Use the same reporting period as that for the financial statements?

If not how would you modify the ED's provisions on these two matters?

We agree with the proposals.

Specific Matter for Comment 5

Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

*Under paragraph 34, consider adding the statements below:
'The information should be complete, neutral and free from errors'.*

Specific Matter for Comment 6

Do you agree with:

- (a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and
- (b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?

If not how would you modify them?

We agree with the proposals

Appendix – ICPAK's Submission on Exposure Draft 54, Reporting Service Performance Information

Specific Matter for Comment 7

Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

- (a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and
- (b) Does not specify one particular style of presentation such as, for example, a statement of service performance?

If not how would you modify this approach?

The ED should be more prescriptive to provide the particular parameters that should be reported on.

Specific Matter for Comment 8

Do you agree with the ED's identification of service performance information that:

- (a) Should be "displayed", where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);
- (b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and,
- (c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).

If not, how would you modify the ED's identification of information for display and for disclosure?

We are in agreement with the proposals.

Specific Matter for Comment 9

Do you agree with:

- (a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and
- (b) The guidance and principles that the ED provides with respect to choice of performance indicators?

We agree with the proposals.



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CANADA

Our ref **KK/288**
Contact **Katja van der Kuij**

29 May 2014

Dear Ms Fox

Exposure Draft 54 – Proposed *Recommended Practice Guideline 3* – Reporting Service Performance Information

Summary comments

We appreciate the opportunity to respond to the International Public Sector Accounting Standards Board's ('IPSASB' or the 'Board') Exposure Draft ('ED') entitled Proposed *Recommended Practice Guideline 3* ('RPG 3' or '*the Guideline*') – Reporting Service Performance Information, dated December 2013. We have consulted with, and this letter represents the views of, the KPMG network.

Reporting information on service performance is an important aspect of financial statements, especially in the public sector. We therefore welcome the Board's initiative in developing this Guideline and support the establishment of good practice in this area. We have considered the specific matters for comment in the ED and have some comments on specific issues addressed therein.

Specific matters for comment

The IPSASB stated they would particularly value comments on certain areas and we have structured our comments by reference to those matters for comment, as set out below.

Specific Matter for Comment 1:

Do you generally agree with the proposals in the ED? If not, please provide reasons.

We agree with the overall approach and content of the ED. However, we consider that it would be useful if the ED were to give more details on the following areas.



KPMG IFRG Limited

*Exposure Draft 54 – Proposed Recommended Practice Guideline 3 – Reporting Service Performance
Information
29 May 2014*

- The ED clearly and helpfully makes a distinction between outputs and outcomes. However, it would be helpful to make a similar distinction between outcomes and impacts.
 - Outcomes are the results – short-term and long-term – of an activity or programme.
 - Impacts identify the difference between what happened with the activity or programme and what would have happened without it.

For example, a programme encouraging hygiene in health centres may have:

1. short-term outcomes, such as: rules and guidelines on hygienic practices;
 2. long-term outcomes, such as: integration of these practices into everyday behaviour at health centres (and more widely); and
 3. impacts, such as: improvement in public health caused by that programme, as opposed to arising from other causes.
- We note that the aim of RPG 3 is to develop reporting rather than to establish a specific framework for reporting. This could be a concern since one cannot develop without the other and a mixture of concepts may therefore be required. We therefore suggest that a “Key Considerations” section be incorporated into the Guideline.
 - Most impacts and many outcomes are long-term and/or inherently difficult to measure (e.g. a programme targeting a reduction in incidence of HIV will need to assess and measure a negative outcome – how many people did *not* become HIV positive). We therefore recommend that the Guideline addresses the use of alternative and proxy measures to help monitor such outcomes and impacts.

In addition, we agree that the concept of reporting information on service performance is difficult to encapsulate in a single guidance document and note that jurisdictions will have to supplement this Guideline with specific guidance to allow for the effective discharge of reporting responsibilities in line with potentially varying expectations.

Specific Matter for Comment 2:

Do you agree with the definitions in paragraph 8? If not, how would you modify them?

We generally agree with the definitions in paragraph 8. As indicated in our response to item 1 above, we would add a definition for impacts.



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Exposure Draft 54 – Proposed Recommended Practice Guideline 3 – Reporting Service Performance Information
29 May 2014

In addition, we consider that:

- the definition of outputs should not be limited to services “to recipients external to the entity”, as this could exclude services to entities within a reporting group;
- the definitions should include “cost” (used in paragraph 50); and
- the definition of Service Performance Objective should include a reference to an overall Strategic Plan to ensure that the objectives are relevant to the entity.

Specific Matter for Comment 3:

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED’s coverage of this?

We agree with the approach taken in the ED.

Specific Matter for Comment 4:

Do you agree that service performance information should:

- (a) Be reported annually; and,*
- (b) Use the same reporting period as that for the financial statements?*

If not how would you modify the ED’s provisions on these two matters?

We agree with the approach taken in the ED. We would add that, if a reporting entity is including a comparison of the budget amounts for which it is held publicly accountable and the actual amounts in its financial statements, then it should also include a comparison of its actual results with the relevant output, outcome and impact targets.

Specific Matter for Comment 5:

Do you agree with the ED’s proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

We agree with the overall approach taken in the ED. However, we would also consider including “appropriateness” in the quantitative characteristics in paragraph 34.



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29 May 2014

Specific Matter for Comment 6:

Do you agree with:

- (a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and*
- (b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?*

If not how would you modify them?

We agree with the approach taken in the ED.

Specific Matter for Comment 7:

Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

- (a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision; and*
- (b) Does not specify one particular style of presentation such as, for example, a statement of service performance?*

If not how would you modify this approach?

We agree with the approach taken in the ED.

Specific Matter for Comment 8:

Do you agree with the ED's identification of service performance information that:

- (a) Should be "displayed", where information selected for display should communicate the key messages in a general purpose financial report (see paragraphs 50 to 51);*
- (b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and,*
- (c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).*



KPMG IFRG Limited
Exposure Draft 54 – Proposed Recommended Practice Guideline 3 – Reporting Service Performance Information
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If not, how would you modify the ED's identification of information for display and for disclosure?

We agree with the approach taken in the ED.

Specific Matter for Comment 9:

Do you agree with:

- (a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and*
- (b) The guidance and principles that the ED provides with respect to choice of performance indicators?*

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

We agree with the approach taken in the ED.

Other issues

We consider that the reporting boundary (paragraphs 27 to 28) should be consistent with the requirements of IPSAS 24 *Presentation of Budget Information in Financial Statements* – i.e. if the KPIs are publicly available, then the entity should report publicly on its performance.

The first sentence of paragraph 28 (“Service performance information may be reported by different reporting entities within an economic entity.”) does not seem fully clear. We therefore recommend adding the following sentence:

“For example, a controlling entity may report its service performance information on a consolidated basis, whereas the controlled entity may also report its own service performance information for the period.”

We note and agree with the comments on consistency of reporting in paragraphs 66 to 68. However, we note that the benchmarks against which service performance is measured may change over time: this may affect the assessment and reporting of long-term outcomes and impacts. We therefore recommend expanding the guidance to include recommendations on how to respond in this situation.

There are various examples given in the ED. However, we suggest that it may assist the users if they were to be based on a single case study and were therefore consistent across the ED.



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29 May 2014

Finally, to allow for a better flow and read, paragraph 81 should be moved to before the current paragraph 79.

KPMG appreciates the opportunity to respond to this Exposure Draft. Please contact Archie Johnston at +1 604 527-3757, Mark Jerome at +84 97 537 5759, or Katja van der Kuij at +44 (0)207 694 8871 if you wish to discuss any of the issues in this letter.

Yours sincerely

KPMG IFRG Limited

KPMG IFRG Limited



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May 30, 2014

Ms. Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
Toronto, Ontario M5V 3H2 CANADA

Dear Ms. Fox:

Thank you for the opportunity to offer comments in response to the IPSASB Exposure Draft 54 (ED), *Reporting Service Performance Information*, issued in December 2013. This response was prepared by the Governmental Accounting Standards Board's (GASB) staff. A draft of this response was provided to the individual GASB members for their input. Official positions of the GASB are determined only after extensive due process and deliberation.

As mentioned in our comments on the Consultation Paper (CP), in June 2010 the GASB issued a Suggested Guideline for Voluntary Reporting, *SEA Performance Information* (Suggested Guidelines). The GASB staff responses provided have been influenced by the suggested guidelines on what it believes are the most fundamental issues associated with the reporting of service performance that will assist users in assessing governmental accountability and making economic, social, and political decisions and demonstrating their accountability, including stewardship over public resources.

Most of the issues noted in our response to the Consultation Paper have been addressed in the ED. The GASB staff compliments the IPSASB in developing what we believe is a comprehensive approach to the reporting of service performance information.

Specific Matter for Comment 1—Do you generally agree with the proposals in the ED? If not, please provide reasons.

The GASB staff generally agrees with most of the proposals in the ED. Most of the comments provided will be GASB staff suggestions on how sections of the ED could be further strengthened or clarified.



Specific Matter for Comment 2—Do you agree with the definitions in paragraph 8? If not, how would you modify them?

The GASB staff generally agrees with the definitions provided in paragraph 8 of the ED. However, the GASB staff believes that the explanatory paragraphs could be enhanced by following a consistent format in the discussions. The GASB staff proposes a consistent format similar to that used in paragraphs 9–10 for the discussion of effectiveness including: (1) the definition, (2) an expanded discussion of the definition, (3) a discussion of what they are intended to measure, and (4) an example of each term. The GASB staff further suggests that the IPSASB consider the following recommendations.

The GASB staff recommends that:

- Paragraph 18 include mention of certain services such as water, sewer, solid waste collection and disposal that are important types of services provided by many general purpose and some special purpose governmental entities;
- Paragraph 18 (d) typo should be corrected to eliminate the duplication of (d);
- Paragraph 20 would be clearer if it stated that performance information “measures” inputs, outputs, outcomes, efficiency and effectiveness rather than that they “relate to” them;
- Paragraph 21 would be enhanced by recognizing that performance indicators may include measures of the ratings of service quality by recipients or citizens; and
- In paragraph 22, “qualitatives” in the plural should be “qualitative.” The GASB staff also believes that an example of a qualitative discussion would be helpful in this paragraph.

Specific Matter for Comment 3—Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED’s coverage of this?

The GASB staff agrees that the ED adequately addresses the reporting of service performance information by entities at different levels within the government, including situations where a controlled entity reports service performance information that encompasses that provided by controlled entities.

Specific Matter for Comment 4—Do you agree that service performance information should:

- (a) Be reported annually; and,**
- (b) Use the same reporting period as that for the financial statements?**

If not how would you modify the ED’s provisions on these tw



The GASB staff agrees that service performance information should be reported annually and should use the same reporting period as that for the financial statements.

Specific Matter for Comment 5—Do you agree with the ED’s proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not, how would you modify them?

The GASB staff generally agrees with the ED’s proposed principles for presentation of service performance information but offers one suggestion to improve this discussion.

The GASB staff believes that paragraph 38 appropriately states that performance objectives may change. However, the GASB staff believes that it also is important that the reasons for changes in performance objectives be included in the discussion.

Specific Matter for Comment 6—Do you agree with:

- (a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 and 42); and**
- (b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?**

If not, how would you modify them?

The GASB staff generally agrees with the factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report, and the additional information to present when reporting service performance information in a separately issued report. However, the GASB staff offers a few suggestions to improve this discussion.

The GASB staff believes that paragraph 41(a) could be clarified by stating, “the extent to which the service performance information needs to be reviewed within the context of information in the financial statements.” The GASB staff believes that this is the appropriate factor to consider when making the decision of whether to report service performance information in the financial report or in a separate report. The GASB staff believes that the discussion that follows does not reflect that this factor should be considered when making this decision.

The GASB staff also believes that the discussion in paragraph 41 appears to omit important issues such as the impact of including service performance information in the financial report on timeliness, audit costs, and effect of gathering and preparing the information. These impacts are discussed in the Basis for Conclusions; however, the GASB staff believes that these important issues should be included in this section of the RPG.



The GASB staff also believes that it is important to encourage the inclusion of a discussion that identifies the significant services not included with the service performance information and the reasons why the significant services were not included. The GASB staff believes that this information would assist users in assessing whether information that is necessary to represent results has been omitted.

Specific Matter for Comment 7—Do you agree with the ED’s proposed approach to presentation of service performance information within a report, which:

- (a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and**
- (b) Does not specify one particular style of presentation such as, for example, a statement of service performance?**

If not, how would you modify this approach?

The GASB staff generally agrees with the ED’s proposed approach to presentation of service performance information within a report. However, the GASB staff offers a few suggestions to improve this discussion.

The GASB staff believes that paragraph 45 should state that “high level summaries of information should be” presented as well as “supported.”

The GASB staff is uncertain what it means in paragraph 48 when it states that “there may be scope to refer users to service performance information reported.” The GASB staff believes that there should be a more descriptive word than “scope” that can be used to clarify the IPSASB’s position.

The GASB staff also believes that “factor” should be “factors” in paragraph 49.

Specific Matter for Comment 8—Do you agree with the ED’s identification of service performance information that:

- (a) Should be “displayed,” where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);**
- (b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and,**
- (c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).**

If not, how would you modify the ED’s identification of information for display and for disclosure?



The GASB staff generally agrees with the ED's identification of service performance information. However, the GASB staff offers a few suggestions to improve this discussion.

The GASB staff believes that paragraph 52 should be clarified to convey the point that IPSASB is trying to make. The GASB staff believes that the IPSASB is trying to convey that when service performance information is already reported in the financial report, rather than duplicate this information in a separate service performance report, it would be appropriate to simply make a cross reference to this information already reported. If this is what IPSASB is trying to convey in this paragraph, then the GASB staff believes that paragraph 52 needs to be clarified.

The GASB staff believes that the discussion of using several levels of reporting in paragraph 62 should be further enhanced with the addition of an example. For example, a government might consider providing "plain language" or graphical representations of performance results, not only in a time series but also by comparing planned and actual performance (in addition to a more detailed report with descriptions of performance goals with quantitative and qualitative information about results).

The GASB staff believes that the order of paragraphs 67 and 68 should be reversed so that planned performance is discussed prior to actual performance. Further, the GASB staff believes that the reasons for, and the impacts of, the changes in actual performance should be recommended to be discussed in paragraph 67, similarly to what is recommended in paragraph 68.

The GASB staff also believes that "leading" should be changed to "contributing" in paragraph 74.

The GASB staff does not believe that the example presented in paragraph 77 assists in the understanding of risk factors discussed in paragraph 76 sufficient to warrant inclusion. Further, the GASB staff notes that examples are not consistently provided throughout the RPG.

The GASB staff also believes that paragraph 80 (c-d) should be clarified. In (c), the GASB staff is uncertain as to what the IPSASB means by "services affected." If the intent is to disclose information about the services "reported," the GASB staff believes this would be duplicative of the proposal in (b). In (d) the GASB staff believes that "for a particular service" should be inserted after "An explanation of the relationship between different performance indicators."

Finally, the GASB staff believes that paragraph 80 (f) also should include "disaggregation" as well as "aggregation."

Specific Matter for Comment 9—Do you agree with:



- (a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and**
- (b) The guidance and principles that the ED provides with respect to choice of performance indicators?**

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

The GASB staff generally agrees with the ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators and the guidance and principles that the ED provides with respect to choice of performance indicators.

However, the GASB staff believes that the reporting of outcome measures should be specifically encouraged in the RPG because those types of measures are most closely related to the achievement of results that affect those receiving the services. Further, the GASB staff believes that the reporting of service performance information is most effective when it includes all types of performance indicators. Including performance indicators from only one or two types may not provide users with sufficient information to assess performance.

