

30 April 2012

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International Public Sector Accounting Standards Board
International Federation of Accountants
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Dear Stephenie

Consultation Paper – Reporting Service Performance Information

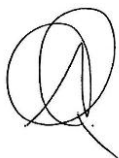
Thank you for the opportunity to comment on the International Public Sector Accounting Standards Board (IPSASB) Consultation Paper – Reporting Service Performance Information. CPA Australia, the Institute of Chartered Accountants and the Institute of Public Accountants (the Joint Accounting Bodies) have considered the proposals and our comments follow.

The Joint Accounting Bodies represent over 210,000 professional accountants. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

The Joint Accounting Bodies consider reporting service performance information will be necessary to meet the accountability and decision-making objectives of general purpose financial reporting. However, we consider it premature to require such reporting and accordingly we believe it appropriate for the IPSASB to proceed with the development of this material as guidance. The Appendix to this letter contains our response to the questions for comment.

If you require further information on any of our views, please contact Mark Shying, CPA Australia by email mark.shying@cpaaustralia.com, Kerry Hicks, the Institute of Chartered Accountants by email kerry.hicks@charteredaccountants.com.au or Tom Ravlic, the Institute of Public Accountants by email tom.ravlic@publicaccountants.org.au.

Yours sincerely



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Preliminary View 1 (following paragraph 1.6):

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.*

Our understanding of the Consultation Paper is that as public sector entities deliver goods and services to the community rather than generate profits for owners, success can only be only partially evaluated by examining their financial position and financial performance. Performance information about services being provided is critical in this context.

An evaluation of the success of public sector entities requires performance information about services being provided in addition to information about their financial position and financial performance and that reporting on service performance information will be necessary to meet the objectives of general purpose financial reporting.

Notwithstanding this position, we consider it premature to require such reporting.

Preliminary View 2 (following paragraph 3.5):

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.

The Joint Accounting Bodies support development of a service performance information framework that has the flexibility to enable application across jurisdictions. We believe standardised terminology and working definitions are an important part of the finalised framework.

We found the difference between objectives and outcomes too subtle and we suggest the distinctions be made more apparent. Terminology Relationships at page 15 of the Consultation Paper does draw that distinction and we suggest it be used to guide the next iteration of terminology and definitions. Examples are useful when they illustrate how a principle might be satisfied. However, as jurisdictions across the world are at different stages in their development of reporting service performance information it is important that provided examples are 'fit for purpose' and are not read as constraining what is reported by jurisdictions that have a relatively well developed approach to reporting service performance information.

Preliminary View 3 (following paragraph 5.23):

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.

The Joint Accounting Bodies agree with the components of service performance information to be reported, as their reporting is consistent with the objective of service performance reporting as articulated in the Consultation Paper.

There is an overlap between these components and the dimensions outlined in Section 4 of the Consultation Paper, which we would like to see merged into one set of principles.

Preliminary View 4 (following paragraph 6.9):

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

The qualitative characteristics and pervasive constraints on the information that is currently included in GPFRs of public sector entities would be applicable to service performance information.

Specific Matter for Comment 1 (following paragraph 1.11):

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?

This material should be issued as guidance that does not have the authority of an accounting standard. An entity reporting on service performance information would be encouraged to follow this guidance and its subsequent reporting of service performance information should indicate that it has followed this guidance.

Specific Matter for Comment 2 (following paragraph 2.3):

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

The Joint Accounting Bodies agree that the project should not identify specific indicators of service performance.

Specific Matter for Comment 3 (following paragraph 2.4):

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

The Joint Accounting Bodies understand that on occasions services are delivered as part of the joint activities of government departments of the same jurisdiction or government departments of different jurisdictions. Further, private sector not-for-profit entities might also be part of the delivery relationship. Requiring the reporting of service performance information by each of these entities because they prepare GPFS might not result in the reporting of relevant information about service performance compared to reporting that information at a higher level.

On the other hand we see one benefit of this proposal is to limit the push down of the requirement to report on service performance. For example, while some commentators may hold the view that policy areas of government should be reporting service performance information, this level of push down of the requirements is beyond that contemplated by the IPSASB.

We encourage the IPSASB to give further thought to this issue and the issue of whether or not the reporting of service performance information is appropriate for whole-of-government reporting in the development of the exposure draft.

Specific Matter for Comment 4 (following paragraph 4.18):

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 have concerns with the overlap between the four dimensions of service performance information that are necessary to meet the needs of users and the components of service performance information. We would like to see this overlap removed by their merger resulting in one set of clear principles.

We consider it important that the IPSASB not over engineer the service performance framework to require reporting that makes opaque accountability and transparency. That said, we consider the required reporting generally reasonable and we believe it assists the preparer as to the level of granularity required.

Specific Matter for Comment 5 (following paragraph 7.9):

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?

The Joint Accounting Bodies believe that to best assist in satisfying the objectives of reporting the IPSASB Guidance should provide the option to choose one of the two models - as part of the GPFR that is currently issued but not part of the General Purpose Financial Statements, or in a separately issued GPFR. The third model would not result in financial reports that are complete and we agree this would create confusion.