INTERNATIONAL FEDERATION
OF ACCOUNTANTS

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Agenda Item
3.0

DATE: February 4, 2011
MEMO TO: Members of the IPSASB
FROM: Lisa Parker
SUBJECT: Reporting Service Performance Information

Objectives

- To discuss the first draft of the Consultation Paper on service performance information.

Agenda Material

3.1   Consultation Paper – Service Performance Information

Background

1.   At the June 2010 meeting in Vienna, Austria, the IPSASB began discussions on the reporting of service performance information including the following specific issues:

   (a)   What are the objectives of reporting service performance information;
   (b)   Who the identified users of service performance information are;
   (c)   What the needs of these identified users are; and
   (d)   What type of service performance information is needed to meet those needs.

2.   At the November 2010 meeting in Jakarta, Indonesia, the IPSASB continued discussions on the reporting of service performance information. The IPSASB reviewed and compared the existing national standards and guidance on service performance reporting (or its equivalent) in the public sectors, where it exists. Specifically, the IPSASB discussed:

   (a)   Whether there are content elements of service performance information that should be considered for general purpose financial reports (GPFRs);
   (b)   Whether the qualitative characteristic of information included in GPFRs tentatively agreed upon by the IPSASB are applicable to service performance information; and
   (c)   Whether a standardized service performance information terminology exists.

3.   The objective of this project is to use a principles-based approach to create a consistent framework for reporting service performance information of governmental programs and services that focuses on meeting the needs of intended users. The next step of this project, as requested by the IPSASB, was to

produce the draft Consultation Paper before you for review and discussion at the March 2011 meeting in Paris, France. The Consultation Paper highlights the initial discussions and the tentative agreements reached by the IPSASB on the issues discussed at the June and November meetings.

4. This first draft of the Consultation Paper presents the issues related to the reporting of service performance information broadly.   If the IPSASB reaches preliminary views on the issues presented at this meeting, those views be incorporated into the second draft of the Consultation Paper for discussion in June 2011. The project staff also welcome feedback on the structure of the first draft of the Consultation Paper and any restructuring that may be considered necessary to more effectively communicate its contents.

5. As you are aware, the GASB is providing the key staff resources on this project. The Consultation Paper has been prepared by Lisa Parker, a project manager at the GASB with input from other staff members on her team at the GASB. IPSASB staff has provided oversight where needed. Lisa will be in attendance at the March 2011 meeting.

6. In addition, the members of the Task Based Group (TBG) on service performance, Ken Warren, Sheila Fraser, and Bharti Prasad, have reviewed the draft Consultation Paper and provided suggestions for its improvement, which have been incorporated in Agenda Paper 3.1.

Appendix – Excerpt from Draft November 2010 IPSASB Minutes

7.   SERVICE PERFORMANCE REPORTING

Discuss issues (Agenda Item 6)

The IPSASB welcomed Lisa Parker, a Project Manager with the US Governmental Accounting Standards Board, who is leading the project. Lisa participated at the beginning of the session via teleconference; however, due to technical difficulties with the teleconferencing facility, David Bean led much of the discussion of this material.

An initial discussion on this topic was held at the June 2010 IPSASB meeting. At that meeting, Members noted that it was important for the objectives of reporting service performance information to be consistent with those in Phase 1 of the Conceptual Framework project (i.e., accountability and decision making). Members also noted that it was important to map users' needs of service performance information with those identified in Phase 1 of the Conceptual Framework project.

It was noted that a TBG had been established to assist in the development of this project. The members of the TBG are:

- Marie-Pierre Cordier;

- Sheila Fraser;

- Bharti Prasad; and

- Ken Warren—was recently appointed to the TBG.

It was also noted that the IPSASB's views were sought on whether:

- There are content elements of service performance information that should be considered for general purpose financial reports; and

- A standardized service performance terminology exists.

The IPSASB considered the Issues Paper on *Reporting Service Performance Information*.

Members noted that it was important to first consider the terminology issue (Issue 2 of the paper). This would allow for a common understanding of the terms to gain consensus to move forward. In discussing the terminology presented in the Issues Paper in agenda paper 6.1 (starting at paragraph 61), the following points were made:

- The diagram following paragraph 62 should be amended:

    – Efficiency should be displayed as the link between inputs and outputs;

    – Effectiveness should be displayed as the link between outputs and outcomes;

- The definition of "inputs" in paragraph 71 should be amended:

  – The more appropriate definition to consider should be, "Inputs are the resources used to produce outputs by a reporting entity";

- The definition of "outputs" in paragraph 83 should be amended:

  – The more appropriate definition to consider should be, "Outputs are the goods and services provided by a reporting entity"; and

  – The narrative of this discussion in the Consultation paper should clarify that transfer payments provided to beneficiaries are also included in these "goods and services" within the definition;

- With regards to the definition of "outcomes" in paragraph 75:

  – No consensus was reached regarding the appropriate definition. Members noted that there are two views of outcomes: (i) the impact of the actions of an entity, and (ii) the overall result or state. Members also noted that it is possible to have planned and actual outcomes.

  – It was questioned by some Members whether the definition needed to consider intermediate and long term outcomes, or whether jurisdictions could decide at what level of detail to provide this information.

  – It was noted by a Member that the terms "results" and "outcomes" seem to have the same meaning.

  – It was noted by a Member that the relevant definitions in Study 13, *Governance in the Public Sector: A Governing Body Perspective*, need to be considered.

  – It was noted by some Members that outcomes may be attributable to those outside the reporting entity.

- It was noted by some Members that the OECD definition needs to be considered (this would also apply to other terms) The OECD definition of outcomes from their 2002 glossary is, "An outcome is what is ultimately achieved by an activity as opposed to outputs which are more intermediate"; With regards to the definition of "efficiency measures" in paragraph 67:

  – It was noted by some Members that the definition should not include reference to "efforts" or to "outcomes" because efficiency measures were of the relationship between inputs and outputs only.