Basis for Conclusions

The GASB staff is uncertain how the "holistic system" discussed in paragraph BC40 can be achieved without proposing the reporting of all types of performance indicators, especially without including outcome indicators.

Other Comments

As noted in the GASB's response to the CP, the GASB staff believes that any final guidance would be enhanced by a discussion of how to effectively communicate service performance information to users. For example, the IPSASB should consider discussing the intended audience for the service performance report and the appropriate form of communication (such as printed materials, electronic document files, presentations, articles, and news segments). The GASB staff believes that considering how to effectively communicate service performance information to users may improve the reports relevance, understandability, and effectiveness in communicating the public sector entities results.

Thank you for considering our comments. If you have any questions regarding the comments and suggestions contained in this response, please contact Lisa Parker (lrparker@gasb.org) or me (drbean@gasb.org).



Sincerely,

A handwritten signature in blue ink that reads "David R. Bean". The signature is written in a cursive style with a large initial "D".

David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board

AT/PSC

Technical Director
IPSASB

Submit via [web site](#)

29 May 2014

REPORTING SERVICE PERFORMANCE INFORMATION (EXPOSURE DRAFT 54)

Dear Madam,

ICAS welcomes the subject of this inquiry and the opportunity to comment. We are a leading professional body for chartered accountants with over 20,000 members working across the UK and internationally. Our members work across the private and not for profit sectors.

ICAS's Charter requires its committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount. For this consultation, we have canvassed views from our Public Sector Committee which includes members working across the public sector and private practice, specialising in public sector clients.

We support the decision to introduce guidance on reporting service performance information as recommended practice. This is consistent with our submission in 2012 [Reporting Service Performance Information](#).

We are supportive of the principles of performance reporting set out in the Exposure Draft and agree that it should not be prescriptive or try to give specific examples of KPIs as an organisation is best placed to select those most appropriate. Some specific observations include:

- Targets need to be credible and stretching, to promote confidence and to avoid the risk of manipulation. Some form of independent benchmarking can support this.
- We suggest that the characteristics of effective benchmarking could be communicated e.g. development of a common basis/ formula to ensure consistency and comparability and use of dashboards. Sector bodies can also facilitate access to data sets to support analysis¹.
- We would prefer the term 'balanced' instead of 'neutral' and 'unbiased' (e.g. paragraphs 34 & 57) to encourage organisations to provide an objective assessment of both achievements and areas for further improvement.
- A key step to emphasise is to help determine the level and type of performance information to report is to identify the users. A public report is best focused at the strategic level, based on a small number of key indicators (which can be drilled into if required) to minimise information overload. This needs to be clearly differentiated from internal management monitoring and reporting which is likely to operate at a more detailed level.
- We suggest greater emphasis is needed to explain the connection between intended outcomes and the measures selected to assess progress. To support effective implementation, we would suggest introducing a middle stage between the objective and KPI, being 'critical success factors'. This can be particularly useful where the intended outcomes will only be achieved over a long time period e.g. outcomes relating to health improvement. This step can help to identify the factors which need to be in place to support the achievement of the objective (what we want to achieve); from there it is easier to identify the KPI to measure progress towards achievement of the objective.

¹ An example: <http://www.improvementservice.org.uk/benchmarking/>

- The exposure draft is detailed and comprehensive. To simplify and encourage adoption, we suggest greater use of diagrams. An example could be to explain how a performance management framework works, including how it is based on a hierarchy pyramid which feeds a small number of strategic objectives to help organisations to focus on identifying relevant indicators.
- It would be helpful if the document is significantly shortened and simplified to ensure key messages and principles are highlighted more clearly. We question whether the volume of detail provided in the paper is necessary. There is some repetition in the document which could be removed (e.g. elements of paragraphs 22 and 30 are repeated later in paragraphs 59 and 60).

We hope this is helpful.

Yours sincerely,



Alice Telfer
Assistant Director
ICAS

30 May 2014

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
TORONTO ONTARIO CANADA M5V 3H2

Email: stepheniefox@ifac.org

Dear Stephenie

Exposure Draft ED 54 RPG 3 Reporting Service Performance Information

Thank you for the opportunity to comment on the above Exposure Draft (ED). CPA Australia and the Institute of Chartered Accountants Australia (the Institute) have considered the proposals and our comments follow.

CPA Australia and the Institute represent over 210,000 professional accountants. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

CPA Australia and the Institute consider the reporting of service performance information will be necessary to meet the accountability and decision making purposes of general purpose financial reports, as articulated by the International Public Sector Accounting Standards Board. Nonetheless, we consider it premature to require such reporting and we agree that the development of non-mandatory guidance that represents good practice is appropriate.

We do not have any significant concerns with the proposals in the ED. Our detailed response to the specific matters posed for comment is contained in the attached appendix. If you require further information on any of our views, please contact Mark Shying, CPA Australia by email mark.shying@cpaaustralia.com or Kerry Hicks, the Institute by email kerry.hicks@charteredaccountants.com.au.

Yours sincerely



Alex Malley
Chief Executive
CPA Australia Ltd



Lee White
Chief Executive Officer
Institute of Chartered Accountants
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Appendix

Specific Matter for Comment 1

Do you generally agree with the proposals in the ED? If not, please provide reasons.

One purpose of the ED proposals is to represent good practice. The exposure draft also contains an overarching position of encouraging entities to follow its good practice guidance. We agree that the ED provides appropriate encouragement to entities to follow the proposed guidance. We also agree that the guidance proposals generally represent an appropriate baseline as the guidance is written so as to ensure that entities in jurisdictions that have a well-developed approach to reporting service performance information are not constrained by RPG 3 in what they report.

However, we do have concerns that some parts of the guidance itself are expressed in the form of encouragement (e.g., the display of information about outcomes and the reporting of disaggregated cost information). We do not agree with that approach. We believe that once an entity has decided to use RPG 3 it should then be using all of that guidance as we consider it is the reporting against all guidelines that is useful to users in a service performance reporting context. Therefore, we suggest that in articulating the different parts of the guidance that represent good practice, all references to "encouragement" be removed.

Specific Matter for Comment 2

Do you agree with the definitions in paragraph 8? If not, how would you modify them?

We consider the development of standard definitions is a necessary step to improving the quality of reported service performance information within jurisdictions and assists in comparison between jurisdictions.

We agree with the proposed definitions and their explanations.

Specific Matter for Comment 3

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED's coverage of this?

Yes, we agree that the issues of reporting at different levels of government are adequately addressed. We note the increasing use of cross-entity programs in some jurisdictions. Therefore, we believe the guide should be able to inform the consistent development and reporting of service performance for programs that involve multiple entities in the same jurisdiction.

Specific Matter for Comment 4

Do you agree that service performance information should:

(a) Be reported annually; and,

(b) Use the same reporting period as that for the financial statements?

If not how would you modify the ED's provisions on these two matters?

Yes, we agree with the proposal that service performance information be reported annually. Further, we agree with the ED that the provision of information on progress towards multi-year service performance objectives would benefit users. In addition, subject to the benefits outweighing the costs, we agree that the reporting of service performance information should be for the same period as that used for financial reporting. When this is not the case we consider it important that additional disclosures be made. When users require half-yearly financial reporting we consider progressive reporting of service performance information would be beneficial, provided costs do not outweigh benefits.

The ED at paragraph 66 proposes that wherever possible, entities should report against the indicators established before the start of the reporting period using the same methodology and parameters for their computation. While supporting this approach we note this proposal for reporting on service performance is not identical to the approach to reporting on financial performance as articulated in IPSAS 24 *Presentation of Budget Information in Financial Statements* where entities have the option to report actual performance against either published original or final budget. We think there is a risk that users may be confused if the same entity reports its actual service performance against original performance indicators and its actual financial performance against the final budget. However, on balance we support the paragraph 66 proposition as it removes an opportunity for governments to alter performance targets.

Specific Matter for Comment 5

Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

Yes, we agree with the proposed principles. We think the paragraph 39 messaging is important as it ensures that entities in jurisdictions that have a well-developed approach to reporting service performance information are not constrained by the good practice guidance of RPG 3 as to what they report.

Specific Matter for Comment 6

Do you agree with:

- (a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and***
- (b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?***

If not how would you modify them?

We believe it appropriate that an entity has the right to choose between presenting service performance information as part of a report that includes the financial statement or in a separately issued report. We agree that the identified factors are likely to be relevant to that choice and the inclusion of additional information within the separately issued report. In our response to Specific Matter for Comment 4 above, we noted our support for the reporting of service performance information for the same period of time as that used for financial reporting. We believe it would be beneficial to users if service performance information and financial information was released at the same time and covers the same period.

Specific Matter for Comment 7

Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

- (a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and***
- (b) Does not specify one particular style of presentation such as, for example, a statement of service performance?***

If not how would you modify this approach?

Yes, we agree with the proposals as they are flexible enough to allow an entity to tailor the presentation of information to accord with the particular service provided.

Specific Matter for Comment 8

Do you agree with the ED's identification of service performance information that:

- (a) Should be "displayed", where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);**
- (b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and,**
- (c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).**

If not, how would you modify the ED's identification of information for display and for disclosure?

Yes, we agree with proposals (a) and (b). We believe that ED 54 paragraph 80 lists information that would be useful to users in understanding service performance. Consequently, we suggest this information should be disclosed and not just considered for disclosure.

Specific Matter for Comment 9

Do you agree with:

- (a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and**
- (b) The guidance and principles that the ED provides with respect to choice of performance indicators?**

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

Yes, subject to our concerns expressed in our response to Specific Matter for Comment 1 above that some of the guidance itself is expressed in the form of encouragement we agree with the approach and the guidance and principles provided.



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

30 May 2014

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

Dear Stephenie

EXPOSURE DRAFT 54 REPORTING SERVICE PERFORMANCE INFORMATION

The Accountant General Office of Malaysia ("AG Office") and the Malaysian Institute of Accountants ("MIA") are pleased to provide comments on the International Public Sector Accounting Standards Board ("IPSASB") Exposure Draft ("ED") 54 *Reporting Service Performance Information*.

We agree with the Specific Matter for Comments ("SMC") raised in the ED except as set out below.

Specific Matter for Comment 1

Do you generally agree with the proposals in the ED? If not, please provide reasons.

We generally agree with the proposals in the ED. However, we would like to propose that the requirement of paragraph 79 to be expanded to include that when an entity decides what information needs to be disclosed, such information should be based on how the entity views and determines its service performance. This is done by using the information provided internally to key management personnel of the entity as defined in IPSAS 20, Related Party Transactions.

We believe such approach would:

- a) provide useful insight into how the entity views and determines its service performance;
- b) prevent an entity to only select those information that they wish to disclose in the report

- (maybe favourable information) rather than its actual service performance information (which may include both favourable and unfavourable information); and
- c) have practical advantages for preparers of financial statements where they need to disclose the information that is already available.

Specific Matter for Comment 5

Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

We agree with the ED's proposed principles for presentation of service performance information. However, we believe paragraph 37 should be limited to the following:

"The benefits of reporting service performance information should justify the costs imposed by such reporting. The preparation and reporting of service performance information is expected to benefit both users of the information and the entity, as a result of better decision making by management."

We propose to remove the rest of the discussion from the paragraph as these have been discussed in Chapter 3: Qualitative Characteristics of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

We hope our comments would contribute to the IPSASB deliberation in finalising the ED. If you have any queries or require clarification of this submission, please contact Rasmimi Ramli at +603 2279 9200 or by email at rasmimi@mia.org.my.

Yours sincerely,



DATUK WAN SELAMAH WAN SULAIMAN
Accountant General of Malaysia
ACCOUNTANT GENERAL'S DEPARTMENT
OF MALAYSIA



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CEO/TD-RED-AA/14

30th May, 2014

The Technical Director
The International Public Sector Accounting Standards Board (IPSASB)
New York

Dear Sir,

Subject: Response to Exposure Draft (ED) 54 –Reporting Service Performance Information

We welcome the opportunity to respond to the Exposure Drafts on Reporting Service Performance Information, which address fundamental questions of public sector accounting and financial reporting.

We present our comments and views as below:

1) Specific Matter for Comment 1

Do you generally agree with the proposals in the ED? If not, please provide reasons.

We agree with the proposals of the IPSAS Board and propose that this RPG should be enhanced to be made a full IPSAS Standard instead of an RPG. This is because the proposals in this ED is very much applicable to countries and International Organisations operating especially in and elsewhere Africa. This is due to the various interventions supported by Development Partners in this region. Including service performance information in the General Purpose Financial Reports (GPFR) would improve accountability and decision-making, helping to assess the sound use of resources and efficient delivery of services in the public sector.

2) Specific Matter for Comment 2

Do you agree with the definitions in paragraph 8? If not, how would you modify them?

Yes. These definitions form the broad framework and coupled with the examples from paragraph nine to nineteen, users would have better understanding of the application of the various terms described in this RPG. It is worth noting that efficiency and effectiveness indicators are already being used by a number of IPSAS preparers in order to report on their

activities and create a clear link between their operations and their financial reporting. However, the link between strategic planning and reporting of delivered activities is often not optimised.

3) Specific Matter for Comment 3

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED's coverage of this?

Yes. Most Government budgets are now based on the Medium Term Expenditure Framework (MTEF). This requires involving stakeholders and all the various sub-units within government in the objective setting and budgeting process for at least three years. Most Governments in Africa have also started implementing decentralisation programs and it is therefore appropriate to measure performance at the various levels to assist Government and Public Sector entities in decision making.

4) Specific Matter for Comment 4

Do you agree that service performance information should:

- (a) Be reported annually; and,**
- (b) Use the same reporting period as that for the financial statements?**

If not how would you modify the ED's provisions on these two matters?

Yes. This is relevant to ensure that the information can be reviewed on a comparable basis. The guidance provided by paragraph 29, which provides guidance on considering the cost and benefit as well as users' needs for controlling entities that use different reporting period is appropriate. This is because in some cases, donor reporting requirements for some Public sector entities may be different from the financial reporting calendar of the reporting entity and these factors need to be assessed.

For Auditors and other evaluators, this is useful for review and opinions issued on financial statements that includes reported service performance indicators.

5) Specific Matter for Comment 5

Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

We broadly agree with the principles outlined. However with respect to the qualitative verifiability as defined in paragraph 34, this should be further expanded to disclose whether the reported service performance has been independently verified by a qualified body or expert in the relevant performance field. This information is relevant to ensure that users are

not left to interpret performance results but can gain comfort on the fact that the information presented has been 'audited' or certified by an independent or qualified body.

The effective performance management must optimise the link between strategic planning, the subsequent delivery of services, and measurement against budget. This can be supported by an integrated ERP. Moreover, the correct identification of master data, the adequate level of granularity of the information are crucial to enable timely and transparent reporting.

6) Specific Matter for Comment 6

Do you agree with:

(a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and

(b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?

If not how would you modify them?

We agree with the factors and additional information with respect to items (a) and (b). Paragraph 41 (b) which considers whether users' needs and qualitative characteristics taken into account is critical as Public sector may have several stakeholders with varied needs and expectations which need to be accounted for.

7) Specific Matter for Comment 7

Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

(a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and

(b) Does not specify one particular style of presentation such as, for example, a statement of service performance?

If not how would you modify this approach?

Yes. This is relevant because most donors or development partners prescribe different reporting formats for Public sector entities and NGOs implementing various projects or interventions and therefore placing restrictions would not achieve the needs of users and preparers of the service performance information.

8) Specific Matter for Comment 8

Do you agree with the ED's identification of service performance information that:

- (a) Should be “displayed”, where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);**
- (b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and,**
- (c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).**

If not, how would you modify the ED’s identification of information for display and for disclosure?

