

October 2011

## Consultation Paper Summary: Reporting Service Performance Information

This summary provides a brief overview of the consultation paper Reporting Service Performance Information

### **Project Objectives**

The objective of this project is to use a principles-base approach to develop a consistent framework for reporting service performance information of public sector entities, a framework that focuses on meeting the needs of intended users. This consultation paper communicates and solicits feedback on (1) the preliminary views reached by the International Public Sector Accounting Standards Board (IPSASB), and (2) other specific matters related to the reporting of service performance information on which the IPSASB has not yet reached a preliminary view.

### **Next steps**

The IPSASB seeks feedback to assist in determining the approach (standards or guidelines) that will be used in developing the framework for reporting service performance information of public sector entities.

### **Comment deadline:**

The consultation paper is open for public comment until April 15, 2012.

## Why is the IPSASB undertaking this project?

The purpose of the IPSASB's Reporting Service Performance Information project is to enhance public sector accountability and provide information that is useful for decision-making purposes by developing a consistent framework for reporting service performance information that focuses on meeting the needs of intended users.

Public sector entities have a responsibility (1) to be publicly accountable to their users (recipients of services or their representatives, and the providers of resources or their representatives), and (2) to provide information that is useful for the decision-making purposes of those users. Reporting service performance information will assist public sector entities in meeting this responsibility. Service performance information that assists users in assessing how

efficiently and effectively public sector entities are using resources to provide services and achieve their objectives is an important part of general purpose financial reports (GPFs).

GPFs of public sector entities are developed primarily to respond to the information needs of service recipients, resource providers, and their representatives, who do not possess the authority to require a public sector entity to disclose the information they need for accountability and decision-making purposes. GPFs can report information about the past, present, and future that is useful to users—including financial and non-financial, quantitative and qualitative information about (1) the achievement of financial and service delivery objectives in the current reporting period, and (2) anticipated future service delivery activities and resource needs.

GPFs are a central component of, and support and enhance, transparent financial reporting by governments and other public sector entities. The IPSASB believes that including service performance information as part of GPFs is necessary to achieve the

objectives of financial reporting by public sector entities.

The primary objective of this Consultation Paper (CP) is to present a principles-based approach to developing a consistent framework for reporting service performance information of public sector entities, a framework that focuses on meeting the needs of intended users. Although no two countries have identical service performance reporting frameworks that public sector entities are required or encouraged to follow within GPFs, there are similarities in the service performance information that is reported. Consideration of these similarities has provided the basis for the components of the reporting framework proposed in the CP.

A sub-objective of this CP is to present a standardized service performance information terminology with associated working definitions. The development of a standardized service performance information terminology is expected to enhance a user's understanding of service performance information.

## What are the preliminary views of the IPSASB?

The IPSASB has reached a number of preliminary views regarding the reporting of service performance information that will be important to public sector entities.

### **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 Exposure Draft, *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity*.

### **Preliminary View 2:**

Developing a standardized service performance information terminology for the reporting of service performance information is appropriate, and should include the following seven terms and working definitions:

*Objective*—An objective is a statement of the result a reporting entity is aiming to achieve.

*Performance Indicators*—Performance Indicators are quantitative or qualitative measures that describe the extent to which a service is achieving its objectives.

*Inputs*—Inputs are the resources of a reporting entity used to produce outputs in delivering its objectives.

*Outputs*—Outputs are the goods and services, including transfers to others, provided by a reporting entity in delivering its objectives.

*Outcomes*—Outcomes are the impacts of outputs in delivering the reporting entity's objectives.

*Efficiency Indicators*—Efficiency indicators are measures of the relationship between inputs and outputs.

*Effectiveness Indicators*—Effectiveness indicators are measures of the relationship between outputs and outcomes.

### **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.

### **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. The qualitative characteristics of information are (1) relevance, (2) faithful representation, (3) understandability, (4) timeliness, (5) comparability, and (6) verifiability. The pervasive constraints on that information are materiality, cost/benefit relationship, and achieving an appropriate balance between the qualitative characteristics.

## What are the components of service performance information to be reported?

The similar service performance information components identified within the IPSASB research are:

- Information on the scope of the service performance information reported
- Information on the public sector entity's objectives
- Information on the achievement of objectives
- Narrative discussion of the achievement of objectives

### **Information on the Scope of the Service Performance Information Reported**

What services have been included in the service performance information reported;

The reasons why the services being reported on were chosen;

The period covered by the service performance information reported;

The frequency of the service performance information reported;

The sources of the service performance information reported; and

The level of detail of the service performance information reported.

### **Information on the Public Sector Entity's Objectives**

The objectives of the services being reported;

The sources of the objectives reported;

The link between the objectives and the indicators of the achievement of the objectives being reported; and

How the objectives for the entity as a whole relate to the objectives of specific services, if applicable.

### **Information on the Achievement of Objectives**

Relevant indicators that provide a basis for assessing the service performance of the services reported;

The degree to which service performance objectives have been met; and

Comparisons of indicators between actual and targeted results and over time.

### **Narrative Discussion of the Achievement of Objectives**

Balanced explanations of the results being presented;

The factors that may have influenced the achievement, or its lack, of the objectives of services reported; and

The indirect consequences, both intended and unintended, of the services provided.

## What are the specific matters on which the IPSASB has not reached a preliminary view?

There are a number of specific matters related to the reporting of service performance information on which the IPSASB has not reached a preliminary view. The IPSASB is requesting feedback from respondents on these specific matters.

### **Specific Matter for Comment 1:**

Should the IPSASB consider issuing (1) non-authoritative guidance for those public sector entities that choose to report service performance information, (2) authoritative guidance requiring public sector entities that choose to issue a service performance report to apply the guidance, or (3) authoritative guidance requiring public sector entities to report service performance information?

### **Specific Matter for Comment 2:**

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

### **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)?

### **Specific Matter for Comment 4:**

This CP identifies four dimensions of service performance information that are necessary to meet the needs of the identified users. These are: (1) Information on the public sector entity's objectives, including the need or demand for these objectives to be achieved (the "why" dimension); (2) Input, output, outcome, efficiency, and effectiveness indicators, including service recipient perception or experience information (the "what" dimension); (3) Comparisons of actual performance to projected (or targeted) results, including information on the factors that influence results (the "how" dimension); and (4) 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?

### **Specific Matter for Comment 5:**

Should service performance information be reported (1) as part of the GPFR that is currently issued (for example, an annual financial report) but not part of the GPFs, (2) in a separately issued GPFR, or (3) in both a separately issued GPFR and as part of the currently issued GPFR ?

## What happens now?

### **The deadline for comments is April 15, 2012.**

During the comment period, IPSASB members are available to discuss the proposals with a wide range of parties.

### **How can I comment on the proposals?**

The consultation paper requests comments on the preliminary views of the IPSASB and specific matters on which it has not reached a preliminary view. The IPSASB has not provided preliminary views on all of the issues so as to get the widest possible consultation on those specific matters.

Respondents may choose to provide comments and answers on all the preliminary views and specific matters or just selected views or matters and are also welcome to comment on any other matter they think the IPSASB should consider in forming its views.

Comment letters will be posted on the IPSASB website.

The IPSASB will consider carefully all feedback and, as usual, discuss responses to the proposals in public meetings. The IPSASB plans to issue an exposure draft setting out its views in late 2012.

### **Stay informed**

The IPSASB will announce on its website the dates and places of meetings at which it will discuss feedback to this consultation paper.

To stay up to date about the project, you can monitor progress reported at <http://www.ifac.org/public-sector/projects/public-sector-conceptual-framework>