

March 16, 2012

Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
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**Re: PSAB Staff Comments on Consultation Paper (CP) on “Reporting Service Performance Information”**

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

Overall, PSAB staff is in support of the preliminary views taken by IPSASB. Responses to the Specific Matters for Comment and Preliminary Views are set out in Appendix A to this letter and represent the views of PSAB staff and not those of the Public Sector Accounting Board (PSAB).

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

Sincerely,



Joanna Chrzanowski, CA  
Principal  
Public Sector Accounting

## APPENDIX A

### PRELIMINARY VIEWS

#### Preliminary View 1:

The reporting of service performance information is necessary to meet the objectives of financial reporting (accountability and decision-making) as proposed in the Conceptual Framework Exposure Draft (CF-ED 1), *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity*.

Agree.

#### Preliminary View 2:

Developing a standardized service performance information terminology for the reporting of service performance information is appropriate, and should include the seven terms and working definitions in Table A on page 14.

Agree.

Overall, we agree with the seven terms and working definitions that represent essential elements within the service performance reporting framework as established by the IPSASB. We also welcome the addition of examples to the working definitions of the terms as those will be helpful to the preparers of service performance information.

#### Preliminary View 3:

Components of service performance information to be reported are (a) information on the scope of the service performance information reported, (b) information on the public sector entity's objectives, (c) information on the achievement of objectives, and (d) narrative discussion of the achievement of objectives.

Agree.

Another area which may be important to include as a component of service performance information is the identification of significant lessons learned. In addition to including indirect consequences, both intended and unintended, of the services provided, the performance report should also provide information on how those consequences will be dealt with. In these situations users are interested in knowing that the issue is being addressed. IPSASB staff includes this

item as part of “Challenges of Reporting Service Performance Information” (subparagraph 5.32) as information that is important to users, however, does not identify it as a component of service performance information to be reported on. This information could be included as part of subparagraph 5.19 as item (d) or as part of item (c) with additional explanation in subparagraph 5.22.

**Preliminary View 4:**

**The qualitative characteristics of information and pervasive constraints on the information that is currently included in GPFs of public sector entities also apply to service performance information.**

Agree.

**SPECIFIC MATTERS FOR COMMENT**

**Specific Matter for Comment 1:**

**Should the IPSASB consider issuing (a) non-authoritative guidance for those public sector entities that choose to report service performance information, (b) authoritative guidance requiring public sector entities that choose to issue a service performance report to apply the guidance, or (c) authoritative guidance requiring public sector entities to report service performance information?**

The IPSASB should consider the issuance of a non-authoritative (voluntary) guidance on the reporting of service performance information. This would allow the public sector entities that choose to report service performance information to report it in accordance with an established framework for reporting such information and therefore ensure consistency and comparability of service performance information of public sector entities. An authoritative standard would also achieve this objective, however, it could discourage public sector entities from adopting IPSASs which would result in not following any of the standards. Further, an important reason for making this a voluntary guidance is the fact that the area of reporting of performance information is still evolving and it varies by jurisdiction. Mandatory standards may stifle innovation and inhibit acceptance.

The downside of making this a voluntary guidance is that some public sector entities may choose not to report the service performance information at all and as a result the user needs for receiving such information would not be met. However, we believe that following the core authoritative IPSASs is preferable to not following any of them. In the future, as the reporting of service performance information will

likely evolve and gain acceptance, the change from a voluntary guidance to a standard may be considered.

Issuance of an IPSAS requiring public sector entities that choose to issue a service performance report to apply the guidance may also be a good option provided the guidance does not limit the public sector entity in the manner how they present the service performance information. That is, the IPSAS could have mandatory and non-mandatory components so that depending on the public sector entity's business or regulatory requirements they are not restricted by the standard and have the flexibility on how to report such information. As part of this option it should be considered if audit of such information would be required.

**Specific Matter for Comment 2:**

**Do you agree that this project should not identify specific indicators of service performance?**

Yes.

