



APR 13 2012

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

Dear Ms. Fox:

SUBJECT: Reporting Service Performance Information

Thank you for the opportunity to comment on the Consultation Paper – *Reporting Service Performance Information* that was issued in October 2011.

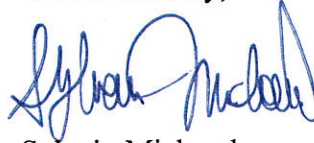
By the way of background, the Government of Canada bases its accounting policies on the accounting standards issued by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). Our government is not required to follow the International Public Sector Accounting Standards (IPSAS), however, IPSAS have become increasingly important as a secondary source of generally accepted accounting principles (GAAP) for Canadian governments. Consequently, we have read the consultation paper with interest, and our specific comments on the preliminary views posed are included in the attached Appendix.

As expressed in our response to IPSASB's proposed conceptual framework, we believe the scope is too broad and should be limited to General Purpose Financial Statements (GPFs). Reporting service information includes non-financial and qualitative information that we believe is beyond the mandate and authority of the IPSASB as an accounting standards setter. However, we support the issuance of a Recommended Practice on *Reporting Service Information* as non-authoritative guidance that provides a framework for service performance reporting when a public sector entity chooses to report this type of information.

Our responses to the Preliminary Views and Specific Matters for Comment raised in the Consultation Paper are included in the attached Appendix.

We thank you again for providing the opportunity to comment on this consultation paper. If you have any further questions related to these comments, please do not hesitate to contact either Ms. Annie Boyer at Annie.Boyer@tbs-sct.gc.ca (613-957-9671) or myself at Sylvain.Michaud@tbs-sct.gc.ca (613-952-0886).

Yours sincerely,



Sylvain Michaud
Executive Director,
Financial Management Sector
Office of the Comptroller General

Attachment

c.c.: James Ralston, Comptroller General of Canada
Tom Scrimger, Assistant Comptroller General, Financial Management
Sector

Appendix

Consultation Paper – Reporting Service Performance Information

Our comments on the preliminary views presented are as follows:

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.

As expressed in our comments on the above-noted Exposure Draft, the scope of the conceptual framework should be limited to general purpose financial statements (GPFSS) which report historical financial information. The objectives of providing information that is useful to the users for accountability and decision-making purposes are conceptually sound but the extent of information that could possibly satisfy these objectives is too broad to be encompassed by accounting standards. The proposed scope extends guidance into areas that are outside the profession's expertise in certain circumstances, such as non-financial performance and service delivery outcomes.

Although reporting service information is an important communication of a government to the public, it is our position that this guidance should be left to the discretion of the individual reporting jurisdictions which may have their own legislative and/or regulatory reporting requirements on such matters.

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.

Consistency of terminology is appropriate since it adds to the understandability of the information being reported and presented. We agree with the proposed terms and definitions.

Preliminary View 3 (following paragraph 5.23):

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.

We agree that these components should be included. In addition, we believe that the consultation paper should address disclosure of the basis on which the performance report has been prepared so that users understand the context of the information presented. This could include a description of the reporting entity, the rationale for reporting on certain aspects of performance, explanations of the performance measures reported and calculation methodologies used, as well as a description of any actions taken to enhance the reliability of the information.

Preliminary View 4 (following paragraph 6.9):

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.

We agree that these qualitative characteristics should apply to reports of service performance information. Therefore, as discussed in Specific Matter for Comment 4, we believe that preparers need to ensure that information such as service recipient perceptions or experience included in the report possesses the qualitative characteristics of verifiability, faithful representation and comparability.

Our comments on the Specific Matters for Comment:

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?

We believe that this guidance should not be authoritative but could be issued as a recommended practice that may be useful to entities that choose to issue a performance report. While we believe that good governance of an entity would include performance reporting, and that this guidance provides a useful framework for these reports, we believe that issuing authoritative guidance on service performance information is beyond the mandate of the IPSASB and that many jurisdictions already have similar legislative requirements.

Specific Matter for Comment 2:

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

We agree that this guidance should not include specific indicators of performance since appropriate indicators may vary between jurisdictions and the programs that are being reported.

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 (GPFSSs)?

We believe that jurisdictions may choose to issue performance information at a reporting entity level and/or lower levels, depending on the objectives and intended users of the report. For example, the departments of the Government of Canada are required to prepare Departmental Performance Reports which are accessible to the Canadian public that show the performance of the major programs undertaken by the departments. As well, the Government of Canada prepares a performance report that indicates the government's performance against much higher level objectives. This is a choice of the Canadian government to be open and transparent with respect to the management of public funds, and also serves to provide taxpayers with more specific information on government programs and services.

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 the 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?

For the four dimensions noted above:

Dimension (a): We agree that, in order to put the service performance report in context, information on the government entity's objectives is necessary along with the public purpose served and its connection to the overall objectives and priorities of the government. In our opinion, linking these objectives to specific service recipients' needs is may be subjective and/or the objectives will be met through various groups of programs for which recipients have varying needs. However, where a service performance report is produced for a particular program, the specific needs of the recipients could be included provided they are measurable.

Dimension (b): In our opinion, measures of inputs, outputs, outcomes, efficiency and effectiveness are necessary to provide information to help users assess whether the entity is achieving its objectives in a cost effective manner. All of these indicators should be included in a service performance report provided they are measurable. We believe that including service recipient perception or experience information is appropriate only when this type of information is quantifiable and possesses the qualitative characteristics of verifiability, faithful representation and comparability.

Further, we suggest that the discussion of the qualitative characteristics of the service performance information be included at the beginning of future discussion documents since it is necessary to establish whether these characteristics are met when determining the content of the report and the indicators to be used.

Dimension (c): We agree that comparisons of actual performance to projected (or targeted) results are an essential part of the report, including information on the factors that influence results. A narrative discussion of the performance and the influencing factors is required to improve understandability of the report and provide a comprehensive picture of the entity's performance with respect to its stated objectives.

Dimension (d): We agree that time-oriented information is valuable to the user in assessing the entity's ability to achieve its longer term objectives, although we suggest that a narrative discussion should be included to explain any differences in expected results as a consequence of timing differences that are internal or external to the entity's control.

Except as noted above, we agree that the four dimensions proposed are appropriate, although more emphasis on the narrative discussion of performance reporting would be desirable to improve understandability and comparability of the information from the user's perspective.

Specific Matter for Comment 5 (following paragraph 7.9):

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?

In our opinion, service performance information may be issued either in a separate document or in a report that includes general purpose financial statements (GPFSSs), as long as the service performance information is not integral to the GPFSSs. However, linking the financial information provided in the performance report to that reported in the GPFSSs should be incorporated into the guidance to provide consistency amongst reporting by the government entity, which adds some credibility to the report.

