



Government of Newfoundland and Labrador
Department of Finance
Office of the Comptroller General

April 18, 2012

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

Dear Ms. Fox:

Re: IPSASB Consultation Paper (CP)-Reporting Service Performance Information

I offer the following comments to the IPSASB on the Consultation Paper (CP)-*Reporting Service Performance information* on behalf of the Provincial Government of Newfoundland and Labrador.

General Comments

The Province has concern with any approach to issuing authoritative guidance in relation to reporting service performance information within a framework for accounting standards. As we previously commented, in relation to the IPSASB's Conceptual Framework project (CF-ED1), it is our position that the scope of the conceptual framework should be limited to historical information and not extended to include prospective and non-financial information. The IPSASB should focus its efforts on developing its conceptual framework to support financial statement reporting as well as specific guidance; rather than developing frameworks or guidance in areas of long-term sustainability or reporting on service performance. It is not necessarily the mandate of the IPSASB or other accounting standard setters to be developing frameworks for reporting in areas that is more specialized and possibly beyond the scope of its expertise.

If the IPSASB intends to proceed in this area, the Province encourages the Board to consider areas which are appropriate to broaden the conceptual framework and become involved in meeting all the reporting needs in these areas. At most, any intention to provide guidance in the area of service performance reporting should be as supplementary guidance to assist preparers or users with reporting in this area. Any proposal to report on service performance within the general purpose financial statements could have impacts on the timeliness and usefulness of the financial statements.

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 Province had expressed concern with extending the scope beyond financial statements in its response to CF-ED1. It was noted that the conceptual frameworks within Canadian generally accepted accounting principles (GAAP) currently reference application to financial statements and not general purpose financial reporting. Extending the scope is beyond the "Terms of Reference" of the IPSASB (authority to issue standards to be applied by members of the profession in the preparation of general purpose financial statements of public sector entities) and provides guidance in areas that are outside its expertise in certain circumstances (non-financial performance and service delivery outcomes).

This is an area that is fairly diverse across jurisdictions in terms of a requirement to report and the scope of the information to include in such reporting. Reporting in this area is valid in terms of accountability; however it is not seen that it is necessary within a framework for accounting standards. It is to be noted that jurisdictions have developed policies and legislation that promote accountability and other forms of reports beyond financial statements. There are reports to measure and report on the performance of individual funds, programs and activities as well as special purpose reports designed to meet the particular needs of users. As performance reporting can be validated under other reporting frameworks, any guidance issued by the IPSASB in this area should be non-authoritative and contemplated in relation to extending the scope of the conceptual framework beyond historical based financial statements.

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.

It is the Province's opinion that the reporting requirements of service performance information may be validated outside the framework for accounting standards; therefore a framework is not required. The development of standardized terminology can only be supported as a part of supplemental non-authoritative guidance at most and any development of a framework in this area should not require an extension to the scope of the conceptual framework. In Canada, reporting guidelines have been issued by the Public Sector Accounting Board (PSAB) in the form of a Statement of Recommended Practice (SORP) 2-*Public Performance Reporting*. It included five of the seven indicators included in the proposals of this CP. While not defined in SORP 2, efficiency and effectiveness indicators appear appropriate in this case.

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.

It is the Province's opinion that the reporting requirements of service performance information may be validated outside the framework for accounting standards; therefore a framework is not required. However, in relation to supplemental, non-authoritative guidance the components of service performance information appear plausible for such reporting.

Preliminary View 4

The qualitative characteristics of information and pervasive constraints on the information that is currently included in GPFRs (General Purpose Financial Reports) of public sector entities also apply to service performance information.

It is the Province's opinion that the reporting requirements of service performance information may be validated outside the framework for accounting standards; therefore a framework is not required. It is to be noted that while the qualitative characteristics and pervasive constraints that were presented in CF-ED 1 could be considered in relation to reporting service performance information, it may not be a requirement under other existing guidance.

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?

As noted in the general comments, the Province has concern with any approach to authoritative guidance as it does not support the IPSASB's proposal to extend the scope of the conceptual framework beyond application of financial statements. In regard to including authoritative guidance that gives the choice of applying the guidance appears to be contrary to the idea of being subject to and in compliance with a set of standards. Anyone subject to a set of standards should apply them all rather than choose to apply certain aspects. Further, it would be a concern that any authoritative positioning of reporting of service performance information may imply or create a perceived requirement under the framework irrespective of it being a legislative requirement in a jurisdiction. As such, the IPSASB should not be issuing authoritative guidance that contemplates a scope extension to the conceptual framework.

Specific matter for Comment 2

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

It is the Province's opinion that the reporting requirements of service performance information may be validated outside the framework for accounting standards; therefore a framework is not required. Any further development in this area should be limited to a

principles-based approach that does not specify particular indicators. Other principles and requirements, in addition to specific indicators, may differ between public sector entities.

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)?

It is the Province's opinion that the reporting requirements of service performance information may be validated outside the framework for accounting standards; therefore a framework is not required and a requirement that service performance information has to be prepared for the same reporting entity as general purpose financial statements is not appropriate. It would be more appropriate that any framework would in principle reflect a requirement that reporting should disclose the entities included in the particular report as the framework may be applied to more specific service areas.

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?

It is the Province's opinion that the reporting requirements of service performance information may be validated outside the framework for accounting standards; therefore a framework is not required. As such, we offer the following concerns, relating to the issues at hand, for consideration. It is more common to compare achievement against projected or targeted results; it would appear to be uncommon for entities to report information (required versus achieved) on needs of service recipients. While there may be some perceived benefit of linking the level of resources being committed as being appropriate to recipient's needs; there are concerns that such information on need or demand may not be available or reliable. In terms of external and internal factors that affect service delivery, it is agreed that such measures are relevant and would aid in the understanding of actual results and explaining variance between actual and targeted results; however, there is concern that it could be challenging to establish correlations between the factors and their effect on service performance. A consequence of this is the potential for users to may make incorrect conclusions. To minimize this undesirable consequence, objective and verifiable information should be used where possible and where subjective information is included, this fact should be clearly disclosed.

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?

It is the Province's opinion that the reporting requirements of service performance information may be validated outside the framework for accounting standards; therefore a framework is not required. However, if the IPSASB proceeds with guidance, it should consider that any such reporting should not dictate where it is to be positioned as this may be more appropriately determined based on needs or practice of particular jurisdictions. For reasons identified in the general comments, any type of reporting in this area should be issued as a separate report outside of the general purpose financial statements.

Thank you for the opportunity to provide my comments on this issue. If you require further information, please contact myself or David Martin, Manager of Public Accounts and Banking Services, at (709) 729-7346.

Yours truly,



RONALD A. WILLIAMS, CA
Comptroller General of Finance

cc: Terry Paddon, Deputy Minister of Finance