- With regards to the definition of "effectiveness measures" in paragraph 65:

  – It was questioned by some Members how effectiveness is linked to goals, objectives and outcomes. It was suggested that "predetermined goals and

objectives" should be replaced with "outcomes" but that this comes back to the definition of "outcomes"; and

– It was also noted from one Member that there are two views on how to define "outcomes"—a top-down view and a bottom-up view.

- With regards to the definition of "goals" in paragraph 69 and "objectives" in paragraph 73:

  – It was noted by a Member that the terms "goal" and "objective" seem to have the same meaning;

  – It was noted by a Member that an objective is a desired outcome and that objectives, results and outcomes need to be considered together because they are linked;

  – It was also noted by a Member that a goal may be understood to relate to strategy and that this same term was used in various languages;

  – It was suggested by a Member that "goals" could be addressed in the guidance related to objectives rather than defined itself; and

  – It was also suggested by a Member that goals should be time based; however other Members noted that it would be preferable to not refer to qualifiers such as "immediate", "intermediate", or "ultimate" within the potential standardized terminology.

- The definition of "performance measures (indicators)" in paragraph 85 should be amended:

  – To remove "quantifiable" from the definition.

The IPSASB considered Issue 1 pertaining to the content elements of service performance information. Members raised the following points; however, no consensus was reached:

- Some Members noted that the list of possible components of service performance information in paragraph 6 may be too prescriptive for a standard; however, they believed that it would be suitable for a guideline.

- With respect to the scope of the report, a Member noted there are two views—(1) the scope is the reporting entity and (2) a broader view that considers the success of the entity in how it affects outcomes and that the Issues Paper needs to discuss the pros and cons of these alternative scopes. It was suggested that the New Zealand Institute of Chartered Accountants' material on the scope of performance reporting might be useful in this regard.

- A Member noted that the Issues Paper should also include a discussion of:

– The level of the report (e.g., whole-of-government, program, department);

– The time period covered;

– Verifiability of data; and

– Assurance.

- In response to question 4 following paragraph 52, it was the following points were made by Members; however, no consensus was reached:

  – There should be a link to the qualitative characteristics in Phase 1 of the Conceptual Framework; and

  – The principles-based approach in the Consultation Paper, *Reporting on the Long-Term Sustainability of Public Finances* should be considered.

- In response to question 5 following paragraph 60, Members did not note any additional qualitative characteristics.

Members asked staff to work with the TBG to develop a draft Consultation Paper taking into account the comments noted above.

Consultation Paper
XX 2011
Comments requested by XX, 2011

Service Performance Information

**International Federation
of Accountants**

REQUEST FOR COMMENTS

The IPSASB welcomes comments on the issues addressed in this Consultation Paper. Please submit your comments, preferably by email, so that they will be received by **XXX, 2011**. All comments will be considered as a matter of public record. Comments should be addressed to:

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

Email responses should be sent to: publicsectorpubs@ifac.org

Copies of this Consultation Paper may be downloaded free-of-charge from the IFAC website at http://www.ifac.org.

PREFACE

In addition to more traditional financial performance information, a large number of public sector entities around the world are currently reporting performance information about the programs and services they provide (referred to as service performance). The practice of reporting service performance information is fairly diverse in various jurisdictions.

The objective of this project is to use a principles based approach to develop a consistent framework for reporting service performance information of public sector programs and services that focuses on meeting the needs of intended users.

This Consultation Paper will highlight and analyze existing approaches used by public sector entities around the world, where the reporting of service performance information is a feature of public sector financial management. This Consultation paper will communicate and solicit feedback on the various issues related to the reporting of service performance information.

The IPSASB also is in the process of developing a conceptual framework for public sector financial reporting. It issued an Exposure Draft in December 2010, covering: (1) the role, authority, and scope of financial reporting, (2) the objectives and users of financial reporting, (3) the qualitative characteristics of financial reporting, and (4) the reporting entity. Further consultation papers have been issued covering: (1) the definition and recognition of the elements of financial statements, (2) consideration of the measurement basis (or bases) that may validly be adopted for the elements that are recognized in the financial statements. A consultation paper that considers the concepts that should be adopted in deciding how to present financial and non-financial information in General Purpose Financial Reports (GPFRs) will be issued later in 2011. Many of the issues in the Conceptual Framework project are relevant to, and have been incorporated in this project.

EXECUTIVE SUMMARY

This section to be populated once the IPSASB discusses the initial draft of the Consultation Paper.

REQUEST FOR COMMENTS

This section to be populated once the IPSASB discusses the initial draft of the Consultation Paper.

CONTENTS

1   INTRODUCTION TO SERVICE PERFORMANCE REPORTING

1.1   What is Service Performance

1.1.1   The objective of financial reporting by public sector entities is to provide information about the reporting entity that is useful to General Purpose Financial Reports (GPFRs) users for accountability and decision-making purposes. GPFRs of public sector entities include, but are more comprehensive than, financial statements including their notes. They can report information about the past, present, and the future that is useful to users—including financial and non-financial quantitative and qualitative information about the achievement of financial and service delivery objectives in the current reporting period, and anticipated future service delivery activities and resource needs. GPFRs are likely to comprise multiple reports, each responding more directly to certain aspects of the objectives of financial reporting and matters included within the scope of financial reporting.

1.1.2   In addition to more traditional financial performance information, a large number of public sector entities around the world are currently reporting performance information about the programs and services they provide. Performance information about programs and services being provided is referred to as **service performance**. Such service performance reporting is, by definition, a subset of GPFRs.

1.1.3   The practice of reporting service performance information is fairly diverse in various jurisdictions. In some jurisdictions, public sector entities are required by law to report service performance information annually while in others, the reporting of service performance information is a voluntary action by entities striving to enhance accountability and informed decision-making. An expanding number of public sector entities also are developing and using service performance information for internal management purposes. Moreover, some public sector entities have been including service performance information in external reports.

