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Ms. Stephenie Fox

Technical Director

International Public Sector Accounting Standards Board

International Federation of Accountants

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Toronto, Ontario, Canada M5V 3H2

**Comments on the Consultation Paper, “Reporting on
Service Performance Information”**

Dear Ms. Fox,

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on the Consultation Paper (CP), “Reporting on Service Performance Information,” as follows.

Comments on Preliminary Views

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*.

1. We agree with the preliminary view 1.
2. In addition to this, we suggest that entities shall also disclose in the reporting of service performance information, the relationship between the service performance information in financial reporting and the other performance information, such as those disclosed as a means of policy assessment.
3. In cases when the same reporting entity provides a number of reporting of performance information based on different objectives, scopes and timelines, if the entity does not disclose the relationship between the service performance information in financial reporting and the other performance information, we believe that there is a risk that the users of the service performance reports may be misled by the information disclosed.

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.

4. We agree with the preliminary view 2.
5. We suggest that it would be desirable to state which of the indicator relates mainly to financial information, and which relates to non-financial information in the presented terminology.
6. Paragraph B24 states that “Economy indicators,” was determined to relate to efficiency indicators and difficult to derive in isolation. The IPSASB also believes that the concept of economy is covered by input indicators.
7. In Japan, the concept of economy indicators shows what extent entities can minimize their inputs, in order to achieve their targeted level of outputs. On the other hand, efficiency indicators, with the exception of economy indicators, (in a narrow sense) imply to what extent entities can maximize their outputs with the given inputs. Therefore, economy indicators could not be explained only by input indicators. They could also be explained by the relationship between the inputs and the outputs.
8. By explaining economy indicators in comparison with the efficiency indicators (in a narrow sense), it would help the reporting entities when using those indicators in

practice.

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.

9. We agree with the preliminary view 3.

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 Specific Matters for Comment requested in this CP are provided below. Paragraph numbers identify the location of the Specific Matter for Comment in the text.

10. We agree with the preliminary view 4.

11. We suggest that it would also be useful to say that verifiability of service performance information would be improved, if the sources of the external indicators would be disclosed by public sector entities.

Comments on Specific Matters for Comments

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?

12. We consider that issuing of (a) would be appropriate.

13. However, we propose that CP should clarify the following conditions when:

- (1) entities do not have to report service performance information; and
- (2) entities would be able to report their service performance, without following the

guidance established by IPSASB.

14. If CP (or ED) will not clarify those conditions before being finalized as an IPSAS, it would take some time before IPSASB can issue the guidance as the authoritative IPSAS. As varieties of reporting practices of service performance information evolve over time across various jurisdictions, we are concerned that many public sector entities may try to promote their own approaches of reporting to be incorporated in the guidance that will be established by IPSASB.
15. Also on a related note, in future, we believe that IPSASB should also determine its policy on issuing its guidance, including its policies on issuing recommended practice guidelines (RPGs) and authoritative IPSASs. For example, IPSASB needs to consider when it will issue its pronouncements as non-authoritative guidance, and when it will be appropriate to issue them as IPSASs.

Specific Matter for Comment 2:

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

16. We agree with the view that specific indicators of service performance should not be identified in this project.
17. By only presenting the general overview of those indicators (such as inputs, outputs, outcomes, efficiency and effectiveness indicators), we believe that each public sector entity will be encouraged to determine its own specific level of indicators to be used in its reporting, and this will lead to more relevant reporting of the service performance information by each entity.

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 (GPFSS)?

18. We do not agree with the view that service performance information included in GPFRs be prepared for the same reporting entity as for general purpose financial statements (GPFSS).
19. Paragraph 2.4 states that “(T)his view does not, however, preclude a government

reporting on its service performance within a service area (which may involve a number of entities); however, such reporting is outside the scope of the proposed framework.”

20. We disagree with the view that government reporting on its service performance within a service area is outside the scope of this framework. We believe that the reporting of service performance information within a certain service area is as important and useful as the reports prepared as a part of GPFR by a public sector entity. We think that it is necessary, and IPSASB will be capable, to develop core principles of reporting of service performance information that would be applied to both an entity’s reporting and reporting of a certain service area provided by several public sector entities or government, in order to meet the users’ needs for service performance information.

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?

21. We agree with the dimensions of services performance information presented in the CP.
22. We suggest that projected (or targeted) results mentioned in (c) should be presented at the time of making the projections. By requiring this, it will prevent the preparers from changing their projections arbitrarily.

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?

23. We do not think it is appropriate for IPSASB to propose these options since the current practice of service performance reporting has not been much evolved yet.
24. It could be too rule-based to designate where and how entities disclose service performance reporting. We would like IPSASB to retain the exemplary expression in paragraph 7.3, by saying that “(p)ublic sector entities could report,” instead of using the word “should”.
25. The practice of reporting service performance information is fairly diverse across various jurisdictions (paragraph 1.4) and improving the quality of service performance information is an evolutionary process (paragraph 1.7). In addition, some jurisdictions (like Japan) may consider adopting the guidance that will be established by IPSASB in future.
26. Given those circumstances, if these proposed designations are put into effect, it could delay the wide-spread use of service performance reporting across various jurisdictions. Therefore, we suggest that the guidance would need to describe only the framework of practices that can be followed (illustrative examples) by the entities and it should wait until the actual practice of service performance reporting will evolve and convergence achieved in the practice of reporting.
27. While some member of the working group at JICPA also commented on the pros and cons of options (a) and (b) noted in paragraphs 28 and 29, there was one comment against the option (c) that disclosing the same information induplicate in different statements could reduce the efficiency of reporting and may confuse the users of GPFRs.
28. Option (a) Pros: it could help users to understand the relationship between GPFs and service performance information, and it could also help users identify the overall picture of services provided by the reporting entities.
Cons: It may not provide useful information to meet the objectives of accountability and decision-making, as it does not present the details of individual services

provided by the reporting entities.

29. Option (b) Pros: By disclosing the details of individual services, option (b) would contribute to meet the purposes of decision-making and accountability for the intended users.

Cons: Option (b) may not depict appropriately the overall picture of services provided by the entities.

Comments on the relationship between service performance information and budgets

30. We suggest that guidance be provided to explain the linkage between service performance information and the resources committed to providing those services, as this will be useful even during the drafting of the budgets.

31. For example, describing a linkage between service performance information and its resources in each service level would be used in the deliberation of the budgets. We believe that showing this linkage would be useful when entities show the quality, quantity, targeted areas, timing and costs of each service area and its resources financed; for example, as tax of residents or as fees of users. By showing this linkage between services performance information and its resources even during drafting of the budget, services performance information will provide relevant and understandable information for the users in assessing the entities' performance.

Yours sincerely,

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Executive Board Member - Public Sector Accounting and Audit Practice

Tadashi Sekikawa

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