

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Toronto, Canada

Meeting Date: December 8-11, 2014

Agenda Item 5

For:

☐ Approval

☒ Discussion

☐ Information

Review of Draft RPG, *Reporting Service Performance Information*

Objectives of Agenda Item

1. The objectives of the session are to:
 - (a) Discuss issues and obtain direction for further development of the Recommended Practice Guideline (RPG), *Reporting Service Performance Information*; and
 - (b) Review the first draft of the final Recommended Practice Guideline (RPG).

Materials Presented

| | |
|-----------------|---|
| Agenda Item 5.1 | Issues Paper |
| Agenda Item 5.2 | Clean—Draft RPG, <i>Reporting Service Performance Information</i> |
| Agenda Item 5.3 | Track Changes—Draft RPG, <i>Reporting Service Performance Information</i> |

Actions Requested

2. The IPSASB is asked to consider and provide direction on the issues in Agenda Item 5.1, and carry out a page-by-page review of the draft RPG, *Reporting Service Performance Information* in Agenda Item 5.2.

Objectives of this Paper

1. This paper identifies issues for drafting the Recommended Practice Guideline (RPG), *Reporting Service Performance Information*. Staff seeks direction for development of the RPG, so that a revised version, for approval, can be submitted to the IPSASB's March 2015 meeting.

Background

2. At its September 2014 meeting The IPSASB reviewed responses to the Exposure Draft (ED), ED 54, *Reporting Service Performance Information*. (The draft minutes related to that review are provided in Appendix A.) Subsequently staff, in consultation with the Task Based Group (TBG), developed the draft RPG. The TBG consists of Ken Warren and Ron Salole.
3. This issues paper highlights the major revisions in the draft RPG by comparison to ED 54. These revisions are in response to the IPSASB's directions from September. They also reflect staff and TBG consideration of (a) further specific issues raised by respondents and (b) ways to improve the RPG's logical flow and clarity. The Basis for Conclusions has been revised to reflect the IPSASB's discussions in September.
4. A clean version of the draft RPG is provided in Agenda Item 5.2. This version is intended to be used for the IPSASB's page-by-page review. (A "track changes" version of the draft RPG is also provided—for information—in Agenda Item 5.3. That version shows all revisions made to ED—54's content during its development into the draft RPG.)

Overview of Issues

5. This paper highlights four issues for the IPSASB's consideration. The issues are:
 1. Assessment of "economic use of resources" in the RPG's overall objective, and consequential revisions to the RPG;
 2. Application of principles and information to present;
 3. Principles for the presentation of service performance information; and
 4. Significant other revisions.
6. Following consideration of these issues, a page-by-page review of the draft RPG provided in Agenda Item 5.2 (the clean version of the RPG) is proposed.

Issue 1 Assessment of “Economic Use of Resources”

7. At its September meeting the IPSASB directed staff and the TBG to develop a proposal on adding the assessment of economy to the RPG’s objective. The IPSASB noted that different jurisdictions have different meanings for “economy” and many definitions confuse economy with either efficiency or effectiveness. Input and efficiency indicators provide sufficient information to assess economy, which is why economy was not separately defined in ED 54 as a performance indicator.
8. To clearly distinguish between economy and performance indicators related to either efficiency or effectiveness the draft RPG uses the phrase “the economic use of resources”. This phrase is derived from a review of different dictionary definitions for “economy”, which focus on:
 - (a) Careful, thrifty use or management of resources, such as money, materials, or labor; and,
 - (b) Careful budgeting, economizing, saving, scrimping, restraint, frugality, abstemiousness.
9. The draft RPG defines inputs to be “the resources used to provide outputs”. So the phrase “economic use of resources” links to an entity’s inputs, rather than its efficiency or effectiveness.
10. The proposed revision to the RPG’s objective, to the last sentence of paragraph 1, is as follows:

Service performance information can also assist users of GPFRs (hereafter termed “users”) to assess the entity’s service efficiency and effectiveness and economic use of resources for the provision of services.
11. Consequential revisions, to integrate this idea into the draft RPG, have been made to paragraphs 13, 31, and 44. The main change is the new paragraph 13, which addresses information for users’ assessments of the economic use of resources:

Information on inputs supports users’ assessments of an entity’s economic use of resources. More economic usage is indicated by absolute reductions in the level of inputs (the resources used). Initiatives to achieve reductions in resources—for example staff training initiatives or revised purchase policies—also provide information on an entity’s economic use of resources. By contrast, efficiency combines information on inputs and on outputs to allow users to assess resource usage for a particular service level, as indicated by the quantity of outputs. [Paragraph 13]
12. Staff considers that the phrase “economic use of resources” should address respondents’ concerns that the RPG refer to “economy”. The phrase directly describes the underlying concern—economic use of resources—and is a synonym for economy. But this phrase avoids the actual word “economy”, which can be confused with efficiency. The confusion arises in some jurisdictions where “economy” has acquired an extra element of normative expectation—“true economy” is defined to involve less resource usage without affecting the level of services.

Action Requested:

1. Members are asked to **indicate** whether they agree with the proposal to address “economy” in the draft RPG, and particularly the proposed:
 - (a) Focus on “economic use of resources”; and,
 - (b) Extent of coverage.

Issue 2 Application of Principles and Information to Present

13. The IPSASB's September 2014 consideration of constituents' responses on disclosures indicated that the RPG should not establish an extensive list of information requirements. Entities should apply the RPG's principles when choosing information to disclose. The principles then drive what information is presented. The issue of potential disclosure overload was discussed within the context of ED 54's paragraph 80, which set out disclosures on the basis of displayed information. The September issues paper also proposed a wider consideration of information required for compliance with the RPG, to address respondents' concerns that:
 - (a) ED 54 required too much information; and,
 - (b) The essential information requirements in ED 54 were unclear.
14. Given the IPSASB's directions, its concern that the RPG should be suitable for application by jurisdictions at an early stage of reporting service performance information, and the need to avoid disclosure overload, staff and the TBG have developed the RPG so that:
 - (a) The RPG takes more of a principles-based approach to information requirements;
 - (b) The information requirements have been reduced; and,
 - (c) The majority of disclosures have been identified as "for consideration" rather than as requirements.

Compliance with the RPG's Principles

15. Paragraph 5 has been revised to focus on compliance with the RPG's principles rather than its "requirements":

Service performance information should not be described as complying with this RPG unless it complies with all the principles in this RPG. [Paragraph 5]
16. The RPG has been revised to have guiding principles that apply specifically to particular presentation decisions at the beginning of the particular sections, including sections on information selection, while general principles have been grouped together in the section headed up "Principles for Reporting Service Performance Information". (Issue 3 below discusses the RPG's principles, including their location within the draft RPG.)

Information for Display

17. The information specified for display is largely unchanged by comparison to ED 54. The one change of substance relates to performance indicators. The draft RPG proposes that, for performance indicators, only actual information for the reporting period is required to be displayed. Planned performance indicators and actuals for the previous reporting period are described as information that an entity "should consider displaying". ED 54 stated that information on planned and previous period actual performance indicators was required information for display. While this proposed change would significantly reduce the amount of information displayed, it may undermine the extent to which the reported information supports accountability and decision-making.
18. A further change, which does not affect the RPG's substance, has been to clarify the description of "costs of services". ED 54's intention was that displaying the "total costs of services" would be

sufficient to meet the ED's requirements for cost information. The RPG's description of different types of disaggregated cost information (e.g. output costs) has been revised to remove any implication that disaggregated information about costs is required.

Changes to Disclosures

19. The two disclosure subsections (basis for displayed information and narrative discussion and analysis) are introduced with principles to guide the information disclosed. For example, one guiding principle for information on the basis of displayed information is that it should provide "...sufficient information to allow users to determine whether the displayed service performance information is relevant to them." Similarly narrative discussion and analysis should provide "a concise overview of an entity's service performance..."
20. For all specific disclosures the draft RPG introduces these with the phrase "should be considered for disclosure". In ED 54 this phrase was restricted to the "basis" disclosures. Staff view is that, for consistency and to avoid onerous and overly specific information requirements, the same approach should be applied to narrative discussion and analysis.
21. Furthermore, each set of disclosures has been divided into two lists. The first list highlights those items that it is likely the majority of entities will disclose to meet the guiding principles. The second list is illustrative of other items that may be applicable to some entities. The two lists of items are introduced as follows:
 - (a) Items that "should be considered for disclosure"; and
 - (b) Items from which "an entity may also choose to disclose one or more items".
22. Staff is concerned that the lists of items for consideration may still be too detailed and extensive. Alternatively, it may be that a small subset of specific disclosures should still be specified as requirements.

Action Requested:

2. Members are asked to **indicate** whether they agree with:
 - (a) The principles-based approach whereby compliance is with the RPG's principles, and many specific disclosures are "for consideration" rather than required.
 - (b) The information identified for:
 - (i) Display;
 - (ii) Disclosures on the basis for displayed information; and,
 - (iii) Narrative and analysis disclosures.
 - (c) The approach of identifying a primary list of disclosures for consideration and a secondary list from which an entity may choose to disclose one or more other items.

Issue 3 Principles for the Presentation of Service Performance Information

Principle-Related Text—Sufficiently Identified in the RPG?

23. Given the increased centrality of the principles for the RPG, staff reviewed the RPG to ensure that principles could be clearly distinguished from information requirements. To the extent appropriate, principles were moved into the section named “Principles for the Presentation of Service Performance Information”. However, guiding principles introduce the different presentation decision sections, including those that address information for display and disclosure. Furthermore, where a principle is illustrated by its application to a particular type of decision, this coverage has been included in the relevant decision section. For example, paragraph 63 discusses relevance as it applies to choice of performance indicators and is included in the information for display section.
24. The RPG’s treatment of principles should adequately support assessment of whether an entity has complied with its principles and can, therefore, claim compliance with the RPG. Staff is unsure as to whether the present approach is sufficiently clear. One further possible change is to include headings that identify principles included in sections outside of the main principles section, i.e. outside of “Principles for the Presentation of Service Performance Information”.

Revisions to Address Respondents’ Specific Concerns

25. At the September meeting staff highlighted some specific respondents’ concerns with respect to ED 54’s principles. Staff proposed that these be considered during further development of the RPG. Proposed revisions to address those concerns are identified in the following table:

Table 1: Proposed Revisions to Address Specific Comments from Respondents

| Issue | Proposed RPG Revision |
|--|--|
| The principles should recognize the importance of under-pinning service performance information with a reliable transaction processing system | Paragraph 67 includes reference to this point within the context of information on performance indicators. |
| The criterion of materiality, described in the RPG as a “key issue”, has been overemphasized since performance must be treated in its entirety | The phrase “materiality is a key issue” has been deleted. |
| Performance must meet the requirements of citizens, service users and taxpayers, not just “users”. | Paragraph 1 revised to make clear that “users” means “users of GPFRs”, which covers the wider group described. |
| Remove scope for entities to claim cost/benefit as a justification for not reporting required information. | No change. (The RPG’s references to cost-benefit were reviewed against the Conceptual Framework.) |
| [ED 54’s] reference in paragraph 31(b) overemphasizes assessment of financial results. | Paragraph 32 has service performance information as one input for assessment of financial results. |
| Revise paragraph 39 to convey integrated relationship between RPG and jurisdictional requirements. | Paragraph 7 uses similar wording to that proposed by the respondent to convey an integrated relationship. |

26. In addition to the concerns above staff reviewed responses for further concerns. This resulted in proposed revisions to the RPG’s coverage of:

- (a) Aggregation (see paragraph 38), where the word “disaggregation” has been included to emphasize that the discussion applies to both aspects of this activity; and
 - (b) Comparability (see paragraph 43), which discusses the difficulty of inter-entity comparability within the context of reporting service performance information.
27. Subheadings have also been introduced in the “Principles for the Presentation of Service Performance Information” section.

Action Requested:

3. Members are asked to **indicate** whether they agree with:
- (a) The location of principles within the draft RPG; and,
 - (b) The proposed revisions to address respondents’ specific concerns.

Issue 4 Significant Other Revisions

28. This issue highlights further revisions for the IPSASB's consideration. These revisions are:
- (a) Revisions proposed by staff and/or the TBG to improve the RPG's flow and understandability; and
 - (b) Revisions to address directions from the IPSASB in September.
29. These revisions have been highlighted here because the "track changes" version of the draft RPG may not identify certain text changes, which are obscured by the movement of text within the RPG.
30. To improve the RPG's flow and understandability the following changes have been made:
- (a) Reduction of duplication and repetition of ideas between different sections;
 - (b) Paragraphs from the sections on display and disclosure moved into the earlier section on principles, and vice versa.
 - (c) The order of the two disclosures sections has been reversed so that "Basis for Displayed Information" is included straight after the section on "Information for Display". (Information on the basis for displayed information seems more closely linked to displayed information than is narrative discussion and analysis.)
 - (d) Examples to illustrate the RPG's definitions moved into an appendix—Appendix A.
31. The main revisions to address IPSASB directions from September (other than those discussed under previous issues) are:
- (a) Paragraphs 27 and 76 have been revised to clarify that controlling entities should report against their own objectives rather than attempt to aggregate, and/or report in detail on, services provided by controlled entities.
 - (b) Paragraph 28 has been revised to include allowance for more frequent reporting: "Service performance information should be reported annually and may be reported more frequently." (Staff reviewed wording in IPSAS 1, which states that entities should report "at least" annually. That wording did not seem appropriate for service performance information.)
 - (c) The IPSASB directed that "proximity to budget-actual information" should be included as an additional factor when considering whether information is presented in a separate report from the financial statements. Bullet point (a) in paragraph 48 has been revised to address this point and now reads: "The extent to which the service performance information needs to be reviewed within the context of information in the financial statements, including information on budget-actual comparisons."

Action Requested:

4. Members are asked to **note** these revisions and **indicate** whether they agree with them.

APPENDIX A: DRAFT MINUTES SEPTEMBER 2014 SERVICE PERFORMANCE

3. Reporting Service Performance (Agenda Item 3)

The IPSASB carried out an in-depth review of responses to ED 54, Recommended Practice Guideline (RPG), *Reporting Service Performance Information*, and provided direction on development of the RPG. Twenty-four responses were received. The review considered constituents' responses to each of the nine Specific Matters for Comment (SMCs) in ED 54.

Support for ED's Proposals (SMC 1) and Overarching Issues

Respondents' general comments were considered within the context of SMC 1, which asked respondents about their overall support for the Exposure Draft's (ED's) proposals. The IPSASB noted the high level of support for the ED. Twenty of the twenty four respondents stated that they generally agreed with the ED's proposals. The IPSASB noted that the four respondents who disagreed with the ED's proposals identified fundamental concerns, which included disagreement with the IPSASB developing a pronouncement on reporting service performance information.

The IPSASB then discussed respondents' concerns that the RPG's provision of guidelines, which do not affect IPSAS compliance, is inconsistent with the RPG's approach to compliance with its "requirements". Some respondents were also concerned that the RPG's requirements were unclear. Members noted that ED 54's approach is consistent with that established in the IPSASB's two previous RPGs—RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances* and RPG 2, *Financial Statement Discussion and Analysis*. The IPSASB decided to retain the same wording. The RPG's Basis for Conclusions should be amended to explain the RPG's approach which involves two ideas; first that an RPG is non-mandatory so does not affect IPSAS compliance and, second, preparers can choose to apply part of the RPG and, for example, progressively move towards full compliance, at which point compliance can be asserted.

Staff were directed to consider ways to clarify the RPG's requirements—distinguishing between concepts, principles, expectations, and requirements, with requirements being focused more on the information presented. The RPG should not attempt to standardize service performance reporting, given the diversity of services and reporting context, but focus on achievement of the applicable principles. A comparison should be done with RPG 1, which includes a paragraph explaining the RPG's scope as good practice.

The IPSASB then considered whether the "assessment of economy" should be included in the RPG's overall objective. The assessment of economy can be important to users, as stated in the Conceptual Framework, although separate definition of economy indicators is unnecessary, because input and efficiency indicators address economy. Staff were directed to develop a proposal on including the assessment of economy as part of the RPG objective. If economy is included in the RPG's objective then (a) it should be clearly distinguished from efficiency, and (b) revisions to the RPG's wider coverage—so that it explicitly addresses information necessary for economy assessments—will be necessary.

Some respondents recommended that the RPG include additional guidance such as illustrated case studies for reporting service performance or extensive examples. The IPSASB decided that the RPG should not provide additional guidance.

Definitions of Terms (SMC 2)

The IPSASB considered respondents' comments on the seven defined terms in ED 54. Responses included recommended revisions to terms and recommended additional definitions. Staff were directed to

improve the definition of “effectiveness” and remove reference to “existence” within the definition of an “outcome”. Other definitions were retained without revision. The IPSASB decided that additional definitions were not needed, since the terms proposed were either already defined in IPSASs or did not add to the RPG’s coverage and understandability. Staff had noted that some of respondents’ comments could better be addressed by adding to narrative related to the defined terms rather than through additional definitions or amended definitions.

Reporting at Different Levels of Government (SMC 3)

The IPSASB considered respondents’ comments on ED 54’s coverage of reporting at different levels of government. Some respondents were concerned that this could result in overly detailed, onerous reporting by controlling entities. The IPSASB directed that the RPG should make clear that controlling entities should report against their own objectives rather than simply report on what has been done by controlled entities. The controlling entity should focus on high level indicators, which could, for example, be broad outcomes towards which the controlled entities’ services contribute and the specific contribution made by the controlling entity.

Some respondents also disagreed with the ED’s alignment of the reporting entity for service performance information with the reporting entity for the financial statements. They argued that service performance information should allow scope for reporting entities aligned with policy areas, budgets or governmental programs, which could involve cross-boundary reporting. The IPSASB noted that the Consultation Paper (CP), *Reporting Service Performance Information*, included an SMC on reporting entity. Responses received on ED 54 had not raised new issues from those considered during the review of responses to the CP. The IPSASB confirmed the ED’s approach to reporting entity, and directed that the Basis for Conclusions acknowledge the trade-off between service performance reporting that applies the same reporting entity boundary as for the financial statements and flexible boundaries that provide scope for cross-boundary reporting.

Reporting Frequency and Reporting Period (SMC 4)

Most respondents supported ED 54’s proposal that service performance information be presented annually and use the same reporting period as that for the financial statements, unless users’ needs require a different period. The IPSASB confirmed this approach. Staff proposed revisions to the RPG in response to respondents’ recommendations that the RPG should: (a) require additional disclosures when a different reporting period is used, (b) place limitations on the extent of the reporting period difference, and (c) include explicit allowance for more frequent reporting. IPSASB members had different views on whether these revisions should be made. Generally additional disclosures should be very critically reviewed to avoid disclosure overload. Staff were directed to review the RPG’s approach to reporting period and frequency against that taken in IPSAS 1, which addresses the same issues within the context of the financial statements.