1.2   Why Service Performance Reporting is Important

1.2.1   The need for service performance information has become increasingly topical and relevant to the enhancement of public sector accountability. All public sector entities have a responsibility to be publicly accountable to their recipients of services or their representatives such as taxpayers and other members of the community that benefit from the services provided by the government or other public sector entity, whether as a result of exchange or non-exchange transactions. All public sector entities also have a responsibility to be publicly accountable to providers of resources or their representatives including "involuntary resource providers" such as taxpayers and "voluntary resource providers" such as lenders, donors, suppliers, fee-for-service consumers, and employees (hereinafter collectively referred to as "users"). The reporting of service performance information will assist public sector entities in meeting this responsibility by

providing users with information that may help them in assessing the entity's performance in providing services and the effects of those services.

1.2.2 Consistent with the objectives of General Purpose Financial Reporting (GPFR) set out in the International Public Sector Accounting Standards Board's (IPSASB's) December 2010 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* (Conceptual Framework ED 1), accountability is a primary objective of public sector service performance reporting. Holding public sector entities accountable for the efficiency and effectiveness of programs and services they are responsible for is a critical governance feature.

1.2.3 Financial reporting is not an end in itself but is intended to provide information useful for many purposes. Financial reporting helps fulfill a public sector entity's duty to be publicly accountable. Fulfilling this duty to be publicly accountable requires the public sector entity to provide an explanation or a satisfactory reason for their activities and the results of efforts to achieve the specified goals or objectives. In answering to the public and other identified users, public sector officials are fulfilling their duty to be publicly accountable for the stewardship of financial resources, adherence to legal requirements, the efficiency and effectiveness of programs and services, the level of services provided and the resources used in doing so.

1.2.4 Providing greater transparency and accountability may increase constituent interest and participation in government/governance and therefore may increase the level of trust between public sector entities and the users of public sector service performance information. In times of fiscal stress, user trust becomes increasingly important. However, an underperforming public sector entity may experience a decrease in the level of trust with users of their service performance information because of the entity's underperformance.

1.2.5 In fulfilling their duty to be publicly accountable for the efficiency and effectiveness of programs and services, public sector officials may experience increased pressure to report positive instead of objective results. There are often many factors, other than the program or service itself, that influence results, which the public sector entity has little or no control over. In these cases, it may be inappropriate to hold public sector officials primarily accountable for results that are largely affected by factors beyond their control.

1.2.6 Providing service performance information that can be used for decision-making purposes is another common objective of reporting service performance information. This is consistent with the objectives of GPFR set out in the IPSASB's Conceptual Framework ED 1. Many types of decisions made by varying users may be influenced by service performance information. Providing service performance information may encourage its consideration during decision-making processes of whether results are being achieved through the use of resources which are consistent with the goals and objectives of the public sector entity. When considering policy decisions, service performance

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information may assist policy makers in selecting efficient and effective programs and services. Taxpayers and citizens who compare the value of the services they are receiving from their government with the taxes and fees that they pay for these same services, may utilize service performance information in making cost-efficiency and cost-effectiveness assessments.

1.3   Why Voluntary Guidance on the Reporting of Service Performance Information

1.3.1   While many public sector organizations report service performance information, there is no widely accepted form or content for these reports. The IPSASB believes that the reporting of service performance information is necessary to meet the objectives of financial reporting by public sector entities by providing information useful to users of GPFRs for accountability and decision-making purposes. This consultation paper is therefore intended to inform the development of voluntary reporting guidance by seeking comments to assist the development of a consistent framework for reporting service performance information that focuses on meeting the needs of intended users. The IPSASB recognizes that improving the quality of service performance information reported is an evolutionary process that builds on research, experimentation, practical experience and consensus. As a result, like the conceptual framework, the reporting of service performance information is likely to evolve over time.

2   SCOPE OF THE CONSULTATION PAPER

2.1   Development of a Consistent Framework for Reporting Service Performance Information

2.1.1   The objective of this project is to use a principles based approach to develop a consistent framework for reporting service performance information of public sector programs and services that focuses on meeting the needs of intended users. In developing this framework, the IPSASB has reviewed and compared existing national standards, guidance, and regulatory requirements for performance reporting (or its equivalent) in the public and private sectors from 26 selected jurisdictions, the United Nations, and the Organization for Economic Co-operation and Development (OECD). This Consultation Paper will highlight and analyze existing approaches identified during the research that are used by public sector entities around the world, where the reporting of service performance information is a feature of public sector financial management.

2.2   Service Performance Information Outside the Scope of this Project

2.2.1   Specific measures/indicators of service performance that are used by public sector entities in the reporting of service performance information are outside the scope of this project. The services provided by public sector entities are diverse and often complex in nature. Public sector entities have different goals and objectives for the programs and services they deliver. Therefore, the relevant measures/indicators of these programs and services may differ between public

sector entities. As a result, the IPSASB believes that it is not appropriate for them to determine relevant measures/indicators of service performance.

2.2.2 In addition to accountants and others who are involved in financial management of public sector entities, it is essential that other management personnel (including program personnel, budget personnel, performance evaluators, and professional groups), internal auditors, elected officials, citizens, and other users become active in developing and using the measures/indicators of service performance.

3   SERVICE PERFORMANCE TERMINOLOGY

3.1   Status of a Standardized Service Performance Terminology

3.1.1 A standardized service performance information terminology does not currently exist globally across public sector entities. This is due in part to the fact that, although some consistent terminology is utilized by public sector entities throughout the world, many of these entities have not defined some or all of the terms used. Moreover, the same terms sometimes have different meanings.   One of the goals of this project is to develop definitions that can be applied internationally.

3.2   Potential Definitions of Service Performance Terminology

3.2.1 The research identified six jurisdictions that had defined terms related to the reporting of service performance information.   The terminology and related definitions from these six jurisdictions were then reviewed for commonalities. Thirteen common terms were identified for potential inclusion in a standardized service performance terminology.   These terms include: effectiveness measures, efficiency measures, goals, inputs, objectives, outcomes, immediate outcomes, intermediate outcomes, ultimate outcomes, outputs, performance measures (indicators), results, and targets.

3.2.2 However, only eight of these terms were identified by the IPSASB as being appropriate for inclusion within a possible standardized service performance reporting terminology.   It is the IPSASB's view that these terms represent essential elements within the reporting of service performance information, as depicted in the diagram on the next page.