- a) We agree. The presentation of planned and actual information together with the actual information for the previous period is useful to allow users have a basis for comparison of the information reported to users. Auditors and other reviewers of the reported service performance are also able to confirm these information based on previous signed or audited information.
- b) We agree with the proposed analysis and discussions by the IPSASB. The identification and discussion of the risks associated with delivery of the service is key in developing countries and this need to be reflected appropriately. Most developing countries are still heavily dependent on donor funds and foreign aids to support national budgets. The inability to access these funds on a timely basis impacts on the service performance of most governments across the region.
- c) We agree. The objectives and performance expectations as well as the roles and responsibilities at each level of the chain of responsibilities need to be clearly explained and understood.

9) Specific Matter for Comment 9

Do you agree with:

- (a) The ED’s approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and**
- (b) The guidance and principles that the ED provides with respect to choice of performance indicators?**

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

- a) We agree with comments and as recommended practice, a limited number of performance indicators must be defined and reported against, but these should be relevant for stakeholders and governments in reviewing their performances.
- b) The guidance and principles proposed are clear.

Thank you for given us the opportunity to share our views on this all important exercise.

Yours sincerely

for: 

Fred N. K. Moore
Chief Executive Officer

For: Institute of Chartered Accountants, Ghana



**The Japanese Institute of
Certified Public Accountants**

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May 30, 2014

Ms. Stephenie Fox

Technical Director

International Public Sector Accounting Standards Board

International Federation of Accountants

277 Wellington Street West

Toronto, Ontario, Canada M5V 3H2

***Comments on Exposure Draft 54
“Reporting Service Performance Information”***

Dear Ms. Fox,

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on Exposure Draft 54 (ED 54) “Reporting Service Performance Information” as follows.

I. Comments on specific matters

Specific Matter for Comment 1:

Do you generally agree with the proposals in the ED? If not, please provide reasons.

We generally agree with the proposals in this ED.

We think the pursuit of earning profit should not be the primary objective of public sector entities. Their primary objective should be providing constituents with various services efficiently and effectively. In addition to the information in the financial

statements, we believe it is important for those entities to provide information on the actual performance results of their services. We also believe that developing guidelines for service performance reporting is an important role of IPSASB to improve international comparability on the basis that there are various formats and styles for service performance reporting.

Specific Matter for Comment 2:

Do you agree with the definitions in paragraph 8? If not, how would you modify them?

The descriptions in ED 54 are arranged alphabetically as follows, consistent with the current order of definitions in paragraph 8: “Effectiveness,” “Efficiency,” “Input,” “Outcome,” and “Output.” Considering IPSASB’s definition approach for ED 54 (for example, “output” is included in the definition of “input,” and “output” is included in the definition of “outcome”) and typical activities in the public sector, we believe that it would be appropriate to re-order the descriptions as follows (same as BC37): “Input,” “Output,” “Outcome,” “Efficiency,” and “Effectiveness.”

According to the definition in ED 54, “Economy indicators” are included in “Efficiency.” However, entities in Japan typically disaggregate information into the aspects of economy and efficiency, and analyze and disclose them. We therefore propose that the text in the second sentence in paragraph 6 should be revised from “This RPG does not preclude the presentation of additional information” to “This RPG does not preclude the presentation of additional information or the presentation of disaggregated information.”

Specific Matter for Comment 3:

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED’s coverage of this?

The following passage in paragraph 28 is rather difficult to fully understand: “Service

performance information may be reported by different reporting entities within an economic entity.” We recommend a more specific explanation, such as the following: “Different reporting entities within an economic entity may report their own service performance information on a consolidated basis while controlled entities may concurrently report their service performance information on a narrower consolidated basis.”

Specific Matter for Comment 4:

Do you agree that service performance information should:

- (a) Be reported annually; and,
- (b) Use the same reporting period as that for the financial statements?

If not how would you modify the ED’s provisions on these two matters?

We agree with the proposals in the ED. We believe that paragraph 30 of ED 54 should retain the descriptions of the service performance objectives requiring periods longer than one year to achieve.

Specific Matter for Comment 5:

Do you agree with the ED’s proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

The requirements should be amended so that the relationship between the descriptions of the principles in paragraph 31 and the descriptions in paragraph 40 and thereafter are clarified.

Specific Matter for Comment 6:

Do you agree with:

- (a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and
- (b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?

If not how would you modify them?

We agree with the proposals in the ED 54.

Specific Matter for Comment 7:

Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

- (a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and
- (b) Does not specify one particular style of presentation such as, for example, a statement of service performance?

If not how would you modify this approach?

We agree with the proposals in the ED 54.

As stated in paragraph 6, this proposed RPG outlines the minimum information levels to be presented and should not impede any practices currently implemented by entities or jurisdictions.

Specific Matter for Comment 8:

Do you agree with the ED's identification of service performance information that:

- (a) Should be "displayed", where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);
- (b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and,
- (c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).

If not, how would you modify the ED's identification of information for display and for disclosure?

We agree with the proposals in ED 54.

Specific Matter for Comment 9:

Do you agree with:

- (a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and
- (b) The guidance and principles that the ED provides with respect to choice of performance indicators?

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

We agree with the proposals in ED 54.

II. Other comments

1. Aligned use of examples

ED 54 includes various examples. It can be difficult to understand how those examples relate to each other. We recommend that IPSASB should provide examples of five indicators under the same conditions in order for users to be able to understand the overall image of service performance reporting.

2. Performance indicators

ED 54 limits the performance indicators to five indicators. ED 54 should more explicitly state that this limitation must not preclude any other practices.

In addition, as the premise of assessment of the entity's achievements in terms of its service performance objectives based on performance indicators, the perspective of financial resources should be incorporated into this RPG. The information on whether interperiod equity is ensured or the information on which financial resources (taxes or rate charges) are used should be provided to users along with service performance information. We recommend, for example, that the explanation of the concept of liabilities and revenue should be provided in conjunction with the Recommended Practice Guideline 1, *Reporting on the Long-Term Sustainability of an Entity's*

Finances.

3. Re-ordering of the descriptions from paragraph 40 and thereafter

“Presentation in the Same Report as the Financial Statements or in a Separate Report (paragraphs 40 – 43)” and “Display of Service Performance Information within a Report (paragraphs 44 and 45)” are currently included in the Table of Contents at the same level as other major headings. Consistent with the levels of the other headings, we propose that they should be subcategorized under the proposed major heading of “Location of Service Performance Information.”

Yours sincerely,

Naohide Endo
Executive Board Member
Public Sector Accounting and
Audit Practice
JICPA

Azuma Inoue
Executive Board Member
Public Sector Accounting and
Audit Practice
JICPA

Reporting Service Performance Information

Comments from ACCA to the International Public Sector Accounting Standards Board

29 May 2014

Our ref: TECH-CDR-1266

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. We support our 162,000 members and 428,000 students throughout their careers, providing services through a network of 91 offices and centres. Our global infrastructure means that exams and support are delivered – and reputation and influence developed – at a local level, directly benefiting stakeholders wherever they are based, or plan to move to, in pursuit of new career opportunities.

www.accaglobal.com

Further information about ACCA's comments on this matter can be obtained from:

Gillian Fawcett

Head of Public Sector

Email: gillian.fawcett@accaglobal.com

ACCA welcomes the opportunity to comment on the Exposure Draft 54, Reporting Service Performance Information. We believe our professional accountancy expertise; experience and international reach across the public sector will allow us to make an informed contribution to the proposed recommended practice guidance. The views expressed in this response reflect the opinions of our Global Public Sector Forum, which includes senior finance professionals, academics and advisors from around the world.

SUMMARY

ACCA agrees with the principle of public entities reporting service performance information and the proposals set out in the Exposure Draft. In March 2012 we shared with the IPSASB our publications on the topic of 'making outcomes count' and we are pleased to see that there is consistency with what is being proposed in ED54.

We would like to make two overarching points. Firstly, the exposure draft may benefit from setting out the specific performance measures in a diagrammatical form to illustrate the links between the different measures. For example, the relationships between economy, efficiency and effectiveness and inputs, outputs and outcomes. Secondly, the exposure draft is light on referencing to new reporting developments, such as integrated reporting and its potential impact on reporting service performance in the future. In order to future proof the document the IPSASB should consider acknowledging these new reporting developments.

We are in broad agreement with the proposals in ED54 and have nothing to add in relation to specific comments 6 to 9.

SPECIFIC COMMENTS

Specific Comment 1

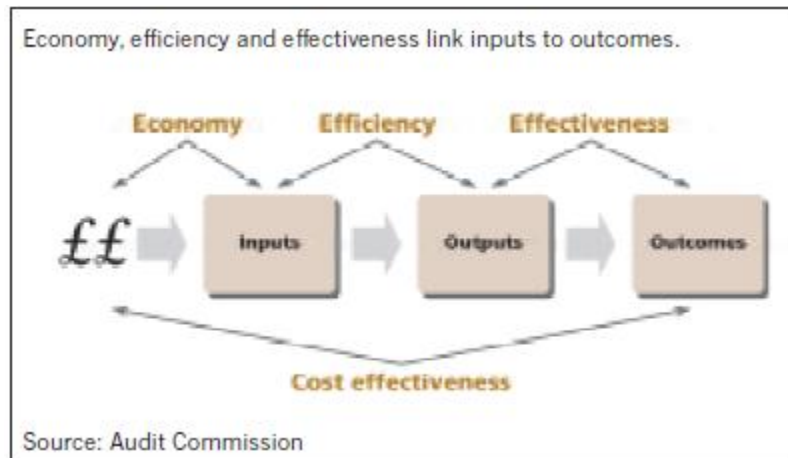
Do you generally agree with the proposals in the ED? If not, provide reasons.

ACCA generally agrees with the principle of public entities reporting service performance information and the proposals set out in the Exposure Draft. In March 2012 we shared with the IPSASB our publications on the topic of 'making outcomes count' and we are pleased to see that there is consistency with what is being proposed in ED54.

Specific comment 2

Do you agree with paragraph 8? If not how would you modify them?

We agree with the definitions set out in paragraph 8. However, the ED may benefit from setting out the specific performance measures in a diagrammatical form to illustrate the linkage between the measures. A suggested model published by the Audit Commission (UK) is outlined below.



Specific Comment 3

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provide by controlled entities? If not, how would you modify the ED's coverage of this?

We agree that the ED adequately addresses reporting of service performance information.

Specific Comment 4

Do you agree that service performance information should:

- Be reported annually, and
- Use the same reporting period as that for the financial statements

If not how would you modify the ED's provisions on these two matters?

We agree that service performance information should be reported on an annual basis to co-inside with the production of the financial statements. However, this should not preclude public entities from reporting more frequently, if they choose to do so.

Specific Comment 5

Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

We agree with the principles set out for presentation of service performance. However, as stated in our March 2012 response, comparing service performance is not as straightforward as the ED makes out. In many cases a public sector entity cannot draw conclusions about its services when compared to another without having regard to the context, service priorities, resources and the way services are delivered. Therefore it is important to stress in the ED that performance indicators can only be used as starting point for understanding differences and drawing conclusions.



The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2 Canada
Per e-mail

02 June 2014

Dear Stephenie,

COMMENT ON EXPOSURE DRAFT 54 ON REPORTING SERVICE PERFORMANCE INFORMATION

We welcome the opportunity to comment on Exposure Draft 54 on *Reporting Service Performance Information*.

Our comment to you is set out in three parts: Part I outlines comment to the specific matters for comment, Part II outlines general comment and Part III outlines editorial and minor comment on the Exposure Draft.

Overall, we are supportive of the proposal to introduce a principle-based approach to develop a consistent framework for reporting service performance information that will meet user needs. Reporting of information about service delivery activities, achievements and outcomes during the reporting period is necessary for governments to achieve public accountability. We are of the view that this type of reporting is critical to governments and to address users' needs with respect to particular services. Given the importance of this information, we would like to see the IPSASB developing mandatory requirements on reporting service performance information in the future.

The views expressed in this letter are those of the Secretariat and not the Accounting Standards Board (Board). In formulating the comment, the Secretariat consulted with a range of stakeholders including auditors, preparers, consultants, professional bodies and other interested parties.

Board Members: Mr V Jack (Chairperson), Mr B Colyvas, Ms T Coetzer, Ms CJ Kujenga, Mr K Kumar,
Mr K Makwetu, Mr G Paul, Ms N Ranchod, Ms R Rasikhinya, Mr M Sass

Alternates: Ms L Bodewig, Mr J Van Schalkwyk

Chief Executive Officer: Ms E Swart



Please feel free to contact me should you have any queries relating to this letter.

Yours sincerely

A handwritten signature in dark ink, appearing to read "Stuart", with a small dot at the end.

Chief Executive Officer

PART I – SPECIFIC MATTERS FOR COMMENT

Specific Matter for Comment 1:

Do you agree with the proposals in the ED? If not, please provide reasons.

We support the proposals outlined in the Recommended Practice Guideline (RPG). The reporting of service performance information is topical and relevant and will provide jurisdictions, especially those in developing countries, with a good base to report their service performance information.

Specific Matter for Comment 2:

Do you agree with the definitions in paragraph 8? If not, how would you modify them?

We support the proposed definitions in paragraph 8, but have suggestions to refine the definitions, which are set out below.

Performance indicators

During the consultation process, stakeholders noted that qualitative discussions cannot be an indicator as this might result in vague discussions about the entity's achievements, which may not be measureable. It was suggested that qualitative discussions could be seen as a pre-cursor to qualitative measures. As performance indicators should be measurable, we suggest that qualitative discussions be deleted from the definition of performance indicators. If qualitative discussions are deleted from the definition, then the same comment applies to the discussion provided in paragraph 59.

If this is retained in the final definition, the explanation of what is meant by a qualitative discussion will need to be explained more clearly and precisely in the text supporting the definition.

Outputs

From a South African perspective, it is common for public sector entities to provide services to internal recipients under administration programmes for which specific service performance objectives are established, for example a corporate office. We question whether such services would be considered outputs in the RPG as they have not been provided to recipients external to the entity. We suggest that the definition of an output should be changed to include these types of scenarios as follows: ~~Outputs are services provided by an entity in accordance with its mandate to recipients external to the entity.~~ The discussion provided in paragraph 18 should also be modified to explain when services to internal recipients would be reported and when they would not.

Outcomes

During the consultation process, stakeholders indicated that, in practice, it is easier to measure outputs and inputs but few entities can measure outcomes because outcomes represent more than just an individual entity's actions, but includes actions of other entities along with other external factors beyond an entity's control. To ensure that only those outcomes that an entity can affect directly are reported, we suggest that the definition of outcomes should be amended as follows: ~~Impacts on society which occur~~ directly as a result of entity's outputs, its existence and operations. +

The reference to *impacts* in the definition of outcomes may be confusing for those jurisdictions where *impact* is identified as a type of performance indicator. We suggest that the definition should be amended and propose the use of *results* rather than impacts in this instance.

Additional definitions that should be considered for inclusion in the RPG

Performance targets

During our consultation process, stakeholders questioned why the IPSASB has not identified *performance targets* in the RPG. As entities will establish periodic targets to support and measure the achievement of their objectives, we are of the view that reporting should be both against targets and objectives. As a result, we propose that performance targets should also be included in the working definitions for service performance information.

The proposed definition is:

Performance targets express a specific level of performance that the entity is aiming to achieve within a given time period.

Service

We question why the term *services*, as envisaged in the Conceptual Framework, has not been defined or explained in the RPG. We are concerned that not all jurisdictions are aware that *services* encompass goods and services. We suggest that the term be clearly explained for those jurisdictions that may be not be well versed with the IPSASB's terminology.

Specific Matter for Comment 3:

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED's coverage of these?