Presentation principles (SMC 5)

The IPSASB noted that respondents generally agreed with the ED’s proposed presentation principles. Concerns and recommended revisions were aimed at improving rather than fundamentally changing the principles. The IPSASB confirmed the ED’s principles and referred specific revisions to staff for further consideration.

Reports Separate from Financial statements—Factors and Information (SMC 6)

The IPSASB noted that respondents generally agreed with ED 54's factors for consideration and information to disclose when service performance information is presented in a separate report from the financial statements. Respondents recommended additional factors and additional disclosures. The IPSASB indicated agreement with "proximity to actual-budget comparisons" as an additional factor for consideration. The additional disclosures did not gain strong support.

Information Presentation within a Report (SMC 7)

The IPSASB confirmed ED 54's approach to presentation within a report, noting that respondents generally agreed with that approach. ED 54 does not specify a particular style of presentation, but allows entities or jurisdictions to choose an appropriate presentation style, applying the ED's principles.

Information for Display and Disclosure (SMC 8)

After considering respondents' views on the ED's identification of information for display and disclosure the IPSASB directed that the RPG should focus on application of principles rather than specify detailed information requirements. In particular, the IPSASB supported retention of paragraph 80's approach of proposing disclosures for consideration, rather than requiring a standard detailed set of disclosures.

Choice of Performance Indicators (SMC 9)

The IPSASB confirmed the ED's approach of providing principles and guidance for entities' choice of performance indicators, rather than requiring entities to report particular performance indicators, noting that most respondents had agreed with that approach. Staff will consider respondents' specific suggestions on ways to improve this coverage during further development of the RPG.

Next Steps

The next step is for staff to develop, with support from the TBG, a draft RPG for the IPSASB's consideration at its December 2014 meeting.

RPG 3
[April] 2015

Recommended Practice Guideline

Reporting Service Performance Information

IPSASB

International Public
Sector Accounting
Standards Board



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IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

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RPG 3 REPORTING SERVICE PERFORMANCE INFORMATION

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Objective

1. This Recommended Practice Guideline (RPG) provides guidance on reporting service performance information. Service performance information is information for users of General Purpose Financial Reports (GPFRs) on an entity's service performance objectives, the extent of its achievement of those objectives, and the services that the entity provides. Service performance information can also assist users of GPFRs (hereafter termed "users") to assess the entity's service efficiency and effectiveness and economic use of resources for the provision of services.

Status and Scope

2. The reporting of information in accordance with this RPG represents good practice. An entity reporting service performance information should aim to achieve the principles set out in this RPG. 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).
3. This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs). Although this RPG does not apply directly to GBEs, the services provided by a GBE controlled by the reporting entity are within the scope of this RPG.
4. Service performance information should not be described as complying with this RPG unless it complies with all the principles in this RPG.
5. This RPG outlines minimum information to be presented. An entity may present additional information if such information is useful in meeting the objectives of financial reporting and meets the qualitative characteristics of financial reporting.
6. 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.
7. A jurisdiction may have established service performance reporting requirements that extend beyond the requirements of this RPG. These could include, for example, greater specification of required information organization, requirements for a larger set of information to display or disclose, and/or specific performance indicators or specific types of performance that are required to be presented. In that case the entity is encouraged to ensure that information identified through application of both this guideline and jurisdictional requirements is presented. To the extent that jurisdictional requirements differ from the minimum information requirements in this RPG, those requirements would apply in addition to, not in lieu of, the requirements of this RPG.

Definitions

8. The following terms are used in this RPG with the meanings specified:

Effectiveness is the relationship between actual results and service performance objectives.

Efficiency is the relationship between (a) inputs and outputs, or (b) inputs and outcomes.

Inputs are the resources used by an entity to provide outputs.

Outcomes are the impacts on society, which occur as a result of, or are reasonably attributable to, the entity's outputs and operations.

Outputs are the services provided by an entity to recipients external to the entity.

Performance indicators are quantitative measures, qualitative measures, and/or qualitative descriptions of the nature and extent to which an entity is using resources, providing services, and achieving its service performance objectives.

A service performance objective is a description of the planned result(s) that an entity is aiming to achieve expressed in terms of inputs, outputs, outcomes, efficiency or effectiveness.

Effectiveness

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. When reporting on its effectiveness the entity reports the extent to which one or more of its service performance objectives has been achieved. The more effectively an entity operates as a service provider, the better will be its actual results when measured against its planned results. (Appendix A provides examples that illustrate effectiveness and other definitions).

Efficiency

10. An efficiency indicator can be used to show when a service is being provided more (or less) efficiently compared to (a) previous reporting periods, (b) expectations, (c) comparable service providers, or (d) benchmarks derived, for example, from best practices within a group of comparable service providers.
11. Other things being equal, if outputs can be produced at less cost than before then production efficiency has improved and an efficiency indicator designed to report that type of efficiency gain will show an improvement. Similarly, if the quality of a service improves so that the outcomes achieved are better than those previously attained, with other variables such as service quantity and cost holding constant, then this represents an increase in efficiency, and an efficiency indicator designed to capture that type of efficiency gain will show an improvement. The converse—quality decreases so that outcomes are worse, with other variables such as quantity and cost holding constant—would indicate less efficient service provision.

Inputs

12. Resources used to produce outputs include: (a) human resources or labor, (b) capital assets such as land, buildings and vehicles, (c) cash and other financial assets, and (d) intangible assets such as intellectual property. Inputs are also reported in terms of costs incurred.
13. Information on inputs supports users' assessments of an entity's economic use of resources. More economic use of resources is indicated by absolute reductions in the level of inputs (the resources used). Initiatives to achieve reductions in resources—for example staff training initiatives or revised purchase policies—also provide information on an entity's economic use of resources. By contrast, efficiency combines information on inputs and on outputs to allow users to assess resource use for a particular service level, as indicated by the quantity of outputs.

Outcomes

14. Outcomes may include, for example, changes to educational achievements within society, changes to poverty and crime levels, or changes to the health of different groups within society.
15. An entity's outcomes could be impacts affecting society as a whole or particular groups or institutions within society. Outcomes could be relatively direct impacts on recipients of the entity's services. They

could also be impacts on others that are not recipients of the entity's services but who benefit indirectly from those services.

16. Although usually outcomes result from an entity's outputs, an entity's operations may also contribute to achievement of its outcomes.
17. There may be a strong, direct causal link between an entity's actions and its outcomes, but this will not always be the case. Factors beyond the entity's control may intervene to either hinder or facilitate the entity's achievement of outcomes. For example, an aging population or changes to economic well-being may both help to reduce a community's crime rate. Both factors (aging population and changes to economic well-being) are outside of the control of an entity such as a police department or ministry of justice for whom reducing crime could be an outcome. So the extent of crime reduction is influenced by factors beyond the entity's control.

Outputs

18. Services provided by entities could include:
 - (a) Services provided directly to individuals and institutions, for example, health or education services or the provision of goods such as food or books;
 - (b) Services provided indirectly to individuals and institutions, for example, services which aim to develop, promote, protect or defend a community, institution, country, or community values and rights;
 - (c) Transfers to individuals and institutions, for example, cash transfers and the provision of economic incentives such as tax incentives;
 - (d) (d) Provision of policies, regulations or legislation to achieve public policy goals, which includes, for example, revenue related legislation and the enforcement of such legislation; and
 - (e) Collection of taxes and other revenues.
19. The receipt of services by recipients external to the entity is a critical factor in deciding whether services are outputs, rather than services consumed internally as part of an entity's production of outputs.

Performance Indicators

20. Inputs, outputs, outcomes, efficiency and effectiveness are types of performance indicators. Performance indicators may be quantitative measures, for example, the number of outputs produced, the cost of services, the time taken to provide a service, or a numerical target for an outcome. Performance indicators may be qualitative measures, for example descriptors such as poor/good/excellent or satisfactory/unsatisfactory, which could include service quality ratings by service recipients, citizens or experts. Use of quantitative and qualitative measures may help users with (a) their assessment of whether service performance objectives have been achieved, and (b) inter-period and inter-entity comparisons of service performance.
21. A performance indicator could also be in the form of a qualitative description. A qualitative description may be necessary to provide users with relevant and understandable information on service performance where there is a high level of complexity and judgment involved in a particular service.

Service Performance Objectives

22. Service performance objectives may be expressed using performance indicators of inputs, outputs, outcomes, efficiency, or effectiveness, or through a combination of one or more of these five performance indicators. A service performance objective may also be expressed using a narrative description of a desired future state resulting from provision of services.
23. An entity's service performance objectives may all be expressed in the same type of performance indicator, for example, all expressed in outcomes. They may also be expressed in different types of performance indicators, for example, some of the service performance objectives may be expressed in outcomes, while others are expressed in outputs and/or inputs.
24. A single service may contribute to achievement of one or more service performance objectives. Several services may contribute to the same service performance objective.

Reporting Boundary

25. The reporting boundary for service performance information should be the same as that used for the financial statements.
26. Service performance information may be reported by the controlling entity and by its controlled entities, some of which may in turn be controlling entities. While information reported by each entity relates to the same reporting boundary as that used for its financial statements the extent of aggregation and the services reported is likely to vary depending on an entity's level within government and its service performance objectives. By contrast to consolidated financial statements, which aggregate the finances of controlled entities, service performance information reported by a controlling entity generally is not an aggregation of the services reported by controlled entities. Instead, a controlling entity applies the principles below when presenting its service performance information. Paragraph 73 identifies considerations of particular relevance to controlling entities.

Annual Reporting and Reporting Period

27. Service performance information should be reported annually and may be reported more frequently. Service performance information should cover the same reporting period as that covered by the financial statements.
28. There may be situations in which the reported service performance information is for a reporting period that is different from that covered by the financial statements. For example, some of the service performance information presented by a controlling entity may be based on service performance information reported by controlled entities that have a different reporting period. A consideration of users' needs and an assessment of costs and benefits may indicate that the reporting period should be different from that covered by the entity's financial statements.
29. Service performance objectives may require periods longer than one year to achieve. For accountability and decision making users will need information on progress towards such multi-year service performance objectives. Paragraph 72 addresses the type of service performance information that can be presented to show annual progress towards multi-year service performance objectives.

Principles for Reporting Service Performance Information

30. The principles for reporting service performance information set out in this section apply to the location, organization and selection of service performance information within a GPFR, which are addressed in the following three sections.
31. 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) Extent of achievement of its service performance objectives;
 - (b) Service performance activities;
 - (c) Efficiency and effectiveness of the entity's service performance; and
 - (d) Economic use of resources for the provision of its services.
32. In combination with the information in an entity's financial statements, service performance information should enable users to assess the entity's finances in the context of its achievement of service performance objectives and vice versa.
33. The presentation of service performance information should be appropriate to the entity's service performance objectives, and make the relationship between the entity's service performance objectives and its service performance achievements clear.
34. Service performance objectives and other service performance information presented should take account of the entity's specific circumstances, such as:
 - (a) The services that the entity provides;
 - (b) The nature of the entity; and,
 - (c) The regulatory environment in which the entity operates.
35. The presentation of service performance information should meet the qualitative characteristics of financial reporting, which are relevance, faithful representation, understandability, timeliness, comparability, and verifiability.
36. When applying the qualitative characteristics to service performance information the following considerations are important:
 - (a) *Relevance*: Service performance information should be useful for (a) holding the entity accountable for its service provision and (b) users' decision making.
 - (b) *Faithful Representation*: Service performance information should faithfully represent the service performance of an entity's services. Faithful representation is attained when the service performance information is complete, neutral, and free from material error.
 - (c) *Understandability*: Service performance information should be communicated to users simply and clearly.
 - (d) *Timeliness*: Service performance information should be reported to users before it loses its capacity to be useful for accountability and decision making purposes.
 - (e) *Comparability*: Service performance information should provide users with a basis and context to compare an entity's service performance over time, against targets and, where possible, to other entities.

- (f) *Verifiability*. Service performance information should provide users with a basis for assessing whether the information in a service performance report could be replicated by independent bodies using the same measurement approach.
37. The pervasive constraints on information in GPFs—materiality, cost-benefit, and balance between the qualitative characteristics—should also be applied to service performance information.

Understandability and Relevance

38. Aggregation or disaggregation of service performance information should be at a level that conveys a meaningful understanding of the entity's service performance achievements. The level of aggregation should not be so high as to conceal or obscure performance, while the level of disaggregation should not be so low as to result in detailed listings that also obscure performance and reduce understandability. Information reported should be sufficiently specific for users to hold the entity accountable for its service performance, particularly its performance with respect to its service performance objectives.
39. 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. When applying materiality to service performance information it is not possible to specify a uniform quantitative threshold at which a particular type of information becomes material. This is because service performance information involves qualitative and quantitative information about service performance achievements during the reporting period and is likely to influence expectations about service performance and financial outcomes in the future.
40. 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. Assessing whether the benefits of providing information justify the related costs is often a matter of judgment. Service recipients and resource providers ultimately bear the cost of those efforts—because resources are redirected away from providing services towards reporting on service performance.

Comparability

41. Presentation should support inter-period comparisons and, to the extent that such comparisons are meaningful inter-entity comparisons.
42. Consistent reporting of service performance information will help to provide users with a basis to compare an entity's service performance over time, against targets, and (to the extent possible) to other entities.
43. Comparability to other entities can be difficult to achieve in the context of service performance information since diverse services are provided and even where two entities provide exactly the same service they may have different service performance objectives with the result that they need to report different, non-comparable performance indicators. The balance between the qualitative characteristics means that inter-entity comparability may need to be traded off against relevance, so that the service performance objectives and their related performance indicators are chosen to be relevant to service performance situation of the particular entity. Users' needs may indicate that

performance indicators that are comparable with those of other entities that deliver the same services are also relevant and the two qualitative characteristics—comparability and relevance—are aligned.

Information for Resource Allocation Decisions

44. Service performance information should be available to support users' assessment of an entity's resource allocation decisions, its economic use of resources to provide services, and general financial management, as evidenced by the information in its financial statements and its reporting against budget. Service performance information provides an essential part of the picture of an entity's overall performance, and generally should be available at the same time as the financial statements, so that the finances can be assessed with reference to the entity's service performance and *vice versa*. Where service performance information is used to inform the assessment of policy and strategy decisions timeliness involves having the information available so that it can support and inform those decisions.

Presentation with the Financial Statements or in a Separate GPFR

45. An entity may present service performance information either:
- (a) As part of a GPFR that includes the financial statements; or,
 - (b) In a separately issued GPFR.
46. The following factors should be considered when making this decision:
- (a) The extent to which the service performance information needs to be reviewed within the context of information in the financial statements, including information on budget-actual comparisons;
 - (b) Whether the needs of users and the qualitative characteristics are enhanced if the service performance information is included in the same GPFR as the financial statements or in a separate GPFR;
 - (c) Application of the constraints on information, including whether the benefits of including the information in the same GPFR as the financial statements justify the additional costs (if any) involved; and,
 - (d) Jurisdiction-specific factors which specify that service performance information should be located either in the same GPFR as the financial statements or in a separate GPFR.
47. With respect to point (a) in paragraph 46 above, an important factor in this decision is likely to be whether the primary objective of providing the service performance information is:
- (a) To inform assessments on resource allocation decisions for the provision of services, in which case there is likely to be value in associating the reporting of service performance information with the financial statements that are compared to budget allocations; or
 - (b) To inform assessments on policy or strategy decisions, in which case there is likely to be value in associating the reporting of service performance information with information on policies or strategy.
48. Where the service performance information is presented separately from the GPFR that includes the financial statements, the following information should be presented:
- (a) The name of the entity;

- (b) Where the entity is a controlling entity, a description of the group of entities controlled by the reporting entity;
 - (c) Where the entity is a controlled entity, the identity of the controlling entity;
 - (d) The reporting date and the reporting period covered by the service performance information;
 - (e) The financial statements to which the service performance information relates and sufficient information necessary for users to locate the financial statements;
 - (f) The presentation currency, as defined in IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*; and,
 - (g) The level of rounding used.
49. Where an entity chooses to present its service performance information in a separate GPFR from the financial statements the separate GPFR should be issued on a timely basis, which will usually be demonstrated through issuance at the same time as the financial statements or, if not at the same time, then very close to issuance of the financial statements. The two sets of information—financial information reported in the financial statements and service performance information—are linked and each type of information enhances the usefulness of the other. Service performance information assists users in their assessment of the entity's accountability for resource use.

Organization of Service Performance Information within a GPFR

50. The organization of service performance information within a GPFR should support:
- (a) Users' ability to use the information for the purposes of accountability and decision making; and.
 - (b) Achievement of the qualitative characteristics.
51. High level summaries of information should be supported with more in-depth discussion and analysis. Information should be organized so that connections are clear between the high level summaries and (a) supporting detail, and (b) related discussion and analysis.
52. One way to organize service performance information is in a "statement of service performance", which involves organizing information into a tabular or statement form. A statement of service performance can support understandability and comparability when numerical or "summary descriptive" performance indicators (e.g. "satisfactory or unsatisfactory") are reported on multiple services.
53. Where service performance information is presented through narrative or case studies a tabular approach is unlikely to be appropriate. In some cases a mixture of case studies and one or more tables or statements will be appropriate.
54. Entities may use several levels of reporting in order to achieve a balance between being (a) concise enough to be understandable, and (b) providing sufficient detail with respect to multiple aspects related to each service performance objective. The use of several levels of reporting allows the display of concise reporting at higher levels, and display or disclosure of more detailed coverage at lower levels, where service areas, for example, could be disaggregated into two or more individual services.
55. IPSAS 18, *Segment Reporting*, applies to entities' identification of segments. It describes service segments and identifies factors that should be considered when grouping services into segments for

financial reporting purposes. IPSAS 18's description of service segments is likely to be useful for entities when they consider how to present their service performance information.

Selection of Service Performance Information

Information for Display

56. The following information should be displayed:
 - (a) Service performance objectives;
 - (b) Performance indicators that show the entity's achievements with respect to its service performance objectives; and,
 - (c) Information on the costs of services.
57. With respect to performance indicators and the costs of services, the entity should display actual information for the reporting period.
58. The entity should also consider displaying:
 - (a) Planned information for the reporting period; and
 - (b) Actual information for the previous reporting period.
59. Where service performance information includes information that is also in the financial statements, cross-references to the financial statements should be presented so that users can assess the information within the context of the whole set of financial information reported in the financial statements.

Service Performance Objectives

60. Service performance objectives generally should be specific, measurable, achievable and time-bound.
61. Where the entity's service performance objectives change, the information presented should reflect the change. For example, an entity may initially have service performance objectives related to increasing either the inputs or outputs related to its services, and then later re-focus its performance towards improving either the services' efficiency or effectiveness. That change should be reflected in the service performance information that the entity presents.

Services

62. The service performance information presented should show those services that are key to achieving the entity's mandate or service performance objectives, relevant performance indicators and other information relevant to those services. Information found in an entity's legislation and planning documents (budget statement, mission statement, strategic plan, funding agreements, corporate plan, etc.) will usually help to identify the relevant service performance objectives, key services provided by an entity and relevant performance indicators.

