

**Private/Confidential**

Ms Stephenie Fox  
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International Public Sector Accounting  
Standards Board (IPSASB)  
International Federation of Accountants  
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**IPSASB Consultation Paper Reporting Service Performance Information**

Dear Ms. Fox,

The global organisation of Ernst & Young is pleased to comment on the above consultation paper.

Overall we support the Board's objective to use a principles-based approach to develop a consistent framework for public sector entities reporting service performance information, which focuses on meeting the needs of intended users. We do have a few comments and concerns on the proposals. They are discussed more fully in our responses to the specific matters for comments.

Should you wish to discuss the contents of this letter with us, please contact Thomas Müller-Marqués Berger +49 711 9881 15844.

Yours sincerely,

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft



Prof. Dr. Peter Oser



Thomas Müller-Marqués Berger

**Specific matter for comment 1 (See paragraphs 1.3-1.11):**

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 service performance information is crucial for constituents to assess the efficiency and effectiveness of a public sector entity. As many countries do not have requirements mandating the provision of such information by public sector entities in their legislative framework, ideally, the IPSASB should consider option C, that is, issuing authoritative guidance requiring public sector entities to report service performance information. However, we are concerned that such a requirement could be perceived by some governments as being too onerous, and may pose as a hindrance to full compliance with IPSAS and may discourage governments from adopting IPSAS. Therefore it may be a better option for the IPSASB to go with option B instead, to allow preparers to be able to state full IPSAS compliance without the burden of having to comply with the guidance

In addition it may be necessary to qualify the requirement to state that the standard will only apply to entities that *“choose to issue a service performance report and make a declaration that such report is prepared in accordance with IPSAS”*. The reasons are as follows: Firstly, this type of information may be provided by entities in some form or other outside of the GPFS. Secondly, in some jurisdictions there may already be legislation governing its presentation and disclosure content. If the IPSAS requirements contradict those existing rules, there is the potential for unnecessary duplication for the sake of compliance.

**Specific matter for comment 2 (See paras 2.1-2.3):**

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

We agree with the IPSASB as stated in para 2.3 that the services provided by public sector entities are diverse. However, in areas that are common, for example financial-type measures, the IPSASB should consider providing more specific guidance. It may not always be the same

indicators that are used to compare the performance of one entity to another, but indicators such as cost effectiveness indicators might be common indicators and basis for comparisons.

Furthermore, we suggest that the IPSASB consider providing guidelines and principles for the types of indicators that should be provided to users, according to the function, mandate and services provided by the public sector entity. These service performance indicators that are reported to Parliament/other governance framework to track the entities' performance, should be reported to constituents/users. The information provided by public sector entities must be able to assist them in understanding their own performance, facilitate strategic planning, enhance resource management and highlight areas for improvement.

In addition, it would help auditors in analysing the public sector entity's achievements when conducting performance audits with more clearly defined indicators.

**Specific matter for comment 3 (See para 2.4):**

Should service performance information included in GPFRs be prepared for the same reporting entity as for GPFSS?

Consistent with the IPSASB's belief, we believe that the reporting entity which receives resources is accountable to users for achievement of its objectives. Therefore the service performance information included in GPFRs should be prepared for the same reporting entity as for GPFSS.

**Specific matter for comment 4 (See para 2.4):**

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 objective, 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?

We support the IPSASB developing standardized service performance information terminology for preparers and also agree with these proposed dimensions but we want to highlight the importance of reliability of the information presented to users. Firstly, we believe that in order for these measures to be reliable for users, an independent audit should be conducted on such disclosures. However, the audit of the efficiency and effectiveness of an entity's performance is quite different to auditing the validity and completeness of reported performance information, as the former would require a performance audit. Such a performance audit could potentially result in significantly higher audit fees for preparers where this were to occur on an annual basis. More importantly, we are concerned with the amount of judgement and subjectivity of the reporting of service performance information, for example information on efficiency and effectiveness of the entity. Therefore we believe that it is crucial for the Board to emphasize on the reliability of the information when presenting such information to users.

In addition, we noted that the IPSASB does not address the issue of processes that the public sector entity undertakes in order to accomplish its objectives, namely to provide outputs (services) and to achieve certain outcomes. Public management literature often refers to processes as one of the key elements with respect to service performance information. Therefore we suggest that the Board clarifies whether process information a) would be part of the service performance dimensions, and b) whether they are covered by the existing dimensions, specifically in the "how" dimension. We also note that processes contain a time dimension (e. g. how long it takes for an entity to handle a request by a citizen).

In relation to the drafting of the dimensions, we propose specific drafting amendments that may provide further clarifications for preparers:

We suggest the following changes to the definitions of Efficiency indicators and Effectiveness indicators:

- Efficiency indicators are measures of the extent of inputs required to deliver outputs ~~the relationship between inputs and outputs.~~
- Effectiveness indicators are measures of progress towards achievement of outcomes through the entity's outputs ~~of the relationship between outputs and outcomes.~~

We believe the suggested editorial changes to the definitions of efficiency and effectiveness indicators would provide clarification on the 'relationship between inputs/outputs and outputs/outcomes'.

Furthermore, as indicated in para 4.18, there may be lags between provision of services and achievement of outcomes. We suggest that entities discuss as part of their service performance reporting, the projected timing of outcomes and forecast milestones that indicate progress towards achieving outcomes.

**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 GPFS, b) in a separately issued GPFR, or c) in both a separately issued GPFR and as part of the currently issued GPFR?

We believe that service performance information should be provided to users in a timely connection **with** the GPFS, but not part of the GPFS, in order to allow for conclusions on the basis of reading both reports together. We believe that service performance information should at a minimum, be presented **with** the GPFS as there is often a link between financial information and service performance information, and as reiterated in paragraph 7.4 of the consultation paper, that users would have the ability to access and analyse financial and non-financial information in one report. We do not believe that service performance information should be duplicated (proposal c)) as users may find the information confusing and less useful as a result of information overload.