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                    │       Objectives        │
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        ┌──────────┐    ┌──────────┐    ┌──────────┐
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              │  Performance measures/indicators │
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3.2.3   Defining these terms may assist in communicating these concepts and create consistency in their use by preparers of reports that include service performance information. The terms discussed below are presented based on the diagram above, and therefore are not meant to signify priority. The terms include:

- Goals,

- Objectives,

- Efficiency measures/indicators,

- Effectiveness measures/indicators,

- Inputs,

- Outputs,

- Outcomes, and

- Performance measures/indicators

3.3   *Goals*

3.3.1   Three definitions of a goal(s) (or a similar term) were identified during the research. The definitions are:

- Goals are broad statements that set out a clear long-term and high-level direction indicating what the entity is trying to achieve through its activities.

- A performance goal is a target level of performance over time expressed as a tangible, measurable objective, against which actual achievement can be compared. A performance goal is comprised of a performance measure with targets and timeframes.

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- A goal is the condition or state that one is striving to achieve. Usually long-term and may be beyond what might reasonably be expected to be achieved.

In addition, the OECD has defined *goals* in a 2002 glossary as, "The higher-order objective to which a development intervention is intended to contribute."

3.3.2 All of the identified definitions interpret a goal to be what the public sector entity is "trying" or "striving" to achieve. Most of the definitions also distinguish a goal as being broad, a higher-order, or beyond what might reasonably be expected to be achieved. In these instances, it is possible to distinguish a goal from an objective, which is interpreted to be concise, measurable, quantifiable, tangible and time constrained statements of goals to be achieved. Conversely, in a few of the definitions, distinguishing between goals and objectives may be difficult due to the specific references that goals are an objective.

3.4 *Objectives*

3.4.1 Six definitions of objectives (or a similar term) were identified during the research. The definitions are:

- Objectives are concise, realistic, results-oriented statements of what will be achieved in the short term toward accomplishing goals.

- An objective is the given aim of an action, the expression of the desired outcome.

- Significant objectives are another term for outcomes.

- Objectives are a succinct statement of the key goal(s) being pursued over the medium to long term, reflecting the key components of the intended strategy.

- A strategic goal or strategic objective is a statement of aim or purpose included in a strategic plan (required under the Government Performance and Results Act (GPRA)). In a performance budget/performance plan, strategic goals should be used to group multiple program outcome goals. Each program outcome goal should relate to and in the aggregate be sufficient to influence the strategic goals or objectives and their performance measures.

- An objective is a statement of the condition or state one expects to achieve. An objective is realistic, measurable, and generally within the control of the organization, and time constrained.

In addition, the OECD has defined *objectives* in a 2002 glossary as, "The intended physical, financial, institutional, social, environmental, or other development results to which a project or program is expected to contribute."

3.4.2 Most of the identified definitions interpret an objective to be statements of what will be achieved towards the accomplishment of goals or desired results. In these interpretations the definitions explain the relationship between goals and objectives. As a result, distinguishing between what is meant by a goal and an

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objective may be clearer. Many of these identified definitions interpret an objective as being concise, measurable, realistic, and time constrained statements of goals or results to be achieved. In these instances, some believe that it is easier to distinguish an objective from a goal, which is a broader statement of desired results, because the relationship is explicitly stated. A few identified definitions state that outcomes, objectives, and goals are synonymous and express desired results. However, some believe that this interpretation creates confusion on how to distinguish between the two in a standardized service performance terminology.

3.5   *Efficiency Measures/Indicators*

3.5.1   Three definitions of efficiency measures/indicators were identified during the research. The definitions are:

- Efficiency indicators explore how productively inputs are translated into outputs.

- Efficiency measures reflect the economical and effective acquisition, utilization, and management of resources to achieve program outcomes or produce program outputs. They may also reflect ingenuity in the improved design, creation, and delivery of services to the public, customers, or beneficiaries by capturing the effect of intended changes made to outputs aimed to reduce costs and/or improve productivity, such as the improved targeting of beneficiaries, redesign of goods or services for simplified customer processing, manufacturability, or delivery. Effective programs over extended periods not only accomplish their outcome performance goals, they strive to improve their efficiency by achieving or accomplishing more benefits for a given amount of resources.

- Efficiency is the relationship between efforts (or inputs) to outputs or outcomes. Efficiency is measured by indicators of the resources used or cost per unit of output or outcome.

In addition, the OECD has defined *efficiency measures/indicators* in a 2002 glossary as, "A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results."

3.5.2   All of the identified definitions interpret efficiency measures/indicators as relating inputs to outputs. Almost all of the definitions also interpret efficiency measures/indicators as relating inputs to outcomes. One of the definitions did not recognize this relationship. By recognizing that efficiency measures/indicators relate inputs to outputs and outcomes, the definition would acknowledge that efficiency is considered to be the relationship between resources used (inputs) and either goods or services provided (outputs) or results achieved (outcomes). Generally, efficiency is considered to be enhanced by providing more goods or services or achieving better results with the same or fewer resources.

3.6   *Effectiveness Measures/Indicators*

3.6.1   Two definitions of effectiveness measures/indicators were identified during the research. The definitions are:

- Effectiveness indicators explore how well the outputs of an institution achieve the desired outcomes.

- Effectiveness is producing a desired result. Effectiveness measures the degree to which predetermined goals and objectives for a particular activity or program are achieved.

In addition, the OECD has defined *effectiveness measures/indicators* in a 2002 glossary as, "The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance."

3.6.2   One of the identified definitions interprets effectiveness measures/indicators as relating outputs to outcomes (results) explicitly. The other identified definition focuses on the achievement of desired results (normally stated as goals and objectives). The last identified definition focuses on the actual and expected achievement of objectives. Although each identified definition utilizes different terminology, they all interpret effectiveness as measuring results. Effectiveness describes the relationship between the desired results of programs and services (goals and objectives) and the actual results achieved. Effectiveness is normally thought of in terms of the extent to which the actual results indicate that desired results have been achieved. Therefore, an effective program or service is one that has, to a large extent, achieved its desired results.