Performance Indicators

63. Judgment is needed to determine the most suitable set of performance indicators to be reported. The overriding principle is that indicators should be selected on the basis of their importance to users and their usefulness in assessing the entity's achievements in terms of its service performance objectives.

For performance indicators to be relevant they should link directly to one or more of the entity's service performance objectives. Where an entity has publicly reported planned performance indicators the actual performance indicators presented will usually be consistent with those previously made public. Those entities that publish their budget information and apply IPSAS 24, *Presentation of Budget Information in Financial Statements*, should consider the relationship between that information and the service performance information that they report.

64. The set of performance indicators presented should allow users to assess how efficiently and effectively the entity has used its resources to deliver services and achieve its service performance objectives.
65. An entity is encouraged to display information about its intended outcomes and its achievements with respect to those outcomes. Information about outcomes may be difficult to provide, but it is information that all entities should aim to provide. This is because outcome information focuses on the ultimate reason for service provision, which is the impact that services have on the community. 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.
66. There may be a large number of performance indicators that can be presented for an entity's service performance objectives, services or programs. To ensure that the information is understandable and to avoid overwhelming users, entities generally will need to identify only those few key performance indicators that will best meet users' needs for the services presented.
67. Performance indicators that involve quantification should be able to be measured reliably. Where performance indicators can be generated by a transaction processing system the use of such a system will support the verifiability and timeliness of reported information. The representational faithfulness and verifiability of some performance indicators can be supported through certification by an independent, qualified body.
68. When selecting performance indicators entities should ensure that the indicators presented will provide a representationally faithful description of service performance. There may be trade-offs between different aspects of service performance, such that one aspect improves while another aspect deteriorates. Information presented should be neutral and without bias. Entities should avoid any tendency to present performance indicators that are biased towards reporting positive results. This helps to ensure that the qualitative characteristics are met and users can be confident that the performance indicators faithfully represent the entity's service performance.
69. The importance of performance indicators to users and their usefulness in assessing the entity's achievements in terms of its service performance objectives is the primary consideration. When selecting performance indicators to be reported ease of measurement is likely to be a consideration, but should be secondary to the needs of users. The performance indicators presented should not over-emphasize easily measured dimensions.
70. For some services, or in some situations, where a quantitative or qualitative measure is not relevant or possible, a qualitative description (also called narrative information) should be presented. This is the case where a qualitative description provides a more relevant and understandable description of the level of achievement for a particular service performance objective than would a quantitative or qualitative measure. Service performance achievements may not be capable of being reduced to a small set of quantitative or qualitative measures when the service (a) is complex, (b) involves interrelated factors, and (c) involves a large number of different possible indicators of success or

progress, all of which involve judgment as to their relative importance. Information reported on any particular service may include one or more different types of performance indicators; quantitative measure(s), qualitative measure(s) and/or qualitative description(s).

71. Alignment between input, output and outcome performance indicators and the service performance objectives helps users to assess the relationship between resources and results, and how resource availability may have influenced achievement of service performance objectives.

Multi-year Service Performance Objectives and Performance Indicators

72. In situations where outcomes (or other service performance objectives) are multi-year, inherently difficult to measure, or very costly to measure, alternative or proxy measures that indicate progress towards achievement of an outcome may be able to be presented in the short-term, until outcome information is available. The extended timeframe of multiyear service performance objectives should not be a deterrent to reporting multi-year objectives and disclosing progress towards their achievement, although ways to report on progress in a cost-effective way may need to be developed. Where an entity establishes both annual outputs and longer term outcomes for one or more service area there may be scope to treat annual reporting against outputs as indicative of progress towards achievement of the outcomes, with actual outcomes reported less frequently.

Service Performance Information Presented by a Controlling Entity

73. A controlling entity will apply the principles in paragraphs 30–44 when selecting service performance information to present. To identify its service performance objectives the controlling entity will consider its own individual mandate rather than those of its controlled entities. Then the performance indicators reported will relate to the controlling entity's own service performance objectives. To the extent that the controlling entity presents service performance information for services provided by its controlled entities that information will need to be high level and understandable. The service performance information presented could, for example, be:
- (a) A high level summary or description of the suite of services provided by the controlled entities;
 - (b) Cross-references that allow users to find service performance information reported by controlled entities in those entities' individual GPFRs;
 - (c) Performance indicators relevant to groups of services (by contrast to the controlled entities' reporting of performance indicators for individual services); or
 - (d) Final outcomes for which the controlling entity can more reasonably be held accountable but to which the controlled entities only contribute (by contrast to the controlled entities' reporting of interim outcomes, outputs or inputs).

Costs of Services

74. Users' understanding of service performance is enhanced by information on the total costs of services.
75. When reporting the costs of services, disaggregated cost information could also be presented. Disaggregated information could be costs related to individual service performance objectives, outcomes, service areas, individual services, the costs of outputs, or costs related to particular inputs. Users' assessment of efficiency may be supported through provision of costs related to either outputs or outcomes.

Planned and Actual Service Performance

76. Planned and actual service performance information should be reported consistently so that comparisons are facilitated. Wherever possible, entities should report on the same performance indicators, with the same methodology and parameters for their computation, as that established before the start of the reporting period. This enables users to compare actual performance with planned performance at the end of the reporting period.
77. Consistency of performance indicators over several years facilitates long-term trend analysis. But such consistency should not be pursued at the expense of (a) improving the quality of performance indicators, for example by revising indicators so that they have more impact on decision making and are better aligned with desired outcomes; or (b) aligning indicators with changed expectations from stakeholders.
78. An entity may need to address the issue of how to report on changes to planned service performance that occurred during the reporting period. This situation may arise, for example, when stakeholders revise their service performance expectations during the reporting period, resulting in an amendment to service performance objectives. Service performance objectives may also change as a result of an entity combination, where accountability for services is transferred from one entity to another or reporting needs to be on services previously provided by two different entities and now provided by a single, merged entity. In these situations, it is recommended that, where possible, the entity report against both the original and the revised service performance objectives. The reason for, and the impact of, these changes should also be outlined in supporting commentary, so that users have a full understanding of reasons for variances between service performance objectives at the beginning of the reporting period and actual achievements, while also understanding the degree of actual achievement against the more up-to-date, revised service performance objectives.

Information for Disclosure

79. Information for disclosure consists of:
 - (a) Narrative discussion and analysis; and,
 - (b) Information on the basis of the displayed service performance information.

Basis of Displayed Service Performance Information

80. Judgment will be involved in deciding what information needs to be disclosed so that users understand the basis of the displayed service performance information. Sufficient information should be disclosed to allow users to determine whether the displayed service performance information is:
 - (a) Relevant to them; and
 - (b) Useful for the purposes of accountability and decision making.
81. The following information should be considered for disclosure:
 - (a) Information about the services on which information has been displayed, including a brief explanation for the choice to display information on those services;
 - (b) Sufficient information on the sources of the displayed information for users to understand its quality, including its verifiability;
82. Entities may also choose to disclose one or more of the items of information below:

- (a) An explanation of the displayed service performance objectives, which describes how they have been established, the need for them to be achieved, and the relationship(s) between the service performance objectives and:
 - (i) The services presented,
 - (ii) The displayed service performance indicators, and
 - (iii) The entity's overall objectives.
 - (b) An explanation of the relationship(s) between related performance indicators. (For example, information on the extent of alignment between input, output and/or outcome indicators, where the inputs and outputs contribute to achievement of a particular outcome.)
 - (c) An explanation of the basis for information aggregation (or disaggregation), which addresses the level of detail reported.
 - (d) When disaggregated information on costs is provided, the basis for cost determination, which explains cost allocation policies, including the treatment of direct and indirect service related expenses and any other information necessary for users to understand how costs were determined.
83. Where a controlling entity reports on services provided by its controlled entities the controlling entity should consider disclosing information that explains the respective roles and responsibilities for service performance within the economic entity.

Disclosures when Reporting Period is Different

84. When the service performance information covers a reporting period different from that for the entity's financial statements, the following information should be considered for disclosure:
- (a) The fact that the reporting period is not the same as that for the financial statements;
 - (b) Why there is a difference; and,
 - (c) If financial information is included in the service performance report, either
 - (i) The reporting period of the financial statements from which the information has been derived, along with information to facilitate access to those financial statements; or
 - (ii) The source of the financial information reported, if the information has not been derived from the entity's financial statements, along with information to facilitate access to that source.
85. Where the reporting period for information on some services is different from the reporting period of the entity's service performance report the following information should be considered for disclosure:
- (i) The services affected,
 - (ii) The applicable reporting period(s), and
 - (iii) An explanation for the difference(s).

Reconciliation or Comparison between Costs and Expenses

86. Either a reconciliation or a comparison between the costs of services presented and the expenses reported in the entity's financial statements may be disclosed. This information could support users'

understanding of the basis for costs of services and their importance within the context of the entity's other activities. Reconciliations or comparisons could be between, for example, (a) total costs of services and total expenses, or (b) costs related to individual services or groups of services and costs reported for different segments.

Narrative Discussion and Analysis

87. Narrative discussion and analysis should provide a concise overview of an entity's service performance that focuses on issues that are critical to users' assessments of that service performance. The concise overview should:
- (a) Discuss the degree to which service performance objectives have been met; and,
 - (b) Provide balanced explanations of the information displayed, which cover both positive and negative aspects of the entity's service performance.
88. The following disclosures should be considered for inclusion in an entity's narrative discussion and analysis:
- (a) Particular achievements, deficiencies and issues;
 - (b) Identification and discussion of the factors that may have influenced achievement (or non-achievement) of service performance objectives;
89. Discussions of differences between planned and actual achievements could include identification of the size of the variances as well as the factors contributing to the variances. (Factors might include the effect of external factors (positive or negative), efficiencies or inefficiencies in processes, the impact of resource availability (for example funding or staff increased availability or constraints), or explicit government decisions.)
90. Entities may also choose to disclose one or more of the items of information below:
- (a) Comparisons of indicators:
 - (i) Over time;
 - (ii) To milestones; and,
 - (iii) Between actual and planned results.
 - (b) Reasons for change(s), if the service performance objectives or performance indicators presented have changed compared to those presented for the previous year.
 - (c) Where an entity has multi-year service performance objectives, narrative about progress towards their achievement.
 - (d) Where outcomes are reported, information on:
 - (i) The extent to which outcomes can be attributed to the entity's activities; and
 - (ii) Other factors that may have influenced the outcomes.
 - (e) Significant lessons learned during the reporting period with respect to the entity's service performance including, where relevant, plans on ways to address issues affecting service performance and areas that require further evaluation.

- (f) Identification and discussion of the risks associated with the delivery of services and, if risk assessments for services have been carried out, information on how such risk trade-off decisions are informed and managed.
 - (g) Identification and discussion of the consequences—intended and unintended, direct and indirect—of the services provided.
91. The achievement of outcomes is often influenced by factors outside of the entity's control. Where outcome information is displayed, information on (a) the extent to which the outcomes can be attributed to the entity's activities, and (b) other factors that may have influenced the outcomes may be useful for users. Disclosures should be sufficient to ensure that users do not overestimate the entity's role with respect to either improving or worsening outcomes.
92. Often the delivery of public services follows a risk assessment, which establishes risk tolerance involving clear parameters around the risk of "false positives" and "false negatives". Parole decisions, customs inspections or clearances, and child welfare interventions are examples of decisions where such risk assessments are critical to the entity's service performance. Information on how such risk trade-off decisions are informed and managed could assist users' assessments of the challenges faced and the performance delivered by the entity.

Appendix A: Illustrative Examples—Definitions

- A1. The following examples are for an entity that provides health services. One of its services is to provide vaccinations to prevent measles. In order to achieve its outcome focused service performance objective—see the example below—the entity uses a range of inputs to produce its outputs which, in this example are measles vaccinations. Those outputs are then expected to cause (directly or indirectly) the desired outcome.

Service Performance Objective

- A2. An example of a service performance objective for an entity responsible for vaccinations against measles is: “To reduce the percentage of infants who contract measles annually from 65% to 2% within five years i.e. by the end 20XX.” This is an outcome focused service performance objective.

Inputs

- A3. Staff time spent providing vaccinations against measles is an example of a health service related input. Then “the number of full-time equivalent staff days used to provide the vaccinations against measles service” would be one possible input indicator for that service.

Outputs

- A4. The provision of vaccinations against measles to infants is an example of a health related output. The service’s recipients—the infants—are external to the entity. “The number of infants vaccinated against measles” would be a possible output indicator for that health service.

Outcomes

Outcomes Generally

- A5. One possible example of an outcome for the measles vaccinations service is a reduction in the number of infants that contract measles. A reduction could be expressed in absolute terms (5,000 fewer incidents of measles) or as a percentage reduction (a 35% percentage reduction in infants contracting measles).

Outcomes for Society as a Whole or for Groups within Society

- A6. An entity that reports reductions in the number of children that contract measles could report such rates for the whole of society or people living in particular neighborhoods.

Direct or Indirect Outcomes

- A7. No incidents of measles experienced by recipients of measles vaccinations provided by the entity is an example of a direct impact on the recipients of the entity’s services. By contrast children in the same group who have not received a vaccination will be impacted indirectly by the entity’s vaccination services, because their risk of contracting measles is reduced.

Outcomes Influenced by the Entity’s Operations

- A8. An entity’s operations may also contribute to achievement of its outcomes. For example, the process of collecting information to compile health statistics about measles—viewed by the entity as an operational input to its health services—could raise awareness of measles and contribute to the reduction of measles.

Efficiency

- A9. With respect to vaccinations against measles, “cost per infant vaccinated” is one example of an efficiency indicator, one which relates outputs (vaccinations) to an input (cost). “Cost per reduction in number of infants contracting measles” is an example of an efficiency indicator that relates an outcome (reduction in number of infants contracting measles) to an input (cost). Efficiency may also be expressed in terms of other inputs such as, for example, number of staff or staff time. For example, 1,000 vaccinations annually per qualified medical staff member.

Effectiveness

- A10. If the entity’s service performance objective (the entity’s planned result) expressed in terms of outcomes is to reduce the number of infants that contract measles by 3,000, then one possible effectiveness indicator would be the ratio of the actual reduction to the planned reduction, expressed as a percentage. If the entity reduced the number of infants contracting measles by three thousand, this effectiveness indicator would show 100% effectiveness. Since the actual result is a 3,000 reduction in infants contracting measles, the planned result (a 3,000 reduction in infants contracting measles) has been fully (100%) achieved. The same entity could have a second service performance objective expressed in terms of outputs, for example, that 10,000 children would be vaccinated against tuberculosis. If 8,000 children were actually vaccinated then, with respect to this second objective, effectiveness would be at 80%. These percentages measure the ratio between planned and actual results, i.e. measures of the entity’s effectiveness, rather than a percentage reduction of disease incidence in the target population, which would be an outcome measure.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, RPG 3.

Background

Project Initiation, Consultation Paper and Decision to Develop Guidance

- BC1. The IPSASB approved a project brief on reporting service performance information, then called “performance reporting”, in March 2008. Work on the project was deferred until responses to a Consultation Paper on Phase 1 of the IPSASB’s Conceptual Framework (which includes the scope of general purpose financial reporting (GPFR), the objectives, qualitative characteristics and the reporting entity) had been considered. The first issues paper related to the project was discussed at the IPSASB’s June 2010 meeting.
- BC2. A Consultation Paper (CP), *Reporting Service Performance Information*, was issued in September 2011. In developing the CP, the IPSASB reviewed and compared existing national standards, guidance, and regulatory requirements for service performance reporting (or its equivalent) from selected national jurisdictions, the United Nations, and the Organization for Economic Co-operation and Development. Based on the IPSASB’s research, no two jurisdictions have identical service performance reporting frameworks, but it was found that there are similarities in the service performance information that is reported. Consideration of these similarities and of commonly used terms provided the basis for the CP’s (a) principles based framework for reporting service performance information, and its (b) terminology, with associated definitions.
- BC3. The IPSASB completed its review of responses to the CP in December 2012. In March 2013 the IPSASB decided that information additional to that included in the financial statements should be addressed presently through development of a Recommended Practice Guideline (RPG) and, on that basis, this RPG was developed for reporting service performance information.

Development of a Recommended Practice Guideline

- BC4. This RPG is based on the service performance reporting framework developed for the CP, revised for the IPSASB’s decisions during its review of responses to the CP. This RPG is underpinned by the IPSASB’s Conceptual Framework.
- BC5. The Conceptual Framework notes that the primary function of governments and most public sector entities is to provide services to constituents. Consequently, their financial results need to be assessed in the context of the achievement of service performance objectives. Reporting non-financial as well as financial information about service performance activities, achievements and/or outcomes during the reporting period is necessary for a 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. Decisions that donors make about the allocation of resources to particular entities and programs are also made, at least in part, in response to information about service performance achievements during the reporting period, and future service performance objectives.
- BC6. As for the CP, this RPG sets out principles based guidance for the reporting of service performance information by public sector entities. This guidance focuses on meeting the needs of users of GPFRs.

Overall Approach of RPG—Guidance on Decisions and Minimum Characteristics

- BC7. During development of this RPG, the IPSASB considered whether its overall approach should aim to (a) establish minimum characteristics of service performance information, consistent with an RPG's role as providing good practice and requirements; or (b) provide a framework that identifies decisions that preparers need to make and guidance on those decisions, consistent with the framework approach in the CP and an RPG's function as guidance. The IPSASB decided that RPG should not attempt to standardize service performance reporting, given the diversity of services and reporting contexts, but focus on achievement of the applicable principles.
- BC8. In developing an RPG for reporting service performance information the IPSASB acknowledged the challenge in developing guidance that would be useful when applied to diverse services, diverse service performance objectives, and diverse accountability and decision-making contexts world-wide. Arguably service performance reporting quality depends in part on the extent to which it meets the particular information needs arising from the services provided and the context for their provision. For example, a report that tells the story of factors influencing progress toward critical targets may look quite different to a report that provides an account of services delivered for the resources provided. The IPSASB considered these matters and was of the view that it would be most helpful to develop an RPG that identifies the decisions that preparers will need to make, then provides guidance on how such decisions should be made, rather than an RPG that establishes minimum standards.
- BC9. The IPSASB's view is that principles applicable to reporting service performance information provides useful guidance, without attempting to establish global requirements that may not be appropriate for the variety of different services and different service delivery contexts that exist globally. Service performance information is a developing area, which means that the RPG should not be overly prescriptive.
- BC10. Some respondents to the ED were concerned about an apparent contradiction between RPGs as pronouncements that do not establish requirements and paragraph 5 of the ED, which stated that compliance with the RPG involves compliance with all of its requirements. The IPSASB responded to this concern by eliminating reference to "requirements" in this paragraph, and replacing it with "applicable principles". The IPSASB also noted that the nature of an RPG as a guideline is established by the allowance for entities to not follow a particular RPG—in its entirety—without impacting negatively on the entity's IPSAS compliance. Preparers (or jurisdictions) may also choose to apply part of the RPG and, for example, progressively move towards full compliance, at which point compliance can be asserted. Nonetheless the specific content of an RPG involves a set of principles that establish best practice. An RPG may also, depending on the topic addressed, involve more flexibility of application than is the case for an IPSAS. This is the case for this RPG which includes options as to presentation and actions which are encouraged rather than required.