We agree that the RPG has addressed the reporting of service performance information by entities at different levels within government.

However, the discussion in paragraphs 27 and 28 does not clearly indicate that the entity that is accountable for the service performance objectives should ultimately be responsible for reporting service performance information.

From a South African perspective, there is currently no requirement for the provision of consolidated service performance information. We are of the view that it may not be appropriate for the controlling entities to report service performance information for the following reasons:

- It would not be necessary to report performance information of controlled entities as this information would be reported by these individual entities.
- It may not be appropriate to report performance information for the economic entity unless specific performance indicators have been established for the economic entity as a whole.

We suggest that a principle be established, much like the principle applied in IPSAS 24 on *Presentation of Budget Information in Financial Statements*, which requires entities to present a comparison of actual to budget information only if budgets are made publicly available. If such a requirement is included in the RPG, then economic entities will only report performance information when that information and those specific indicators have been made publicly available.

We question why the term reporting boundary has not been defined or explained. We suggest that the term be clearly explained for those jurisdictions that may not be well versed with the IPSASB terminology.

Specific Matter for Comment 4:

Do you agree that service performance information should:

- (a) Be reported annually; and*
- (b) Use the same reporting period as that for the financial statements?*

If not how would you modify the ED's provisions on these matters?

We support the proposal for service performance information to be reported annually using the same reporting period as that for the financial statements. We are of the view that this will enable users to link budget information to the cost of services delivered with the financial statements and service performance information.

Specific Matter for Comment 5

Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not, how would you modify them?

We agree with the proposed principles for presentation of service performance information.

We are of the view that it is ~~%appropriate information+~~ and not ~~%useful information+~~ that enables users to make the assessments listed in paragraph 31, as ~~%useful+~~ is highly subjective. We suggest the use of the ~~%appropriate+~~ rather than ~~%useful+~~ in this paragraph, and in other sections of the RPG, where necessary.

We are concerned how adherence to the proposed principles will be assessed or measured. As it is the qualitative characteristics that are likely to assist in applying these principles, we suggest that the discussion on the qualitative characteristics be enhanced to include more specific discussions about how these should be applied in the context of service performance information. These suggestions are set out below:

Relevance

We suggest that the relevance of service performance information be measured against, or in relation to, the mandate of the entity, i.e. the services for which the entity is accountable.

Faithful representation

We suggest that the principle be explained fully that, in addition to being unbiased, service performance information should be complete, neutral and free from material error for it to

be faithfully represented. All three of these aspects should be explained in their application to service performance information.

Comparability

During our consultations, stakeholders indicated that it may be difficult to demonstrate this principle for both inter-entity and inter-period comparability, in all instances. To make provision for this limitation, we suggest the following amendment: %service performance should provide users with a basis and context to compare an entity's service performance over time, against targets, and to other entities, where possible.+

We also suggest that the explanation of comparability be extended to emphasise that consistent reporting of service performance information will assist and provide users with a basis to compare an entity's service performance over time and to other entities.

Timeliness

We understand that this qualitative characteristic is important especially when the IPSASB considered whether to stipulate that service performance information should be issued at the same time as the financial statements. We are concerned about the IPSASB's decision not to stipulate this in the RPG. We suggest that the discussion on timeliness should be linked with the considerations provided in paragraphs 41 and 42. If, for example, the service performance information is used to inform assessments of resource allocation decisions (as outlined in paragraph 42), then the timeliness of the information should be linked to the publication of the financial statements and comparison with budget information. Similarly, if the information is used to inform the assessment of policy and strategy decisions, then the entity should consider timeliness in this context.

Pervasive constraints

We agree that the pervasive constraints should be applied to service performance information.

During our consultation process, stakeholders indicated their reservations with paragraphs 36 and 37 dealing with materiality that require entities to consider materiality when selecting service performance information for presentation. It was noted that in the absence of guidance, this requirement will be difficult to apply as materiality depends on both the nature and amount of the information to be presented in relation to the entity's specific circumstances. We suggest that IPSASB considers providing more guidance on how materiality is applied to reporting service performance information.

Specific Matter for Comment 6:

Do you agree with:

- (a) *The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the f/s or in a separately issued report (see paragraphs 41 to 42); and*
- (b) *The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?*

If not, how would you modify them?

We agree with the considerations provided in paragraphs 41 to 43. We are of the view that reporting service performance information is more useful when included with the financial statements in a single report to provide the users with a holistic view of the entity's objectives. One of the factors which our constituents highlighted was the potential cost of preparing separate reports. This might be useful in making the decision as to whether to publish a single or multiple reports.

During the consultation process, stakeholders indicated that consideration should be made to the proximity of service performance information to actual and budget comparisons as this will enable the users to link the service performance information to the budget and cost of services delivered in the financial statements.

From a South African perspective, entities prepare an annual report which includes the financial statements, service performance information and various others reports which are required by our Code on Corporate Governance.

Specific Matter for Comment 7:

Do you agree with the ED's proposed approach to presentation of service performance information within a report which:

- (a) Provides scope for entities or jurisdictions to decide how to present information, applying the presentation principles in the ED and further considerations applicable to this decision; and*
- (b) Does not specify one particular style of presentation such as, for example, a statement of service performance?*

If not, how would you modify this approach?

We agree with the RPG's proposed approach that acknowledges that in some jurisdictions presentation requirements may be legislated and thus the guidance should not specify a particular style of presentation.

The discussion in paragraph 46 points out that service performance information should identify an entity's important services which is likely to be found in the entity's planning documents. As important may be subjective to apply without context, we suggest the following amendment to this paragraph: "Service performance information should identify an entity's important services that are core to an entity's mandate, relevant performance indicators and other information relevant to those services" +

Considering that there may be entities applying this RPG with no or limited knowledge of reporting service performance information, we suggest that the IPSASB considers issuing supplementary guidance that illustrates various presentation styles applied in different jurisdictions. As an alternative, the IPSASB could consider including references to reports issued by jurisdictions that were consulted during the development of the RPG for more guidance.

Specific Matter for Comment 8:

Do you agree with the ED's identification of service performance information that:

- (a) *Should be “displayed”, where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);*
- (b) *Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and,*
- (c) *Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).*

If not, how would you modify the ED’s identification of information for display and for disclosure?

We generally agree with the proposals set out in the RPG.

During the consultation process, stakeholders indicated the difficulty that may be experienced in providing information on the cost of services in accordance with paragraph 50(c). In practice, entities may only be able to link the cost of the services to inputs rather than outputs. It was also noted that it may not be possible to provide the comparison of services to costs as this information is dependent on how the entities’ cost structures have been established. For instance, if costs are not structured per programme then it may be not be possible to extract the relevant information for these comparisons.

From a South African perspective, activity based costing is not widely applied and it therefore may not be possible to provide a comparison of costs at an activity-level. As similar countries may be in a similar position, we suggest deleting paragraph 50(c) from the information required for display. This will require rewording to the later paragraphs that discuss the provision of cost information.

We agree with the disclosures to be provided for narrative discussion and analysis. We are of the view that there should be stronger emphasis on the fact that narrative discussion and analysis should be concise and focus on issues that are critical to the users’ understanding of service performance information reported. We suggest the following amendment to paragraph 69: Narrative discussion and analysis should be concise and focus on issues that are critical to support users’ assessments of the efficiency and effectiveness of services +

We are of the view that the matters discussed in paragraph 79 and 81 are closely linked. We suggest the two paragraphs should follow each other and precede the disclosures in paragraph 80.

During the consultation process, stakeholders indicated that paragraph 80 (d) and (g) may be problematic to apply in practice. For paragraph 80(d), it may not be possible to explain the relationship to different performance indicators as they may relate to different objectives. We suggest that the relationship should rather be expressed in terms service performance objectives and not performance indicators. Consistent with the comment made above about the difficulty of providing cost information, entities are likely to find the requirement in paragraph 80 (g) equally challenging due to unavailability of information.

If the definition of ~~performance targets~~ is accepted, we suggest that these targets should be displayed for each relevant service reported in accordance with paragraph 50. For service performance objectives that span more than one reporting period, entities are likely to have set performance targets on which they report results at each reporting period.

Specific Matter for Comment 9:

Do you agree with:

- (a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present rather than requiring entities to report on a particular types of performance indicators, for example outcomes or outputs; and*
- (b) The guidance and principles that the ED provides with respect to choice of performance indicators?*

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

We agree with the RPG's proposed approach not to identify specific indicators to be reported for service performance information. The guidance and principles on the selection of performance indicators is not definitive and can be broadly applied in practice.

PART II – GENERAL COMMENTS

Minimum information requirements

We support the IPSASB's decision to adopt an approach to provide principles and guidance, and recommend minimum requirements for reporting service performance information. During our consultations, there was significant uncertainty about what these minimum requirements are. These minimum requirements have not been clearly set out in the RPG and we are concerned that entities planning to report service performance information in the future, or those with limited knowledge of reporting service performance information, may not be able to make a distinction between the minimum requirements and additional requirements. Also, if the minimum requirements are not clear, then compliance with the RPG is difficult to assess. As an example the reference to the words 'should be considered for disclosure' in paragraph 80 does not clearly suggest whether these disclosures are minimum requirements or additional requirements. We suggest that the IPSASB revisits the wording used throughout the RPG to clarify this issue.

Establishing service performance objectives

Given the diverse service performance objectives and service delivery contexts, we understand the IPSASB's challenge in developing guidance that would be useful to all public sector entities that elect to apply the RPG. Considering that the RPG will be used by public sector entities, including some with no or limited knowledge on reporting service performance information, we are concerned that the RPG is silent on the importance of implementing a robust performance management framework to assist in setting service delivery objectives. We are of the view that reporting service performance information cannot be separated from the process of performance management. We suggest that the IPSASB considers including a brief discussion on the importance of a credible performance management process to identify service performance objectives which should then be included in the entity's strategic or operational plan.

PART III – EDITORIAL AND OTHER MINOR COMMENTS

The following editorial and other minor comments are proposed:

Paragraph	Comment
10.	We suggest that the last example in this paragraph should be reconsidered, as we are of the view that it demonstrates efficiency rather than effectiveness.
18. bullet (d)	Delete the second (d) in the bullet.
31. bullet (b)	It is not clear what is meant by %financial results+ in this paragraph, and we suggest the following amendment: %financial statements results in the context of its achievement of service delivery objectives+
42.	Reference to paragraph 44 should be paragraph 41.
57.	This section is silent on how qualitative indicators should be measured. We suggest that the discussion be expanded to include a discussion on measurement of qualitative indicators.
66.	We are of the view that this should be a requirement. We suggest the deletion of %wherever possible+ in the second sentence.
81.	Reference to paragraph 79 should be paragraph 80.

31 May 2014

The Board Members
International Public Sector Accounting Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, New York 10017 USA

Page |
1

Dear Board Members:

Re: Comments on Exposure Draft 54 (ED 54), Proposed
Recommended Practice Guideline 3 *Reporting Service Performance Information*.

We wish to place on record our sincere admiration for the hard work done by the Board and its staff for enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

We are also pleased to convey our impression of the proposed Recommended Practice Guideline (RPG3). RPGs provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSASs RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. Our comments are in two parts: responses to specific questions raised in the explanatory memorandum and recommended specific changes to wordings.

[Abbreviations: spi = service performance information; p. = para in the proposed RPG3 followed by number (capital "BC" with number refers to the para in the "Basis of Conclusion"), RPG = RPG3 = proposed Recommended Practice Guideline 3, Board = IPSAS International Public Sector Accounting Standards Board, IFAC = International Federation of Accountants].

Summary of our Comments:

Enlarge the RPG's scope to include public as well as non-public sector entities¹. Provide specific guidance on the selection and reporting of spi. Clearly designate the requirements in bold text². State consistently that the service performance information assists the users to assess the entity's service efficiency and effectiveness³. Define the term "entity" to include a single or multiple activity, program, project, etc. Identify the key personnel of the entity and those engaged in compiling spi. Recognise explicitly that the quality of spi is directly dependent on the system of processing transactions in place⁴. Define, identify, measure, record, and report - input and output. Take proper measures for maintaining the integrity of spi; perhaps its time now to acknowledge the natural tendency to present performance indicators that are biased towards reporting positive results⁵. Recognise access to information by the public as a qualitative characteristic of information; also, what's reported should be made user-friendly (e.g., visuals and simple/local non-technical language). Cross-reference the rpg with its basis of conclusion to facilitate readers. Include as specific matter for comments, feedback from commentators on the impact of the ED on the local practices.

¹ The entities in non-public sector known as non-governmental organizations (ngo) in many cases compliment, supplement or provide services similar to the public sector entities. The RPG may be equally be applicable to them.

² The RPG identifies no requirements but asserts in p.5: "Service performance information should not be described as complying with this RPG unless it complies with all the requirements of this RPG." Right next to the title page of this RPG, it asserts: "Unlike IPSASs RPGs do not establish requirements."

³ Whereas the statement in para 1 is tentative and perhaps inaccurate. "Service performance information can also assist users to assess the entity's service efficiency and effectiveness."

⁴ This is about making available human and material resources. See p.54: "Indicators that involve quantification should be able to be measured reliably. "

⁵ The assertion in p.57 is: "Entities should avoid any tendency to present performance indicators that are biased towards reporting positive results. " It is not entities but key personnel. Also in p.79 it permits the same: "Judgment will be involved in deciding what information needs to be disclosed. "

1. Specific Matter for Comments:

Q1: Do you generally agree with the proposals in the ED? If not, please provide reasons.

We compliment the Board for picking up an important topic for deliberation. We like the manner in which the contents of this RPG have been laid out alongwith Basis of Conclusion. We generally agree with the principle-based proposals⁶; it is certainly a step forward⁷.

We find the RPG to be light on two fundamentals principles: selection of performance indicators⁸ and reporting of spi⁹.

In the first instance, “the IPSASB considered whether the RPG should require entities to report all five types of performance indicators— inputs, outputs, outcomes, efficiency and effectiveness—for the services that they provide”¹⁰, but do not; instead it provides guidance on how an entity should choose the types of performance indicators that it reports. Furthermore, “the IPSASB also considered whether the RPG should require entities to report outcome indicators. Outcome information is important to users, because it focuses on the ultimate reason for service provision, which is the impact that services have on the community”¹¹. We do not agree with your approach on both. The Board should not leave the most critical matter of selecting of performance indicators at the discretion. It should not shy from requiring reporting of spi on these lines. Permit exceptions with supporting explanation.

⁶ See BC6: “this RPG sets out principles based guidance for the reporting of service performance information by public sector entities.”

⁷ We agree with BC9: “Service performance information is a developing area, which means that the RPG should not be overly prescriptive.”

⁸ See BC-37 & 38.

⁹ See BC-39 & 40.

¹⁰ BC-37

¹¹ BC-38

Similarly, there are two different approaches to the reporting of spi¹² (or a hybrid, combining the two). “A more outputs focused approach reports information about the services provided”¹³. A more outcome focused approach “explains how well the entity is doing in terms of achieving its objectives, where those objectives are described in terms of outcomes”¹⁴. “The IPSASB considered whether the RPG should include guidance specifically tailored for each approach, but decided against this”¹⁵.

We call upon the Board to reconsider its stand and provide specific guidance. Also, the Board should recognise two additional principles to enrich the RPG and link it to the point it all originates and ends: a reference to the quality of system of transaction processing in place and public access to the reported information, respectively.

The principle that the quality of information relates directly to the quality of transaction processing system (tps) in place in terms of human power, procedures, hardware and software, is well established. Those responsible for the spi should be made aware of this responsibility. Unless provided for specifically in a tps that is effective and functional, the spi is not possible.

Similarly, the end-point of spi in public sector entities is when a user is empowered to make use of such information. Hence, access to information by general public assumes the most important qualitative characteristic for public sector entities.

