UNITED NATIONS SYSTEM   **SYSTEME DES NATIONS UNIES**

**Chief Executives Board
for Coordination**

**Conseil des chefs de secrétariat
des organismes des Nations Unies
pour la coordination**

Submission on the Consultation Paper: *Reporting Service Performance Information*

15 April 2012

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International Federation of Accountants
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Toronto Ontario Canada M5V 3H2

Dear Stephenie,

Consultation Paper: Reporting Service Performance Information

1   Thank you for the opportunity to comment on the Consultation Paper: *Reporting Service Performance Information* (Consultation Paper).

United Nations System Task Force on Accounting Standards

2   The United Nations System Task Force on Accounting Standards (Task Force) appreciates the work that the IPSASB is carrying out in developing accounting standards for public sector entities, including international organizations such as those making up the United Nations system.   The Task Force is an inter-agency group consisting of directors of accounting, chief accountants and chief financial officers from United Nations System organizations.   The comments below represent the views of Members of the Task Force. The individual organizations that provided comments on this submission and concurred with its submission to the IPSASB are listed in Appendix 1.   Where an individual organization disagreed with a particular recommendation but agreed to the recommendation going forward to the IPSASB, this has been noted against the individual recommendation in Appendix 2.

General Comments

3   The Task Force has the following general comments on the Consultation Paper:

(a) UN system organizations are moving in the direction of adopting Results Based Management (RBM) approach. RBM is a management strategy aimed at improving performance and achieving results. Results Based Budgeting (RBB), currently used by the United Nations system organizations, is an important step in that direction. RBB is about formulating programme budgets that are focused on number of targeted results which are identified at the outset of the budgetary process, and against which actual performance is measured at the end of a budget cycle. Organizations define RBB in different ways; however, all definitions revolve around the concept of aligning resources and results. RBB operates with such terms as objectives (results), performance indicators, inputs, outputs and so on. RBB's framework includes the following processes:

- Formulating objectives (results);
- Selecting indicators to measure progress towards each objective;
- Setting explicit targets for each indicator to evaluate performance;
- Regularly collecting data on results to monitor performance;
- Reviewing, analyzing and reporting actual results against targets;
- Integrating evaluations to provide performance information; and
- Using performance information for purposes of accountability, learning and decision making.

The framework of the Consultation Paper closely resembles RBB's framework on all principal points, with a few minor differences, for example, on terminology. It is reasonable to assume that the Consultation Paper was, to a large extent, built on the bases of RBB's frameworks of jurisdictions selected for this project. At the same time, it is not clear whether the IPSAS Board considered the importance (relevance, cost-benefit analysis, impact on needs of users and on preparers of the GPFRs and so on) of introducing the concept of reporting service performance information in the GPFRs when this information is already presented in budgetary reports of public sector entities which adopted results-based approach to budgeting. The Task Force is of the opinion that service performance information is more closely aligned with budgetary reporting than with financial reporting and that governing bodies, as well as providers of extra budgetary resources, have a prerogative for setting reporting requirements for service performance information. In addition, most public sector entities make their budgetary reports (including those on budget performance) publicly available, hence it is debatable that relocating this information from budgetary reports to the GPFRs (or duplicating it by presenting in both reports) is likely to better meet needs of users of GPFRs.

(b) 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,* issued by the Board for public comment in 2011 stated that GPFSs and notes thereto remain at the core part of the GPFRs, however the latter can report information about the past, present, and the future that is useful to users. Such information include financial and non-financial quantitative and qualitative information about the achievement of financial and

service delivery objectives in the current reporting period, and anticipated future service delivery activities and resource needs. IPSAS 1 introduced a concept of reporting on achievement of service delivery and financial objectives as supplementary information to better meet needs of users for decision-making and accountability. In addition, we note that the IPSASB is currently working on issuing the Exposure Draft, *Financial Statement discussion and analysis*, which will build further on the concept of reporting non-financial information in GPFSs.

The Task Force is of the view that when the Consultation Paper progresses to the Exposure Draft, the latter should clarify the relationship between GPFSs and GPFRs in this regard and provide criteria which can be used to clearly distinguish between GPFRs as opposed to GPFSs which include non-financial information, including that on service performance. We assume that the Exposure Draft will also address implementation issues of the transition from GPFSs to GPFRs for those reporting entities who will choose to conform to guidance provided by the IPSASB's final document on reporting service performance information.
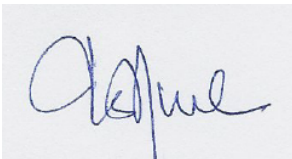
(c) Concepts discussed in the Consultation Paper lean heavily towards common attributes of public services provided by governments and hence the proposed framework may not take into considerations specific challenges of reporting on service performance by other public sector entities. The Task Force is of the view that IPSASB should expand consideration of issues while progressing the Consultation Paper to Exposure Draft to create a framework for reporting on service performance that is applicable and useful to all public sector entities.