Objective

- BC11. The objective for this RPG is based on the Conceptual Framework's description of the needs of users of GPFRs for service performance information. It also reflects the CP's analysis that concluded there is scope for guidance, while acknowledging that the guidance should be broad enough to allow entities and national jurisdictions to address users' needs with respect to particular services in particular contexts.

Scope

- BC12. This RPG applies to all public sector entities, other than Government Business Enterprises (GBEs). This is consistent with the *Preface to International Public Sector Accounting Standards*, which states that the IPSASB develops accounting standards and other publications for use by public sector entities, other than GBEs. This exclusion from the scope should not be read as implying that the guidance could not be applied by GBEs or that there is any barrier to GBEs applying this guidance.
- BC13. Where the controlling entity reports service performance information according to the recommendations in this RPG it may provide information on services provided by one or more controlled GBEs. Although the GBEs' own reporting is not within the scope of this RPG, the IPSASB considers that information reported by the controlling entity—about the GBEs' services—needs to follow the RPG's requirements, if the controlling entity is to assert compliance with the RPG.
- BC14. The IPSASB discussed whether this RPG should apply to entities in national jurisdictions which already have extensive service performance information reporting requirements for their public sector entities—requirements that may extend beyond the minimum information levels set out in the RPG. The IPSASB's view is that, in such circumstances, the entity will need to ensure that jurisdiction requirements are met. While the RPG does not set out detailed comprehensive and specific requirements, this does not represent an encouragement to report less than is already reported under national or other requirements, nor is this viewed as in conflict with more extensive reporting. The RPG includes a statement that it sets out minimum information levels. It also states that the RPG "...does not preclude the presentation of additional information if such information is useful in meeting the objectives of financial reporting and meets the qualitative characteristics of financial reporting." On this basis the IPSASB concluded that the RPG should be able to be applied to entities in jurisdictions where extensive service performance information reporting requirements already exist.

Definitions of Terms

- BC15. In reaching its view on the need for standardized service performance terminology the IPSASB noted that although entities use some terminology consistently, many of those entities have not defined some or all of the terms they use. Moreover, the same terms sometimes have different meanings in different jurisdictions. On this basis, the IPSASB concluded that a standardized service performance terminology was necessary to support the understandability and comparability of service performance information reported by entities in GPFRs.
- BC16. This RPG defines seven terms which are based, as far as possible, on terms already used in jurisdictions with a well thought through and explicit approach to, and extensive experience in, service performance reporting. Establishing definitions for these terms is expected to assist with the communication of service performance concepts, and support achievement of the qualitative characteristics.
- BC17. During the review of responses on the CP and subsequent development of the RPG the IPSASB revised the definition of an effectiveness indicator. The CP definition was: "Effectiveness indicators are measures of the relationship between outputs and outcomes." This implies that the relationship between outputs and outcomes is relatively simple to measure. After further consideration the IPSASB considered that the relationship between outputs and outcomes is likely, in many situations, to be more complex than the simple relationship underpinning the original definition. Furthermore, the IPSASB considered that effectiveness is better understood to be the degree to

which an entity is successful in achieving its service performance objectives. On this basis the IPSASB decided that effectiveness indicators show the extent to which an entity has achieved its services performance objectives, where those objectives are stated in terms of outcomes or outputs. Responses to the ED, where the revised definition was proposed, were generally supportive of this approach.

- BC18. “Economy indicators” were considered for inclusion in the set of standard terminology, during development of the CP, because it is a commonly used term. A majority of IPSASB members decided to exclude economy indicators because they overlap with efficiency indicators and are difficult to derive in isolation. In addition the concept of economy was considered to be covered by input indicators. This issue was considered further by the IPSASB during its review of responses to the ED, when a majority of IPSASB members reconfirmed the view that economy indicators do not represent something additional to the ideas conveyed by either efficiency or inputs. On that basis “economy indicators” are not included in the defined terms. However the IPSASB decided that the RPG’s objective should note that service performance information can support users’ to assess the entity’s economic use of resources for the provision of services.

Reporting Entity

- BC19. During development of the CP the IPSASB considered whether service performance information should be presented for the same reporting entity as for financial statements. Public sector performance information can be constructed around a desired outcome, which many entities may contribute to, or benchmark indicators against which entities can be compared. Such information is likely to be of particular value when entities need to work together to achieve public policy objectives. Alternatively, service performance information can support (a) holding the reporting entity accountable for its service provision and use of resources, and (b) decision making. Members had differing views and sought feedback on this issue. After reviewing responses to the CP the IPSASB concluded that service performance information as defined by the RPG should be presented for the same reporting entity. On that basis a majority of the IPSASB considered that service performance information should be prepared for the same reporting entity as for the financial statements. To be consistent with coverage in RPGs 1 and 2 (see RPG 1, paragraph 14 and RPG 2, paragraph 4) the wording in RPG 3 focuses on “reporting boundary” rather than reporting entity. This wording also avoids potential confusion over whether reporting entity addresses the issue of “which entity should report?”—the focus Chapter 4, *Reporting Entity* in the Conceptual Framework—or “given that this entity reports, what services fall within the entity’s reporting responsibilities or for what services is the entity broadly speaking accountable?”.
- BC20. Some respondents to the ED commented on this issue—even though there was no SMC on it—with most comments supporting the ED’s “same reporting entity” approach and no new, previously unconsidered issues raised. Several respondents to the ED suggested that the RPG also provide guidance for reporting on programs or policies that involve a group of entities that are not under common control that is “cross-boundary” reporting. The IPSASB took the view that this would unduly extend the scope of the project, and confirmed the ED’s approach to reporting entity.
- BC21. The IPSASB also acknowledged that there is a trade-off between service performance reporting that applies the same reporting entity boundary as for the financial statements and flexible boundaries that provide scope for cross-boundary reporting. A focus on the same reporting entity as for the financial statements has the benefit of following lines of control and supporting organization-focused accountability, while also facilitating both collection of service performance information and the integration of such information with financial information in the entity’s financial

statements. However there are cases where no single entity is accountable for a program or policy and requiring cross-boundary reporting, aligned with the program or policy, would provide information that better explains service performance related to that program or policy. The IPSASB considered expanding the RPG's scope to also include guidance for cross-boundary reporting on "programs" or "sets of activities that contribute to the same outcome(s)". The IPSASB decided that the RPG should remain focused on reporting by the same entity as that for the financial statements. This does not prevent national jurisdictions from adapting the RPG's principles and guidance for application to cross-boundary reporting.

- BC22. The RPG focuses on information for accountability and decision making involving the reporting entity rather than a supply chain, network or other combination of individual entities. On that basis the IPSASB considers that the reporting boundary for service performance information should be the same as that used for the financial statements.
- BC23. Some respondents to the CP were concerned that controlling entities should not be required to report all services provided by their controlled entities, with the result that information becomes too detailed and lengthy to meet the qualitative characteristics and support users' assessments for accountability and decision making. To address this concern the ED included guidance on how a controlling entity can present service performance information on services provided by its controlled entities, without providing an overwhelming amount of detail in its own report.
- BC24. The ED included an SMC on whether respondents agreed with its coverage of reporting at different levels of government. Some respondents remained concerned that this could result in overly detailed, onerous reporting by controlling entities. After further consideration the IPSASB decided that the ED still allowed scope for preparers to conclude that the same approach to consolidating information as that used for financial statement consolidations—whereby financial totals reported by controlled entities are fully included in the controlling entity's financial statements—would be required by the RPG. The RPG was therefore revised to clarify that controlling entities should report against their own service performance objectives rather than attempt to aggregate all those services provided by controlled entities.

Annual Reporting and Reporting Period

- BC25. The IPSASB considered whether service performance information should be reported annually, when service performance objectives, whether expressed in outcomes, outputs or inputs, may require periods longer than one year to achieve. The majority of IPSASB members considered that service performance information should be reported annually because this is important to ensure that users' have the information they need to hold an entity accountable for its service provision and make decisions. To address the existence of multi-year service performance objectives the IPSASB decided that the RPG could encourage entities to disclose information on their progress towards multi-year service performance objectives.
- BC26. An SMC was included in the ED on whether reporting should be on an annual basis. After noting the generally strong support from respondents for annual reporting the IPSASB confirmed that service performance information should be presented annually and use the same reporting period as that for the financial statements, unless users' needs require a different period. The main issues raised by respondents were that (a) entities should be allowed to report more frequently, for example six monthly; and (b) a requirement for annual reporting on multi-year service performance objectives could cause problems, either reducing entities' willingness to set multi-year service

performance objectives or adding excessively to the costs through requiring expensive program evaluations on an annual basis.

Scope to Report More Frequently

- BC27. The IPSASB agreed with respondents who argued in favor of scope for more frequent reporting, noting that this is likely to increase transparency and accountability. As one respondent stated, more frequent reporting also can encourage “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.” At the same time, for many jurisdictions and many entities an assessment of the needs of users, with consideration of the costs and benefits of reporting more frequently than on an annual basis, may indicate that annual reporting of service performance is sufficient. On this basis the IPSASB decided to use the phrase “should be reported annually and may be reported more frequently” in the RPG. This phrase clarifies that the RPG allows entities to report service performance information more frequently than annually, while avoiding any implication that annual reporting is a bare minimum.

Reporting Against Multiyear Performance Objectives

- BC28. The IPSASB considered how to address respondents’ concerns that annual reporting could have negative consequences for outcome reporting, including the possibility that annual reporting could have the unintended effect of reducing the extent to which entities report outcomes. The IPSASB noted that for some outcomes annual measurement is very expensive and measurable change showing progress towards outcome achievement will not emerge for two or more years. One respondent noted that annual reporting in such cases may even be misleading. This problem is not restricted to service performance objectives focused on outcomes, but can also occur for outputs and even input reporting. To address this concern the RPG includes explicit coverage on use of proxy measures and provides scope for entities to report outputs or inputs as indicative of progress towards achievement of outcomes or other types of multi-year service performance objectives. In effect, this allows for outcomes to be reported less frequently than annually in those situations where an application of the RPG’s presentation principles indicates that this should be done.
- BC29. The IPSASB considered whether the RPG should state that service performance information should be issued at the same time as the financial statements. To be useful for accountability and decision making service performance information should be reported within a reasonably short time after the end of the reporting period, which would mean issuance at a similar time as for the financial statements. This is important to achieve the qualitative characteristic of timeliness. The IPSASB noted that issuance at the same time as the financial statement (a) may be very difficult for some entities or jurisdictions to achieve, and (b) may not be justified if an assessment of its costs and the resulting benefits is done. The IPSASB decided that, while acknowledging that it is desirable for service performance to be reported at the same time as the financial statements, the RPG should not state that this is necessary.
- BC30. The IPSASB considered situations in which a controlling entity includes information on services that are provided by controlled entities with a different reporting period from that of the controlling entity. Ideally all the service performance information reported should cover the same reporting period. However there are situations where the benefits of aligning the information with the controlling entity’s reporting period do not outweigh the costs involved. For example, some public sector entities provide service performance reports to donors who require a different reporting

period from that for the entities' financial statements. The additional costs of preparing service performance reports for each reporting period (donors and financial statements) may not justify the benefits. On this basis the IPSASB decided that the RPG should acknowledge the possibility that some of the service performance information reported may be for a different reporting period and address this through additional disclosures.

Two Approaches for Reporting Service Performance Information

- BC31. 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. A more outputs focused approach reports information about the services provided. This type of information is oriented towards resource providers and aims primarily to report on the services received for resources provided and whether resources have been used efficiently, although there is scope to widen the focus to include information about outcomes. A more outcome focused approach tells a performance story, which generally reports on the achievement of outcomes, although there is scope to relate this performance story back to the costs of services. The information reported explains how well the entity is doing in terms of achieving its objectives, where those objectives are described in terms of outcomes.
- BC32. The IPSASB considered whether the RPG should include guidance specifically tailored for each approach, but decided against this on the basis that the RPG's focus on achievement of objectives can be applied to either approach, while also being consistent with what is proposed in the CP. Allowing entities to tailor their reporting to their objectives means that entities or jurisdictions do not need to fit their individual approach into either an output-focused approach or an outcome-focused approach in order to apply the RPG. This means that the RPG's content will be useful to those entities that (a) apply one of these two approaches, (b) use other approaches, and, (c) use mixture of different aspects of both the output and outcome approaches. Entities' service performance objectives may even relate to inputs, when their reporting of service performance information is at an early stage. However, the ideal to which entities should, over time, aspire is the reporting of service performance information that reports comprehensively on both outcomes and outputs, along with information that allows users to assess the efficiency and effectiveness of both. This is consistent with the IPSASB's view, referred to earlier within the context of performance indicators, that the performance indicators presented should form a holistic system such that they communicate a coherent, integrated view of the entity's service performance.

Principles for Reporting Service Performance Information

- BC33. The RPG sets out principles applicable to information presentation, which includes decisions on information selection, location and organization. The RPG identifies factors that should be considered when making presentation decisions and generally proposes information that should be considered for presentation, in light of those principles, rather than prescribing an extensive list of information requirements. This principles-based approach is consistent with the IPSASB's decision on the RPG's overall approach, developed during the consultation phase. The IPSASB considered taking a more prescriptive approach, and this consideration included the possibility of prescribing information for disclosure rather than proposing such information for entities' consideration as possible disclosures. On the basis that (a) the principles-based approach allows entities the flexibility they need to report service performance information that is relevant and appropriate to their service performance objectives and will meet the needs of users of the information, (b) disclosure overload—which undermines the extent to which a report on service performance meets the needs of users and does not achieve either the qualitative characteristics

or provide benefits in excess of the costs—should be avoided, and (c) entities must apply the RPG's principles, when choosing what information they disclose, the IPSASB has maintained the principles based approach proposed in the CP and then exposed in the ED.

- BC34. The IPSASB determined that the key principles for reporting service performance information should be based on the users' needs that such information should meet, as established through consultation and with reference to the Conceptual Framework. The RPG's principles have been informed by the nature of service performance information reporting, as evident from the experience of different jurisdictions, which the CP discussed and synthesized.
- BC35. The principles and factors are also based on application of the concepts developed for Phase 4 of the Conceptual Framework to the reporting of service performance information. As stated above, if the IPSASB decides to revise presentation concepts proposed in CF–ED4 as part of its finalization of the relevant chapters of the Conceptual Framework, the revisions will be taken into account during the finalization of this RPG.

Presentation of Service Performance Information

Consultation Paper's Dimensions and Components of Service Performance Information

- BC36. The CP explained that there are four dimensions of service performance on which information should be presented. The four dimensions—why, what, how and when—relate to an entity's (a) service performance objectives, (b) performance indicators, (c) comparison between planned and actual performance, and (d) time series that allow users to assess either changes in service provision over time or progress towards a multi-year goal.
- BC37. The RPG's coverage of information selection addresses these four dimensions when it establishes that an entity should report:
- (a) Information on an entity's service performance objectives, including the need or demand for these objectives to be achieved (the “why” dimension);
 - (b) Performance indicators to show achievements with respect to service performance objectives (the “what” dimension);
 - (c) Comparisons of actual performance to planned (or targeted) results, including information on the factors that influence results (the “how” dimension); and
 - (d) Time-oriented information, including the comparisons of actual results over time and to milestones (the “when” dimension).
- BC38. The CP then established components of service performance information, which relate to these four dimensions. The RPG's coverage of information selection addresses the CP's components, which are: (a) narrative discussion of the achievement of objectives, and information on (b) the parameters of the service performance information reported (termed “basis” in the RPG), (c) the entity's service performance objectives, and (d) the achievement of service performance objectives.

Presentation in the Same Report as the Financial Statements or in a Separate Report

- BC39. 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, there are also jurisdictions that integrate

service performance information into the same report as the financial statements, treating the two sets of information as complimentary. There are benefits to both approaches. In order to allow for jurisdictional differences the IPSASB decided that the RPG should not restrict entities to reporting service performance information either in a separate report or in the same report as the financial statements.

Display of Service Performance Information within a Report

- BC40. The IPSASB considered whether the RPG should (a) propose one way that service performance information should be organized, with the main method considered being a tabular form, described as a “statement of service performance”; or, (b) provide principles that should be applied to guide jurisdictions and/or preparers when they choose between different possible information organization approaches.
- BC41. The IPSASB noted that in some jurisdictions there are requirements that service performance information be reported in a “statement of service performance”. In other jurisdictions preparers apply principles to identify how best to organize information, with reference to the particular types of services, desired outcomes, or planned achievements on which information needs to be reported. Organizing information into a tabular or statement form can support understandability and comparability when numerical or “summary descriptive” performance indicators (e.g. “satisfactory or unsatisfactory”) are reported on multiple services. But service achievements could be misrepresented or poorly described if a statement format is the only form of presentation permitted.
- BC42. The IPSASB decided that the RPG should focus on principles applicable to this decision. By focusing on principles rather than stipulating a standard reporting structure, the RPG allows the choice of information organization to be tailored to (a) the nature of the services on which performance information is presented; and, (b) the needs of users, so that it supports achievement of the objectives and qualitative characteristics of financial reporting, and (c) the regulatory context, including the regulatory environment in which the entity operates. Although this could result in less standardization, and reduced comparability between entities, service performance information differs from financial statements information due to the diversity of services reported. Unless the indicators themselves are comparable, a single presentation format will not provide the benefits of inter-entity comparability, but will sacrifice the benefits to be gained from allowing information organization to be tailored for objectives and specific services provided, such that the resulting organization meets the needs of users.

Principles Rather than Specific Requirements

- BC43. The IPSASB acknowledged that entities’ presentation of service performance information will vary, 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.
- BC44. The RPG identifies different types of performance indicators that could be presented, but does not require that particular performance indicators be presented. While efficiency and effectiveness indicators directly address those aspects of performance, the RPG’s objective of providing

information for users to assess efficiency and effectiveness does not mean that those two types of performance indicators must be presented. Efficiency can be calculated using information about outputs and their cost. Effectiveness can be assessed using information on service performance objectives and results achieved against those service performance objectives. Similarly, the assessment of economy relies on information presented on an entity's inputs, particularly their costs.

Information that Conveys a Coherent, Integrated View of the Entity's Service Performance

- BC45. The IPSASB considered that the principles focused approach was appropriate because it allows entities at an early stage of developing service performance reporting to meet the RPG's guidelines and report service performance information consistent with their existing reporting capabilities. Nonetheless, the IPSASB's view is that good quality service performance reporting needs to be reported so that users can assess 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. Ideally 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.

