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Stephenie Fox  
Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario M5V 3H2

Dear Stephenie Fox:

**Consultation Paper Reporting Service Performance Information**

Thank you for the opportunity to comment on the consultation paper (CP) titled "Reporting Service Performance Information." The views expressed in this letter reflect the views of the Government of the Province of British Columbia.

The Summary Financial Statements of the Province are prepared in accordance with Canadian Public Sector Accounting Board (PSAB) standards. We have a particular interest in the development of IPSASB's guidance as it may influence future PSAB standards.

As indicated in our response to IPSASB's Conceptual Framework Exposure Draft 1, the Province disagrees with the expanded scope of IPSAS's proposed conceptual framework to general purpose financial reports, rather than focusing on general purpose financial statements.

IPSAS should remain focused on developing a comprehensive body of GAAP for the purpose of preparing public sector general purpose financial statements. The inclusion of suggestions for service performance reporting does not add value to the preparers of general purpose financial statements or the preparers of meaningful performance reports.

IPSASB's objective of harmonization with statistical financial reporting bases should be reassessed and limited to financial statement terms and definitions. Common understanding and definitions of financial statement terms used in both general purpose financial statements and other publications, such as annual reports or other statistical performance reports, will enhance the quality and value of information for stakeholders.

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The trend to incorporate information into GAAP that is considered useful for the purposes of economic and public policy performance evaluation, such as the fair valuation of assets and present values of future revenue streams, compromises the reliability and objectivity of financial statement information and the clarity of information for readers. The mixture of actual and potential, realized and unrealized transactions obscures the operating results in general purpose financial statements and does not serve to inform stakeholders.

Meaningful performance reporting is unique to each entity and is correlated with the specific social, environmental, and economic operational and strategic objectives of the organization. The field of study of relevant performance metrics is extensive. A general discussion of some characteristics of service performance reporting, within an authoritative body of accounting guidance, is of no value to the preparers of performance reports and will create significant ambiguity on the application of IPSAS to general purpose financial statements.

IPSAS are for preparation of public sector financial statements. If IPSASB chooses to develop best practice guidance for service performance reporting in the public sector as an additional resource, it should be completely separate from, and outside of, the IPSAS body of GAAP.

Responses to specific questions posed in the consultation paper are attached. Should IPSASB have any comments or questions, please contact me at 250-387-6692 or by e-mail: [Stuart.Newton@gov.bc.ca](mailto:Stuart.Newton@gov.bc.ca), or Carl Fischer, Executive Director, Financial Reporting and Advisory Services Branch, at 250-356-9272 or by e-mail: [Carl.Fischer@gov.bc.ca](mailto:Carl.Fischer@gov.bc.ca).

On behalf of the Government of British Columbia,  
Sincerely,



Stuart Newton  
Comptroller General

encl.

cc: Peter Milburn, Deputy Minister  
Ministry of Finance

Sabine Feulgen, Deputy Secretary to the Treasury Board  
Ministry of Finance

Jim Hopkins, Assistant Deputy Minister  
Ministry of Finance

Carl Fischer, Executive Director  
Financial Reporting and Advisory Services  
Office of the Comptroller General

## **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).**

As indicated in our response to IPSASAB's Conceptual Framework Exposure Draft 1, the Province disagrees with the expanded scope of IPSAS's proposed conceptual framework and its application to general purpose financial reports, rather than focusing on general purpose financial statements.

We understand that general purpose financial reports include financial statements, as well as any other financial report that is produced and made available. General purpose financial reports, other than financial statements, are not defined and may include annual reports or be tailored to specific purposes, such as the analysis and evaluation of fiscal policy, and the performance of government operations through ratios and other cross government comparisons. These types of reports are intended for communicating service performance, economic and policy analysis, and rely on collection of significant service level data outside of the financial management system.

We agree that common understanding and definitions of terms used in both general purpose financial statements and other statistical financial reporting models is a valid objective. However, statistical or performance reporting models serve an entirely different purpose than general purpose financial statements, and their best practice guidance should not form part of generally accepted accounting principles (GAAP).