Identification of specific indicators of service performance should be excluded from the scope of this project. The services provided by public sector entities are diverse and the public sector entities may have different objectives in provision of such services hence the appropriate indicators of service performance may be different. Including specific indicators may limit the information being provided by the entity and as a result not reflect the true picture of service performance. This would in turn provide information which is not useful to the users of service performance information and hence not be a good accountability and decision-making tool. A good service performance report should present service performance indicators that users consider relevant and important and such indicators may be different depending on the services and objectives of each public sector entity and hence should not be specifically identified.

**Specific Matter for Comment 3:**

**Should service performance information included in GPFRs be prepared for the same reporting entity as for general purpose financial statements (GPFSS)?**

Yes.

Including the service performance information for the same reporting entity as for GPFRs would allow for linking of all of the information

provided for that entity including financial and non-financial information. This would allow the users to identify the relationships between the financial information (resources) and the service performance information and allow for a more informed decision-making.

We recognize that there may be practical issues in providing service performance information for the same entity as the reporting entity. The reporting entity may have difficulty obtaining such information in a timely manner or such information may not be available. In those cases, it may be appropriate to provide service performance information covering the key objectives of the entity. Such information could still be useful to the users of service performance information and preferable to not providing any information at all.

**Specific Matter for Comment 4:**

**This CP identifies four dimensions of service performance information that are necessary to meet the needs of users. These are:**

- (a) Information on the public sector entity’s objectives, including the need or demand for these objectives to be achieved (the “why” dimension);**
- (b) Input, output, outcome, efficiency, and effectiveness indicators, including service recipient perception or experience information (the “what” dimension);**
- (c) Comparisons of actual performance to projected (or targeted) results, including information on the factors that influence results (the “how” dimension); and**
- (d) Time-oriented information, including comparisons of actual results over time and to milestones (the “when” dimension).**

**Do you agree with these dimensions of service performance information? Are there dimensions that should be added or deleted?**

We agree with all of the above types of service performance information needs of users other than the following:

- information on the need or demand for the objectives to be achieved (included in (a) above)
- service recipient perception or experience information (included in (b) above)

This information may be relevant and useful to users if it is unbiased and representative of information that would be provided by general population. However, it could also result in providing users with information that is out of date, unreliable and inaccurate. As a result, such information may lead users to inaccurately assess the service

performance of the reporting entity and at the end not be helpful to them at all.

In addition to the information identified by IPSASB staff as necessary to meet the needs of users, we recommend that information on significant lessons learned during the reporting period and a plan of how the issues/matters will be addressed in the future be included.

**Specific Matter for Comment 5:**

**Should service performance information be reported (a) as part of the GPFR that is currently issued (for example, an annual financial report) but not part of the GPFs, (b) in a separately issued GPFR, or (c) in both a separately issued GPFR and as part of the currently issued GPFR?**

We believe that including the service performance information as part of the traditional general purpose financial report would be most appropriate. It would allow for a better linking of financial and non-financial information which in turn would allow the users of the report to more readily identify the relationship between traditional financial information and service performance information and help them answer questions relating to the efficiency with which resources were used and understand the level of service given resources available.

We disagree with IPSASB's staff comments that reporting service performance information as part of the traditional GPFR may confuse users of the traditional annual financial report because of the inclusion of non-financial information with the financial information already being reported (subparagraph 7.5). If the report is structured properly and the purpose of the non-financial information is stated clearly this combined financial and non-financial information could enhance the usefulness of the report. Any user looking strictly for financial information could omit the non-financial information contained in the report.

We recognize that there are challenges involved in presenting the service performance information as part of the traditional general purpose financial report as such may not always be practical due to lack of availability of financial or non-financial information at the reporting date and if such reports cover different time periods. However, from users' perspective presenting the service performance information as part of the traditional general purpose financial report results in a more useful accountability and decision-making tool given the reasons provided above.