The strength of this RPG is its proper emphasis on non-financial indicator¹⁶.

¹² See BC-39: “In developing this RPG the IPSASB acknowledged that there are differing approaches to reporting service performance information, including approaches that are more output focused and approaches that are more outcome focused.”

¹³ BC-39

¹⁴ Ibid

¹⁵ BC-40

¹⁶ Our favourite statement is: “Reporting non-financial as well as financial information about service delivery activities, achievements and/or outcomes during the reporting period is necessary for a

Q2: Do you agree with the definitions in paragraph 8? If not, how would you modify them?

Yes, we do.

The concept of “materiality”¹⁷ is sufficiently important to be included as a definition.

Also, define an “entity”¹⁸ to mean a specific project, program or activity etc.

Related to above, define the terms “controlling entities”¹⁹ and “controlled entities”²⁰.

Q3: Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED’s coverage of this?

The situation appears to be more complicated as many critical matters have been left at the discretion of practitioners, as mentioned in our response to Q1.

We would consider entities to report all five types of performance indicators—inputs, outputs, outcomes, efficiency and effectiveness—for the services that they provide, alongwith the outcome indicators.

We would also consider providing reasonable guidance on when to use output or outcome focused method of reporting spi, or a combination.

What’s the point of this RPG if such critical matters are to be left at the discretion of the practitioners?

government or other public sector entity to discharge its obligation to be accountable—that is, to account for, and justify the use of, the resources raised from, or on behalf of, constituents.” See BC5

¹⁷P 38: “Materiality is a key issue to consider when selecting service performance information for presentation. Information is material if its omission or misstatement could influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity’s reported service performance information prepared for that reporting period. Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity”.

¹⁸ As in p.1, 2, 4, 8, 9, 10, 15, 17, 21, 23, 24, 25, 28, 29, 31, 32, 34, 36, 37, 38, 39, 40, 43, 46, 47, 48, 50,51,54,55, 57, 60, 68, 81.

¹⁹ As in p.29, 43, 48, 63.

²⁰ As in p.43, 63.

Q4: Do you agree that service performance information should:

(a) Be reported annually; and,

(b) Use the same reporting period as that for the financial statements?

4a. As a minimum annual reporting of spi appears to be reasonable. This may also be true for inactive or dormant entities. However, as in commercial enterprises, monthly closure and reporting should be a norm. Where required for understanding, information aggregated for a number of accounting periods may be more appropriate.

4b. We also agree with the rationale of BC23. This should not be necessary. However, we rate timeliness to be on top of qualitative characteristics and would like to see some kind of limit. This may be upto a year at the most.

Q5: Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

The principles stated appear to be incomplete without explicit recognition of importance of transaction processing system in place for compiling spi. This implies the responsibility on the part of stakeholders to make resources available. Furthermore, unless access is granted to the general public, the purpose of undertaking reporting of spi remains incomplete.

We find the materiality principle to be sufficiently important to recommend including its definition in p.8.

In addition to above, the practice of disclosing proper explanation for supporting each of the calculations of quantitative spi should be explicitly mentioned²¹.

²¹ See p.79: "There should be sufficient information for users to understand the basis of the displayed service performance information."

Q6: *Do you agree with:*

(a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and

(b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?

If not how would you modify them?

We completely agree with the wisdom in BC-30²² & 31²³.

Where something has been prescribed by the law, it should be followed in the spirit.

The spi should be disclosed separately even when bundled with the financial statements as a package as an annexure, if there's a choice. It will be appropriate to link the two documents through cross-referencing and reconciliation of amounts where necessary.

When there's a choice whether to make spi an integral part of the financial statements or to disclose it separately, the choice should be for the later. The financial statements are general in nature and should not distract the user.

The spi requires comparison with the planned results. Its main focus is on matters such as effectiveness, efficiency, input, output, and outcomes. Whereas the information in the financial statements is more general in nature. In our opinion, a user is likely to be distracted when spi is disclosed alongwith the GPFS. Also, a sense of proportion is lost.

²² "The IPSASB considered whether service performance information should be located in the same report as the financial statements or in a separate report. It noted that while many national jurisdictions treat service performance information as distinctly different and therefore separate from information provided with the financial statements..."

²³ "The IPSASB noted that there may be some implications for the audit of the financial statements, if service performance information is included in the same report as the financial statements".

For example, if an entity is managing a number of hospitals offering similar services in its jurisdiction, including spi on consolidated basis may be possible to a certain extent within the financial statements. However, where spi is to be provided with reference to each hospital, consolidated information may be even misleading.

We are not recommending total black out of spi from the financial statements. Indeed, consolidated information may be stated therein with cross-reference to the presence of a separate report which may or may not be a part of the financial statement.

What we are suggesting is that the spi should be released with the financial statements and should be placed separately.

We are also recommending that proper cross-references should link the two statements.

To para-phase, the question is whether financial statements and spi be released and placed in the same document? If placed in the same document, should the spi be an integral part of the financial statements; or should spi be disclosed and designated as a separate document?

In our opinion, the spi and financial statements are mutually exclusive. They should not be bound with each other. Yes, at some level, there's a link between the two which should be highlighted. However, one should not be tied with the other. The two documents may be released separately.

Where the two are released together, our recommendation is for the spi to be designated separately,

6(b) The condition is that the user should be informed of the existence of the other through a proper disclosure.

Q7: Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

(a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and

(b) Does not specify one particular style of presentation such as, for example, a statement of service performance?

If not how would you modify this approach?

7(a) No. We do not agree with ED's proposed approach which provides discretion to the practitioners to decide how to present the information.

7(b) We agree that the RPG should not specify a particular style of presentation. However, we believe that all disaggregated information should be enclosed separately in a statement titled "Statement of Service Performance".

Q8: Do you agree with the ED's identification of service performance information that:

(a) Should be "displayed", where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);

(b) Should be disclosed as part of narrative discussion and analysis (see p. 70 to 77); and,

(c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).

If not, how would you modify the ED's identification of information for display and for disclosure?

8(a) We agree.

8(b) We agree but do not find the contents of p.76. Also, we would like to see the example in p.77 replaced with a better one as in case of situations in a hospital or law enforcement.

8(c) We agree.

Q9: *Do you agree with:*

(a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and

(b) The guidance and principles that the ED provides with respect to choice of performance indicators?

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

9(a) No, we don't. We would consider entities to report all five types of performance indicators— inputs, outputs, outcomes, efficiency and effectiveness—for the services that they provide, alongwith the outcome indicators.

9(b) To Apply only when there is an exception to our statement in 9(a).

*Q10. What impact would you expect of the proposed ED on the practices in your local environment?*²⁴

The public sector accounting practices at Federal and Provincial levels in Pakistan are completely outdated. An ambitious project of improving it was undertaken a few years ago with the assistance of an international development institution. Its impact is yet to be felt.

The one-step-forward-two-backwards pace of progress is because of discontinuity and unconstitutional interruptions in the democratic process of the country.

The public sector entities are accountable to the Federal and Provincial Public Accounts Committees of the Parliament. The Accounts Committees have a track record of being largely ineffective because of political considerations, lack of competence and expertise.

²⁴ This is not a part of questions from the Board; we made up this question on our own.

Only in the last Government, the Opposition headed the Accounts Committee at the Federal level but its task was made so difficult because of non-cooperative attitude that its Chairman resigned mid-term.

In the present Government, a fellow Chartered Accountant is the Finance Minister. However, improving the public accountability is not likely to one of his top priorities.

We humbly request the Institute of Chartered Accountants of Pakistan²⁵ to fully participate in supporting the present Government for improving its accounting and accountability processes of public sector entities that use trillions of rupees without making visible difference to the wellbeing of general public. We have so far completely ignored this aspect of social obligation and responsibility as professional accountants.

This ED is capable of changing so much but is not likely to have any positive impact in improving the working of our government at any level.

3. Proposed changes in wordings:

(Wording we suggest is in

italics)

p.1. Service performance information ~~can also~~ should assist users to assess the entity's service efficiency and effectiveness.

p.2 Compliance with this RPG is ~~not~~ required in order for an entity to assert that its financial statements comply with International Public Sector Accounting Standards (IPSASs).

p.3 This RPG *contains principles and resultant practices* is applicable to all public sector entities ~~other than Government Business Enterprises (GBEs)~~ and non-public sector entities.

p.4 ~~Although this RPG does not apply directly to GBEs, the services related to a GBE controlled by the reporting entity are within the scope of this RPG.~~

p.6 This RPG requires ~~does not preclude the~~ presentation of additional information if where such information is necessary for ~~useful in~~ meeting the objectives of financial reporting and meets the qualitative characteristics of financial reporting.

²⁵ We dedicate these comments to our dear Institute.

Read with BC 13, it should be obvious that the regulatory requirements would prevail over RPG in every single instance. Therefore, a lengthy explanation on this appears unnecessary.

p.7 In some jurisdictions, the preparation and presentation of service performance information is a legislative or regulatory requirement. ~~Entities are encouraged to disclose information about the impact of such requirements on compliance with this RPG.~~

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12

p.9 Effectiveness describes the relationship between an entity's actual results and its service performance objectives, ~~where the results and the related service performance objective are consistently expressed in outputs or in outcomes.~~ An entity's service performance objectives may be both objectives expressed in terms of outputs and objectives expressed in terms of outcomes. ~~When reporting on its e-Effectiveness means the entity may report the extent to which each relevant service performance objective has been achieved.~~

p.10. ~~The more effectively an entity operates as a service provider, the better will be its actual results (outputs actually provided or outcomes actually attained), when measured against its planned results.~~ Effectiveness is measured by comparing the actual outputs or outcomes with planned results.
Bc13:

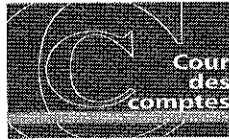
p.25 Service performance information ~~is a sub-set presented should be tailored to~~ of the entity's service performance objectives.

The contents of p.76 are difficult to understand. The example in p.77 was found to be of limited applicability. An example with more global presence as in case of hospital/judicial services is suggested.

End of Comments.

Sincerely,

Altat Noor Ali
Chartered Accountant.



Paris,

Comité consultatif sur la normalisation des comptes publics
(Advisory Committee on Public Sector Accounting Standards)

The Chairman

IPSAS Board Exposure Draft ED 54 « Reporting Service Performance Information ».

Dear Mrs. Fox,

The Cour des comptes wishes to address its observations in the consultation process launched by the IPSAS Board on the Exposure Draft ED 54 « Reporting Service Performance Information ».

The Cour des comptes (for the Central Government and the social security), and the “chambres régionales des comptes » (for the local authorities) have a legal mission of appreciation of the performances of the policies and of the management of the public entities within their field of competencies.

But the Court considers that this specific field is not relevant for the IPSAS Board, whose priorities should be focused on financial statements and accounting standards. This field is different from the appreciation of the performance. The Court is vigilant, for its part, to dissociate, in its own missions, those dealing with the external audit of the financial statements from those looking at the appreciation of the performances of the public entities.

One has in fact to observe that reporting on performance deals with a much wider perimeter than the financial statements:

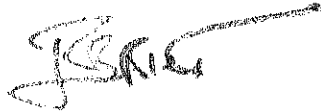
- Performance has at first to be measured in reference to the objectives of an entity or a policy. It may be measured through many indicators, some of them having no link with the financial statements, such as, for example, indicators of quality of service or physical and non-monetary indicators, or indicators focused on target rates of projects achievement, that have no necessary linkage with elements recognized and measured in the financial statements.
- Another point is the difference in nature between the financial statements and the reports on service performance described in the ED 54. The view of the Court is that the financial statements have to follow the periodicity of the fiscal years and annual cycles, when performance measurement may more adequately follow multi-year cycles, depending from the duration and the target dates of achievements of the policies or programs. This point may be illustrated, at least in France, through the reports on multi-years programs or actions, elaborated in support of the budgetary debates for the central state budget, or on the multi-year conventions of objectives monitoring the entities of the Social security or other public sector bodies, all of them including a large numbers of performance indicators assigned on four or five years periods.

The Court then dreads that the proposed RPG might bring results opposite to the alleged purposes, through an impoverishment of existing reporting on performance in those entities already practicing it in support of their budgetary debates or through a reduction to a minimum, as mentioned in para 6 of the ED. In spite of its non-mandatory qualification, the RPG might in the future become an implicit reference, assimilated to recommended good practices, even if its real nature would be closer to minimal prescriptions. This could contribute to deteriorate existing and more ambitious best practices.

More generally, for the Court, appreciation on service performance is a step in the budgetary processes, preparing the decisions of the voting authorities on objectives and resources or reporting to them on the rate of achievement, results and use of resources compared to commitments. The reporting tools on service performance are

useful in their range, as well as financial statements in their own field, which is not the same being focused on financial and accounting information for each fiscal year. The IPSAS Board should remain in priority within the boundaries of this specific field.

Comments on specific matters are displayed hereafter.

A handwritten signature in black ink, appearing to read 'R. Briet', with a long horizontal stroke extending to the right.

Raoul BRIET

APPENDIX: specific matters for comment

Recalling its general opinion that settling rules and guidelines on service performance reporting is not the mission of the IPSAS Board, the Court brings the following answers on specific matters for comment.

Specific matter for comment 1 (generalities)

(See above).

The Court takes note of the dual concepts of “output” and “outcome” in order to characterize the achievements of a public policy. Without challenging the theoretical basis of this dichotomy, one can wonder if its academic coloration will really contribute to help public managers in charge of reporting on the concrete results of their action. The Court also recalls that this distinction is not usual among many of the member states within the EU which have already built and used service performance reporting tools.

Specific matter for comment 2 (definitions)

The Court regrets that the IPSAS Board has decided to ignore the “economy” indicator, and is not persuaded by the explanations given in BC 17. Considering that the economy indicator aims at the measurement of the link between allocated resources and goals assigned to an entity or a policy, it should play a major role in the processes of decision making in the public sector, especially during the budgetary debates, which focuses mainly on allocation of scarce resources between various objectives. Furthermore, not to consider the economy indicator seems not to be in accordance with the QC mentioned in chapter 3 of the Conceptual Framework : “ provide information useful for... decision making purposes” (para 3.1).

Specific matter for comment 3 (consolidated entities)

The Court dreads the effects of reporting overload in groups, if, at the mother entity level, compilations of reports coming from the controlled entities have all to be

presented. This approach emphasizes consolidation in its accounting definition. This seems too rigid when dealing with service performance reporting, and should be adapted to the real user needs of those reports on service performance, where selectivity and users' priorities should also be taken into consideration.

The Court however acknowledges that the comments in BC 18 bring some nuances compared to the main text, where para 27 and 28 ("reporting boundary") look imperative and should be amended. Moreover, the recurrent question of the application of the present proposals to the GBEs is still and again pending here.

Specific matter for comment 4 (reporting periods)

As mentioned above, the Court is not in favor of a guideline establishing that financial statements and service performance reports should be delivered at the same date and within the same reporting periods that the financial statements. This refers to the fact that performance objectives and related resources assignments are often based on multi-years programs and measured by multi-year series of indicators. The Court would prefer to propose to take into account the priorities of the budgetary agendas and decision process cycles among the public entities.

Specific matter for comment 5 (Presentation principles)

No specific comment.

Specific matter for comment 6 (attached or separate reports)

Preference for option B, separate reports from financial statements.

Specific matter for comment 7 (presentation guidelines)

RPGs should only mention "recommended good practices" and not advocate ruling ways relevant only of standards. The Court is not in favor of directive options on service performance reporting, and, prefers to leave to the entities a large ability to adapt their rules of reporting in that field.