Specific Matters for Comments and Comments on Further Issues

4   Our detailed comments on the preliminary views and specific matters for comment identified in the Consultation Paper, *Reporting Service Performance Information* (CP) are attached as Appendix 2.

5   Should you have any queries on our comments, please contact Ms. Dinara Alieva, Financial Analyst, System-wide IPSAS Project Team at alievad@un.org.

Yours sincerely,

Chandramouli Ramanathan

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APPENDIX 1: UNITED NATIONS SYSTEM TASK FORCE ON ACCOUNTING STANDARDS

Task Force Members from the following organizations reviewed this submission and concurred with its contents.

Organisation	Agree (Disagree)
1. FAO	Agree
2. IAEA	Agree
3. ICAO	Agree
4. ILO	Agree
5. IMO	Agree
6. ITC	Agree
7. ITU	Agree
8. PAHO	Agree
9. UN	Agree
10. UNDP	Agree
11. UNESCO	Agree
12. UNFPA	Agree
13. UNHCR	Agree
14. UNICEF	Agree
15. UNIDO	Agree
16. UNOPS	Agree
17. UNRWA	Agree
18. UPU	Agree
19. WFP	Agree
20. WHO	Agree
21. WIPO	Agree
22. WMO	Agree
23. WTO (Tourism)	Agree
24. UNWomen	Agree

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APPENDIX 2: REPORTING SERVICE PERFORMANCE INFORMATION

In response to the IPSASB's request for comments on these Preliminary Views and Specific Matters (presented in the order of appearance in the body of the Consultation Paper, hereinafter referred to as CP), please find below comments of the Task Force:

Preliminary View 1

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*

Response:

The Task Force concurs with the view on importance of providing non-financial information, including information on service performance, by public sector entities to stakeholders and general public to meet objectives of financial reporting.

At the same time, the position of the Task Force on reporting non-financial information, including reports on service performance, in the GPFRs remains unchanged as previously discussed in the Task Force's submission on the CF-ED1 prepared in 2011 and in the submission on the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities prepared in 2009. IPSAS Board should not prescribe the content or format of non-financial information to be reported. Governing bodies set requirements for non-financial information such as reporting on service performance.

Please also refer to General Comment 4(a) for more on the Task Force's position.

Specific Matter for Comment 1

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?

Response:

The Task Force supports option (a). This position is strongly supported by all members of the Task Force without exception. Please also see comment submitted on Preliminary View 1 of this CP.

The Task Force understands the rationale behind a concept of developing a consistent framework for reporting service performance information of public sector entities as there is currently no commonly accepted form or content of such reporting. At the same time, the role of the IPSAS Board in issuing any authoritative guidance in the area of non-financial reporting is highly debatable. Public sector entities provide services in accordance with mandates established by their governing bodies and hence determining the scope and format of reporting on service performance should be a prerogative of each entity's governing body. In addition to receipt of contributions assessed on member states, the UN system organizations receive funds from other donors. Agreements for extra budgetary resources include specific requirements for service performance reporting to providers of funds and recipients of services, which organizations have to comply with. If IPSASB were to issue an authoritative guidance in this area, it might compete with requirements established by governing bodies and other donors and therefore result in creating an unnecessary burden (including financial implications) on preparers of GPFRs to produce multiple sets of service performance information (with partially duplicated and overlapped content).

Please also refer to General Comment 4(a) for more on the Task Force's position.

The United Nations Educational, Scientific and Cultural Organization (UNESCO) is of the view that acceptance of GPFRs would increase with integration of service performance information currently reported in budgetary and other documents, but acknowledges that it may not be feasible for the Organization to commit to format and/or content of such reporting if these are strictly defined.

Specific Matter for Comment 2

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

Response:

Agree. Please see comment submitted on Specific Matter for Comment 1 of this CP.