3.7   *Inputs*

3.7.1   Five definitions of inputs were identified during the research. The definitions are:

- Inputs are the financial and non-financial resources and authorities given to the entity to carry out activities, produce outputs and accomplish results. Inputs include items such as tax dollars, user fees, transfers, human resources, capital and information.

- Inputs are the resources used to produce the goods and services which are the outputs of the reporting entity. Examples include: labor, capital assets such as land, buildings and vehicles, cash and other financial assets, and intangible assets such as intellectual property.

- Inputs are the resources that contribute to production and delivery of outputs.

- Inputs are the resources that contribute to the production and delivery of an output. Inputs commonly include labor, physical resources, administrative services and IT systems.

- Inputs are the amount of financial and nonfinancial resources (in terms of money, material, and so forth) that are applied to producing a product or providing a service (output). Effort is also referred to as inputs.

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In addition, the OECD has defined *inputs* in a 2002 glossary as, "The financial, human, and material resources used for the development intervention."

3.7.2   All of the identified definitions interpret inputs similarly as resources that are used to produce outputs.   Some of the definitions also provide a more detailed description of what constitutes a resource such as, financial, non-financial, human, material, and capital.   By providing a detailed description of what constitutes a resource, consistency and comparability of input measures may be enhanced.

3.8   *Outputs*

3.8.1   Six definitions of outputs were identified during the research. The definitions are:

- Outputs are the direct products and services produced by the activities of the entity. An example of an output is the posting of road signs indicating dangerous zones.

- Outputs are the goods and services produced by the reporting entity.

- Outputs are the goods and services produced by the institution for delivery.

- Outputs are the immediate result of government activities e.g. numbers arrested, proportion of the population attending higher education, numbers treated by the National Health Service (NHS). Some public service performance targets may measure outputs, where outcomes are difficult to measure or are not sufficiently within the department's control.

- Outputs describe the level of activity that will be provided over a period of time, including a description of the characteristics (e.g., timeliness) established as standards for the activity. Outputs refer to the internal activities of a program (i.e., the products and services delivered). For example, an output could be the percentage of warnings that occur more than 20 minutes before a tornado forms.

- Outputs are a measure of the quantity of a service or product provided (may include a quality component).

In addition, the OECD has defined *outputs* in a 2002 glossary as, "The products, capital goods and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes."

3.8.2   Almost all of the identified definitions interpret outputs similarly as goods (products) and services produced by the reporting entity. In one instance, the identified definition also recognizes that there may be a quality component included within the output measure/indicator. For example, measuring the number of lane-kilometers of road repaired to a certain minimum satisfactory condition.   Communicating   this   quality   component   may   provide   relevant

information to users in making an assessment of a public sector entity's performance.

3.8.3 A few of the identified definitions interpret outputs as time constrained measures. Presenting time-oriented information is important for users who have a need to make periodic assessments of the degree to which progress is being made in producing goods or delivering services. However, some believe that reporting output measures that are time constrained may provide users with inaccurate information about the progress made on the production of goods and delivery of services and may therefore lead users to form an inaccurate conclusion on whether the program or service is likely to produce desired goods and deliver desired services.

3.9   *Outcomes*

3.9.1 Six definitions of outcomes were identified during the research. The definitions are:

- Outcomes are the consequences of those outputs that can be plausibly attributed to them.

- Outcomes are the impacts on, or consequences for, the community resulting from the existence and operations of the reporting entity. Desired outcomes provide the rationale for action and are the basis on which decisions should be made concerning the outputs as part of the range of possible interventions.

- Outcomes are the medium-term results for specific beneficiaries that are the consequence of achieving specific outputs.

- Outcomes are the ultimate impacts on, or consequences for, the community of the activities of the government. For example, reduced crime, higher educational attainment, and improved health. Outcomes reflect the intended results from government actions and provide the rationale for government interventions.

- Outcomes describe the intended result of carrying out a program or activity. They define an event or condition that is external to the program or activity and that is of direct importance to the intended beneficiaries and/or the public. For a tornado warning system, outcomes could be the number of lives saved and property damage averted. While performance measures must distinguish between outcomes and outputs, there must be a reasonable connection between them, with outputs supporting (i.e., leading to) outcomes in a logical fashion.

- Outcomes are the basic unit of measurement of progress toward achieving desired results. An outcome may be initial, intermediate, or long-term.

In addition, the OECD has defined *outcomes* in a 2002 glossary as, "The likely or achieved short-term and medium-term effects of an intervention's outputs."

3.9.2   The identified definitions present two different interpretations on what is an outcome. In some of the definitions, an outcome is a measure of actual results. In these interpretations, analogies may be drawn to financial reporting, where "outcomes" would be equivalent to "actual results" which may be compared to desired outcomes or budgeted amounts respectively (i.e., outcomes represent what has happened, for example, if the goal is to reduce a toll by a certain amount, the outcome would measure how much it was reduced). In other identified definitions, an outcome is a measure of "intended," "plausible," "perceived," or "possible," results. In these interpretations outcomes include a planning component of expected results, as well as actual results. Further, in both of these interpretations, the term "results" is considered synonymous with "outcomes." Using the term interchangeably may cause confusion to users of service performance information.

3.9.3   Some of the identified definitions also include time constraints on the measurement of an outcome such as initial, medium-term or intermediate, long-term, and ultimate. Presenting time-oriented information (Section 4.7) is important for users who have a need to make periodic assessments of the degree to which progress is being made in achieving results. However, some believe that reporting outcome measures that are time constrained may provide users with inaccurate information about the progress made on the achievement of results and may therefore lead users to form an inaccurate conclusion on whether the program or service is likely to achieve the desired results.

3.10   *Performance Measures/Indicators*

3.10.1 Seven definitions of performance measures (indicators) were identified during the research. The definitions are:

- Performance measures are a metric used to directly or indirectly measure a particular aspect of performance and can include measures of input, output and outcome. To be meaningful, performance measures must be specific, measurable, achievable, results-oriented and time-focused. An example of a performance measure is the number of accidents compared to the volume of traffic on a highway.

- An indicator is a figure or set of figures measuring the achievement of a predefined objective so that performance may be assessed as objectively as possible.

