Ms Stephenie Fox  
The Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor  
New York, NY 10017 United States of America

Dear Ms Fox

Exposure Draft (ED) 54 – Reporting Service Performance Information

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

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

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

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

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

Yours sincerely

[Signature]

David Nicol  
Chair  
Heads of Treasuries Accounting and Reporting Advisory Committee  
21 May 2014
General comments

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

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

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

Specific Matter for Comment 1

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

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

Specific Matter for Comment 2

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

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

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

Specific Matter for Comment 3

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

HoTARAC supports the aim of the Recommended Practice Guideline to provide users with sufficient and understandable service performance information to ensure public sector entities are accountable and transparent regarding their use of scarce resources.
In determining the scope of service performance information reported, the same reporting boundaries as those used for an entity’s financial statements should be used.

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

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

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

**Specific Matter for Comment 4**

*Do you agree that service performance information should:*

(a) Be reported annually; and

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

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

(a) HoTARAC agrees with the proposal that service performance information be reported, at a minimum, on an annual basis. HoTARAC further suggests that where entities provide half-yearly financial statements, service performance information should also be encouraged to be provided, albeit at a less detailed level than annually, where the costs justify the benefits. It should be emphasised that multi-year service performance objectives should be included, regardless of the frequency of reporting; the extended timeframe of such objectives should not be a deterrent to disclosing progress with their achievement. Progressive updates in respect of multi-year objectives, with a focus on current period achievements, should be reported.

(b) HoTARAC agrees that service performance information should be reported in respect of the same reporting period as that used for the general purpose financial statements, to ensure users understand the financial context to that information. HoTARAC believes that if the two sets of information are not aligned, the meaningfulness of the service performance information is severely diminished.

**Specific Matter for Comment 5**

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

HoTARAC agrees with the principles outlined in paragraphs 31 to 39, in particular the inclusion of qualitative characteristics for service performance information. It is recognised that the principles-based (rather than rules-based) approach in ED 54 provides entities greater flexibility to report service performance information that is relevant and appropriate to their specific objectives and circumstances.
ED 54 should further emphasise the need for preparers of service performance information to determine the appropriateness and relevance of information to be provided each year to ensure the entity effectively discharges its accountability and transparency obligations in the context of changing internal and external operating environments.

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

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

Specific Matter for Comment 6

Do you agree with:

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

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

If not how would you modify them?

(a) HoTARAC supports the options to provide service performance information as either part of the report that includes the financial statements (e.g. an annual report) or in another report. However, HoTARAC believes it is most useful if the information is included in the same report as the financial statements. Further, HoTARAC recommends that –

- the service performance information be linked to any associated disaggregated information contained in those financial statements;
- the financial statements refer to the location of the service performance information to enable easy access by users; and
- the entity clearly states that the service performance information has not been audited.

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

(b) HoTARAC agrees with the additional information listed in paragraph 43. An additional requirement HoTARAC recommends is that the separately issued report explain where to locate the financial statements for that reporting period. This would assist in cross-checking and promote a greater context in which to understand the service performance information.
Specific Matter for Comment 7

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

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

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

If not how would you modify this approach?

(a) HoTARAC agrees with the principles-based (rather than rules-based) approach to the presentation of service performance information. This allows each entity to adapt the principles to best meet the varying needs of their users of service performance information, according to the identity and objectives of those users.

(b) Consistent with the above preference, HoTARAC recommends that the preparation of a “Statement of Service Performance” only be optional, as the alignment of traditional financial statements with the proposed statement may be unable to be accomplished in a useful and meaningful way.

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

Specific Matter for Comment 8

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

(a) Should be “displayed”, where information selected for display should communicate the key messages in a general purpose financial report (see paragraph 50 to 51);

(b) Should be disclosed as part of narrative discussion and analysis (see paragraphs 70 to 77); and

(c) Should be considered for disclosure as part of the basis of the service performance information reported (see paragraph 80).

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

(a) HoTARAC supports the suggestions in paragraphs 50 to 51. However, HoTARAC recommends that the IPSASB provide further clarity in paragraph 51 regarding the basis for the “planned” and “actual” information for the reporting period. In particular, HoTARAC recommends that both these sets of information be sourced from publicly-released information where available, so that users have a consistent reference point.
HoTARAC also believes the proposed RPG should more strongly emphasise that ‘Information for Display’ covers both positive and negative aspects of service performance. This is as important for the ‘Information for Display’ as for the ‘Information for Disclosure’ (paragraph 70). It also helps ensure any service performance information reported complies with the principles of ‘faithful representation’ (paragraph 34).

(b) HoTARAC supports the suggestions in paragraphs 70 to 77.

(c) HoTARAC supports the suggestions in paragraph 80.

Specific Matter for Comment 9

Do you agree with:

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

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

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

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

(b) HoTARAC agrees with the level of guidance and principles contained within the ED with respect to the choice of performance indicators.

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

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

Paragraph 18(d)

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

Paragraph 42

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