

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

response to exposure draft

29 May 2014

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

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

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

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

Our ref: Responses/ 140529 SC0208

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

May 2014

Dear Stephenie Fox

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

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

General comment

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

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

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

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

Response to specific questions

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

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

Yours sincerely

Alison Scott
Assistant Director

Specific Matters for Comment

Matter for Comment 1:

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

CIPFA generally agrees with the proposals in the ED

Matter for Comment 2:

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

CIPFA generally agrees with the definitions in paragraph 8.

In our view the definition of 'effectiveness' would be clearer and more easily understandable if it used the adjective 'planned' to explicitly acknowledge that this is a comparison between actual results and planned results. We appreciate that this is implicit in the current definition, which refers to service performance objectives, which in a later definition are characterised in terms of planned results. For example

*Effectiveness is the relationship between actual results and service performance objectives in terms of **planned** outputs or outcomes.*

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?

CIPFA agrees that the ED adequately addresses reporting of service performance information by entities at different levels within government.

Matter for Comment 4:

Do you agree that service performance information should:

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

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

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

Matter for Comment 5:

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

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

Matter for Comment 6:

Do you agree with:

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

If not how would you modify them?

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

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

Matter for Comment 7:

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

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

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

If not how would you modify this approach?

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

Matter for Comment 8:

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

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

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

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

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

CIPFA generally agrees with these proposals.

Matter for Comment 9:

Do you agree with:

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

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

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

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

Drafting comments and suggestions

Paragraph 17

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

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

Paragraph 47

Suggested amendment:

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

Paragraph 54

Suggested amendment:

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