- Performance indicators identify specific numerical measurements that track progress toward achieving a goal.

- Performance measures are the characteristics of outputs that are important to the purchaser and establish how an entity's delivery of its outputs will be assessed. Performance measures commonly relate to some or all of the following characteristics: quantity, quality, timeliness, location, and cost or price.

- Performance measures establish the basis or means by which performance can be demonstrated against a robust scale.

- Performance measures are indicators, statistics or metrics used to gauge program performance.

- A SEA performance measure is a quantifiable expression of the amount, cost, or result of activities that indicate how well and at what level services are provided. SEA performance measures include measures of inputs, outputs, outcomes, cost-output, cost–outcomes, unintended consequences of programs and services, and factors that influence results.

In addition, the OECD has defined *performance measures/indicators* in a 2002 glossary as, "A variable that allows the verification of changes in the development intervention or shows results relative to what was planned."

3.10.2 All of the identified definitions interpret a performance measure/indicator to be a quantifiable expression such as a metric, figure, or statistic. By being quantifiable, performance measures/indicators may be more definitive and objective, which may increase the comparability and consistency of this service performance information. The identified definitions also interpret a performance measure/indicator to be a means of communicating the service performance of a public sector entity. The use of performance measures/indicators when reporting service performance information may provide users with necessary information to help them develop their own conclusions about the public sector entity's performance.

3.10.3 Some of the identified definitions also provide specific examples of performance measures/indicators (number of accidents compared to the volume of traffic on a highway), while others explicitly state the types of measures that may be considered to be a performance measure/indicator at the broadest level (input, output, outcome, efficiency, and effectiveness). A definition by its nature should be broad to encompass all essential concepts. Providing specific, more detailed examples in a definition, may limit a preparers understanding of what constitutes a performance measure/indicator and therefore what measures/indicators they report.

3.11 *Other Terms Considered*

3.11.1 Five of the thirteen terms identified in the research (immediate outcomes, intermediate outcomes, ultimate outcomes, results, and targets) were determined to not be appropriate for inclusion within a standardized terminology. Referring to qualifiers such as "immediate, intermediate, or ultimate" was not preferable because the IPSASB believes that the jurisdiction should be able to decide at what level of detail to provide outcome information. "Results" were determined by the IPSASB to be similar to "outcomes" and therefore not appropriate for a standardized terminology. "Targets" were determined by the IPSASB to be similar to "goals" and "objectives."

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4   THE OBJECTIVES OF REPORTING SERVICE PERFORMANCE INFORMATION AND USERS OF SERVICE PERFORMANCE INFORMATION

4.1   Users of Service Performance Information

4.1.1   In the Conceptual Framework ED 1, the IPSASB has proposed that there are two identified groups of users of GPFRs of public sector entities. These groups are: (1) recipients of services or their representatives, such as taxpayers and other members of the community that benefit from the services provided by the government or other public sector entity, whether as a result of exchange or non-exchange transactions, and (2) providers of resources or their representatives (including "involuntary resource providers" such as taxpayers and "voluntary resource providers" such as lenders, donors, suppliers, fee-for-service consumers, and employees).

4.1.2   The two groups of users of GPFRs of public sector entities identified in the Conceptual Framework ED 1 are the same two groups of identified users of service performance information in this Consultation Paper.   GPFRs of public sector entities, including reports that include service performance information, are developed primarily to respond to the information needs of service recipients and resource providers who do not possess the authority to require a public sector entity to disclose the information they need for accountability and decision-making purposes.

4.1.3   Citizens are the recipients of public sector-provided services.   In many jurisdictions, citizens also are the primary provider of resources to the public sector entity in the form of taxes and service charges, and are responsible for electing public officials.   Therefore, citizens are the primary users of service performance information.   Service performance information is necessary for citizens to hold the public sector entity accountable for the services they pay for and receive.

4.1.4   Some service recipients and some resource providers that may rely on service performance information for accountability and decision-making purposes may not be citizens—for example, residents who pay taxes or receive benefits; however, they are not citizens of the entity; some multilateral or bilateral donor agencies and many lenders and corporations that provide resources to, and transact with, a government; and those that fund, or benefit from, the services provided by international governmental organizations.   Service performance information also is necessary for these users to help assess the accountability of the public sector entity for the services they pay for and receive.

4.1.5   The legislature (or similar body) and individual members of parliament (or a similar representative body) also may be primary users of service performance information when acting in their capacity as representatives of the interests of service recipients and resource providers. These users establish the policies of a public sector entity, allocate the resources of a public sector entity, decide which services need to be provided and at what level, and determine what the public

sector entity expects to achieve (goals and objectives). Therefore, service performance information is necessary for these users to fulfill their responsibilities in representing the interests of service recipients and resource providers.

4.1.6 Public sector entities and other international organizations that provide financial aid to developing or distressed public sector entities also may use service performance information, although this is often supplemental to financial performance information, or information on the reporting systems themselves. Although not cited as frequently within the research, creditors and bond rating agencies also use service performance information in some nations. This group of providers of resources and representatives of providers of resources, (1) provides or helps to provide needed funding to public sector entities, (2) evaluates the ability of public sector entities to meet future commitments, and (3) evaluates whether the funds provided have been used appropriately by the public sector entity. Therefore, service performance information is necessary for this group of users to fulfill their responsibility of practicing appropriate diligence in the granting or loaning of funds.

4.1.7 The reporting of service performance information also may provide information useful to other parties and for other purposes. For example, government statisticians, analysts, the media, financial advisors, public interest and lobby groups and others may find service performance information useful for their own purposes.

4.2 Needs of Users of Service Performance Information

4.2.1 IPSASB has proposed in the Conceptual Framework ED 1 that, "The scope of financial reporting should evolve in response to users' information needs, consistent with the objectives of financial reporting." The IPSASB also proposed that the elements, recognition and measurement phases of the Conceptual Framework ED 1 should be developed to initially focus on key aspects of financial statements and that the application of these concepts to other areas of financial reporting, such as the reporting of service performance information, would be considered subsequently.

