

May 30, 2014

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

Dear Ms. Fox:

Thank you for the opportunity to offer comments in response to the IPSASB Exposure Draft 54 (ED), *Reporting Service Performance Information*, issued in December 2013. This response was prepared by the Governmental Accounting Standards Board's (GASB) staff. A draft of this response was provided to the individual GASB members for their input. Official positions of the GASB are determined only after extensive due process and deliberation.

As mentioned in our comments on the Consultation Paper (CP), in June 2010 the GASB issued a Suggested Guideline for Voluntary Reporting, *SEA Performance Information* (Suggested Guidelines). The GASB staff responses provided have been influenced by the suggested guidelines on what it believes are the most fundamental issues associated with the reporting of service performance that will assist users in assessing governmental accountability and making economic, social, and political decisions and demonstrating their accountability, including stewardship over public resources.

Most of the issues noted in our response to the Consultation Paper have been addressed in the ED. The GASB staff compliments the IPSASB in developing what we believe is a comprehensive approach to the reporting of service performance information.

Specific Matter for Comment 1—Do you generally agree with the proposals in the ED? If not, please provide reasons.

The GASB staff generally agrees with most of the proposals in the ED. Most of the comments provided will be GASB staff suggestions on how sections of the ED could be further strengthened or clarified.

Specific Matter for Comment 2—Do you agree with the definitions in paragraph 8? If not, how would you modify them?

The GASB staff generally agrees with the definitions provided in paragraph 8 of the ED. However, the GASB staff believes that the explanatory paragraphs could be enhanced by following a consistent format in the discussions. The GASB staff proposes a consistent format similar to that used in paragraphs 9–10 for the discussion of effectiveness including: (1) the definition, (2) an expanded discussion of the definition, (3) a discussion of what they are intended to measure, and (4) an example of each term. The GASB staff further suggests that the IPSASB consider the following recommendations.

The GASB staff recommends that:

- Paragraph 18 include mention of certain services such as water, sewer, solid waste collection and disposal that are important types of services provided by many general purpose and some special purpose governmental entities;
- Paragraph 18 (d) typo should be corrected to eliminate the duplication of (d);
- Paragraph 20 would be clearer if it stated that performance information “measures” inputs, outputs, outcomes, efficiency and effectiveness rather than that they “relate to” them;
- Paragraph 21 would be enhanced by recognizing that performance indicators may include measures of the ratings of service quality by recipients or citizens; and
- In paragraph 22, “qualitatives” in the plural should be “qualitative.” The GASB staff also believes that an example of a qualitative discussion would be helpful in this paragraph.

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?

The GASB staff agrees that the ED adequately addresses the reporting of service performance information by entities at different levels within the government, including situations where a controlled entity reports service performance information that encompasses that provided by controlled entities.

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 tw

The GASB staff agrees that service performance information should be reported annually and should use the same reporting period as that for the financial statements.

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?

The GASB staff generally agrees with the ED’s proposed principles for presentation of service performance information but offers one suggestion to improve this discussion.

The GASB staff believes that paragraph 38 appropriately states that performance objectives may change. However, the GASB staff believes that it also is important that the reasons for changes in performance objectives be included in the discussion.

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 and 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?

The GASB staff generally agrees with 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, and the additional information to present when reporting service performance information in a separately issued report. However, the GASB staff offers a few suggestions to improve this discussion.

The GASB staff believes that paragraph 41(a) could be clarified by stating, “the extent to which the service performance information needs to be reviewed within the context of information in the financial statements.” The GASB staff believes that this is the appropriate factor to consider when making the decision of whether to report service performance information in the financial report or in a separate report. The GASB staff believes that the discussion that follows does not reflect that this factor should be considered when making this decision.

The GASB staff also believes that the discussion in paragraph 41 appears to omit important issues such as the impact of including service performance information in the financial report on timeliness, audit costs, and effect of gathering and preparing the information. These impacts are discussed in the Basis for Conclusions; however, the GASB staff believes that these important issues should be included in this section of the RPG.

The GASB staff also believes that it is important to encourage the inclusion of a discussion that identifies the significant services not included with the service performance information and the reasons why the significant services were not included. The GASB staff believes that this information would assist users in assessing whether information that is necessary to represent results has been omitted.