Specific matter for comment 8 (information identification)

The Court as no specific comment here, but notes that the dichotomy « display/disclose » is not easy to import in other languages, point already mentioned in the consultation on “conceptual framework, presentation of the financial statements”.

Specific matter for comment 9 (general approach)

See above, cover letter and SMC 1 & 2.



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4 June 2014

Dear Ms. Fox

Exposure Draft 54: Reporting Service Performance Information

Ernst & Young Global Limited, the central coordinating entity of the global EY organization, welcomes the opportunity to offer its views on the above Exposure Draft (ED or proposal).

We generally agree and support the IPSASB's proposal on reporting service performance information support as this guidance fills a gap in this area of reporting by public sector entities.

Please find our responses to the specific matters for comments set out in the Appendix to this cover letter. Should you wish to discuss the contents of this letter with us, please contact Thomas Müller-Marques Berger at (+49) 711 9881 15844 or via email at thomas.mueller-marques.berger@de.ey.com or Serene Seah-Tan at (+65) 6309 6040 or via email at serene.seah-tan@sg.ey.com.

Yours sincerely,

Ernst & Young Global Limited



Appen i

IPSASB Specific Matter for Comment 1:

Do you generally agree with the proposals in the ED? If not, please provide reasons.

We generally agree and support the IPSASB's proposal on reporting service performance information as this guidance fills a gap in this area of reporting that has been lacking guidance. However, we note the following for the Board's consideration:

- ▶ We agree that this guidance be issued as an RPG for now, but we urge the Board to revisit this decision at a later stage, i.e. elevating this to a standard. Although service performance information is not part of financial reporting, as mentioned in BC 5, the primary function of governments and most public sector entities is to provide services to constituents; hence we believe that their financial results need to be assessed in the context of the achievement of service delivery objectives.
- ▶ The required information under paragraph 43 (information required when service performance is reported separately from financial statements) is based on the assumption that the entity reporting service performance information is required to prepare GPFS. Instances where an entity is not required to prepare GPFS, but elects to prepare a service performance report in accordance with this RPG, should be required to provide relevant financial data to help users understand the service performance report.
- ▶ The guidance in paragraph 55 seems contradictory to the objective in paragraph 31. Paragraph 31 states that
"An entity should report service performance information that is useful for accountability and decision making. It should enable users to assess the entity's:
(a) Service delivery activities and achievements during the reporting period ..."

In order to meet the objectives as described in paragraph 31, the information described in paragraph 55 should be required, and not just 'encouraged' to be displayed. Moreover, the last sentence of paragraph 55 rightly reinforces and justifies the importance of such disclosure - "By reporting outcomes in relation to inputs and outputs an entity most directly addresses the question of whether the entity's service provision is having the intended effect and whether the resources spent on services are producing the intended results."

- ▶ Paragraphs 45, 47 and 49 discuss the level of detail that is appropriate when displaying relevant service performance information without linking it back to meeting the users' needs as described in paragraph 31. We think the level of detail provided needs to meet the objectives in paragraph 31 as well.

IPSASB Specific Matter for Comment 2:

Do you agree with the definitions in paragraph 8? If not, please provide reasons.

The current definitions of effectiveness, efficiency and outcomes in paragraph 8 are as follows:

"Effectiveness is the relationship between actual results and service performance objectives in terms of outputs or outcomes.

Efficiency is the relationship between (a) inputs and outputs, or (b) inputs and outcomes.

Outcomes are the impacts on society, which occur as a result of the entity's outputs, its existence and operations."

Here are our comments on the definition of 'outcomes' (and the related description in paragraph 15):

- ▶ We believe it is important to establish causality between entities' inputs / actions and the outcomes it reports on, with a view to providing quality performance information. Following on the example of crime reduction in paragraph 15, a piece of useful information for user would be how much of the reduction in crime can be directly attributed to the work of the entity and hence its "performance"? The user of the information needs to understand these causal relationships if the information is to be useful. Therefore we recommend including some additional guidance around how such context can and should be presented.
 - ▶ This could be partially achieved through amending the definition of 'outcomes', by adding the word 'directly' in the definition of outcomes.
- ▶ The effectiveness and efficiency of a public sector entity is measured with reference to outputs or outcomes. In relation to the definition of 'outcomes', it's not clear how entities are supposed to assess effectiveness and efficiency with outcomes whose definition includes 'existence'. To us, in order for an entity to make an impact, existence is a given, an entity has to exist to have outputs and operations. Hence the reference to existence seems superfluous.

Further, the illustrations in paragraph 15 appear to be too simplistic. Using the example in paragraph 15 - attributing falling crime rates in an area to the mere existence of a crime prevention agency - presumably there would be multiple factors that influence crime rates (e.g. extent of bribery/corruption and collusion between criminals and the police force).

- ▶ As the service performance report of an entity relates to its achievement of objectives and utilization of resources to realize those objectives for the recipients of its services, how would an entity track its impact beyond identifiable recipients/beneficiaries of its activities? We suggest that outcomes be defined more narrowly, and include only identifiable recipients and beneficiaries. If it is applicable and feasible for some agencies to measure its impact on the wider society, we suggest that the Board consider exploring that in an explanatory paragraph, instead of including 'society' in the definition.
- ▶ In summary, we suggest deleting paragraph 15, modifying the definition of outcomes as follows and adding an explanatory paragraph on possible impact that's wider than identifiable recipients and beneficiaries:

- ▶ “Outcomes are the impacts on identifiable recipients and beneficiaries ~~society~~, which occur directly as a result of the entity’s outputs, ~~its existence~~ and operations.
- ▶ In circumstances where an entity is able to assess the outcomes of its outputs and operations wider than identifiable recipients and beneficiaries, it should assess its effectiveness and efficiency on that wider basis.”

IPSASB Specific Matter for Comment 3:

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED’s coverage of this?

We believe that it is important to link service performance reporting different levels of entity within government, to the concepts and principles in IPSAS 24 *Presentation of Budget Information in Financial Statements* on reporting budget information. There is a logical connection between the resources that are reported on in IPSAS 24, and the activities those resources are used in and reported on in terms of this proposed RPG. Without the corresponding budget information as context, it may be difficult to adequately assess entity performance.

More specifically, we recommend that the principle of public availability / accountability be included as a guiding principle for determining when and what service performance information should be reported.

IPSASB Specific Matter for Comment 4:

Do you agree that service performance information should:

- (a) Be reported annually; and,
- (b) Use the same reporting period as that for the financial statements?

We agree that service performance information should at least be reported annually, and use the same reporting period as that for the financial statements. In cases where the reports are not the same reporting period, there should be reconciliation disclosures and additional comparative cut-off disclosures to enhance users’ understanding of the service performance report.

IPSASB Specific Matter for Comment 5:

Do you agree with the ED’s proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

We agree.

IPSASB Specific Matter for Comment 6:

Do you agree with:

- (a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and
- (b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?

If not how would you modify them?

- a) We suggest that Paragraph 41 include discussion of audit considerations as one of the factors when deciding whether to provide service performance information as part of a report that includes the financial statements or separately, i.e. if the information in the service performance report does not need to be audited, but the rest of the report containing the financial statements has to be audited, presenting the service performance report in that report might not be feasible.
- b) Paragraph 43: If the service performance report is prepared in accordance with this RPG and other legislative requirements, the name and other relevant details of the legislation should also be disclosed.

IPSASB Specific Matter for Comment 7:

Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

- (a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and
- (b) Does not specify one particular style of presentation such as, for example, a statement of service performance?

If not how would you modify this approach?

We agree.

IPSASB Specific Matter for Comment 8:

Do you agree with the ED's identification of service performance information that:

- (a) Should be "displayed", where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);
- (b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and
- (c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).

If not, how would you modify the ED's identification of information for display and for disclosure?

- a) It is not apparent that the requirement in paragraphs 50 & 51 is drafted on the basis of communicating key messages in a GPFR. If that is the Board's intention, it needs to be spelt out in paragraphs 50 & 51. However, we are not sure how preparers would be able to display information on that basis, in particular, **planned** (emphasis added) information with respect to performance indicators and service costs (as required in para 51a).

Additionally, we believe it would be more useful to present performance information relating to inputs and outcomes in detail since these are directly attributable to the entity's performance, and to provide more high-level, narrative information about impacts which may have been partially influenced by the entity's performance, in a separate section.

IPSASB Specific Matter for Comment 9:

Do you agree with:

- (a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and
- (b) The guidance and principles that the ED provides with respect to choice of performance indicators?

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

(a) & (b): We agree.

Minor editorials:

- Para 42 made a reference to paragraph 44, but the reference should be to 41: '42. With respect to point (a) in paragraph 44- 41 above ...'

Schweizerisches Rechnungslegungsgremium für den öffentlichen Sektor (SRS)
Conseil suisse de présentation des comptes publics (CSPCP)
Commissione svizzera per la presentazione della contabilità pubblica (CSPCP)
Swiss Public Sector Financial Reporting Advisory Committee (SRS)

Stephenie Fox
Technical Director
International Public Sector
Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
Toronto, Ontario M5V 3H2
CANADA

Lausanne, June 10, 2014

Swiss Comments to Exposure Draft 54 Service Performance Information

Dear Stephenie,

With reference to the request for comments on the proposed Exposure Draft, we are pleased to present the Swiss Comments to Exposure Draft 54 Service Performance Information. We thank you for giving us the opportunity to put forward our views and suggestions. You will find our comments to the Exposure Draft in the attached document.

Should you have any questions, please do not hesitate to contact us.

Yours sincerely,

SRS-CSPCP



Prof Nils Soguel, President



Evelyn Munier, Secretary

Swiss Comments to Exposure Draft 54 Service Performance Information

Swiss Comments to

Exposure Draft 54 Service Performance Information

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1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPCP has discussed *ED Reporting Service Performance Information* and comments as follows.

2. Comments to Consultation Paper

2.1 Specific Matter for Comment 1

Do you generally agree with the proposals in the ED? If not, please provide reasons.

The SRS-CSPCP is of the opinion that the general line of approach of this paper is correct. It is more comprehensible than its predecessor, the CP. However, it lacks a framework that would justify the requirements of service performance reporting. The Committee believes that in the ED too many details are dealt with, without discussing how this level of detail could be achieved. Not only is the ED too detailed but it is also too comprehensive and too ambitious.

Service performance reporting is a difficult undertaking, because the analyses are very complex. Performance analysis is a much more complex undertaking than drawing up financial reports. It demands skills and expertise that are different from those required by public bookkeeping and accounting. To treat them in an ED is an enormous challenge. There is a great deal of professional literature on this subject. It would be wrong and certainly counter-productive to want to make another manual out of this ED. For this reason the SRS-CSPCP is of the opinion that the ED should outline the main thrust of its concern and avoid getting lost in details, which do not provide the reader with a solution.

Although this ED is not an "IPSAS" Standard, but only an RPG, and although the SRS-CSPCP clearly understands that it is not an auditing standard, the question nonetheless arises how a performance report can be audited by a Supreme Audit Institution.

2.2 Specific Matter for Comment 2

Do you agree with the definitions in paragraph 8? If not, how would you modify them?

The SRS-CSPCP is in agreement with the proposed discussions. It finds that only the definition of *outcomes* is inadequately developed. In this ED, no distinction is made between *impacts* and *outcomes*. The lack of distinction is somehow understandable since some consider outcomes to be impacts while others consider impacts to be outcomes. However, it is important to recognise openly that the expression *outcomes* can include various facts:

- Relatively direct impacts of public sector activity on individuals, organisations, the target group (in the measles inoculation example, it would be the positive (and possibly negative) impact on the health of the persons inoculated).
- Rather subsequent impacts on society as a whole as part of a public policy performed by the public sector (in the measles inoculation example it would be the impacts on the spread of the disease to the whole population, incl. persons not inoculated).

The SRS-CSPCP therefore would appreciate that the definition of *outcomes* is refined and extended.

Further, the question arises of the order of the definitions. They are arranged in alphabetical order (in the English language). However, this order is not consistent with the chronological order as one might have expected. If this were so, input would have to be first. From that perspective, the chosen order is rather counter-intuitive. The SRS-CSPCP therefore proposes that, in addition to the definitions, a diagram is offered, from which the relationship in which they stand to one another, is made clear.

In Paragraphs 18 (a) to (c) it is requested that in addition to individuals and institutions, *collectives* are also added to the list.

In Paragraph 18 (c) it is also requested that in addition to the above request the following addition is included „Transfers to individuals, institutions and *collectives*, for example, cash transfers and the provision of economic incentives such as tax incentives and grants; ..

2.3 Specific Matter for Comment 3

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED's coverage of this?

The SRS-CSPCP is in agreement with this statement.

2.4 Specific Matter for Comment 4

Do you agree that service performance information should:

(a) Be reported annually; and,

(b) Use the same reporting period as that for the financial statements?

If not how would you modify the ED's provisions on these two matters?

The SRS-CSPCP agrees that service performance information should be reported annually. Exceptions should however be permissible; above all for evaluations extending over a longer period.

The requirement of annual service performance reporting is relatively easy to implement for the *inputs* and the *outputs*, but incomparably more difficult to do for the *outcomes*. The reporting may become one-sided with respect to efficiency and effectiveness, for although a link between *input* and *output* can easily be constructed annually, in many areas it is almost impossible to establish a link, let alone a connection, between *inputs* and *outcomes*.

In general, it is scarcely possible to report on *outcomes* annually, because the necessary quantified results are not available, especially in the case of subsequent impacts (see above, definition of outcomes). In the best case the reporting would be limited to some description. However, it will be difficult to prove that any significant and causal link exists between the input and the outcomes. Therefore, the danger exists of putting forward a spurious correlation.

2.5 Specific Matter for Comment 5

Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

Performance must be treated in its entirety, otherwise there is a risk of imbalance. The criterion of *materiality* must not be seen as an absolute or decisive criterion, as is suggested in the ED. As a matter of fact, this criterion is the only one to be designated as "a key issue". This criterion must be balanced with others from the beginning, because in practice the confrontation of gains and winners frequently results in only a limited measure of the performance being considered. This is even more the case when this ED indicates that the "benefits of reporting service performance information should justify the costs imposed by such reporting" and when it includes as a cost "the costs imposed by omission of useful information" and the costs stemming from the risk of a possibly wrong decision. The SRS-CSPCP can understand that the IPSASB would like to establish a kind of parallelism between the criteria for the GPFR and those for service performance reporting. However, one must be aware that these criteria are hardly applicable for performance analysis, especially if the reporting must take place annually and if it must include outcomes and effectiveness.

2.6 Specific Matter for Comment 6

Do you agree with:

(a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and

(b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?

If not how would you modify them?

The SRS-CSPCP is of the opinion that ideally the service performance reporting should be presented as part of the financial report and not issued separately. It is, however, conceivable that both forms be used: compressed reporting in the annual report, which provides information about the easily measurable aspects of the performance (*inputs* and *outputs*) and detailed reporting for selected topics in special reports, where this is possible (in particular for the *outcomes*). Although allowing for this would lead to some imbalance in the way the information is brought to the users, with the risk that users' attention concentrate on the easily measurable aspects of the performance because they are part of the GFFR. Therefore, the risk of oversimplification exists.

The SRS-CSPCP is in agreement with the requirements for separate reports in Paragraph 43.

2.7 Specific Matter for Comment 7

Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

(a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and

(b) Does not specify one particular style of presentation such as, for example, a statement of service performance?

If not how would you modify this approach?

The SRS-CSPCP finds that Paragraphs 44 – 49 and above all Paragraph 46 require many details; but they are scarcely achievable. In Paragraph 45 in-depth analyses are required. But they require a great deal of time and highly-developed analysis methods, such as Data

Envelopment Analysis (DEA) or Free Disposal Hull (FDH) to obtain robust results. The SRS-CSPCP wonders if these methodological issues and obstacles were considered when drawing up the ED. The SRS-CSPCP is of the opinion that the requirements are described in less detail.