4.2.2 In the Conceptual Framework ED 1, the IPSASB proposed that for accountability and decision-making purposes, service recipients and their representatives will require information as input to assessments of such matters as whether:

- The entity is using resources economically, efficiently, effectively and as intended, and whether such use is in their interests;

- The range, volume and cost of services provided during the reporting period, and the amounts and sources of their cost recoveries, are appropriate; and

- Current levels of taxes or other charges are sufficient to maintain the volume and quality of services currently provided.

4.2.3   The IPSASB also has proposed that service recipients and their representatives also will require information about the entity's anticipated future service delivery activities and objectives, and the amounts and sources of cost recoveries necessary to support those activities.   Service performance information will provide service recipients and their representatives with additional information necessary for their assessment of these matters.

4.2.4   In the Conceptual Framework ED 1, the IPSASB also has proposed that for accountability and decision-making purposes, resource providers and their representatives will require information as input to assessments of such matters as whether the entity:

- Is achieving the objectives established as the justification for the resources raised during the reporting period;
- Funded current operations from funds raised in the current period from taxpayers or from borrowings or other sources; and
- Is likely to need additional (or less) resources in the future, and the likely sources for these resources.

4.2.5   The IPSASB also has proposed that lenders and creditors will require information as input to assessments of the liquidity of the entity and to confirm that the amount of timing of repayment will be as agreed.   Donors will require information to support assessments of whether the entity is using resources economically, efficiently, effectively and as intended.   They will also need information about the entity's anticipated future service delivery activities and resource needs.   It is the IPSASB's view that service performance information will provide resource providers and their representatives with additional information necessary for their assessment of these matters.

4.3   Service Performance Information Needed to Meet User Needs

4.3.1   The research identified five different types of service performance information, currently being reported, that are necessary to meet the needs of users.   These types of service performance information include: (1) information on the public sector entity's goals and objectives, (2) input, output, outcome, efficiency, and effectiveness measures, (3) comparisons of actual results over time and to targets, (4) time-oriented information, and (5) "customer satisfaction" and "customer perceptions" information.

4.3.2   Two types of service performance information currently being reported by sub-national governments were also identified as being necessary to meet the needs of users. These two types of service performance information are information on the need or demand for services and information on the factors that influence results. Because services are primarily provided to address the needs of users, information on the need or demand for services may be necessary for users to make an assessment of the level of services necessary to achieve desired results. Because there may be external and internal factors that influence service performance, other than the program or service delivery itself, information on the factors that influence results may be necessary for users to make an assessment of the affects

of these factors on actual results. Therefore, the different types of service performance information identified as necessary to meet the needs of users are:

(a)   Information on the public sector entity's goals and objectives;

(b)   Input, output, outcome, efficiency and effectiveness measures;

(c)   Comparisons of actual results over time and to targets;

(d)   Time-oriented information;

(e)   Customer satisfaction and customer perceptions information;

(f)   Information on the need or demand for services; and

(g)   Information on factors that influence results.

4.4   *Information on the Public Sector Entity's Goals and Objectives*

4.4.1   Information on the public sector entity's goals and objectives provides users with a basis for assessing, (1) the degree of achievement of the intended results of public sector programs and services, and (2) whether the indicated purpose of a program or service is consistent with what users believe is important. This is why some jurisdictions' central governments require not only service performance reports, but also planning reports on the entities' mission, goals, and objectives, and how it will achieve them. Information on the public sector entity's goals and objectives has been identified as a content element that needs to be reported in order to effectively communicate service performance (Section 6.4).

4.5   *Input, Output, Outcome, Efficiency, and Effectiveness Measures*

4.5.1   Input, output, and outcome measures are the most common types of service performance information currently reported that may be necessary for meeting the needs of various users. Input, output, and outcome measures are definitive and provide a clear and understandable means of communicating service performance information in an objective way. For example, the cost to repair a pot hole (input), the number of pot holes repaired (output), and the increase in average speed of drivers over repaired roads (outcome). These measures also are the most common types of service performance information because they link financial and non-financial information to communicate to users how entrusted resources were used and what was achieved as a result of their usage. Because inputs are used directly or indirectly to produce outputs (and contribute to the achievement of outcomes), this information may assist users in assessing the fiscal stewardship of public resources and provide greater accountability. When financial and non-financial service performance information is linked, results (outputs and outcomes) and resources (inputs) are aligned, and the relationship between them may become more evident to users. Information on input, output, outcome, efficiency, and effectiveness measures has been identified as a content element that needs to be reported by public sector entities in order to effectively communicate service performance (Section 6.6).

4.6   *Comparisons of Actual Results Over Time and to Targets*

4.6.1 Comparisons of actual results over time and to targets are important to the usefulness of service performance information because it provides a frame of reference for users to assess service performance. Service performance measures/indicators, if presented alone, do not provide a basis or context for assessing service performance of programs and services.

4.6.2 Time series comparisons provide users with information of value in assessing whether results are improving, deteriorating, or remaining the same over time. Time series comparisons also assist users in assessing the reasonableness of targets.

4.6.3 Comparisons of targets to actual results also are useful in the reporting of public sector service performance. Developing measures/indicators, targets, and benchmarks helps public sector entities at all levels to better assess the degree of accomplishment of the entities' goals and objectives.

4.7 *Time-oriented Information*

4.7.1 Time-oriented information assists in evaluating the effectiveness of projects or programs. This is especially important if policy-makers/public sector authorities wish to achieve certain goals within a limited amount of time. Time-oriented service performance information is important to users who wish to make periodic assessments of the degree to which progress is being made in the achievement of certain goals and objectives. In many cases, it takes a public sector entity many years to achieve the desired final results. Therefore, users may benefit from service performance measures that indicate whether progress is being made towards the end result may assist users in assessing whether a program or service is likely to achieve that desired end result.

4.7.2 However, time-oriented information received by users may inaccurately convey information about the progress made on the achievement of desired end results. For example, a measure of a programs' results, at a given time, may not reflect positively that progress is being made to support the achievement of desired end results. However, as the program continues, this same measure may conversely indicate satisfactory progress because results are being measured after more time has passed. This may lead users to form an inaccurate conclusion on whether the program or service is likely to achieve the final desired results.

