

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

Dear Sir,

Consultation Paper - Reporting on Service Performance Information

The Accounting and Auditing Standards Desk of the Abu Dhabi Accountability Authority (ADAA) is pleased to respond to the International Public Sector Accounting Standards Board (IPSASB) on the Consultation Paper of Reporting on Service Performance Information. We are fully supportive of the IPSASB's drive to improve the quality of financial reporting of Public Sector Entities (PSEs).

General comments

The IPSASB's review and comparison of service performance reporting of the 26 countries identified in Appendix A highlights well both the need for guidance and the disparity in current reporting. The many different definitions in Appendix B for; objectives, indicators, inputs, outputs and outcomes suggests achieving a convergence that fits all reporters may be difficult. It perhaps also indicates a relative difference of importance of particular issues to countries which may impact on the actions they are taking and therefore on what they currently measure and report. It is likely that comparability of service performance reporting across such a diversity of countries will always be difficult however comparability is more likely across smaller groups of countries and groups of PSEs. We believe that increased comparability will result in improved decision-making, accountability, transparency and quality of reporting.

Preliminary Views for Comment

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.

We agree the reporting of service performance information is supportive of the accountability and decision-making 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.

We agree in the interests of understandability and comparability that it is necessary to have standardized international service performance information terminology. We agree that the seven terms defined in Table A are appropriate.

Preliminary View 3

Components of service performance information to be reported are (1) information on the scope of the service performance information reported, (2) information on the public sector entity's objectives, (3) information on the achievement of objectives, and (4) narrative discussion of the achievement of objectives.

We agree with the four components of service performance information to be reported.

Preliminary View 4

The qualitative characteristics of information and pervasive constraints on the information that is currently included in GPFs of public sector entities also apply to service performance information.

We agree with the application of the qualitative characteristics of information set out in Table B on page 27 of the Consultation Paper and emphasize the verifiability constraint.

Specific Matters 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?

In our experience non-authoritative guidance is often not applied. In the long-term we agree with the comment in 1 (c) “authoritative guidance that requires public sector entities to report service performance information” because we agree on the importance of the information to improve users’ understanding of the performance of PSEs.

However, because of the cost, complexity and experience factors we suggest the IPSASB initially adopts the approach in comment 1 (b) “authoritative guidance requiring public sector entities that choose to issue a service performance report to apply the guidance” and allows PSEs a reasonable grace period before moving to the position in comment 1 (c). This will allow PSEs sufficient time to deal with the cost, complexity and experience issues and avoids creating the situation whereby PSEs that currently comply with IPSAS may not be able to do so.

Specific Matters for Comment 2

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

We agree with IPSASB’s observation that the services provided by PSEs are diverse and complex and that they have different objectives for the services they deliver. We agree this project should not identify specific indicators of service performance and that the setting of these indicators should be made by PSEs themselves according to their objectives and resources. We suggest IPSASB considers providing illustrative examples to facilitate PSEs identification of indicators of service performance.

Specific Matters for Comment 3

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

We agree with the IPSASB’s focus on the accountability of the PSE to deliver the services and agree that the reporting on the service performance information included in the GPFs be prepared for the same reporting PSE as for GPFs.

Specific Matters 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 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 agree with the four dimensions of service performance indicated above and suggest a post-implementation review is completed once PSEs have accumulated experience of reporting.

Specific Matters 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?

The reporting of service performance information is intended to facilitate users' understanding of the relationship between financial and non-financial information. In reporting non-financial information there can be a greater degree of subjectivity and judgment than is required for financial information. We suggest the distinction between financial and non-financial information is retained. We support the reporting of service performance information *(a) as part of the GPFR that is currently issued (for example, an annual financial report) but not part of the GPFs.*

Yours faithfully

A handwritten signature in black ink, appearing to read "Steven Ralls". The signature is somewhat stylized and is written over a light, textured background.

Steven Ralls BA, FCA
Head of Accounting and Auditing Standards Desk
Financial Audit and Professional Regulation
Abu Dhabi Accountability Authority