2.8 Specific Matter for Comment 8

Do you agree with the ED's identification of service performance information that:

(a) Should be "displayed", where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);

(b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and,

(c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).

If not, how would you modify the ED's identification of information for display and for disclosure?

The SRS-CSPCP is of the opinion that this part of the ED is far too comprehensive. The Committee was astounded at, according to this RPG, how much information the service performance reporting should contain. The result is that its application is too complicated. The entire chapter in this part should be shortened. Furthermore, the competent authorities should have enough scope in the design of the service performance reporting. For this reason the SRS-CSPCP is of the opinion that in this RPG, only minimum requirements should be set for service performance reporting.

Regarding Paragraph 50, the SRS-CSPCP suggests that Section (c) *Information of the cost of services* should be deleted. SRS-CSPCP can understand that the IPSASB would like to include this point in order to establish a link between the service performance reporting and the GPFR. The *costs of services* are, however, part of the performance indicators and should *not* be mentioned separately. Furthermore, in contrast to the *performance indicators* and the *objectives* the *costs of services* were not defined (see Paragraph 8). Therefore, Paragraphs 64 and 65 should not form their own section. They should be included in the previous section. And subsequently, the title "costs of services" should be cancelled.

Following from that, Paragraph 51 should be changed as follows: "*With respect to performance indicators the entity should display...*;" the expression *service costs* should be deleted.

The SRS-CSPCP is of the opinion that Paragraph 69 goes too far with its demand for disclosure of discussions and analyses. The guidelines should contain only minimum requirements. Paragraphs 70 (b), 70 (c) and 70 (d) go too far and should be deleted without replacement.

Only a little information should be disclosed about service performance reporting. The following information is essential:

- The entity responsible for service performance reporting
- Clarity about the public control and the model applied (basic information about the definition, the control and the measurement of objectives, and about the evaluation of the results); but not for all areas.
- Scope of application (Scope of consolidation)
- Change in the reference period for specific objectives
- Information about the resources allocated (in broad terms or in detail)
- Law applied

It would, however, be an exaggeration to supply the following information:

- An explanation of the choice of what information is to be disclosed, because often this is a political decision

- The information sources. It must be indicated only so that the user can understand the quality of the disclosed information. It must be absolutely avoided that the public sector must cite a host of information sources. It seems logical that for internal figures or figures that derive from international or national statistics or figures that are captured regularly and in a standardised manner no source has to be cited. It is different for information that derives from external, non-official sources and selective, non-standardised analyses. These sources should be identified and mentioned accordingly.
- The basis for the cost determination, which explains the policy of the cost allocation including the treatment of direct and indirect service costs

2.9 Specific Matter for Comment 9

Do you agree with:

*(a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and
(b) The guidance and principles that the ED provides with respect to choice of performance indicators?*

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

As already mentioned under Comment 8, the SRS-CSPCP finds the ED to be too comprehensive and too ambitious. Too many details are required without specific solutions proposed. Either the volume of this ED must be drastically reduced or examples must be provided in order to improve comprehensibility and enforceability of the requirements. This could be provided in an Appendix, or alternatively a reference could be made by means of a link to the internet portal of the IPSAS Board to already existing examples and good indicators.

Lausanne, May 21, 2014

Paris, le 23 mai 2014

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Subject : response to the Exposure Draft (ED 54) « Reporting Service Performance Information ».

I am writing on behalf of the French Directorate of Public Finances (DGFIP) to express our views on the mentioned above Exposure Draft (ED 54) on the "Reporting Service Performance Information".

LE CHEF DE SERVICE



François TANGUY

In an international context of global economic and financial crisis there is an increased need for transparency in public accounting, as well as for strict control over public finances and the performance of government actions.

However, DGFIP believes that public service performance evaluation is outside the scope of accounting and therefore of a standard-setter such as the IPSAS Board. In our view, the development by the IPSASB, of a Recommended Practice Guideline on reporting service performance information is irrelevant. Indeed, service performance is a fundamental principle of the sound and effective management of public resources necessary to optimise the implementation of public policy. It is not therefore an accounting issue.

Moreover, the choice and monitoring of public policies and performance evaluation are sovereign prerogatives reflecting the institutional structure of each jurisdiction. The key reasoning underlying the monitoring of service performance, that is the conduct of public policies, objectives, performance indicators, the frequency of monitoring and reporting, are specific to and determined by each jurisdiction. This strategic approach cannot be broken down into accounting concepts. Indeed, the entity reporting service performance, the reporting boundary, the reporting period and the place of the performance report in relation to the financial statements cannot be determined by reference to financial reporting principles. Thus, assimilation of the two approaches ignores the true meaning of performance, which consists of monitoring the quality of the public policies implemented and the efficient use of resources, in order to justify public expenditure.

In its generally accepted meaning, service performance in the public sector implies accountability to the user, the taxpayer and the citizen. Indeed, it must be conceived in terms of:

- socio-economic effectiveness which is of interest to the citizen ;
- the quality of service delivered which is of interest to the user ;
- management efficiency which is of interest to the taxpayer.

Service performance information takes on its full meaning when these three approaches are combined. In the present case, the IPSASB's approach is purely user oriented and does not therefore fully address the issue of service performance.

Specific Matter for Comment 1

Do you generally agree with the proposals in the ED? If not, please provide reasons.

As stated by DGFIP in its response to the CP of October 2011¹, a performance report is outside the scope of accounting. As a result, general accounting principles are not applicable to it. Consequently, DGFIP does not agree with the exposure draft's proposal to include a performance report in the GPFS² (statements within general accounting scope), or even as part of additional information that could be included in the GPFR³.

1 Consultation Paper on the « Reporting Service Performance Information », october 2011.

2 General Purpose Financial Statements.

3 General Purpose Financial Reports.

The scope of IPSASs is limited to accounting matters, and only covers the financial statements (balance sheet, income statement and notes) of public sector entities. Individual national governments in liaison with European institutions are competent with regard to setting standards for other kinds of reporting, including service performance and budget sustainability.

Specific Matter for Comment 2

Do you agree with the definitions in paragraph 8? If not, how would you modify them?

Whilst the harmonisation of definitions is a factor that contributes to an improved comparability of outcomes, DGFIP notes that the definitions adopted in paragraph 8 of the exposure draft differ from the usual meaning of these terms.

Greater effort could have been put into the search for consensus on the terms and definitions as a first step towards the harmonisation of terminology. Indeed, even if the definitions proposed in the exposure draft are of a fairly general nature, certain items are difficult to quantify. A standardised approach using numerical measurement criteria will not always give a proper account of service performance in the public sector.

In addition, service performance implies efficiency, defined as the attainment of a pre-determined objective taking into account the resources required to achieve it. Monitoring effectiveness, defined as the attainment of objectives, does not take account of the socio-economic aspect of managing public services, which is all the more unfortunate considering the current requirement to reduce and justify public expenditure.

Specific Matter for Comment 3

Do you agree that the ED adequately addresses reporting of service performance information by entities at different levels within government, including situations where a controlling entity reports service performance information that encompasses that provided by controlled entities? If not, how would you modify the ED's coverage of this?

It is neither useful nor relevant to base the evaluation of service performance on accounting criteria.

Indeed, service performance, that reflects a global cross-sectoral approach, must enable both assessment and improvement of the effectiveness (attainment of objectives) and efficiency (at the lowest cost) of public spending within the limits of the budget. These objectives are related to a strategy of rationalising public spending and not to accounting issues (fairness, completeness, accounting policy...).

However, the definition of a "controlling entity" and its reporting boundary are accounting notions based on the control criterion⁴. Thus, if the entity reporting service performance is the entity responsible for managing the implementation of public policy, it may not necessarily be required, from a purely accounting standpoint, to consolidate the accounts of those entities involved in implementing the public policy.

⁴Control criterion as defined in ED 49 : « an entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature and amount of those benefits through its power over the other entity ».

Consequently, the notions of "controlling entity" and "performance reporting entity" are two different notions which may coincide but which more often than not are distinct. In the same way, the boundaries of the public policy mission being evaluated and that of the consolidated accounts may be similar, overlap or divergent.

In addition, the balance between benefit and cost must be considered in preparing a service performance report, particularly for small entities. This is why it seems to make more sense to prepare a service performance report for a "public policy" rather than for a "public entity"

In conclusion, the notions of "controlling entity" and "service performance reporting entity" do not appear to be adequately dealt with in the exposure draft. Indeed, in our view, the assimilation of these two points of view in the exposure draft, mixing accounting and non-accounting data, does not seem to make sense.

Specific Matter for Comment 4

Do you agree that service performance information should:

(a) Be reported annually; and,

(b) Use the same reporting period as that for the financial statements?

If not how would you modify the ED's provisions on these two matters?

As stated by DGFIP in its response to the CP of October 2011, performance is a fundamental aspect of monitoring public policy implemented. However, as stated in the reply to question 3 above, it does not seem relevant to adopt the same reporting period for service performance as for the financial statements.

Indeed, the service performance reporting period may vary according to objectives and the economic, social and financial context. The period may be annual, or for more or less than a year.

In this respect, monitoring performance using indicators for periods shorter than a year encourages management dialogue between all those involved in the evaluated public policy mission and improves the management process by increasing the accountability of the public manager. Multi-year indicators are used for defining medium and long term strategy and shaping policy. Thus, the evaluation of service performance in respect of health and education is based on age categories or is carried out over several years⁵. Annual reporting may, in some cases, be misleading when evaluating the performance of public policy missions.

In France, since the introduction of the LOLF in 2001, a part of the annual Budget Act is dedicated to performance, as is a part of the Pluriannual Public Finance Policy Acts, which is the basis for the public finance strategy implemented by the government. In this respect, Article 34 of the French Constitution provides that "*the multiannual guidelines for public finances shall be established by Programming Acts. They shall be part of the objective of balanced accounts for public administrations. Hence, "Programming Acts fix the objectives for the action of central government", they are "specified and completed by Constitutional Bylaws"*. Thus, under the Constitutional Bylaw relating to the governance and programming of public finances of the 17 December 2012, the multiannual guidelines for public finances, within the Programming Acts, are defined for, at least, a three years period.

⁵ For example, one of the indicators used for research and further education is the level of employment of graduates after completing their initial training (3 years after).

In parallel, the High Council on Public finances⁶ is responsible for assessing whether the government's macro-economic forecasts are realistic and checking that the path towards a balanced budget is consistent with France's European commitments.

Consequently, in France, service performance is assessed on an annual basis for each public policy mission conducted by the government, in compliance with the multi-annual trajectories defined. Performance is also monitored during the year as part of the budget procedure in liaison with the different public managers.

In our opinion, service performance cannot be monitored in the same way as accounting information, which is by nature annual.

Specific Matter for Comment 5

Do you agree with the ED's proposed principles for presentation of service performance information (see paragraphs 31 to 39)? If not how would you modify them?

The presentation principles proposed in the exposure draft focus on the qualitative aspects of service performance.

However, in the public sector, performance must meet the requirements of:

- citizens, via socio-economic effectiveness which guides public policy in the construction of the society of today and tomorrow by the measurement of the outcome of a given public policy (based for example on the indicator : "Increasing the employment of young graduates ") ;
- users of public services, by the quality of the service delivered (for example "Speeding up decision-taking in the courts") ; and
- the taxpayer, watchful of the efficient management of public funds which relates the output to an input (for example "Reducing tax administration costs").

However, the exposure draft only considers performance from the point of view of the user. In our view, service performance is more than just a matter of effectiveness and the quality of service for the user.

Indeed, socio-economic effectiveness and management efficiency are fundamental aspects of service performance in the public sector. It is therefore unfortunate that these specific aspects of government action are not dealt with in the IPSAS Board's discussions.

Specific Matter for Comment 6

Do you agree with:

(a) The factors identified for consideration when deciding whether to present service performance information as part of a report that includes the financial statements or in a separately issued report (see paragraphs 41 to 42); and

(b) The additional information to present when reporting service performance information in a separately issued report (see paragraph 43)?

If not how would you modify them?

⁶ Independent body introduced by the Constitutional Bylaw relating to the governance and programming of public finances of the 17 December 2012.

As stated in our general remarks, DGFIP believes that the performance report is outside the scope of accounting. Consequently, service performance information for the public sector cannot be regulated by an accounting standard-setter, or set out in a more comprehensive report such as a "GPFR"⁷, including additional information to the financial statements.

Specific Matter for Comment 7

Do you agree with the ED's proposed approach to presentation of service performance information within a report, which:

(a) Provides scope for entities or jurisdictions to decide how to present the information, applying the presentation principles in the ED and further considerations applicable to this decision, and

(b) Does not specify one particular style of presentation such as, for example, a statement of service performance?

If not how would you modify this approach?

As stated above, DGFIP believes that service performance information for the public sector cannot be regulated by an accounting standard-setter.

The assessment of service performance and the way in which the information is reported to users, citizens and taxpayers are matters of national sovereignty decided in each jurisdiction. Public policy choices, their objectives and the method of reporting service performance information are defined by each national government. Under no circumstances can the appraisal of service performance in the public sector be approached in the same way as accounting analysis. Therefore, it is not the role of an accounting standard-setter to propose the presentation or the content of service performance information to be reported.

Specific Matter for Comment 8

Do you agree with the ED's identification of service performance information that:

(a) Should be "displayed", where information selected for display should communicate the key messages in a general purpose financial report, (see paragraphs 50 to 51);

(b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and,

(c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).

If not, how would you modify the ED's identification of information for display and for disclosure?

Further to the above response, the level of detail and format of service performance reporting for the public sector are outside the terms of reference of the accounting standard-setter.

⁷ General Purpose Financial Reports.

The level of detail of reporting and the choices underlying the strategic approach reflected in service performance are matters for national governments.

The accounting terms "information for display" and "information for disclosure" refer to levels of data aggregation in reporting which seem irrelevant.

Moreover, the objectives of reporting accounting information are different to those of service performance. Similarly, the strategic reasoning behind service performance is not based on accrual accounting concepts. Quite the opposite, the attempt to superimpose accounting concepts on a strategic approach to performance is confusing and impedes our understanding of the key issues of service performance, which put emphasis on achieving the goals of public policy in a budgetary constraint context.

Specific Matter for Comment 9

Do you agree with:

(a) The ED's approach of providing principles and guidance on the identification of the type of performance indicators that entities present, rather than requiring entities to report on particular types of performance indicators, for example outcomes or outputs; and

(b) The guidance and principles that the ED provides with respect to choice of performance indicators?

If not, how would you modify the description of performance indicators that should be presented and/or the guidance on selection of performance indicators?

As stated above, the issue of service performance is outside the scope of the accounting standard setter.

The choice of public policies implemented, performance objectives, and the reporting of service performance information are matters decided by national governments.

Version Française

Le contexte international marqué par la crise économique et financière mondiale accroît le besoin de transparence des comptes publics, de maîtrise des finances publiques et de performance de l'action publique.

La DGFIP estime, toutefois, que l'évaluation de la performance de service se situe hors du champ de compétence de la comptabilité générale et donc de celui du normalisateur comptable qu'est l'IPSAS Board. Ainsi, l'élaboration, par l'IPSASB, d'un guide de bonnes pratiques sur l'information relative à la performance de service ne nous semble pas pertinente. En effet, la performance de service est un principe fondamental d'une gestion publique saine et efficace permettant d'optimiser la mise en œuvre des politiques publiques. Elle ne constitue donc pas une problématique comptable.