Selection of Performance Indicators

- BC46. 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. This would result in comprehensive coverage of an entity's service performance, but it might not reflect an entity's actual service performance focus. In practice it is likely that an entity's service performance objectives will change over time. For example, objectives may initially focus on inputs, then outputs and efficiency or outcomes and effectiveness. If an entity is able to adjust its reporting of performance indicators to align them with its service performance objectives, then the information presented is more likely to be useful to users and meet the qualitative characteristics, while supporting achievement of the financial reporting objectives. On that basis the IPSASB decided that the RPG should not require reporting of all five types of indicators but should instead provide guidance on how an entity should choose the types of performance indicators that it reports.
- BC47. 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. However outcome information can be very difficult for entities to provide, particularly when they are at an early stage in developing their services performance reporting. On that basis the IPSASB decided that the RPG should encourage but not require entities to present information on outcomes.

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RPG 3
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Recommended Practice Guideline

Reporting Service Performance Information



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RPG 3 REPORTING SERVICE PERFORMANCE INFORMATION

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Objective

1. This Recommended Practice Guideline (RPG) provides guidance on reporting service performance information. Service performance information is information for users of General Purpose Financial Reports (GPFRs) on an entity's service performance objectives, ~~its the extent of its~~ achievement of those objectives, and the services that the entity provides. Service performance information can also assist users of GPFRs (hereafter termed "users") to assess the entity's service efficiency and effectiveness and economic use of resources for the provision of services.

Status and Scope

2. The reporting of information in accordance with this RPG represents good practice. An entity reporting service performance information ~~is encouraged~~should aim to achieve the principles set out in~~follow~~ this RPG. 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).
- ~~3.~~ This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs).
- ~~4.3.~~ Although this RPG does not apply directly to GBEs, the services ~~related to~~provided by a GBE controlled by the reporting entity are within the scope of this RPG.
- ~~5.4.~~ Service performance information should not be described as complying with this RPG unless it complies with all the ~~requirements~~principles in ~~of~~ this RPG.
- ~~6.5.~~ This RPG outlines minimum information ~~levels~~ to be presented. ~~Th~~An entity may ~~is~~ ~~RPG does not preclude the presentation of~~ additional information if such information is useful in meeting the objectives of financial reporting and meets the qualitative characteristics of financial reporting.
- ~~6.~~ 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.
7. A jurisdiction may have established service performance reporting requirements that extend beyond the requirements of this RPG. These could include, for example, greater specification of required information organization, requirements for a larger set of information to display or disclose, and/or specific performance indicators or specific types of performance that are required to be presented. In that case the entity is encouraged to ensure that information identified through application of both this guideline and jurisdictional requirements is presented. To the extent that jurisdictional requirements differ from the minimum information requirements in this RPG, those requirements would apply in addition to, not in lieu of, the requirements of this RPG.

Definitions

8. The following terms are used in this RPG with the meanings specified:
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.
Inputs are the resources used by an entity to provide outputs.

Outcomes are the impacts on society, which occur as a result of or are reasonably attributable to the, the entity's outputs, ~~its existence~~ and operations.

Outputs are the services provided by an entity to recipients external to the entity.

Performance indicators are quantitative measures, qualitative measures, and/or qualitative ~~descriptions~~discussions of the nature and extent to which an entity is using resources, providing services, and achieving its service performance objectives.

A service performance objective is a description of the planned result(s) that an entity is aiming to achieve expressed in terms of inputs, outputs, outcomes, efficiency or effectiveness.

Effectiveness

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 effectiveness the entity ~~may report~~ the extent to which ~~each relevant one or more of its~~ service performance objectives has been achieved.

10.9. 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. ~~For (Appendix A provides examples that illustrate effectiveness and other definitions.), if the entity's service performance objective (the entity's planned result) expressed in terms of outcomes is to reduce the number of infants that contract measles by 3,000, then one possible effectiveness indicator would be the ratio of the actual reduction to the planned reduction, expressed as a percentage. If the entity reduced the number of infants contracting measles by three thousand, this effectiveness indicator would show 100% effectiveness. Since the actual result is a 3,000 reduction in infants contracting measles, the planned result (a 3,000 reduction in infants contracting measles) has been fully (100%) achieved. The same entity could have a second service performance objective expressed in terms of outputs, for example, that 10,000 children would be vaccinated against tuberculosis. If 8,000 children were actually vaccinated then, with respect to this second objective, effectiveness would be at 80%.~~

Efficiency

11.10. An efficiency indicator can be used to show when a service is being provided more (or less) efficiently compared to (a) previous reporting periods, (b) expectations, (c) comparable service providers, or (d) benchmarks derived, for example, from best practices within a group of comparable service providers.

12.11. Other things being equal, if outputs can be produced at less cost than before, then production efficiency has improved and an efficiency indicator designed to report that type of efficiency gain will show an improvement. ~~For example, with respect to vaccinations against measles, "cost per infant vaccinated" is one example of an efficiency indicator, one which relates outputs (vaccinations) to an input (cost).~~ Similarly, if the quality of a service improves so that the outcomes achieved are better than those previously attained, with other variables such as service quantity and cost holding constant, then this represents an increase in efficiency, and an efficiency indicator designed to capture that type of efficiency gain will show an improvement. ~~For example, with respect to vaccinations against measles, "cost per reduction in number of infants contracting measles" is an example of an efficiency indicator, as it relates an outcome (reduction in number of~~

~~infants contracting measles) to an input (cost).~~ The converse—quality decreases so that outcomes are worse, with other variables such as quantity and cost holding constant—would indicate less efficient service provision.

Inputs

12. Resources used to produce outputs include: (a) human resources or labor, (b) capital assets such as land, buildings and vehicles, (c) cash and other financial assets, and (d) intangible assets such as intellectual property. ~~Staff time spent providing vaccinations against measles is an example of a health service related input. Then “the number of full time equivalent staff days used to provide the vaccinations against measles service” would be one possible input indicator for that service.~~ Inputs are also reported in terms of costs incurred.
13. Information on inputs supports users' assessments of an entity's economic use of resources. More economic use of resources is indicated by absolute reductions in the level of inputs (the resources used). Initiatives to achieve reductions in resources—for example staff training initiatives or revised purchase policies—also provide information on an entity's economic use of resources. By contrast, efficiency combines information on inputs and on outputs to allow users to assess resource use for a particular service level, as indicated by the quantity of outputs.

Outcomes

14. Outcomes may include, for example, changes to educational achievements within society, changes to poverty and crime levels, or changes to the health of different groups within society.
15. An entity's outcomes could be impacts affecting society as a whole or particular groups or institutions within society. Outcomes could be relatively direct impacts on recipients of the entity's services. They could also be impacts on others that are not recipients of the entity's services but who benefit indirectly from those services.
- ~~14. Impacts on society resulting from the outputs provided by public sector entities may include, amongst other things, impacts on educational achievements, on poverty and crime levels, and on the health of different groups within society. For example, with respect to vaccinations against measles, the planned outcome could relate to reducing the number of infants that contract measles. The “percentage reductions in infants contracting measles” would be one possible outcome indicator for that health service.~~
- ~~15. An entity's existence may contribute to achievement of its outcomes. For example, the existence of a crime prevention agency, such as a police department or an office for fraud prevention, may help to prevent crime, because potential criminals consider that the likelihood of their being caught and punished is higher than would be the case without the agency. Similarly, the existence of a defense force may help to prevent war, without the defense force actively engaging in war.~~
16. Although usually outcomes result from an entity's outputs, an entity's operations may also contribute to achievement of its outcomes. For example, the process of collecting information to compile health statistics—viewed by the entity as an operational input to its health services—could raise awareness of health issues and cause a positive health outcome.
17. There may be a strong, direct causal link between an entity's actions and its ~~achievements with respect to~~ outcomes, but this will not always be the case. Factors beyond the entity's control may intervene to either hinder or facilitate the entity's achievement of outcomes. For example, an aging population or changes to economic well-being may both help to reduce a community's crime rate. Both factors (aging population and changes to economic well-being) are outside of the control of an

entity such as a police department or ministry of justice for whom reducing crime could be an outcome. So the extent of crime reduction is influenced by factors beyond the entity's control.

Outputs

18. Services provided by entities could include:

- (a) Services provided directly to individuals and institutions, for example, health or education services or the provision of goods such as food or books;
- (b) Services provided indirectly to individuals and institutions, for example, services which aim to develop, promote, protect or defend a community, institution, country, or community values and rights;
- (c) Transfers to individuals and institutions, for example, cash transfers and the provision of economic incentives such as tax incentives;
- (d) (d) Provision of policies, regulations or legislation to achieve public policy goals, which includes, for example, revenue related legislation and the enforcement of such legislation; and
- (e) Collection of taxes and other revenues.

19. The receipt of services by recipients external to the entity is a critical factor in deciding whether services are outputs, rather than services consumed internally as part of an entity's production of outputs. ~~The provision of vaccinations against measles to infants is an example of a health related output. The service's recipients—the infants—are external to the entity. "The number of infants vaccinated against measles" would be a possible output indicator for that health service.~~

Performance Indicators

~~20. The types of performance indicators used to report service performance information relate to inputs, outputs, outcomes, efficiency and effectiveness~~ are types of performance indicators.

~~21-20.~~ Performance indicators may be quantitative measures, for example, the number of outputs produced, the cost of services, the time taken to provide a service, or a numerical target for an outcome. Performance indicators may be qualitative measures, for example descriptors such as poor/good/excellent or satisfactory/unsatisfactory, which could include service quality ratings by service recipients, citizens or experts. Use of quantitative and qualitative measures may help users with (a) their assessment of whether service performance objectives have been achieved, and (b) inter-period and inter-entity comparisons of service performance.

~~22-21.~~ A performance indicator could also be in the form of a qualitative ~~discussion~~description. A qualitative ~~discussion~~description may be necessary, to provide users with relevant and understandable information on service performance, where there is a high level of complexity and judgment involved in a particular service. ~~A qualitative discussion is used where service performance cannot meaningfully be represented through a simple measure or set of measures, whether quantitative or qualitative.~~

Service Performance Objectives

~~23-22.~~ Service performance objectives may be expressed using performance indicators of inputs, outputs, outcomes, efficiency, or effectiveness, or through a combination of one or more of these five performance indicators. A service performance objective may also be expressed using a narrative description of a desired future state resulting from provision of services. ~~An example of a~~

~~service performance objective for an entity responsible for vaccinations against measles is: "To increase the percentage of infants that have received a vaccination for measles from 65% to 95%."~~

23. An entity's service performance objectives may all be expressed in the same type of performance indicator, for example, all expressed in outcomes. They may also be expressed in different types of performance indicators, for example, some of the service performance objectives may be expressed in outcomes, while others are expressed in outputs and/or inputs.

24. —

25. ~~For effective accountability the entity should (a) establish clear service performance objectives before the start of the reporting period; and, (b) provide clear information at the end of the reporting period on the extent to which those objectives were achieved during the reporting period. Service performance information presented should be tailored to the entity's service performance objectives.~~

26-24. A single service may contribute to achievement of one or more service performance objectives. Several services may contribute to the same service performance objective.

Reporting Boundary

27-25. The reporting boundary for service performance information should be the same as that used for the financial statements.

26. Service performance information may be reported by the controlling entity and by its controlled entities, some of which may in turn be controlling entities~~different reporting entities within an economic entity~~. While information reported by each entity relates to the same reporting boundary as that used for its financial statements the extent of aggregation and the services reported is likely to vary depending on an entity's level within government and its service performance objectives. By contrast to consolidated financial statements, which aggregate the finances of controlled entities, service performance information reported by a controlling entity generally is not an aggregation of the services reported by controlled entities. Instead, a controlling entity applies the principles below when presenting its service performance information. Paragraph 73 identifies considerations of particular relevance to controlling entities.

28. —

Annual Reporting and Reporting Period

27. Service performance information should be reported~~presented~~ annually and may be reported more frequently. Service performance information~~and~~ should cover ~~use~~ the same reporting period as that covered by the financial statements.

29-28. — There may be situations in which the reported service performance information is for a reporting period that is different from that covered by the financial statements. For example, some of the service performance information presented by a controlling entity may be based on service performance information reported by controlled entities that have a different reporting period. A consideration of users' needs and an assessment of costs and benefits may indicate that the reported service performance information should be for a reporting period ~~should be that is~~ different from that covered by the entity's financial statements.

30-29. Service performance objectives may require periods longer than one year to achieve. For accountability and decision making users will need information on progress towards such multi-year

service performance objectives. ~~Paragraph 72~~ ~~hs 60 and 72 below~~ addresses the type of service performance information that can be presented to this by encouraging entities to (a) consider the need to show annual progress towards multi-year service performance objectives when selecting performance indicators for display, and (b) disclose information in their narrative discussion and analysis to show progress towards multi-year service performance objectives.

Principles for Reporting Service Performance Information

30. The principles for reporting service performance information set out in this section apply to the location, organization and selection of service performance information within a GPFR, which are addressed in the following three sections.

31. 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) Extent of achievement of its service performance objectives;

~~(a)(b)~~ Service performance delivery activities and achievements during the reporting period;

~~(b)~~ Financial results in the context of its achievement of service delivery objectives; and

(c) Efficiency and effectiveness of the entity's service delivery performance; and

~~(c)(d)~~ Economic use of resources for the provision of its services.

32. In combination with the information in an entity's financial statements, service performance information should enable users to assess the entity's finances in the context of its achievement of service performance objectives and vice versa.

33. The presentation of service performance information should be appropriate to the entity's service performance objectives. It should and make the relationship between the entity's service performance objectives and its service performance achievements clear.

34. Service performance objectives and other service performance information presented should take account of the entity's specific circumstances, such as:

(a) The services that the entity provides;

(b) The nature of the entity's nature; and

(c) The regulatory environment in which the entity operates.

~~32-35. Presentation should support inter-period comparisons and, to the extent that such comparisons are meaningful for the service performance information reported, inter-entity comparisons.~~

~~33-36. The presentation of service performance information should meet the qualitative characteristics of financial reporting, which are relevance, faithful representation, understandability, timeliness, comparability, and verifiability.~~

~~34-37. The following considerations are important w~~hen considering application of the qualitative characteristics to service performance information the following considerations are important:

(a) *Relevance:* Service performance information should be useful for (a) holding the entity accountable for its service provision and (b) users' decision making.

(b) *Faithful Representation:* Service performance information should ~~provide an unbiased faithfully representation of~~ the service performance of an entity's services. Faithful

representation is attained when the service performance information is complete, neutral, and free from material error.

- (c) *Understandability*. Service performance information should be communicated to users simply and clearly.
- (d) *Timeliness*. Service performance information should be reported to users before it loses its capacity to be useful for accountability and decision making purposes.
- (e) *Comparability*. Service performance information should provide users with a basis and context to compare an entity's service performance over time, against targets, and, where possible, to other entities.
- (f) *Verifiability*. Service performance information should provide users with a basis for assessing whether the information in a service performance report could be replicated by independent bodies using the same measurement approach.

35-38. The pervasive constraints on information in general purpose financial reports ~~GPFRs~~—materiality, cost-benefit, and balance between the qualitative characteristics—should also be applied to service performance information.

Understandability and Relevance

39. Aggregation or disaggregation of service performance information should be at a level that conveys a meaningful understanding of the entity's service performance achievements. The level of aggregation should not be so high as to conceal or obscure performance, while the level of disaggregation should not be so low as to result in detailed listings that also obscure performance and reduce understandability. Information reported should be sufficiently specific for users to hold the entity accountable for its service performance, particularly its performance with respect to its service performance objectives.

36-40. ~~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. When applying materiality to service performance information it is not possible to specify a uniform quantitative threshold at which a particular type of information becomes material. This is because service performance information involves qualitative and quantitative information about service performance ~~delivery~~ achievements during the reporting period and is likely to influence expectations about service delivery performance and financial outcomes in the future.

41. 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. ~~Costs likely to be incurred by the entity include the costs of collecting and processing the information, the costs of verifying it and/or presenting the assumptions and methodologies that support it, and the costs of disseminating it. When considering costs, preparers also need to consider the costs that users incur in terms of (a) analysis and interpretation, (b) costs imposed by omission of useful information, including the costs that users incur to obtain needed information from other sources and the costs that result from making decisions using incomplete data.~~ Assessing whether the benefits of providing information justify the related costs is often a matter of

judgment. Service recipients and resource providers ultimately bear the cost of those efforts—because resources are redirected away from providing services delivery activities towards reporting on service performance.

Comparability

- ~~37-42. Presentation should support inter-period comparisons and, to the extent that such comparisons are meaningful for the service performance information reported, inter-entity comparisons.~~
- ~~43. Where the entity's service performance objectives change, the information presented should reflect the change. For example, an entity may initially have service performance objectives related to increasing either the inputs or outputs related to its services, and then later re-focus its performance towards improving either the services' efficiency or effectiveness. That change should be reflected in the service performance information that the entity presents. Consistent reporting of service performance information will help to provide users with a basis to compare an entity's service performance over time, against targets, and (to the extent possible) to other entities.~~
44. Comparability to other entities can be difficult to achieve in the context of service performance information since diverse services are provided and even where two entities provide exactly the same service they may have different service performance objectives with the result that they need to report different, non-comparable performance indicators. The balance between the qualitative characteristics means that inter-entity comparability may need to be traded off against relevance, so that the service performance objectives and their related performance indicators are chosen to be relevant to service performance situation of the particular entity. Users' needs may indicate that performance indicators that are comparable with those of other entities that deliver the same services are also relevant and the two qualitative characteristics—comparability and relevance—are aligned.

Information for Resource Allocation Decisions

- ~~45. Service performance information should be available to support users' assessment of an entity's resource allocation decisions, its economic use of resources to provide services, and general financial management, as evidenced by the information in its financial statements and its reporting against budget. Service performance information provides an essential part of the picture of an entity's overall performance, and generally should be available at the same time as the financial statements, so that the finances can be assessed with reference to the entity's service performance and vice versa. Where service performance information is used to inform the assessment of policy and strategy decisions timeliness involves having the information available so that it can support and inform those decisions.~~
- ~~38.—~~
- ~~39. A jurisdiction may have established service performance reporting requirements applicable to the entity, which extend beyond the minimum information levels outlined in this RPG. In that case the entity is encouraged to ensure that information identified through application of both this guideline and through jurisdiction requirements is presented.~~

Presentation in the Same Report as with the Financial Statements or in a Separate Report GPFR

- ~~40-46.~~ An entity may present service performance information either:

- (a) As part of a ~~report~~GPFR that includes the financial statements; or,
- (b) In a separately issued GPFR~~report~~.