In addition, the Task Force is not convinced that establishing specific indicators of service performance for such a diverse group of preparers and potential preparers of GPFRs is an achievable goal. A mixed group of public sector entities is in the process of adopting IPSAS and/or already reporting in accordance with IPSAS. An attempt to identify common tendencies among countless variations of potentially suitable indicators of performance bears an inherent risk of following trends observed in the main group of GPFRs preparers, i.e., governments. Such approach, although it may appear to be logical for developers of the CP, would be unlikely to produce benefits for enhancing reporting of service performance information by many of the public sector organizations adopting or reporting in accordance with IPSAS.

The Office of the United Nations High Commissioner for Refugees (UNHCR), a member of the Task Force, sees value in having access to recommended high-level indicators

compiled by the IPSASB based on good practice of performance reporting, but believes that mandatory indicators may be inflexible and difficult to apply in practice.

Specific Matter for Comment 3

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

Response:

The Task Force is of the view that public sector organizations should be able to determine the reporting entity for which service performance information will be prepared. Service performance information is generally reported by public sector entities within a budget execution / programme delivery framework. Providing service performance information within such framework enhances its usefulness to users of entity's GPFRs as it aligns reporting on utilization of resources with reporting on results of service delivery. In addition, as commented earlier in the submission (General Comment 4(a)), UN system organizations use Results Based Budgeting approach for budget formulation as well as for reporting on budget performance. RBB's framework incorporates most or all elements of service performance reporting identified in this CP.

In public sector entities, budgetary formulation and reporting are often not aligned with financial reporting in various dimensions, including timing and reporting entity, as acknowledged by IPAS 24 "Presentation of budget information in financial statements". Hence service performance information presented in budgetary documents will not always be reported for the same entity as per GPFRs.

Organizations should, therefore, be allowed to choose what presentation is more meaningful and easier to analyze for users of GPFRs. If the IPSASB intends to discuss this concept further, the Task Force suggests that a cost-benefit analysis be carried out on whether publicly available reports, produced by the same organization or a government, would become more useful if service performance reporting is aligned with the reporting entity as per GPFRs as opposed to the entity to which resources (used to achieve results) were allocated.

Preliminary View 2

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 (of the Consultation Paper).

Response:

The Task Force has no reservations against the development of a standardized terminology and making it accessible to those public sector entities that choose to report service performance information. However it is imperative that the Board retains a

flexible approach that would allow public sector organizations to use other terms (including those currently used) that are considered to be more suitable by the reporting entity, as long as these terms are clearly defined. Limiting choice to a single set of terms might improve the comparability of information on service performance reported by different public sector organizations, but might not result in useful presentation of information to users, which is a superior goal of IPSAS-compliant financial reporting.

Specific Matter for Comment 4

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?

Response:

Based on the understanding that the above list of dimensions is not meant to be exhaustive, the Task Force has the following comments:

(a) Dimension (a) calls for reporting in the GPFRs on the need or demand of objectives to be achieved by a public sector entity. As stated in paragraph 4.8 of the CP, linking resources committed to providing public services to needs of service recipients helps users of the GPFRs understand "whether the level of services provided is appropriate to meet the demand for that particular service". The Task Force is of the view that usefulness of including this linkage in the GPFRs may be overestimated in the context of the UN system. UN system organizations provide similar services in different countries in varying conditions. For example, resources required to achieve "cease-fire" status will vary greatly from country to country depending on intensity of military conflict, need to establish and maintain buffer zones or border demarcations, number of peacekeeping troops being deployed, need for aerial surveillance, landscape and number of security check-points and so on. Need for resources may also increase or decrease from one period to another depending on political developments and operational realities in the country whereas demand for service may remain unchanged. In these circumstances, establishing a linkage between level of resources and needs of service recipients (rather than using a tried and tested linkage between resources and results) as one of the central

dimensions of service performance information to be included in the GPFRs is likely to complicate users' analysis rather than assist. The Task Force agrees with the proposed reporting of information on the public sector entity's objectives but recommends that reporting on the need or demand for objectives to be achieved be made optional.

The UNHCR considers the link between needs and resource requirements to be important to the Agency and the recipients of their service who are mainly individuals.

The UNESCO notes that public sector entities which choose to report their objectives may be liable to define the need for these objectives. The link between resource and need is generally reviewed at an organizational level.