Par ailleurs, le choix des politiques publiques, leur suivi et l'évaluation de la performance relèvent de choix souverains fondés sur la structure institutionnelle de chaque État. Les clés de raisonnement aboutissant à la mise en œuvre d'un suivi de la performance de service, à savoir les politiques publiques menées, les objectifs à atteindre, les indicateurs de suivi, la périodicité de suivi et de restitution, sont spécifiques et déterminés par l'appareil législatif propre à chaque État. Cette démarche stratégique ne peut s'analyser en suivant les mêmes clés de raisonnement que celles retenues en comptabilité générale. En effet, l'entité produisant l'information relative à la performance de service, le périmètre couvert par cette information, la périodicité, ainsi que le positionnement du rapport de performance par rapport aux états financiers ne peuvent être déterminés selon les principes de restitution de l'information comptable. Ainsi, l'approche visant à assimiler ces deux démarches prive la performance de son sens premier, à savoir le suivi qualitatif des politiques publiques menées, rapporté aux moyens engagés dans un souci de justification de la dépense publique.

De par son acception générale, la performance de service au sein du secteur public permet de rendre compte à l'utilisateur, au contribuable et au citoyen. En effet, elle doit être appréhendée sous l'angle de :

- l'efficacité socio-économique qui intéresse le citoyen ;
- la qualité du service rendu qui intéresse l'utilisateur ;
- l'efficacité de gestion qui intéresse le contribuable.

Ces trois approches se combinent afin de donner tout son sens à l'information relative à la performance de service. Au cas d'espèce, les réflexions de l'IPSASB orientées exclusivement vers l'utilisateur ne permettent pas d'appréhender la question de la performance de service dans sa globalité.

Question 1

Etes vous d'accord, de manière générale, avec les propositions de l'exposé sondage ?

Dans la négative, merci d'en indiquer les raisons.

Comme la DGFIP l'avait mentionné dans sa réponse au CP⁸ d'octobre 2011, un rapport de performance est en dehors du champ comptable. De ce fait les principes généraux de comptabilité ne lui sont pas applicables. En conséquence, la DGFIP ne partage pas la proposition de l'exposé sondage relative à l'intégration d'un rapport de performance dans les états financiers⁹ (états relevant du champ de la comptabilité générale), voire de son éventuelle intégration dans l'information additionnelle à un rapport de gestion¹⁰.

Le champ d'application des IPSAS étant strictement comptable, il ne vise que les états financiers (bilan, compte de résultat et notes annexes) des entités du secteur public. Les autres éléments d'information notamment ceux relatifs à la performance de service ou à la soutenabilité budgétaire, relèvent de la compétence normative des États en liaison avec les institutions européennes.

Question 2

Les définitions du paragraphe 8 vous conviennent-elles ?

Dans le cas inverse, comment les modifieriez-vous ?

Si l'homogénéisation des définitions est un facteur contribuant à une meilleure comparaison des résultats, la DGFIP constate que les définitions retenues au paragraphe 8 de l'exposé sondage s'éloignent de l'acception usuelle de ces termes.

La recherche d'un consensus sur les termes et les définitions, étape préalable à une homogénéisation de la terminologie, aurait pu être menée de manière plus approfondie. En effet, même si les définitions proposées dans l'ED sont assez génériques, certains éléments sont difficilement quantifiables. Une approche standardisée via des critères de mesure chiffrés ne permet pas toujours de rendre compte de la performance de service dans le secteur public.

De plus, la performance de service renvoie à la notion d'efficience, définie comme l'atteinte d'un objectif fixé préalablement au regard des moyens engagés pour y parvenir. Le suivi de l'efficacité entendue comme l'atteinte des objectifs, ne permet pas de rendre compte de l'aspect de gestion « socio-économique » des services publics, ce qui nous paraît regrettable dans le contexte actuel de réduction et de justification des dépenses publiques.

Question 3

Considérez vous que l'exposé-sondage traite de manière adéquate l'information sur la performance de service communiquée par les entités, à tout niveau du gouvernement, y compris dans les cas où une entité contrôlante communique une information sur la performance de service englobant celle fournie par les entités contrôlées ?

Sinon, comment modifieriez-vous l'exposé-sondage ?

8 Consultation Paper on the « Reporting Service Performance Information », octobre 2011.

9 Au sens de « GPFS » (General Purpose Financial Statements).

10 Au sens de « GPFR » (General Purpose Financial Reports).

Fonder l'évaluation de la performance de service sur des critères comptables n'est ni pertinent ni utile.

En effet, la performance de service, laquelle relève d'une approche globale et transversale, doit permettre, sous contrainte budgétaire, d'apprécier et d'améliorer l'efficacité (atteinte des objectifs) et l'efficience (au moindre coût) de la dépense publique. Ces objectifs se rattachent à une stratégie de rationalisation des dépenses publiques et non à des problématiques comptables (sincérité, exhaustivité, méthode...).

Or, la définition d'une entité « contrôlante », ainsi que son périmètre de retransmission de l'information constituent des notions comptables basées sur le critère de contrôle¹¹. Ainsi, même si l'entité qui rend compte de la performance de service est l'entité qui pilote la mise en œuvre d'une politique publique, elle n'a pas forcément vocation, du point de vue strictement comptable, à consolider dans ses comptes les données comptables des entités impliquées dans la mission de politique publique concernée.

En conséquence, les deux notions « d'entité contrôlante » et « d'entité rendant compte de la performance » sont deux notions différentes qui peuvent éventuellement se superposer, mais qui seront le plus souvent distinctes. De la même manière, les périmètres couverts par la mission de politique publique évaluée et par la production de comptes consolidés peuvent être similaires, se recouper ou diverger.

Par ailleurs, le rapport « coût-avantage » de l'élaboration d'un rapport sur la performance de service doit être pris en compte, notamment pour les entités de petite taille. C'est pourquoi l'élaboration d'un rapport relatif à la performance de service ne semble faire sens qu'au niveau de la maille « politique publique » et non celle « d'entité publique ».

En conclusion, les notions « d'entité contrôlante » et « d'entité rendant compte de la performance de service » ne nous paraissent pas être traitées de façon adéquate par l'exposé sondage. En effet, l'assimilation de ces deux points de vue par l'exposé sondage, associant des données d'ordre à la fois comptable et non comptable ne nous paraît pas faire sens.

Question 4

Considérez vous que la performance de service doit :

- *faire l'objet d'un rapport annuel ; et*
- *se baser sur la même période de référence que les états financiers ?*

Dans la négative, comment modifieriez-vous les dispositions de l'exposé sondage concernant ces deux items ?

Comme la DGFIP l'a indiqué dans sa réponse au CP d'octobre 2011, la performance est un paramètre fondamental du suivi des missions de politiques publiques mises en œuvre. Toutefois, conformément à la réponse apportée à la question 3 ci-dessus, il ne nous semble pas pertinent de retenir la même périodicité de restitution des informations relatives à la performance de service que celle des états financiers.

¹¹ La notion de contrôle telle que définie dans l'ED 49 relatif aux comptes consolidés est : « *an entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature and amount of those benefits through its power over the other entity* ».

En effet, la périodicité de restitution relative à la performance de service évolue en fonction de l'objectif fixé et du contexte économique, social et financier. Elle peut donc être annuelle, mais également infra annuelle ou supra annuelle.

A cet égard, un suivi infra-annuel des indicateurs de performance permet d'alimenter le dialogue de gestion avec l'intégralité des acteurs de la mission de politique publique évaluée et d'améliorer le pilotage en responsabilisant le gestionnaire public. Les indicateurs pluriannuels ont, quant à eux, pour objet de définir la stratégie, à moyen ou à long terme, structurante pour les politiques menées. Ainsi, l'évaluation de la performance de service en termes de santé publique ou d'éducation se mesure plutôt par tranche d'âge ou sur plusieurs années¹². Une restitution annuelle peut, dans certains cas, dénaturer l'intérêt d'évaluer la performance relative à la mise en œuvre d'une mission de politique publique.

En France, depuis la mise en œuvre de la loi organique relative aux lois de finances (LOLF) en 2001, un volet dédié à la performance est inséré dans la loi de finances annuelle, mais il est également prévu dans les lois pluriannuelles de programmation des finances publiques, support de la stratégie relative aux finances publiques mise en œuvre par l'État. A cet effet, l'article 34 de la Constitution dispose que « *les orientations pluriannuelles des finances publiques sont définies par des lois de programmation. Elles s'inscrivent dans l'objectif d'équilibre des comptes des administrations publiques* ». De fait, « *les lois de programmation déterminent les objectifs de l'action de l'État* », elles sont « *précisées et complétées par des lois organiques* ». Ainsi, en vertu de la loi organique n° 2012-1403 du 17 décembre 2012 relative à la programmation et à la gouvernance des finances publiques, les orientations pluriannuelles des finances publiques, portées par les lois de programmation, s'inscrivent dans une période au minimum triennale.

En parallèle, le Haut conseil des finances publiques¹³ est chargé d'apprécier le réalisme des prévisions macroéconomiques du Gouvernement et de vérifier la cohérence de la trajectoire de retour à l'équilibre des finances publiques avec les engagements européens de la France.

En conséquence, en France, la performance de service est appréciée par mission de politique publique mise en œuvre par l'État selon une périodicité annuelle, dans le respect des trajectoires pluriannuelles déterminées. Le suivi de la performance est également décliné de façon infra-annuelle, dans le cadre du pilotage budgétaire avec les différents responsables publics.

Le suivi de la performance de service ne peut donc, de notre point de vue, s'assimiler à la restitution de l'information comptable, par nature, annuelle.

Question 5

Les propositions de l'exposé sondage portant sur les principes de présentation de l'information relative à la performance de service (§ 31 à 39 de l'exposé sondage) vous conviennent-elles ?

Dans la négative, comment les modifieriez-vous ?

¹² Par exemple, un des indicateurs relatifs à la mission de recherche et d'enseignement supérieur correspond à l'insertion professionnelle des jeunes diplômés après leur sortie de formation initiale (3 ans après).

¹³ Organisme indépendant institué par la loi organique relative à la gouvernance et à la programmation des finances publiques du 17 décembre 2012.

Les principes de présentation figurant dans l'exposé sondage mettent l'accent sur l'aspect qualitatif de la performance de service.

Toutefois, dans le secteur public, la performance doit répondre aux besoins :

- du citoyen, à travers l'efficacité socio-économique qui donne les orientations de politique publique conduisant à la construction de la société d'aujourd'hui et de demain par la mesure des résultats d'une politique publique donnée (par exemple à travers l'indicateur : « Accroître l'insertion professionnelle des jeunes diplômés ») ;
- de l'utilisateur du service public, à travers la qualité du service rendu (par exemple « Accélérer les décisions judiciaires ») ; et
- du contribuable, attentif à la bonne gestion des deniers publics via l'efficacité de gestion qui rapporte les résultats obtenus aux ressources consommées (par exemple « Réduire le coût de gestion de l'impôt »).

Or, l'exposé sondage n'analyse la performance que sous l'angle de l'utilisateur. Réduire la performance de service à la problématique de l'efficacité et de la qualité du service rendu pour l'utilisateur (« user »), nous semble réducteur.

En effet, en terme de performance de service dans le secteur public, l'efficacité socio-économique et l'efficacité de gestion sont des paramètres fondamentaux. Il est donc regrettable que les réflexions de l'IPSAS Board relatives à la performance de service au sein du secteur public ne fassent pas ressortir ces impacts spécifiques de l'action publique.

Question 6

Partagez-vous les conclusions de l'exposé sondage concernant:

- *les facteurs à prendre en compte pour déterminer si l'information relative à la performance de service doit être incluse dans les états financiers ou faire l'objet d'un rapport indépendant (§ 41 à 42), et*
- *l'information supplémentaire à présenter lorsque l'information relative à la performance de service fait l'objet d'un rapport distinct (§ 43) ?*

Sinon, comment les modifieriez-vous ?

Comme indiqué dans le commentaire général, la DGFIP considère que le rapport de performance se situe hors du champ comptable. Par conséquent, les informations sur la performance de service au sein du secteur public ne peuvent être réglementées par le normalisateur comptable, ni décrites dans un document plus global du type « GPFR¹⁴ », intégrant des informations additionnelles aux états financiers.

14 General Purpose Financial Reports.

Question 7

Partagez-vous l'approche, proposée dans l'exposé sondage, consistant à présenter l'information relative à la performance de service dans un rapport qui:

- *offre suffisamment de latitude aux entités ou administrations pour définir la façon dont elles présentent la performance de service, en application des principes de présentation définis par l'exposé sondage, et les réflexions préalables à cette décision, et*
- *ne fixe pas un modèle de présentation tel que, par exemple, un état de la performance de service ?*

Sinon, comment modifieriez-vous cette approche ?

Comme indiqué supra, la DGFIP estime que les informations sur la performance de service au sein du secteur public ne peuvent être réglementées par le normalisateur comptable.

L'appréciation de la performance de service ainsi que la manière dont s'effectue la restitution de cette information aux usagers, citoyens et contribuables, relèvent de l'exercice de la souveraineté nationale. Les choix de politiques publiques, leurs objectifs et les modalités de restitution de la performance de service sont définis par chaque État. En aucun cas, les clés de raisonnement permettant d'appréhender la performance de service au sein du secteur public ne peuvent être assimilées au raisonnement utilisé lors d'une analyse de données comptables. Dès lors, il n'appartient pas au normalisateur comptable de proposer des principes de présentation ou de définir l'information relative à la performance de service devant être restituée.

Question 8

Êtes vous d'accord avec le fait que l'information relative à la performance de service, devrait être :

- *« affichée » (displayed), lorsque l'information sélectionnée correspond aux éléments clés du rapport financier à usage général (le GPFR), (§ 50 à 51) ;*
- *« mentionnée » (disclosed) en tant qu'élément de la discussion narrative et des analyses (§ 70 à 77), et,*
- *« détaillée » (considered for disclosure) en annexe (§ 80).*

Dans la négative, quelles seraient vos propositions de modification ?

En complément de la réponse supra, le niveau de détail de l'information relative à la performance de service au sein du secteur public, ainsi que le format de cette restitution ne sont pas du ressort du normalisateur comptable.

Le niveau de détail de la restitution et les choix sous-jacents à la démarche stratégique portée par la performance de service, relèvent des États.

L'utilisation de termes comptables « information for display », « information for disclosure » renvoie à un degré d'information graduelle qui ne semble pas pertinent.

De plus, les objectifs d'une restitution comptable ne sont pas assimilables aux objectifs de restitution de la performance de service. De la même façon, le raisonnement stratégique relatif à la performance de service ne s'envisage pas selon les clés de raisonnement applicables à la comptabilité en droits constatés.

A contrario, la volonté de vouloir plaquer à une démarche stratégique de performance des clés de raisonnement comptable ajoute de la confusion et ne permet pas de comprendre les enjeux réels de la performance de service, à savoir mettre l'accent sur les finalités des politiques publiques poursuivies en les replaçant dans leur contexte de contrainte budgétaire.

Question 9

Partagez-vous l'approche retenue par l'exposé sondage qui vise :

- les principes et les orientations permettant d'identifier les indicateurs de performance retenus, plutôt que d'exiger des entités une restitution en fonction d'indicateurs types, par exemple, les résultats ou les opérations réalisées, et ;*
- les principes et les concepts proposés quant au choix des indicateurs de performance ?*

Sinon, comment modifieriez-vous la description des indicateurs de performance devant être retenus et / ou le raisonnement suivi pour choisir les indicateurs de performance ?

Conformément aux réponses supra, la problématique de la performance de service ne relève pas du champ de compétence du normalisateur comptable.

Le choix des politiques publiques mises en œuvre, les objectifs de performance, ainsi que la restitution de l'information relative à la performance de service relèvent de la compétence des États.