IPSAS should continue to define GAAP for the purpose of producing general purpose financial statements. Models for macroeconomic statistics, such as the System of National Accounts and the IMF's Government Finance Statistics Manual, provide guidance on analytical methodologies for past, current and future performance evaluation and assessment of public policy decisions. Areas of additional information incorporated into IPSAS's, such as fair valuation of assets and future revenue streams which are useful for economic and public policy evaluation, are not meaningful in the context of general purpose financial statements.

The attempt to blend general purpose financial statements with performance reporting and statistical analyses results in ambiguous information that does not serve to inform users.

IPSASB's objective of harmonization with statistical financial reporting bases should be limited to common financial terms and definitions.

## **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.**

The proposed standardized service performance information terminology is very general, is readily available in performance measurement literature, adds no value to the interpretation or application of GAAP and is at risk of being misconstrued as GAAP by either public sector financial statement preparers or auditors.

IPSAS is not the appropriate body of guidance for the development of standardized performance reports which are a product of economic, social, and environmental, policy analytical functions, not financial accounting.

Financial information reported in GPFS may be used in, and feed into, statistical analyses. Therefore, common definitions of financial terms may be useful in enhancing users' understanding of the reports and the ability to cross-reference audited GPFS amounts to amounts referenced in separate performance reports.

### **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.**

Guidance on service performance reporting is outside the scope of GAAP financial statement preparation and should not form part of IPSAS.

### **Preliminary View 4**

**The qualitative characteristics of information on pervasive constraints on the information that is currently included in the GPFs of public sector entities also apply to service performance information.**

Guidance on service performance reporting is outside the scope of GAAP financial statement preparation and should not form part of IPSAS.

### **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 information.**

We do not believe the IPSAB should be prescribing any guidelines for reports other than GPFS within IPSAS.

If IFAC chooses to develop meaningful best practice guidance for service performance reporting in the public sector, it should be completely outside the IPSAS body of GAAP. The three options presented are not appropriate:

- a) non-authoritative guidance for those public sector entities that choose to report service performance information is inappropriate because it is inconsistent with the entire body of IPSAS guidance. IPSAS, by their nature, are authoritative and not optional. Incorporation of non-authoritative, optional reporting guidance into the body of IPSAS will lead to inconsistent interpretation and application by preparers and auditors of GPFS;
- b) authoritative guidance requiring public sector entities that choose to issue a service performance report to apply the guidance, also refers to optional financial reporting and does not belong in the body of IPSAS GAAP; and
- c) authoritative guidance requiring public sector entities to report service information is inappropriate as it proposes to dictate supplementary reporting that is outside the scope of GAAP.

IPSAS should remain focused on developing a comprehensive body of GAAP for the purpose of preparing public sector general purpose financial statements. To include suggested considerations for service performance reporting, adds no value to the preparers of general purpose financial statements or the preparers of meaningful performance reporting.

### **Specific Matter for Comment 2**

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

We agree that specific indicators of service performance should not be prescribed, as they are dependent upon the specific objectives of the entity.

We also contend that guidance on service performance reporting is outside the scope of GAAP financial statement preparation and should not form part of IPSAS.

If IFAC chooses to develop meaningful best practice guidance for service performance reporting in the public sector, it should be completely outside the IPSAS body of GAAP.

### **Specific Matter for Comment 3**

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

We do not believe the IPSAB should be prescribing any guidelines for reports other than GPFS within IPSAS.

#### **Specific Matter for Comment 4**

**The 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" indicator)**
- c) comparison 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?**

We do not agree that IPSAS is the appropriate body of guidance for defining service performance reporting parameters.

The purpose of performance reporting is to analyze and communicate relevant, meaningful, measurable metrics that correlate to the operational and strategic objectives of the organization. Relevant performance reporting is unique to each entity and is contingent on the social, environmental, and economic short and long term goals of the organization. An entity seeking guidance on performance reporting would look to the existing and developing best practice guidance that is available. A general, conceptual discussion of service performance analysis within an authoritative body of accounting guidance is of no value to the preparers of performance reports.

If IPSAB's objective is to provide guidance on performance reporting within an entity's annual report to encourage consistency across jurisdictions, it should do so in an entirely separate body of guidance from the GAAP standards in IPSAS.

#### **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?**

We do not believe the IPSAB should be prescribing any guidelines for annual or service performance reports within the body of IPSAS GAAP guidance.