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CANADA

Our ref **KK/288**  
Contact **Katja van der Kuij**

29 May 2014

Dear Ms Fox

**Exposure Draft 54 – Proposed *Recommended Practice Guideline 3 – Reporting Service Performance Information***

***Summary comments***

We appreciate the opportunity to respond to the International Public Sector Accounting Standards Board's ('IPSASB' or the 'Board') Exposure Draft ('ED') entitled Proposed *Recommended Practice Guideline 3 ('RPG 3' or 'the Guideline')* – Reporting Service Performance Information, dated December 2013. We have consulted with, and this letter represents the views of, the KPMG network.

Reporting information on service performance is an important aspect of financial statements, especially in the public sector. We therefore welcome the Board's initiative in developing this Guideline and support the establishment of good practice in this area. We have considered the specific matters for comment in the ED and have some comments on specific issues addressed therein.

***Specific matters for comment***

The IPSASB stated they would particularly value comments on certain areas and we have structured our comments by reference to those matters for comment, as set out below.

***Specific Matter for Comment 1:***

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

We agree with the overall approach and content of the ED. However, we consider that it would be useful if the ED were to give more details on the following areas.

- The ED clearly and helpfully makes a distinction between outputs and outcomes. However, it would be helpful to make a similar distinction between outcomes and impacts.
  - Outcomes are the results – short-term and long-term – of an activity or programme.
  - Impacts identify the difference between what happened with the activity or programme and what would have happened without it.

For example, a programme encouraging hygiene in health centres may have:

1. short-term outcomes, such as: rules and guidelines on hygienic practices;
  2. long-term outcomes, such as: integration of these practices into everyday behaviour at health centres (and more widely); and
  3. impacts, such as: improvement in public health caused by that programme, as opposed to arising from other causes.
- We note that the aim of RPG 3 is to develop reporting rather than to establish a specific framework for reporting. This could be a concern since one cannot develop without the other and a mixture of concepts may therefore be required. We therefore suggest that a “Key Considerations” section be incorporated into the Guideline.
  - Most impacts and many outcomes are long-term and/or inherently difficult to measure (e.g. a programme targeting a reduction in incidence of HIV will need to assess and measure a negative outcome – how many people did *not* become HIV positive). We therefore recommend that the Guideline addresses the use of alternative and proxy measures to help monitor such outcomes and impacts.

In addition, we agree that the concept of reporting information on service performance is difficult to encapsulate in a single guidance document and note that jurisdictions will have to supplement this Guideline with specific guidance to allow for the effective discharge of reporting responsibilities in line with potentially varying expectations.

***Specific Matter for Comment 2:***

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

We generally agree with the definitions in paragraph 8. As indicated in our response to item 1 above, we would add a definition for impacts.

In addition, we consider that:

- the definition of outputs should not be limited to services “to recipients external to the entity”, as this could exclude services to entities within a reporting group;
- the definitions should include “cost” (used in paragraph 50); and
- the definition of Service Performance Objective should include a reference to an overall Strategic Plan to ensure that the objectives are relevant to the entity.

***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?*

We agree with the approach taken in the ED.

***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?*

We agree with the approach taken in the ED. We would add that, if a reporting entity is including a comparison of the budget amounts for which it is held publicly accountable and the actual amounts in its financial statements, then it should also include a comparison of its actual results with the relevant output, outcome and impact 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?*

We agree with the overall approach taken in the ED. However, we would also consider including “appropriateness” in the quantitative characteristics in paragraph 34.

***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 agree with the approach taken in the ED.

***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?*

We agree with the approach taken in the ED.

***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?*

We agree with the approach taken in the ED.

***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?*

We agree with the approach taken in the ED.

***Other issues***

We consider that the reporting boundary (paragraphs 27 to 28) should be consistent with the requirements of IPSAS 24 *Presentation of Budget Information in Financial Statements* – i.e. if the KPIs are publicly available, then the entity should report publicly on its performance.

The first sentence of paragraph 28 (“Service performance information may be reported by different reporting entities within an economic entity.”) does not seem fully clear. We therefore recommend adding the following sentence:

“For example, a controlling entity may report its service performance information on a consolidated basis, whereas the controlled entity may also report its own service performance information for the period.”

We note and agree with the comments on consistency of reporting in paragraphs 66 to 68. However, we note that the benchmarks against which service performance is measured may change over time: this may affect the assessment and reporting of long-term outcomes and impacts. We therefore recommend expanding the guidance to include recommendations on how to respond in this situation.

There are various examples given in the ED. However, we suggest that it may assist the users if they were to be based on a single case study and were therefore consistent across the ED.



Finally, to allow for a better flow and read, paragraph 81 should be moved to before the current paragraph 79.

KPMG appreciates the opportunity to respond to this Exposure Draft. Please contact Archie Johnston at +1 604 527-3757, Mark Jerome at +84 97 537 5759, or Katja van der Kuij at +44 (0)207 694 8871 if you wish to discuss any of the issues in this letter.

Yours sincerely

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