~~41.47.~~ The following factors should be considered when making this decision:

- (a) The extent to which the service performance information needs to be reviewed within the context of information in the financial statements, including information on budget-actual comparisons, or could instead be located in a separate general purpose financial report which will either (i) be dedicated solely to service performance information, or (ii) include both service performance information and other, additional information with close links to the service performance information;
- (b) Whether the needs of users' ~~needs~~ and the qualitative characteristics are enhanced if the service performance information is included in the same ~~report~~GPFR as the financial statements, ~~on its own in a report dedicated to service performance information,~~ or in a separate ~~report~~GPFR~~that includes other information;~~
- (c) Application of the constraints on information, including whether the benefits of including the information in the same ~~report~~GPFR as the financial statements justify the ~~costs involved~~additional costs (if any) involved; and,
- (d) ~~Whether there are j~~ Jurisdiction-specific factors, ~~such as legal provisions,~~ which specify that service performance information should be located either in the same ~~report~~GPFR as the financial statements or in a separate ~~report~~GPFR.

~~42.48.~~ With respect to point (a) in paragraph ~~44~~6 above, an important factor in this decision is likely to be whether the primary objective of providing the service performance information is:

- (a) To inform assessments on resource allocation decisions ~~on for~~ the provision of services, in which case there is likely to be value in associating the reporting of service performance information with the financial statements that are compared to budget allocations; or
- (b) To inform assessments on policy or strategy decisions, in which case there is likely to be value in associating the reporting of service performance information with information on policies or strategy.

~~43.49.~~ Where the service performance information is presented separately from the ~~report~~GPFR that includes the financial statements, the following information should be presented:

- (a) The name of the entity;
- (b) Where the entity is a controlling entity, a description of the group of entities controlled by the reporting entity;
- (c) Where the entity is a controlled entity, the identity of the controlling entity;
- (d) The reporting date and the reporting period covered by the service performance information;
- (e) The financial statements to which the service performance information relates and sufficient information necessary for users to locate the financial statements;
- (f) The presentation currency, as defined in IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*; and,
- (g) The level of rounding used.

~~44-50. Where an entity chooses to present its service performance information in a separate GPFR from the financial statements the separate GPFR should be issued on a timely basis, which will usually be demonstrated through issuance at the same time as the financial statements or, if not at the same time, then very close to issuance of the financial statements. The two sets of information—financial information reported in the financial statements and service performance information—are linked and each type of information enhances the usefulness of the other. Service performance information assists users in their assessment of the entity’s accountability for resource use.~~

Display Organization of Service Performance Information within a ReportGPFR

~~51. The organization of service performance information within a GPFR should support:~~

- ~~(a) Users’ ability to use the information for the purposes of accountability and decision making; and.~~
- ~~(b) Achievement of the qualitative characteristics.~~

~~45-52. High level summaries of information should be supported with more in-depth discussion and analysis. Information should be organized so that connections are clear between the high level summaries and (a) supporting detail, and (b) related discussion and analysis.~~

~~53. One way to organize service performance information is in a “statement of service performance”, which involves organizing information into a tabular or statement form. A statement of service performance can support understandability and comparability when numerical or “summary descriptive” performance indicators (e.g. “satisfactory or unsatisfactory”) are reported on multiple services.~~

~~54. Where ~~S~~service performance information ~~can also be~~ is presented through narrative or case studies a tabular approach is unlikely to be appropriate. ~~It is also possible to use a mixture of case studies and one or more statements.~~ In some cases ~~It is also possible to use a mixture of case studies and one or more tables or statements will be appropriate.~~~~

~~46-55. Entities may use several levels of reporting in order to achieve a balance between being (a) concise enough to be understandable, and (b) providing sufficient detail with respect to multiple aspects related to each service performance objective. The use of several levels of reporting allows the display of concise reporting at higher levels, and display or disclosure of more detailed coverage at lower levels, where service areas, for example, could be disaggregated into two or more individual services.~~

~~47-56. IPSAS 18, *Segment Reporting*, applies to entities’ identification of segments. It describes service segments and identifies factors that should be considered when grouping services into segments for financial reporting purposes. IPSAS 18’s description of service segments is likely to be useful for entities when they consider how to present their service performance information.~~

~~48-57. High level summaries of information should be supported with more in depth discussion and analysis. Information should be organized so that connections are clear between the high level summaries and (a) supporting detail, and (b) related discussion and analysis.~~

Presentation of Selection of Service Performance Information

~~49. Service performance information should identify an entity’s important services, relevant performance indicators and other information relevant to those services. Information to identify important services is likely to be found in an entity’s planning documents (budget statement,~~

~~mission statement, strategic plan, funding agreements, corporate plan, etc.), which usually provide the most relevant source of information about the entity's purpose, its service performance objectives, and those services about which information should be presented.~~

- ~~50. Aggregation of service performance information should be at a level that conveys a meaningful understanding of the entity's service performance achievements. Aggregation should not be so high as to cover or obscure performance, or so low as to result in detailed listings that also obscure performance and reduce understandability. Information reported should be sufficiently specific for users to hold the entity accountable for its service performance, particularly its performance with respect to its service performance objectives.~~
- ~~51. Where an entity prepares consolidated financial statements that include financial information from one or more entities there may be scope to refer users to service performance information reported by the controlled entities, rather than duplicate that information in the controlling entity's report. The controlling entity could present high level, summary service performance information on the suite of services provided by its controlled entities. It may also present service performance information on any services that it provides directly, additional to services provided by its controlled entities. For example, a Ministry of Health may present (a) information on the health legislation development services it provides, (b) high level summary information on services provided by hospitals and other health related entities for which it is accountable, and (c) information that allows users to locate the service performance information in the individual reports of those hospitals and other health related entities.~~
- ~~51. IPSAS 18, *Segment Reporting* applies to entities' identification of segments. It describes service segments and identifies factor that should be considered when grouping services into segments for financial reporting purposes. IPSAS 18's description of service segments is likely to be useful for entities, when they consider how to present their service performance information.~~

Information for Display

~~52-58.~~ The following information should be displayed ~~for each relevant service reported:~~

- (a) Service performance objectives;
- (b) Performance indicators that show the entity's achievements with respect to its service performance objectives; and,
- (c) Information on the costs of services.

~~59.~~ With respect to performance indicators and the costs of services ~~costs~~, the entity should display actual information for the reporting period.

~~53-60.~~ The entity should also consider displaying:

- (a) Planned ~~and actual~~ information for the reporting period; and
- (b) Actual information for the previous reporting period.

~~61.~~ Where service performance information includes information that is also in the financial statements, it should include cross-references to the financial statements should be presented where appropriate to avoid duplication of information so that users can assess the information within the context of the whole set of financial information reported in the financial statements.

Service Performance Objectives

62. Service performance objectives generally should be specific, measurable, achievable and time-bound.
63. Where the entity's service performance objectives change, the information presented should reflect the change. For example, an entity may initially have service performance objectives related to increasing either the inputs or outputs related to its services, and then later re-focus its performance towards improving either the services' efficiency or effectiveness. That change should be reflected in the service performance information that the entity presents.

Services

- 54.64. The service performance information presented should show those services that are key to achieving the entity's mandate or service performance objectives, relevant performance indicators and other information relevant to those services. Information found in an entity's legislation and planning documents (budget statement, mission statement, strategic plan, funding agreements, corporate plan, etc.) will usually help to identify the relevant service performance objectives, key services provided by an entity and relevant performance indicators.

Performance Indicators

- 55.65. Judgment is needed to determine the most suitable set of performance indicators to be reported. The overriding principle is that indicators should be selected on the basis of their importance to users and their usefulness in assessing the entity's achievements in terms of its service performance objectives. For performance indicators to be relevant they should link directly to one or more of the entity's service performance objectives. Where an entity has publicly reported planned performance indicators the actual performance indicators presented will usually be consistent with those previously made public. Those entities that publish their budget information and apply IPSAS 24, *Presentation of Budget Information in Financial Statements*, should consider the relationship between that information and the service performance information that they report.
- 56.66. The set of performance indicators ~~selected-presented~~ should ~~be related in such a way that allow~~ users ~~can ascertain to assess~~ how efficiently and effectively the entity has used its resources to deliver services and achieve its service performance objectives.
67. An entity is encouraged to display information about its intended outcomes and its achievements with respect to those outcomes. Information about outcomes may be difficult to provide, but it is information that all entities should aim to provide. This is because outcome information focuses on the ultimate reason for service provision, which is the impact that services have on the community. 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.
- 57.—
- 58.68. There may be a large number of performance indicators that can be presented for an entity's service performance objectives, services or a single programs ~~or service~~. To ensure that the information is understandable and to avoid overwhelming users, entities generally will need to identify only those few key performance indicators that will best meet users' needs for each-the services presented.

69. Performance indicators that involve quantification should be able to be measured reliably. Where performance indicators can be generated by a transaction processing system the use of such a system will support the verifiability and timeliness of reported information. The representational faithfulness and verifiability of some performance indicators can be supported through certification by an independent, qualified body.

59-70. When selecting performance indicators entities should ensure that the indicators presented will provide a representationally faithful description of service performance. There may be trade-offs between different aspects of service performance, such that one aspect improves while another aspect deteriorates. Information presented should be neutral and without bias. Entities should avoid any tendency to present performance indicators that are biased towards reporting positive results. This helps to ensure that the qualitative characteristics are met and users can be confident that the performance indicators faithfully represent the entity's service performance.

60-71. The importance of performance indicators to users and their usefulness in assessing the entity's achievements in terms of its service performance objectives is the primary consideration. When selecting performance indicators to be reported ease of measurement is likely to be a consideration, but should be secondary to the needs of users. The performance indicators presented should not over-emphasize easily measured dimensions.

72. For some services, or in some situations, where a quantitative or qualitative measure is not relevant or possible, a qualitative description/discussion (also called narrative information) should be presented. This is the case where a qualitative description/discussion provides a more relevant and understandable description of the level of achievement for a particular service performance objective than would a quantitative or qualitative measure. Service performance achievements may not be capable of being reduced to a small set of quantitative or qualitative measures when the service (a) is complex, (b) involves interrelated factors, and (c) involves a large number of different possible indicators of success or progress, all of which involve judgment as to their relative importance. Information reported on any particular service may include one or more different types of performance indicators; quantitative measure(s), qualitative measure(s) and/or qualitative description(s).

61. —

62. An entity's service performance objectives may span more than one reporting period. When presenting performance indicators the entity should consider those performance indicators that will help users to understand what progress is being made towards the planned, multi-period service performance objectives.

63. Alignment between input, output and outcome performance indicators and the service performance objectives helps users to assess the relationship between resources and results, and how resource availability may have influenced achievement of service performance objectives.

64. Entities may use several levels of reporting in order to achieve a balance between being (a) concise enough to be understandable, and (b) providing sufficient detail with respect to multiple aspects related to each service performance objective. The use of several levels of reporting allows the display of concise reporting at higher levels, and display or disclosure of more detailed coverage at lower levels, where service areas, for example, could be disaggregated into two or more individual services.

~~73. The number and type of performance indicators reported may vary depending on the level of government, with additional, more detailed performance indicators included at lower levels of reporting. For example, the information reported by controlled entities could be more disaggregated than that reported by their controlling entity. The controlling entity may report performance indicators relevant to groups of services, with its controlled entities reporting performance indicators for individual services. Another example is where a controlling entity reports on the over-arching outcomes to which the services provided by its controlled entities contribute, while each controlled entity reports on outputs and the particular outcome(s) to which its service performance contributes.~~

Multi-year Service Performance Objectives and Performance Indicators

~~74. In situations where outcomes (or other service performance objectives) are multi-year, inherently difficult to measure, or very costly to measure, alternative or proxy measures that indicate progress towards achievement of an outcome may be able to be presented in the short-term, until outcome information is available. The extended timeframe of multiyear service performance objectives should not be a deterrent to reporting multi-year objectives and disclosing progress towards their achievement, although ways to report on progress in a cost-effective way may need to be developed. Where an entity establishes both annual outputs and longer term outcomes for one or more service area there may be scope to treat annual reporting against outputs as indicative of progress towards achievement of the outcomes, with actual outcomes reported less frequently.~~

Service Performance Information Presented by a Controlling Entity

~~75. A controlling entity will apply the principles in paragraphs 30–44 when selecting service performance information to present. To identify its service performance objectives the controlling entity will consider its own individual mandate rather than those of its controlled entities. Then the performance indicators reported will relate to the controlling entity's own service performance objectives. To the extent that the controlling entity presents service performance information for services provided by its controlled entities that information will need to be high level and understandable. The service performance information presented could, for example, be:~~

- ~~(a) A high level summary or description of the suite of services provided by the controlled entities;~~
- ~~(b) Cross-references that allow users to find service performance information reported by controlled entities in those entities' individual GPFRs;~~
- ~~(c) Performance indicators relevant to groups of services (by contrast to the controlled entities' reporting of performance indicators for individual services); or~~
- ~~(d) Final outcomes for which the controlling entity can more reasonably be held accountable but to which the controlled entities only contribute (by contrast to the controlled entities' reporting of interim outcomes, outputs or inputs).~~

~~65.—~~

Costs of Services

~~66-76. Users' understanding of service performance is enhanced by information on the total costs of services, which may be costs of inputs, outputs, or outcomes. Users' assessment of efficiency, for example, is supported through provision of costs related to either outputs or outcomes.~~

~~67-77.~~ When reporting the costs of services, ~~the reporting of~~ disaggregated cost information is encouraged. Disaggregated cost information could also be presented. Disaggregated information could be costs related to individual service performance objectives, outcomes, service areas, individual services, the costs per of outputs, or costs related to particular inputs. Users' assessment of efficiency, for example, is may be supported through provision of costs related to either outputs or outcomes.

Planned and Actual Service Performance

~~68-78.~~ Planned and actual service performance information should be reported consistently so that comparisons are facilitated. Wherever possible, entities should report on the same performance indicators, with the same methodology and parameters for their computation, as that established before the start of the reporting period. This enables users to compare actual performance with planned performance at the end of the reporting period.

~~69-79.~~ Consistency of performance indicators over several years facilitates long-term trend analysis. But such consistency should not be pursued at the expense of (a) improving the quality of performance indicators, for example by revising indicators so that they have more impact on decision making and are better aligned with desired outcomes; or (b) aligning indicators with changed expectations from users/stakeholders.

~~80.~~ An entity may need to address the issue of how to report on changes to planned service performance that occurred during the reporting period. This situation may arise, for example, when stakeholders revise their service performance expectations during the reporting period, resulting in an amendment to service performance objectives. Service performance objectives may also change as a result of an entity combination, where accountability for services is transferred from one entity to another or reporting needs to be on services previously provided by two different entities and now provided by a single, merged entity. In these situations, it is recommended that, where possible, the entity report against both the original and the revised service performance objectives. The reason for, and the impact of, these changes should also be outlined in supporting commentary, so that users have a full understanding of reasons for variances between service performance objectives at the beginning of the reporting period and actual achievements, while also understanding the degree of actual achievement against the more up-to-date, revised service performance objectives.

~~70.~~

Information for Disclosure

~~81.~~ Narrative discussion and analysis should be provided to support users' assessments of the efficiency and effectiveness of services. Information that supports users' understanding of the basis of the displayed service performance information should also be disclosed. Information for disclosure consists of:

(a) Narrative discussion and analysis; and,

(a)(b) Information on the basis of the displayed service performance information.

Narrative Discussion and Analysis

~~71.~~ The narrative discussion and analysis disclosed should provide an overview of service performance results, cover both positive and negative aspects of the entity's service performance, and include:

- ~~(a) — Balanced explanations of the information presented;~~
 - ~~(b) — Identification and discussion of the factors that may have influenced results, including those influencing achievement (or non-achievement) of service performance objectives;~~
 - ~~(b) — Identification and discussion of the risks associated with the delivery of services; and~~
 - ~~(b) — Identification and discussion of the consequences—intended and unintended, direct and indirect—of the services provided.~~
- ~~71. — It should cover the degree to which service performance objectives have been met, while also highlighting particular achievements, deficiencies and issues.~~
- ~~(b) — Where an entity has service performance objectives that are likely to require periods longer than one year to achieve entities are encouraged to identify those objectives and disclose information about progress towards their achievement within narrative discussion and analysis.~~
 - ~~(b) — Comparisons of indicators (a) over time, (b) to milestones, and (c) between actual and planned results should be disclosed and discussed. Analysis that includes trend information and explanation of significant changes since the previous year provides a context for service performance.~~
 - ~~(b) — Explanations for differences between actual and planned results should be provided. Discussion and analysis should identify the size of the variances as well as the factors leading to the variances. These factors might include the effect of external factors (positive or negative), efficiencies or inefficiencies in processes, the impact of resource availability (for example funding or staff increased availability or constraints), or explicit government decisions.~~
- ~~72. — The achievement of outcomes is often influenced by factors outside of the entity's control. Where outcome information is displayed, information should be disclosed on (a) the extent to which the outcomes can be attributed to the entity's activities, and (b) other factors that may have influenced the outcomes. Disclosures should be sufficient to ensure that users do not overestimate the entity's role with respect to either improving or worsening outcomes.~~
- ~~72. — Often the delivery of public services follows a risk assessment, which establishes risk tolerance involving clear parameters around the risk of "false positives" and "false negatives". Parole decisions, customs inspections or clearances, and child welfare interventions are examples of decisions where such risk assessments are critical to the entity's service performance. Information on how such risk trade-off decisions are informed and managed will assist users' assessments of the challenges faced and the performance delivered by the entity.~~
- ~~72. — For example, child welfare interventions involve decisions on whether a child is at such risk of harm in the family that the child should be removed and placed elsewhere. For this situation a "positive" decision would be that the child be removed, because the risk is deemed to be high. A "negative" decision would be that the child not be removed, because the risk is not deemed to be sufficiently high. Both leaving the child with the family or removing the child involve trade-offs. If the family is having difficulty functioning then more support for the family, while leaving the child in the family, could save the family unit and prevent harm to the child. But there is also a risk that harm to the child will continue and even worsen. The child welfare agency may have a policy that it is better to tolerate a high number of "false positives" where subsequent events indicate that a decision to remove the child may have been wrong on the basis that this avoids all risk to the child.~~

~~Alternatively, the agency may have a policy of accepting more “false negatives” where subsequent events show that a decision not to remove the child was wrong on the basis that keeping the family unit together with support will achieve better outcomes overall, even though there is more risk to the child.~~

~~Reconciliation or Comparison between Costs and Expenses~~

- ~~— Either a reconciliation or a comparison between reported service related costs and the expenses reported in the entity’s financial statements may be disclosed. This information could support users’ understanding of the basis for service costs and their importance within the context of the entity’s other activities. Reconciliations or comparisons could be between, for example, (a) total costs of services and total expenses, or (b) costs related to individual services or groups of services and costs reported for different segments.~~

Basis of Displayed Service Performance Information

- ~~74. Judgment will be involved in deciding what information needs to be disclosed so that. There should be sufficient information for users to understand the basis of the displayed service performance information.~~

- ~~82. Sufficient information should be disclosed to allow users to determine whether the displayed service performance information is:~~

- ~~(a) Relevant to them; and~~
- ~~(b) Useful for the purposes of accountability and decision making.~~

- ~~75-83. The following information on the basis of the service performance information reported should be considered for disclosure:~~

- ~~(a) An explanation of the displayed service performance objectives, which describes how the objectives have been established, the need or demand for these objectives to be achieved, and the relationship(s) between:~~
- ~~(b) The objectives and the services presented;~~
- ~~(c) The objectives and the displayed service performance indicators; and~~
- ~~(d) The entity’s overall objectives and its displayed service performance objectives and/or services;~~
- ~~(e)(a) Information about the services on which information has been displayed, including a brief explanation for the choice to display close information on those services;~~
- ~~(f)(b) Sufficient information on the sources of the displayed information presented for users to understand the quality of the displayed information, including its verifiability:~~
 - ~~(-) The services affected, the applicable reporting period(s), and an explanation for the difference(s), if the reporting period for information on any services is different from the reporting period of the service performance report;~~
 - ~~(-) An explanation of the relationship between different performance indicators, particularly the extent of alignment between input, output and/or outcome indicators;~~
 - ~~(-) Sufficient information on the sources of the information presented for users to understand the quality of the displayed information, including its verifiability;~~

- ~~(-) An explanation of the basis for information aggregation, which addresses the level of detail reported; and,~~
- ~~(-) The basis for cost determination, which explains cost allocation policies, including the treatment of direct and indirect service related expenses and any other information necessary for users to understand how costs were determined.~~

84. Entities may also choose to disclose one or more of the items of information below::

- (a) An explanation of the displayed service performance objectives, which describes how they objectives have been established, the need or demand for these objectives them to be achieved, and the relationship(s) between the service performance objectives and:
 - (i) The objectives and the services presented.
 - (ii) The objectives and the displayed service performance indicators, and
 - (iii) The entity's overall objectives and its displayed service performance objectives and/or services.;
- (b) An explanation of the relationship(s) between related performance indicators. (For example, information on the extent of alignment between input, output and/or outcome indicators, where the inputs and outputs contribute to achievement of a particular outcome.)
- (c) An explanation of the basis for information aggregation (or disaggregation), which addresses the level of detail reported.
- (d) When disaggregated information on costs is provided, the basis for cost determination, which explains cost allocation policies, including the treatment of direct and indirect service related expenses and any other information necessary for users to understand how costs were determined.

