

GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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DAVID R. BEAN
Director of Research

July 16, 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 CANADA

Dear Ms. Fox:

Thank you for the opportunity to offer comments in response to the IPSASB Consultation Paper (CP), *Reporting Service Performance Information*, issued in October 2011. This response was prepared by the Governmental Accounting Standards Board's (GASB) staff. A draft of this response was provided to the individual GASB members for their input. Official positions of the GASB are determined only after extensive due process and deliberation.

In June 2010, the GASB issued a Suggested Guideline for Voluntary Reporting, *SEA Performance Information* (Suggested Guidelines). The GASB staff responses provided have been influenced by the suggested guidelines on what it believes are the most fundamental issues associated with the reporting of service performance that will assist users in assessing governmental accountability and making economic, social, and political decisions and demonstrating their accountability, including stewardship over public resources.

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.*

The GASB staff agrees that the reporting of service performance information is necessary to meet the objectives of financial reporting (accountability and decision-making) as proposed in CF-ED 1. The GASB staff believes that the success of a public sector entity in delivering goods and services ultimately can only be partially assessed by examining financial position and financial performance information at the reporting date. The reporting of service performance information is necessary to complete the picture in meeting the objectives of financial reporting.



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 GASB staff agrees that developing a standardized service performance information terminology for the reporting of service performance information is necessary. Currently, a standardized service performance terminology does not exist internationally across public sector entities. The GASB staff believes that developing a standardized service performance information terminology will enhance users' understanding of service performance information reported using the framework proposed in the CP. Further, the development of a standardized service performance information terminology may create consistency in their meanings and use by public sector entities.

The GASB staff also agrees with the seven terms included in the standardized service performance information terminology and the associated working definitions for six of the seven terms. The GASB staff believes that the definition of an *Efficiency Indicator* also should include the relationship between inputs and outcomes as well as inputs and outputs. Efficiency indicators measure the relationship between resources used (inputs) and either goods or services provided (outputs) or results achieved (outcomes). Generally, efficiency is considered to be enhanced by providing more goods or services or achieving better results with the same or fewer resources.

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.

The GASB staff agrees that the four components of service performance information presented in the CP are necessary to be reported in order to effectively communicate the service performance of a public sector entity. Further, the GASB staff believes that these four components appropriately meet the needs of users by recognizing the four dimensions of service performance information detailed below in Specific Matter for Comment 4.

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.

The GASB staff agrees that the qualitative characteristics of information included in CF-ED 1 (relevance, faithful representation, understandability, timeliness, comparability, and verifiability) and pervasive constraints on the information (materiality, cost-benefit, and achieving an appropriate balance between the qualitative characteristics) also apply to service performance information. The GASB staff believes that service performance information needs to possess appropriate qualitative characteristics in order to effectively communicate service performance to users.



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?

The GASB staff believes that the IPSASB should consider issuing authoritative guidance requiring public sector entities that choose to issue a service performance report to apply the guidance (alternative b). The GASB staff believes this alternative may encourage public sector service performance reporting to continue evolving over time while enhancing comparability of the service performance information that is reported by those public sector entities that choose to do so. Further, because of the principles-based approach used in this CP, this alternative would not limit public sector experimentation of service performance reporting but rather provide an appropriate framework for this experimentation.

The GASB staff agrees with the views presented in the CP that issuing non-authoritative guidance (alternative a) would result in public sector entities either not reporting any service performance information at all or reporting service performance information using inconsistent bases. Conversely, issuing authoritative guidance requiring public sector entities to report service performance information (alternative c) may result in public sector entities deciding to not follow this guidance at this time which could influence their decision as to whether to adopt or continue to apply International Public Sector Accounting Standards (IPSASs).

Specific Matter for Comment 2—Do you agree that this project should not identify specific indicators of service performance?

The GASB staff agrees that this project should not identify specific indicators of service performance. The GASB staff believes that because objectives of service performance reporting will appropriately differ between public sector entities, it is likely that the specific indicators of their performance results will also differ and should therefore be established by the entity itself.

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 (GPFs)?

While the GASB staff agrees that service performance information included in GPFRs should be prepared for the same reporting entity as for GPFs, the GASB staff is concerned that without including a provision with criteria to assist preparers in determining which programs or services should be included, it is possible that the GPFR will be of such size and scope as to overwhelm users and reduce the understandability of the service performance information being reported. For example, without additional clarifying guidance, the GASB staff is concerned that public sector entities will believe that service performance information is required to be reported on programs or services being provided to other components of the reporting entity or on inconsequential programs or services. Therefore, the GASB staff would recommend including such a provision.



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?

The GASB staff agrees that the four dimensions of service performance information are necessary to meet user needs. The GASB staff believes that the four dimensions are likely to present the pertinent information necessary to meet the needs of users of service performance information as outline in CF-ED 1.

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?

The GASB staff believes that the IPSASB should not be prescriptive regarding where service performance information would be most appropriately reported (similar to alternative b). Finally, the GASB staff recognizes that reporting service performance information in a separately issued GPFR may encourage more public sector entities to issue service performance reports including this information and may make this information more accessible and understandable to users. The GASB staff also recognizes that some or all of the service performance information being reported may represent different time periods than the financial information currently reported in the GPFSS. However, some information could be presented in the currently issued GPFR. If users require more uniform placement of the presentations in the future, the IPSASB could issue additional guidance at that time. However, the more likely scenario is that electronic reporting will ultimately breakdown the barriers of separately issued GPFRs.

Other Comments

The GASB staff believes that any final guidance would be enhanced with a discussion of how to effectively communicate service performance information to users. For example, the IPSASB should consider discussions of the: (1) intended audience for the service performance report, (2) reporting of different levels of detail, and (3) appropriate form of communication. The GASB staff



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believes that considering how to effectively communicate service performance information to users may improve the reports' relevance, understandability, and effectiveness in communicating the public sector entities results.

Thank you for considering our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "D. R. Bean". The signature is written in a cursive style with a large initial "D" and "R".

David R. Bean