

30 May 2014

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
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Dear Stephenie

Exposure Draft ED 54 RPG 3 Reporting Service Performance Information

Thank you for the opportunity to comment on the above Exposure Draft (ED). CPA Australia and the Institute of Chartered Accountants Australia (the Institute) have considered the proposals and our comments follow.

CPA Australia and the Institute represent over 210,000 professional accountants. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

CPA Australia and the Institute consider the reporting of service performance information will be necessary to meet the accountability and decision making purposes of general purpose financial reports, as articulated by the International Public Sector Accounting Standards Board. Nonetheless, we consider it premature to require such reporting and we agree that the development of non-mandatory guidance that represents good practice is appropriate.

We do not have any significant concerns with the proposals in the ED. Our detailed response to the specific matters posed for comment is contained in the attached appendix. If you require further information on any of our views, please contact Mark Shying, CPA Australia by email mark.shying@cpaustralia.com or Kerry Hicks, the Institute by email kerry.hicks@charteredaccountants.com.au.

Yours sincerely



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Appendix

Specific Matter for Comment 1

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

One purpose of the ED proposals is to represent good practice. The exposure draft also contains an overarching position of encouraging entities to follow its good practice guidance. We agree that the ED provides appropriate encouragement to entities to follow the proposed guidance. We also agree that the guidance proposals generally represent an appropriate baseline as the guidance is written so as to ensure that entities in jurisdictions that have a well-developed approach to reporting service performance information are not constrained by RPG 3 in what they report.

However, we do have concerns that some parts of the guidance itself are expressed in the form of encouragement (e.g., the display of information about outcomes and the reporting of disaggregated cost information). We do not agree with that approach. We believe that once an entity has decided to use RPG 3 it should then be using all of that guidance as we consider it is the reporting against all guidelines that is useful to users in a service performance reporting context. Therefore, we suggest that in articulating the different parts of the guidance that represent good practice, all references to “encouragement” be removed.

Specific Matter for Comment 2

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

We consider the development of standard definitions is a necessary step to improving the quality of reported service performance information within jurisdictions and assists in comparison between jurisdictions.

We agree with the proposed definitions and their explanations.

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?

Yes, we agree that the issues of reporting at different levels of government are adequately addressed. We note the increasing use of cross-entity programs in some jurisdictions. Therefore, we believe the guide should be able to inform the consistent development and reporting of service performance for programs that involve multiple entities in the same jurisdiction.

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?

Yes, we agree with the proposal that service performance information be reported annually. Further, we agree with the ED that the provision of information on progress towards multi-year service performance objectives would benefit users. In addition, subject to the benefits outweighing the costs, we agree that the reporting of service performance information should be for the same period as that used for financial reporting. When this is not the case we consider it important that additional disclosures be made. When users require half-yearly financial reporting we consider progressive reporting of service performance information would be beneficial, provided costs do not outweigh benefits.

The ED at paragraph 66 proposes that wherever possible, entities should report against the indicators established before the start of the reporting period using the same methodology and parameters for their computation. While supporting this approach we note this proposal for reporting on service performance is not identical to the approach to reporting on financial performance as articulated in IPSAS 24 *Presentation of Budget Information in Financial Statements* where entities have the option to report actual performance against either published original or final budget. We think there is a risk that users may be confused if the same entity reports its actual service performance against original performance indicators and its actual financial performance against the final budget. However, on balance we support the paragraph 66 proposition as it removes an opportunity for governments to alter performance targets.

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?

Yes, we agree with the proposed principles. We think the paragraph 39 messaging is important as it ensures that entities in jurisdictions that have a well-developed approach to reporting service performance information are not constrained by the good practice guidance of RPG 3 as to what they report.

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?

We believe it appropriate that an entity has the right to choose between presenting service performance information as part of a report that includes the financial statement or in a separately issued report. We agree that the identified factors are likely to be relevant to that choice and the inclusion of additional information within the separately issued report. In our response to Specific Matter for Comment 4 above, we noted our support for the reporting of service performance information for the same period of time as that used for financial reporting. We believe it would be beneficial to users if service performance information and financial information was released at the same time and covers the same period.

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?

Yes, we agree with the proposals as they are flexible enough to allow an entity to tailor the presentation of information to accord with the particular service provided.

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?

Yes, we agree with proposals (a) and (b). We believe that ED 54 paragraph 80 lists information that would be useful to users in understanding service performance. Consequently, we suggest this information should be disclosed and not just considered for disclosure.

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?

Yes, subject to our concerns expressed in our response to Specific Matter for Comment 1 above that some of the guidance itself is expressed in the form of encouragement we agree with the approach and the guidance and principles provided.