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 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?

The GASB staff generally agrees with the ED’s proposed approach to presentation of service performance information within a report. However, the GASB staff offers a few suggestions to improve this discussion.

The GASB staff believes that paragraph 45 should state that “high level summaries of information should be” presented as well as “supported.”

The GASB staff is uncertain what it means in paragraph 48 when it states that “there may be scope to refer users to service performance information reported.” The GASB staff believes that there should be a more descriptive word than “scope” that can be used to clarify the IPSASB’s position.

The GASB staff also believes that “factor” should be “factors” in paragraph 49.

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 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?

The GASB staff generally agrees with the ED's identification of service performance information. However, the GASB staff offers a few suggestions to improve this discussion.

The GASB staff believes that paragraph 52 should be clarified to convey the point that IPSASB is trying to make. The GASB staff believes that the IPSASB is trying to convey that when service performance information is already reported in the financial report, rather than duplicate this information in a separate service performance report, it would be appropriate to simply make a cross reference to this information already reported. If this is what IPSASB is trying to convey in this paragraph, then the GASB staff believes that paragraph 52 needs to be clarified.

The GASB staff believes that the discussion of using several levels of reporting in paragraph 62 should be further enhanced with the addition of an example. For example, a government might consider providing "plain language" or graphical representations of performance results, not only in a time series but also by comparing planned and actual performance (in addition to a more detailed report with descriptions of performance goals with quantitative and qualitative information about results).

The GASB staff believes that the order of paragraphs 67 and 68 should be reversed so that planned performance is discussed prior to actual performance. Further, the GASB staff believes that the reasons for, and the impacts of, the changes in actual performance should be recommended to be discussed in paragraph 67, similarly to what is recommended in paragraph 68.

The GASB staff also believes that "leading" should be changed to "contributing" in paragraph 74.

The GASB staff does not believe that the example presented in paragraph 77 assists in the understanding of risk factors discussed in paragraph 76 sufficient to warrant inclusion. Further, the GASB staff notes that examples are not consistently provided throughout the RPG.

The GASB staff also believes that paragraph 80 (c-d) should be clarified. In (c), the GASB staff is uncertain as to what the IPSASB means by "services affected." If the intent is to disclose information about the services "reported," the GASB staff believes this would be duplicative of the proposal in (b). In (d) the GASB staff believes that "for a particular service" should be inserted after "An explanation of the relationship between different performance indicators."

Finally, the GASB staff believes that paragraph 80 (f) also should include "disaggregation" as well as "aggregation."

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?

The GASB staff generally agrees with 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 and the guidance and principles that the ED provides with respect to choice of performance indicators.

However, the GASB staff believes that the reporting of outcome measures should be specifically encouraged in the RPG because those types of measures are most closely related to the achievement of results that affect those receiving the services. Further, the GASB staff believes that the reporting of service performance information is most effective when it includes all types of performance indicators. Including performance indicators from only one or two types may not provide users with sufficient information to assess performance.

Basis for Conclusions

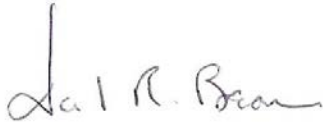
The GASB staff is uncertain how the “holistic system” discussed in paragraph BC40 can be achieved without proposing the reporting of all types of performance indicators, especially without including outcome indicators.

Other Comments

As noted in the GASB’s response to the CP, the GASB staff believes that any final guidance would be enhanced by a discussion of how to effectively communicate service performance information to users. For example, the IPSASB should consider discussing the intended audience for the service performance report and the appropriate form of communication (such as printed materials, electronic document files, presentations, articles, and news segments). The GASB staff believes that considering how to effectively communicate service performance information to users may improve the reports relevance, understandability, and effectiveness in communicating the public sector entities results.

Thank you for considering our comments. If you have any questions regarding the comments and suggestions contained in this response, please contact Lisa Parker (lrparker@gasb.org) or me (drbean@gasb.org).

Sincerely,

A handwritten signature in dark ink, appearing to read "David R. Bean". The signature is fluid and cursive, with a large initial "D" and "B".

David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board