

12 April 2012

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

Dear Ms Fox

**Consultation Paper
Reporting Service Performance Information**

Attached is the Australasian Council of Auditors-General (ACAG) response to the consultation paper referred to above.

The views expressed in this submission represent those of all Australian members of ACAG.

ACAG supports the development of a framework for the reporting of service performance information.

Recognising that jurisdictions are likely to have in place different legislation and/or policy regimes, and different approaches to achieving program objectives, ACAG considers the framework needs to be in a form that allows it to accommodate these differences.

The opportunity to comment is appreciated and I trust you will find the attached comments useful.

Yours sincerely



Simon O'Neill
Chairman
ACAG Financial Reporting and Auditing Committee

Consultation Paper Reporting Service Performance Information

ACAG provides the following comments in response to the IPSASB's request for comments on the Preliminary Views and feedback on the specific matters in the Consultation Paper.

Preliminary View 1 (following paragraph 1.6):

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*.

ACAG agrees that reporting service performance information is necessary to meet the objectives of financial reporting as proposed in the Conceptual Framework Exposure Draft (CF-ED1).

Preliminary View 2 (following paragraph 3.5):

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.

ACAG agrees that a standardised service performance reporting working definitions is appropriate.

ACAG supports the inclusion of the seven terms and working definitions in Table A subject to the following comments:

1. The example provided for “outputs” (i.e. percentage of total infant population inoculated for measles) does not appear to provide a useful measure of the number of units of output delivered. A percentage does not provide sufficient detail about the quantity of output. An additional output example could be the number of infants inoculated.
2. Consideration should be given to including the following terms in the terminology:
 - a. “services” mainly because there are numerous references to services throughout the Consultation Paper. Further, the performance indicator definition refers to “...service in achieving its objectives...” whereas the definitions for inputs, outputs, outcomes, efficiency indicators and effectiveness indicators refer to outputs and not services. It is not clear whether the terms outputs and services are supposed to have the same meaning. Some clarity would be helpful noting that the definition of outputs (Table A) includes “goods and services”.
 - b. “performance target/expectations” because it is a key component of service performance reporting and should be included for completeness.

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.

ACAG agrees with the proposed components of service performance information to be reported and supports a flexible framework that can accommodate different approaches to achieving program objectives. For example, in some Australian jurisdictions a program to achieve an objective or outcome may be delivered by more than one entity.

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.

ACAG generally agrees that the qualitative characteristics of information and pervasive constraints on the information that is currently included in GPFRs also apply to service performance information. However, ACAG would like to repeat the view expressed in its submission on CF-ED 1 that "ACAG considers materiality to be an aspect of relevant information instead of a reporting constraint".

Specific Matter for Comment 1 (following paragraph 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?

ACAG supports option (b) over option (a) on the basis that it accords with a consistent framework for reporting service performance information. ACAG considers that option (c) is not appropriate at this time due to the varying maturities and capabilities of jurisdictions to report service performance.

Specific Matter for Comment 2 (following paragraph 2.3):

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

ACAG agrees that this project should not identify specific indicators of service performance for the reason advanced in paragraph 2.1 (i.e. it is a principles-based project). However, the framework could subsequently include examples of service performance indicators and service performance reporting.

Specific Matter for Comment 3 (following paragraph 2.4):

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

ACAG agrees that service performance information included in GPFRs should be prepared for the same reporting entity as for general purpose financial statements (GPFSS).

Specific Matter for Comment 4 (following paragraph 4.18):

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 the service performance information? Are there dimensions that should be added or deleted?

ACAG agrees with these dimensions of service performance information. In relation to point (a) above ACAG suggests that information on an entity’s objectives include information on how the objectives were determined and further narrative explaining what they mean, what they are trying to achieve, and by when they are to be achieved.

Because of the development of cross - entity program or output delivery (i.e. a specific program may be delivered by a number of different entities), ACAG suggests that the framework should accommodate development and reporting of service performance for programs that involve multiple entities.

ACAG also believes that service performance reporting should be consistent across reporting periods. Where outcomes, objectives, services (or programs and outputs) and performance indicators change from period to period there should be appropriate explanations of the reasons for the change to assist users in their evaluation of performance.

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?

ACAG supports option (a) above (i.e. service performance information should be reported as part of the GPFR that is currently issued (for example, an annual financial report) but not part of the GPFSS) mainly because it would require the timely preparation of service performance information at the same time as the GPFSS, and allow the assessment of financial and service performance information by users concurrently.