(b) Discussion of the CP on proposed dimension (b) refers to possibly including "service recipient perceptions of or experiences with the quality of services" in the output and outcome indicators (paragraph 4.11). This information is deemed to be important to hold an entity accountable for improving quality of the services. This element of dimension (b) may be less logical for UN system organizations than for governments. For example, if a UN system organization distributes food to malnourished children in a military conflict zone (where no alternatives or benchmarks exist); polling results from local population on their satisfaction with food distributing service is unlikely to serve as effective tool in assessing organization's overall performance from point of view of cost-benefit. UN system organizations use elaborate internally developed performance measurement and evaluation systems, which can be applied to monitoring and evaluation of a single project, programme containing several projects, thematic evaluation and programme evaluation. Some organizations provide technical assistance through a cohesive national programme framework, specifically designed for individual beneficiaries, and actively involve target groups, funding agencies, executing agencies and beneficiary governments in the performance management process, including but not limited to quality monitoring. The Task Force, therefore, has no objections against proposed reporting on input, output, outcome, efficiency, and effectiveness indicators but believes that reporting service recipient perception or experience information should be optional.

(c) The Task Force concurs with the position proposed by dimension (c) that "external and internal factors other than the service delivery itself may influence service performance" and hence such factors should be reported (paragraph 4.14 of the CP). UN system organizations report on external factors in their workplan / budget performance documents. However, factors that influence results cannot be expected to be directly linked to the delivery of services or isolated in relation to a specific service as further discussed in paragraph 4.15 of the CP.

(d) The Task Force supports the thrust towards reporting time-oriented information as proposed in dimension (d) and believes that public sector entities should be encouraged to report such information. At the same time, there should be an option not to provide time-oriented information for those planned/targeted results which can not be accompanied by measurable and/or reliable estimated and actual results, which are

representative of the progress achieved. Existing practices in UN system organizations on reporting time-oriented information (including RBB) encourage provision of a baseline and planned/targeted results on quantifiable performance indicators.

Preliminary View 3

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.

Response:

The Task Force agrees with the proposed list of main components of service performance information. United Nations System organizations currently present this information in their financial, budgetary and other program delivery reports, many of which are publicly available documents. However alignment of the service performance information with the entity (reporting entity or entity to which resources were allocated) and location of information (within or outside the GPFRs) should be determined by governing bodies.

Preliminary View 4

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.

Response:

The Task Force recommends that the IPSASB expands its discussion of the practical application of this preliminary view when this CP is issued as an Exposure Draft. The discussion should focus on cost-benefit analysis of compliance with the proposed view. In addition, the Task Force believes that public sector entities should be able to present service performance information in documents other than GPFRs; for example, in budget/work plan performance reports. If information on service performance is presented in documents other than GPFRs, it is likely to follow the principles and structure established for such documents, which may or may not comply with qualitative characteristics of information and pervasive constraints on the information that is currently included in GPFRs.

Additionally, the International Atomic Energy Agency (IAEA), a member of the Task Force, notes that use of a qualitative characteristic of verifiability should be further discussed with a focus on the process of verifying information on service performance presented by reporting entities. This should be further analysed in relation to four

dimensions of information that are necessary to meet the needs of users included in the Specific Matter for Comment 4.

The International Labour Organization (ILO), also a member of the Task Force, recognizes that qualitative characteristics of information and pervasive constraints are very general; and compliance with them should not be problematic for the Organization.

Specific Matter for Comment 5

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 GPFSs,

(b) in a separately issued GPFR, or

(c) in both a separately issued GPFR and as part of the currently issued GPFR?

Response:

The Task Force is of the view that public sector entities should be allowed to present service performance information in documents other than GPFRs (including those currently prepared) as mandated by governing bodies or if by doing so they can achieve a clearer, more structured presentation and/or present information in a more suitable context (for example, in budgetary reports or results-based management reports). There is a general understanding and agreement among organization-members of the Task Force that service performance information should not be required or expected to be reported in the GPFSs beyond the scope of additional information required by IPSAS 1.

The Task Force is aware that the IPSASB is following the project on auditor reporting to enhance the communicative value and relevance of the auditor's report undertaken by the International Auditing and Assurance Standards Board (IAASB). It would greatly enhance quality of the discussion when this CP is issued as an Exposure Draft if the latter would include preliminary views of the IAASB on the role/responsibility of auditors relating to information contained in GPFRs overall, and to service performance information in particular.

The United Nations Development Programme (UNDP) highlights that service performance information is often reported for periods other than those covered by the GPFRs, mainly due to multi-year nature of programmes and projects. Such timing may better meet needs of users and should be taken into account while considering time alignment of service performance information with that of the GPFRs.

Although the Task Force remains opposed to the idea of mandatory inclusion of service performance information in the GPFRs, the United Nations Industrial Development Organization (UNIDO) and UNESCO would prefer option (b) if a choice had to be made between reporting on service performance in a separately issued GPFR or in the currently issued GPFR.