85. Users need to know which services have been reported on, as well as the reasons why information related to those services was chosen for inclusion. The level of detail provided, the determination of those services on which to report, and the rationale for that approach to detail and services should be explained to users. Sufficient information should be provided to allow users to determine (a) if the service performance report is relevant to them, and (b) if it will provide the kind of information they need to make informed decisions and reach conclusions about the results of the entity's service performance. Disclosures additional to those proposed in paragraph 79 may be needed in order to support users' understanding of the basis of the displayed service performance information. Where a controlling entity reports on services provided by its controlled entities the controlling entity should consider disclosing information that explains the respective roles and responsibilities for service performance within the economic entity.

Disclosures when Reporting Period is Different

86. When the service performance information covers a reporting period different from that for the entity's financial statements, the following information should be considered for disclosure:

- (a) The fact that the reporting period is not the same as that for the financial statements;
- (b) Why there is a difference; and,
- (c) If financial information is included in the service performance report, either

- (i) The reporting period of the financial statements from which the information has been derived, along with information to facilitate access to those financial statements; or
- (ii) The source of the financial information reported, if the information has not been derived from the entity's financial statements, along with information to facilitate access to that source.

87. Where the reporting period for information on some services is different from the reporting period of the entity's service performance report the following information should be considered for disclosure:

- (i) The services affected,
- (ii) The applicable reporting period(s), and
- (iii) An explanation for the difference(s).

Reconciliation or Comparison between Costs and Expenses

88. Either a reconciliation or a comparison between the costs of services presented and the expenses reported in the entity's financial statements may be disclosed. This information could support users' understanding of the basis for costs of services and their importance within the context of the entity's other activities. Reconciliations or comparisons could be between, for example, (a) total costs of services and total expenses, or (b) costs related to individual services or groups of services and costs reported for different segments.

Narrative Discussion and Analysis

89. Narrative discussion and analysis should provide a concise overview of an entity's service performance that focuses on issues that are critical to users' assessments of that service performance. The concise overview should:

- (a) Discuss the degree to which service performance objectives have been met; and,
- (b) Provide balanced explanations of the information displayed, which cover both positive and negative aspects of the entity's service performance.

90. The following disclosures should be considered for inclusion in an entity's narrative discussion and analysis:

- (a) Particular achievements, deficiencies and issues;
- (b) Identification and discussion of the factors that may have influenced achievement (or non-achievement) of service performance objectives;

91. Discussions of differences between planned and actual achievements could include identification of the size of the variances as well as the factors contributing to the variances. (Factors might include the effect of external factors (positive or negative), efficiencies or inefficiencies in processes, the impact of resource availability (for example funding or staff increased availability or constraints), or explicit government decisions.)

92. Entities may also choose to disclose one or more of the items of information below:

- (a) Comparisons of indicators:
 - (i) Over time;

- (ii) To milestones; and,
 - (iii) Between actual and planned results.
 - (b) Reasons for change(s), if the service performance objectives or performance indicators presented have changed compared to those presented for the previous year.
 - (c) Where an entity has multi-year service performance objectives, narrative about progress towards their achievement.
 - (d) Where outcomes are reported, information on:
 - (i) The extent to which outcomes can be attributed to the entity's activities; and
 - (ii) Other factors that may have influenced the outcomes.
 - (e) Significant lessons learned during the reporting period with respect to the entity's service performance including, where relevant, plans on ways to address issues affecting service performance and areas that require further evaluation.
 - (f) Identification and discussion of the risks associated with the delivery of services and, if risk assessments for services have been carried out, information on how such risk trade-off decisions are informed and managed.
 - (g) Identification and discussion of the consequences—intended and unintended, direct and indirect—of the services provided.
 - 93. The achievement of outcomes is often influenced by factors outside of the entity's control. Where outcome information is displayed, information on (a) the extent to which the outcomes can be attributed to the entity's activities, and (b) other factors that may have influenced the outcomes may be useful for users. Disclosures should be sufficient to ensure that users do not overestimate the entity's role with respect to either improving or worsening outcomes.
 - 94. Often the delivery of public services follows a risk assessment, which establishes risk tolerance involving clear parameters around the risk of "false positives" and "false negatives". Parole decisions, customs inspections or clearances, and child welfare interventions are examples of decisions where such risk assessments are critical to the entity's service performance. Information on how such risk trade-off decisions are informed and managed could assist users' assessments of the challenges faced and the performance delivered by the entity.

Appendix A: Illustrative Examples—Definitions

A1. The following examples are for an entity that provides health services. One of its services is to provide vaccinations to prevent measles. In order to achieve its outcome focused service performance objective—see the example below—the entity uses a range of inputs to produce its outputs which, in this example are measles vaccinations. Those outputs are then expected to cause (directly or indirectly) the desired outcome.

Service Performance Objective

A2. An example of a service performance objective for an entity responsible for vaccinations against measles is: “To reduce the percentage of infants who contract measles annually from 65% to 2% within five years i.e. by the end 20XX.” This is an outcome focused service performance objective.

Inputs

A3. Staff time spent providing vaccinations against measles is an example of a health service related input. Then “the number of full-time equivalent staff days used to provide the vaccinations against measles service” would be one possible input indicator for that service.

Outputs

A4. The provision of vaccinations against measles to infants is an example of a health related output. The service’s recipients—the infants—are external to the entity. “The number of infants vaccinated against measles” would be a possible output indicator for that health service.

Outcomes

Outcomes Generally

A5. One possible example of an outcome for the measles vaccinations service is a reduction in the number of infants that contract measles. A reduction could be expressed in absolute terms (5,000 fewer incidents of measles) or as a percentage reduction (a 35% percentage reduction in infants contracting measles).

Outcomes for Society as a Whole or for Groups within Society

A6. An entity that reports reductions in the number of children that contract measles could report such rates for the whole of society or people living in particular neighborhoods.

Direct or Indirect Outcomes

A7. No incidents of measles experienced by recipients of measles vaccinations provided by the entity is an example of a direct impact on the recipients of the entity’s services. By contrast children in the same group who have not received a vaccination will be impacted indirectly by the entity’s vaccination services, because their risk of contracting measles is reduced.

Outcomes Influenced by the Entity’s Operations

A8. An entity’s operations may also contribute to achievement of its outcomes. For example, the process of collecting information to compile health statistics about measles—viewed by the entity

as an operational input to its health services—could raise awareness of measles and contribute to the reduction of measles.

Efficiency

A9. With respect to vaccinations against measles, “cost per infant vaccinated” is one example of an efficiency indicator, one which relates outputs (vaccinations) to an input (cost). “Cost per reduction in number of infants contracting measles” is an example of an efficiency indicator that relates an outcome (reduction in number of infants contracting measles) to an input (cost). Efficiency may also be expressed in terms of other inputs such as, for example, number of staff or staff time. For example, 1,000 vaccinations annually per qualified medical staff member.

Effectiveness

A10. If the entity’s service performance objective (the entity’s planned result) expressed in terms of outcomes is to reduce the number of infants that contract measles by 3,000, then one possible effectiveness indicator would be the ratio of the actual reduction to the planned reduction, expressed as a percentage. If the entity reduced the number of infants contracting measles by three thousand, this effectiveness indicator would show 100% effectiveness. Since the actual result is a 3,000 reduction in infants contracting measles, the planned result (a 3,000 reduction in infants contracting measles) has been fully (100%) achieved. The same entity could have a second service performance objective expressed in terms of outputs, for example, that 10,000 children would be vaccinated against tuberculosis. If 8,000 children were actually vaccinated then, with respect to this second objective, effectiveness would be at 80%. These percentages measure the ratio between planned and actual results, i.e. measures of the entity’s effectiveness, rather than a percentage reduction of disease incidence in the target population, which would be an outcome measure.

Staff time spent providing vaccinations against measles is an example of a health service related input. Then “the number of full-time equivalent staff days used to provide the vaccinations against measles service” would be one possible input indicator for that service. The provision of vaccinations against measles to infants is an example of a health related output. The service’s recipients—the infants—are external to the entity. “The number of infants vaccinated against measles” would be a possible output indicator for that health service. An example of a service performance objective for an entity responsible for vaccinations against measles is: “To increase the percentage of infants that have received a vaccination for measles from 65% to 95%.”

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, RPG X3.

Background

Project Initiation, Consultation Paper and Decision to Develop Guidance

- BC1. The IPSASB approved a project brief on reporting service performance information, then called “performance reporting”, in March 2008. Work on the project was deferred until responses to a Consultation Paper on Phase 1 of the IPSASB’s Conceptual Framework (which includes the scope of general purpose financial reporting (GPFR), the objectives, qualitative characteristics and the reporting entity) had been considered. The first issues paper related to the project was discussed at the IPSASB’s June 2010 meeting.
- BC2. A Consultation Paper (CP), *Reporting Service Performance Information*, was issued in September 2011. In developing the CP, the IPSASB reviewed and compared existing national standards, guidance, and regulatory requirements for service performance reporting (or its equivalent) from selected national jurisdictions, the United Nations, and the Organization for Economic Co-operation and Development. Based on the IPSASB’s research, no two jurisdictions have identical service performance reporting frameworks, but it was found that there are similarities in the service performance information that is reported. Consideration of these similarities and of commonly used terms provided the basis for the CP’s (a) principles based framework for reporting service performance information, and its (b) terminology, with associated definitions.
- BC3. The IPSASB completed its review of responses to the CP in December 2012. In March 2013 the IPSASB decided that information additional to that included in the financial statements should be addressed presently through development of a Recommended Practice Guideline (RPG) and, on that basis, this RPG was developed for reporting service performance information.

Development of a Recommended Practice Guideline

- BC4. This RPG is based on the service performance reporting framework developed for the CP, revised for the IPSASB’s decisions during its review of responses to the CP. This RPG is ~~also underpinned by Chapters 1 to 4 of the IPSASB’s Conceptual Framework, and is consistent with CF ED4, *Presentation in General Purpose Financial Reports*. If the IPSASB decides to revise presentation concepts proposed in CF ED4, as part of its finalization of the relevant chapters of the Conceptual Framework, the revisions will be taken into account during the finalization of this RPG.~~
- BC5. The Conceptual Framework notes that the primary function of governments and most public sector entities is to provide services to constituents. Consequently, their financial results need to be assessed in the context of the achievement of service ~~delivery performance~~ objectives. Reporting non-financial as well as financial information about service ~~delivery performance~~ activities, achievements and/or outcomes during the reporting period is necessary for a 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. Decisions that donors make about the allocation of resources to particular entities and programs are also made, at least in part, in response to information

about service ~~performance~~~~delivery~~ achievements during the reporting period, and future service ~~delivery~~~~performance~~ objectives.

- BC6. As for the CP, this RPG sets out principles based guidance for the reporting of service performance information by public sector entities. This guidance focuses on meeting the needs of users of GPFRs.

Overall Approach of RPG—Guidance on Decisions and Minimum Characteristics

- BC7. During development of this RPG, the IPSASB considered whether its overall approach should aim to (a) establish minimum characteristics of service performance information, consistent with an RPG's role as providing good practice and requirements; or (b) provide a framework that identifies decisions that preparers need to make and guidance on those decisions, consistent with the framework approach in the CP and an RPG's function as guidance. The IPSASB decided that RPG should not attempt to standardize service performance reporting, given the diversity of services and reporting contexts, but focus on achievement of the applicable principles. ~~the RPG should provide a mixture of guidance on decisions and identification of minimum characteristics for reporting service performance information.~~

- BC8. In developing an RPG for reporting service performance information the IPSASB acknowledged the challenge in developing guidance that would be useful when applied to diverse services, diverse service performance objectives, and diverse accountability and decision-making contexts world-wide. Arguably service performance reporting quality depends in part on the extent to which it meets the particular information needs arising from the services provided and the context for their provision. For example, a report that tells the story of factors influencing progress toward critical targets may look quite different to a report that provides an account of services delivered for the resources provided. The IPSASB considered these matters and was of the view that it would be most helpful to develop an RPG that identifies the decisions that preparers will need to make, then provides guidance on how such decisions should be made, rather than an RPG that establishes minimum standards.

- BC9. The IPSASB's view is that a mixture of guidance principles applicable to reporting service performance information ~~on decisions and identification of minimum characteristics for reporting service performance information~~ provides useful guidance, without attempting to establish global requirements that may not be appropriate for the variety of different services and different service delivery contexts that exist globally. Service performance information is a developing area, which means that the RPG should not be overly prescriptive.

- BC9-BC10. Some respondents to the ED were concerned about an apparent contradiction between RPGs as pronouncements that do not establish requirements and paragraph 5 of the ED, which stated that compliance with the RPG involves compliance with all of its requirements. The IPSASB responded to this concern by eliminating reference to "requirements" in this paragraph, and replacing it with "applicable principles". The IPSASB also noted that the nature of an RPG as a guideline is established by the allowance for entities to not follow a particular RPG—in its entirety—without impacting negatively on the entity's IPSAS compliance. Preparers (or jurisdictions) may also choose to apply part of the RPG and, for example, progressively move towards full compliance, at which point compliance can be asserted. Nonetheless the specific content of an RPG involves a set of principles that

establish best practice. An RPG may also, depending on the topic addressed, involve more flexibility of application than is the case for an IPSAS. This is the case for this RPG which includes options as to presentation and actions which are encouraged rather than required.

Objective

BC10-BC11. The objective for this RPG is based on the Conceptual Framework's description of the needs of users of GPFRs for service performance information. It also reflects the CP's analysis that concluded there is scope for guidance, while acknowledging that the guidance should be broad enough to allow entities and national jurisdictions to address users' needs with respect to particular services in particular contexts.

Scope

BC11-BC12. This RPG applies to all public sector entities, other than Government Business Enterprises (GBEs). This is consistent with the *Preface to International Public Sector Accounting Standards*, which states that the IPSASB develops accounting standards and other publications for use by public sector entities, other than GBEs. This exclusion from the scope should not be read as implying that the guidance could not be applied by GBEs or that there is any barrier to GBEs applying this guidance. ~~The IPSASB considers that where GBEs report service performance information, the guidance in this RPG would be useful for such reporting. Similarly, a jurisdiction may decide that GBEs should report service performance applying the RPG's guidance.~~

BC12-BC13. Where the controlling entity reports service performance information according to the recommendations in this RPG it may provide information on services provided by one or more controlled GBEs. Although the GBEs' own reporting is not within the scope of this RPG, the IPSASB considers that information reported by the controlling entity—about the GBEs' services—needs to follow the RPG's requirements, if the controlling entity is to assert compliance with the RPG.

BC13-BC14. The IPSASB discussed whether this RPG should apply to entities in national jurisdictions which already have extensive service performance information reporting requirements for their public sector entities—requirements that may extend beyond the minimum information levels set out in the RPG. The IPSASB's view is that, in such circumstances, the entity will need to ensure that jurisdiction requirements are met. While the RPG does not set out detailed comprehensive and specific requirements, this does not represent an encouragement to report less than is already reported under national or other requirements, nor is this viewed as in conflict with more extensive reporting. The RPG includes a statement that it sets out minimum information levels. It also states that the RPG "...does not preclude the presentation of additional information if such information is useful in meeting the objectives of financial reporting and meets the qualitative characteristics of financial reporting." On this basis the IPSASB concluded that the RPG should be able to be applied to entities in jurisdictions where extensive service performance information reporting requirements already exist.

Definitions of Terms

BC14-BC15. In reaching its view on the need for standardized service performance terminology the IPSASB noted that although entities use some terminology consistently, many of those entities have not defined some or all of the terms they use. Moreover, the same terms

sometimes have different meanings in different jurisdictions. On this basis, the IPSASB concluded that a standardized service performance terminology was necessary to support the understandability and comparability of service performance information reported by entities in GPFRs.

[BC15-BC16.](#) This RPG defines seven terms which are based, as far as possible, on terms already used in jurisdictions with a well thought through and explicit approach to, and extensive experience in, service performance reporting. Establishing definitions for these terms is expected to assist with the communication of service performance concepts, and support achievement of the qualitative characteristics.

[BC16-BC17.](#) During the review of responses on the CP and subsequent development of the RPG the IPSASB revised the definition of an effectiveness indicator. The CP definition was: "Effectiveness indicators are measures of the relationship between outputs and outcomes." This implies that the relationship between outputs and outcomes is relatively simple to measure. After further consideration the IPSASB considered that the relationship between outputs and outcomes is likely, in many situations, to be more complex than the simple relationship underpinning the original definition. Furthermore, the IPSASB considered that effectiveness is better understood to be the degree to which an entity is successful in achieving its service performance objectives. On this basis the IPSASB decided that effectiveness indicators show the extent to which an entity has achieved its services performance objectives, where those objectives are stated in terms of outcomes or outputs. [Responses to the ED, where the revised definition was proposed, were generally supportive of this approach.](#)

[BC18.](#) "Economy indicators" were considered for inclusion in the set of standard terminology, during development of the CP, because it is a commonly used term. A majority of IPSASB members decided to exclude economy indicators because they overlap with efficiency indicators and are difficult to derive in isolation. In addition the concept of economy was considered to be covered by input indicators. This issue was considered further by the IPSASB during its review of responses to the [CPED](#), when a majority of IPSASB members reconfirmed the view that economy indicators do not represent something additional to the ideas conveyed by either efficiency or inputs. On that basis "economy indicators" are not included in the defined terms. [However the IPSASB decided that the RPG's objective should note that service performance information can support users' to assess the entity's economic use of resources for the provision of services.](#)

[BC17.](#) _____

Reporting [Boundary-Entity and Reporting Period](#)

[BC19.](#) [During development of the CP](#) ~~the~~ the IPSASB considered whether service performance information should be presented for the same reporting entity as for financial statements. ~~Members had differing views and sought feedback on this issue. After reviewing responses to the CP the IPSASB concluded that service performance information should be presented for the same reporting entity. Public sector performance information can be constructed around a desired outcome, which many entities may contribute to, or benchmark indicators against which entities can be compared. Such information is likely to be of particular value when entities need to work together to achieve public policy objectives. Alternatively, service performance information can~~ This supports (a) holding the reporting entity accountable for its

service provision and use of resources, and (b) decision making. Members had differing views and sought feedback on this issue. After reviewing responses to the CP the IPSASB concluded that service performance information as defined by the RPG should be presented for the same reporting entity. On that basis a majority of the IPSASB considered that service performance information should be prepared for the same reporting entity as for the financial statements. To be consistent with coverage in RPGs 1 and 2 (see RPG 1, paragraph 14 and RPG 2, paragraph 4) the wording in RPG 3 focuses on “reporting boundary” rather than reporting entity. This wording also avoids potential confusion over whether reporting entity addresses the issue of “which entity should report?”—the focus Chapter 4, *Reporting Entity* in the Conceptual Framework—or “given that this entity reports, what services fall within the entity’s reporting responsibilities or for what services is the entity broadly speaking accountable?”.

BC20. Some respondents to the ED commented on this issue—even though there was no SMC on it—with most comments supporting the ED’s “same reporting entity” approach and no new, previously unconsidered issues raised. Several respondents to the ED suggested that the RPG also provide guidance for reporting on programs or policies that involve a group of entities that are not under common control that is “cross-boundary” reporting. The IPSASB took the view that this would unduly extend the scope of the project, and confirmed the ED’s approach to reporting entity.

BC18-BC21. The IPSASB also acknowledged that there is a trade-off between service performance reporting that applies the same reporting entity boundary as for the financial statements and flexible boundaries that provide scope for cross-boundary reporting. A focus on the same reporting entity as for the financial statements has the benefit of following lines of control and supporting organization-focused accountability, while also facilitating both collection of service performance information and the integration of such information with financial information in the entity’s financial statements. However there are cases where no single entity is accountable for a program or policy and requiring cross-boundary reporting, aligned with the program or policy, would provide information that better explains service performance related to that program or policy. The IPSASB considered expanding the RPG’s scope to also include guidance for cross-boundary reporting on “programs” or “sets of activities that contribute to the same outcome(s)”. The IPSASB decided that the RPG should remain focused on reporting by the same entity as that for the financial statements. This does not prevent national jurisdictions from adapting the RPG’s principles and guidance for application to cross-boundary reporting.

BC19-BC22. The RPG focuses on information for accountability and decision making involving the reporting entity rather than a supply chain, network or other combination of individual entities. On that basis the IPSASB considers that the reporting boundary for service performance information should be the same as that used for the financial statements.

BC20-BC23. Some respondents to the CP were concerned that controlling entities should not be required to report all services provided by their controlled entities, with the result that information becomes too detailed and lengthy to meet the qualitative characteristics and support users’ assessments for accountability and decision making. To address this concern the RPG-ED included guidance on how a controlling entity can present service performance information on services provided by its controlled entities, without providing an overwhelming amount of detail in its own report.

BC24. The ED included an SMC on whether respondents agreed with its coverage of reporting at different levels of government. Some respondents remained concerned that this could result in overly detailed, onerous reporting by controlling entities. After further consideration the IPSASB decided that the ED still allowed scope for preparers to conclude that the same approach to consolidating information as that used for financial statement consolidations—whereby financial totals reported by controlled entities are fully included in the controlling entity’s financial statements—would be required by the RPG. The RPG was therefore revised to clarify that controlling entities should report against their own service performance objectives rather than attempt to aggregate all those services provided by controlled entities.

Annual Reporting and Reporting Period

BC25. The IPSASB considered whether service performance information should be reported annually, when service performance objectives, whether expressed in outcomes, outputs or inputs, may require periods longer than one year to achieve. The majority of IPSASB members considered that service performance information should be reported annually because this is important to ensure that users’ have the information they need to hold an entity accountable for its service provision and make decisions. To address the existence of multi-year service performance objectives the IPSASB decided that the RPG could encourage entities to disclose information on their progress towards multi-year service performance objectives.

BC26. An SMC was included in the ED on whether reporting should be on an annual basis. After noting the generally strong support from respondents for annual reporting the IPSASB confirmed that service performance information should be presented annually and use the same reporting period as that for the financial statements, unless users’ needs require a different period. The main issues raised by respondents were that (a) entities should be allowed to report more frequently, for example six monthly; and (b) a requirement for annual reporting on multi-year service performance objectives could cause problems, either reducing entities’ willingness to set multi-year service performance objectives or adding excessively to the costs through requiring expensive program evaluations on an annual basis.

Scope to Report More Frequently

BC27. The IPSASB agreed with respondents who argued in favor of scope for more frequent reporting, noting that this is likely to increase transparency and accountability. As one respondent stated, more frequent reporting also can encourage “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.” At the same time, for many jurisdictions and many entities an assessment of the needs of users, with consideration of the costs and benefits of reporting more frequently than on an annual basis, may indicate that annual reporting of service performance is sufficient. On this basis the IPSASB decided to use the phrase “should be reported annually and may be reported more frequently” in the RPG. This phrase clarifies that the RPG allows entities to report service performance information more frequently than annually, while avoiding any implication that annual reporting is a bare minimum.

Reporting Against Multiyear Performance Objectives

BC21-BC28. The IPSASB considered how to address respondents' concerns that annual reporting could have negative consequences for outcome reporting, including the possibility that annual reporting could have the unintended effect of reducing the extent to which entities report outcomes. The IPSASB noted that for some outcomes annual measurement is very expensive and measurable change showing progress towards outcome achievement will not emerge for two or more years. One respondent noted that annual reporting in such cases may even be misleading. This problem is not restricted to service performance objectives focused on outcomes, but can also occur for outputs and even input reporting. To address this concern the RPG includes explicit coverage on use of proxy measures and provides scope for entities to report outputs or inputs as indicative of progress towards achievement of outcomes or other types of multi-year service performance objectives. In effect, this allows for outcomes to be reported less frequently than annually in those situations where an application of the RPG's presentation principles indicates that this should be done.

BC22-BC29. The IPSASB considered whether the RPG should state that service performance information should be issued at the same time as the financial statements. To be useful for accountability and decision making service performance information should be reported within a reasonably short time after the end of the reporting period, which would mean issuance at a similar time as for the financial statements. This is important to achieve the qualitative characteristic of timeliness. The IPSASB noted that issuance at the same time as the financial statement (a) may be very difficult for some entities or jurisdictions to achieve, and (b) may not be justified if an assessment of its costs and the resulting benefits is done. The IPSASB decided that, while acknowledging that it is desirable for service performance to be reported at the same time as the financial statements, the RPG should not state that this is necessary.

BC30. The IPSASB considered situations in which a controlling entity includes information on services that are provided by controlled entities with a different reporting period from that of the controlling entity. Ideally all the service performance information reported should cover the same reporting period. However there are situations where the benefits of aligning the information with the controlling entity's reporting period do not outweigh the costs involved. For example, some public sector entities provide service performance reports to donors who require a different reporting period from that for the entities' financial statements. The additional costs of preparing service performance reports for each reporting period (donors and financial statements) may not justify the benefits. On this basis the IPSASB decided that the RPG should acknowledge the possibility that some of the service performance information reported may be for a different reporting period and address this through additional disclosures.

Two Approaches for Reporting Service Performance Information

BC23-BC31. 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. A more outputs focused approach reports information about the services provided. This type of information is oriented towards resource providers and aims primarily to report on the services received for resources provided and whether resources have been used efficiently, although there is scope to widen the focus to include information about outcomes. A more outcome focused approach tells a

performance story, which generally reports on the achievement of outcomes, although there is scope to relate this performance story back to the costs of services. The information reported explains how well the entity is doing in terms of achieving its objectives, where those objectives are described in terms of outcomes.

BC24-BC32. The IPSASB considered whether the RPG should include guidance specifically tailored for each approach, but decided against this on the basis that the RPG's focus on achievement of objectives can be applied to either approach, while also being consistent with what is proposed in the CP. Allowing entities to tailor their reporting to their objectives means that entities or jurisdictions do not need to fit their individual approach into either an output-focused approach or an outcome-focused approach in order to apply the RPG. This means that the RPG's content will be useful to those entities that (a) apply one of these two approaches, (b) use other approaches, and, (c) use mixture of different aspects of both the output and outcome approaches. Entities' service performance objectives may even relate to inputs, when their reporting of service performance information is at an early stage. However, the ideal to which entities should, over time, aspire is the reporting of service performance information that reports comprehensively on both outcomes and outputs, along with information that allows users to assess the efficiency and effectiveness of both. This is consistent with the IPSASB's view, referred to earlier within the context of performance indicators, that the performance indicators presented should form a holistic system such that they communicate a coherent, integrated view of the entity's service performance.

BC24.——

Principles for Reporting Service Performance Information

BC25-BC33. The RPG sets out principles applicable to information presentation, which includes including decisions on information selection, location and organization. ~~It also—~~The RPG identifies factors that should be considered, when making presentation decisions ~~on information location and organization~~and generally proposes information that should be considered for presentation, in light of those principles, rather than prescribing an extensive list of information requirements. This principles-based approach is consistent with the IPSASB's decision on the RPG's overall approach, developed during the consultation phase. The IPSASB considered taking a more prescriptive approach, and this consideration included the possibility of prescribing information for disclosure rather than proposing such information for entities' consideration as possible disclosures. On the basis that (a) the principles-based approach allows entities the flexibility they need to report service performance information that is relevant an appropriate to their service performance objectives and will meet the needs of users of the information, (b) disclosure overload—which undermines the extent to which a report on service performance meets the needs of users and does not achieve either the qualitative characteristics or provide benefits in excess of the costs—should be avoided, and (c) entities must apply the RPG's principles, when choosing what information they disclose, the IPSASB has maintained the principles based approach proposed in the CP and then exposed in the ED.

BC26-BC34. The IPSASB determined that the key principles for reporting service performance information should be based on the users' needs that such information should meet, as established through consultation and with reference to the Conceptual Framework. The RPG's principles have been informed by the nature of service performance information

reporting, as evident from the experience of different jurisdictions, which the CP discussed and synthesized.

~~BC27-BC35.~~ The principles and factors are also based on application of the concepts developed for Phase 4 of the Conceptual Framework to the reporting of service performance information. As stated above, if the IPSASB decides to revise presentation concepts proposed in CF-ED4 as part of its finalization of the relevant chapters of the Conceptual Framework, the revisions will be taken into account during the finalization of this RPG.

Presentation of Service Performance Information

Consultation Paper's Dimensions and Components of Service Performance Information

~~BC28-BC36.~~ The CP explained that there are four dimensions of service performance on which information should be presented. The four dimensions—why, what, how and when—relate to an entity's (a) service performance objectives, (b) performance indicators, (c) comparison between planned and actual performance, and (d) time series that allow users to assess either changes in service provision over time or progress towards a multi-year goal.

~~BC29-BC37.~~ The RPG's coverage of information selection addresses these four dimensions when it establishes that an entity should report:

- ~~(b)(a)~~ Information on an entity's service performance objectives, including the need or demand for these objectives to be achieved (the "why" dimension);
- ~~(e)(b)~~ Performance indicators to show achievements with respect to service performance objectives (the "what" dimension);
- ~~(d)(c)~~ Comparisons of actual performance to planned (or targeted) results, including information on the factors that influence results (the "how" dimension); and
- ~~(e)(d)~~ Time-oriented information, including the comparisons of actual results over time and to milestones (the "when" dimension).

~~BC30-BC38.~~ The CP then established components of service performance information, which relate to these four dimensions. The RPG's coverage of information selection addresses the CP's components, which are: (a) narrative discussion of the achievement of objectives, and information on (b) the parameters of the service performance information reported (termed "basis" in the RPG), (c) the entity's service performance objectives, and (d) the achievement of service performance objectives.

Presentation in the Same Report as the Financial Statements or in a Separate Report

~~BC31-BC39.~~ 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, there are also jurisdictions that integrate service performance information into the same report as the financial statements, treating the two sets of information as complimentary. There are benefits to both approaches. In order to allow for jurisdictional differences the IPSASB decided that the RPG should not restrict entities to reporting service performance information either in a separate report or in the same report as the financial statements.

~~BC32. 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. Presenting service performance information such that it meets the applicable audit requirements may involve additional costs to the reporting entity.~~

~~BC33-BC40.~~ Display of Service Performance Information within a Report

~~BC34-BC41.~~ The IPSASB considered whether the RPG should (a) propose one way that service performance information should be organized, with the main method considered being a tabular form, described as a “statement of service performance”; or, (b) provide principles that should be applied to guide jurisdictions and/or preparers when they choose between different possible information organization approaches.

~~BC35-BC42.~~ The IPSASB noted that in some jurisdictions there are requirements that service performance information be reported in a “statement of service performance”. In other jurisdictions preparers apply principles to identify how best to organize information, with reference to the particular types of services, desired outcomes, or planned achievements on which information needs to be reported. Organizing information into a tabular or statement form can support understandability and comparability when numerical or “summary descriptive” performance indicators (e.g. “satisfactory or unsatisfactory”) are reported on multiple services. But service achievements could be misrepresented or poorly described if a statement format is the only form of presentation permitted.

~~BC36-BC43.~~ The IPSASB decided that the RPG should focus on principles applicable to this decision. By focusing on principles rather than stipulating a standard reporting structure, the RPG allows the choice of information organization to be tailored to (a) the nature of the services on which performance information is presented; and, (b) the needs of users, so that it supports achievement of the objectives and qualitative characteristics of financial reporting, and (c) the regulatory context, including the regulatory environment in which the entity operates. Although this could result in less standardization, and reduced comparability between entities, service performance information differs from financial statements information due to the diversity of services reported. Unless the indicators themselves are comparable, a single presentation format will not provide the benefits of inter-entity comparability, but will sacrifice the benefits to be gained from allowing information organization to be tailored for objectives and specific services provided, such that the resulting organization meets the needs of users.

Principles Rather than Specific Requirements

~~BC44.~~ The IPSASB acknowledged that entities’ presentation of service performance information will vary, 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.

~~BC37-BC45.~~ The RPG identifies different types of performance indicators that could be presented, but does not require that particular performance indicators be presented. While efficiency and effectiveness indicators directly address those aspects of performance, the RPG’s objective of providing information for users to assess efficiency and effectiveness does not mean that

those two types of performance indicators must be presented. Efficiency can be calculated using information about outputs and their cost. Effectiveness can be assessed using information on service performance objectives and results achieved against those service performance objectives. Similarly, the assessment of economy relies on information presented on an entity's inputs, particularly their costs.

Information that Conveys a Coherent, Integrated View of the Entity's Service Performance

~~BC38-BC46.~~ The RPG establishes a minimum set of information to present. The IPSASB considered that the principles focused approach was appropriate because it allows entities at an early stage of developing service performance reporting to meet the RPG's guidelines and report service performance information consistent with their existing reporting capabilities. Nonetheless, the IPSASB's view is that good quality service performance reporting needs to be reported so that users can assess 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. Ideally ~~t~~he set of performance indicators presented should form a holistic system such that they communicate a coherent, integrated view of the entity's service performance.

Selection of Performance Indicators

~~BC39-BC47.~~ 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. This would result in comprehensive coverage of an entity's service performance, but it might not reflect an entity's actual service performance focus. In practice it is likely that an entity's service performance objectives will change over time. For example, objectives may initially focus on inputs, then outputs and efficiency or outcomes and effectiveness. If an entity is able to adjust its reporting of performance indicators to align them with its service performance objectives, then the information presented is more likely to be useful to users and meet the qualitative characteristics, while supporting achievement of the financial reporting objectives. On that basis the IPSASB decided that the RPG should not require reporting of all five types of indicators but should instead provide guidance on how an entity should choose the types of performance indicators that it reports.

~~BC40-BC48.~~ 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. However outcome information can be very difficult for entities to provide, particularly when they are at an early stage in developing their services performance reporting. On that basis the IPSASB decided that the RPG should encourage but not require entities to present information on outcomes.

~~*Two Approaches for Reporting Service Performance Information*~~

~~BC41-BC49.~~ 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. A more outputs focused approach reports information about the services provided. This type of information is oriented towards resource providers and aims primarily to report on the services received for resources provided and whether resources have been used efficiently, although there is scope to widen the focus to include information about outcomes. A more outcome focused approach tells a

~~performance story, which generally reports on the achievement of outcomes, although there is scope to relate this performance story back to the costs of services. The information reported explains how well the entity is doing in terms of achieving its objectives, where those objectives are described in terms of outcomes.~~

~~BC42-BC50. The IPSASB considered whether the RPG should include guidance specifically tailored for each approach, but decided against this on the basis that the RPG's focus on achievement of objectives can be applied to either approach, while also being consistent with what is proposed in the CP. Allowing entities to tailor their reporting to their objectives means that entities or jurisdictions do not need to fit their individual approach into either an output-focused approach or an outcome-focused approach in order to apply the RPG. This means that the RPG's content will be useful to those entities that (a) apply one of these two approaches, (b) use other approaches, and, (c) use mixture of different aspects of both the output and outcome approaches. Entities' service performance objectives may even relate to inputs, when their reporting of service performance information is at an early stage. However, the ideal to which entities should, over time, aspire is the reporting of service performance information that reports comprehensively on both outcomes and outputs, along with information that allows users to assess the efficiency and effectiveness of both. This is consistent with the IPSASB's view, referred to earlier within the context of performance indicators, that the performance indicators presented should form a holistic system such that they communicate a coherent, integrated view of the entity's service performance.~~

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