4.8 *Customer Satisfaction and Customer Perceptions Information*

4.8.1 The reporting of service performance information may include customer perceptions of the quality and satisfaction with the results of programs and services. This information is often important for holding public sector entities accountable for improving the quality of the programs and services they provide. Particularly where the services are customer focused, this information assists in ensuring a more complete view of the results of programs and services and including results not reflected in public sector entities' other "objective" measures of outputs and outcomes. Measures of customer satisfaction and customer perceptions allow identification and evaluation of differences between the

quantitative measures of achievement of results and the qualitative measures of how others perceive those results.

4.8.2 However, customer satisfaction and customer perceptions may not be as useful in cases where there is little or no customer element, as for example, with prisoner custody. Also, they often are lagging measures because they are formulated based on information that is reported to them after the fact, which may provide an inaccurate picture of current performance. As well, the perceptions may be based on information that is not reliable because of its source. The reporting of customer satisfaction and customer perceptions may therefore lead to inaccurate assessments of program and service satisfaction levels, which in turn may lead to decisions being made based on inaccurate perceptions rather than actual results.

4.9 *Information on the Need or Demand for Services*

4.9.1 Information on the need or demand for services was not identified during the initial research as a type of service performance information currently being reported by public sector entities to meet the needs of users. However, because services are primarily provided to address the needs of users, some believe it may be appropriate to consider the reporting of this type of information. These needs, when recognized and expressed by users, may create a demand for a service. The level of resources committed to providing such a service may reflect what is required to satisfy that need and to achieve the desired results. The level of service provided, however, may be more or less than necessary to satisfy the level of need for that service. In certain instances, information about the level of need or demand for a service may help users to understand the level of service performance achieved and whether the level of services provided is appropriate to meet the need for that particular service.

4.9.2 However, information on the need or demand for services is often not available, and when available may not be reliable because taxpayers and customers may be expressing a need for a service without putting it into the context of all services being provided with available resources. Reporting on the demand for services may provide users with service performance information that distracts them from the actual results of programs and services.

4.10 *Information on Factors that Influence Results*

4.10.1 Information on factors that influence results also was not identified during the initial research as a type of service performance information currently being reported to meet the needs of users. However, because there may be external and internal factors that influence service performance, other than the program or service delivery itself, some believe it may be appropriate to consider the reporting of this type of information. Information about these factors is important because it may assist users in understanding how actual results may be affected by factors other than the service being provided. Providing service performance information on the factors that influence results may provide users with: (1) information clarity over the intervention logic assisting them in understanding that results are affected by other factors as well as the services provided, (2) assistance

in determining whether a service needs to be modified to address certain factors that are not associated with the direct delivery of the service.

4.10.2 However, establishing linkages between factors that influence results and the delivery of services is very difficult. Therefore, it is challenging to use the factors that may influence results in assessing service performance because of the lack of identifiable correlations. The use of these factors may lead to users making erroneous conclusions about the pubic sector's performance.

5 THE QUALITATIVE CHARACTERISTICS OF SERVICE PERFORMANCE INFORMATION

5.1 The Qualitative Characteristics of Information Included in GPFRs of Public Sector Entities

5.1.1 The IPSASB has proposed that the qualitative characteristics of information included in GPFRs of public sector reporting entities are: relevance, faithful representation, understandability, timeliness, comparability, and verifiability. The IPSASB has also recognized that there are pervasive constraints on the information included in GPFRs. These constraints are materiality, cost-benefit, and achieving an appropriate balance between the qualitative characteristics. In the Conceptual Framework ED 1, the following is stated in paragraph 3.5, "The need for additional guidance on interpreting and applying the qualitative characteristics to information that extends the scope of financial reporting beyond financial statements including their notes will be considered in the development of any IPSASs and other pronouncements of the IPSASB that deal with such matters."

5.1.2 The IPSASB has considered the applicability of the qualitative characteristics of information included in GPFRs, already identified by the IPSASB, to service performance information. Based on this consideration, the IPSASB believes that the same qualitative characteristics of information included in GPFRs of public sector reporting entities are applicable to service performance information.

5.1.3 Similar to financial information, service performance information needs to possess certain qualitative characteristics in order to effectively communicate to users the performance of an entity or its programs and services. The content elements discussed in Section 6 are enhanced by the qualitative characteristics. The qualitative characteristics help to ensure that certain basic attributes are possessed by the service performance information being reported.

5.2 *Relevance*

5.2.1 In its Conceptual Framework ED 1, the IPSASB has proposed that financial and nonfinancial information is relevant if it is capable of making a difference in achieving the objectives of financial reporting. In order to be relevant, service performance information needs to have a close logical relationship between the information provided and the purpose for which it is intended to be used. Because the purpose of a public sector entity or its programs and services is not to

generate wealth, no single measure/indicator of service performance is readily available to assist users in assessing accountability and in making decisions. A broad variety of service performance measures/indicators may therefore be required to provide relevant service performance information to meet the diverse needs of the different users.

5.2.2   The IPSASB believes that relevance needs to be specifically recognized as a necessary qualitative characteristic of service performance information.   The relevance of a service performance report primarily depends upon whether the service performance information included provides a basis for users to assess the degree to which the entity or its programs and services is achieving what it intended to accomplish.

5.3   *Faithful Representation*

5.3.1   In its Conceptual Framework ED 1, the IPSASB has tentatively agreed that for information to be useful in financial reporting, it must be a faithful representation of the economic and other phenomena that it purports to represent.   To be a faithful representation, service performance information needs to be free from bias and represent what it purports to represent.   Therefore, service performance information needs to be derived from systems that produce controlled and verifiable data.

5.3.2   It may not be feasible to obtain precise information for some of the more relevant measures/indicators reported because of the complexity and the sources of the service performance information.   Under certain circumstances, the service performance information being reported may be based on estimates. If service performance measures/indicators utilize information based on estimates, the estimates need to be appropriately explained to users so that they may determine the degree to which they believe the estimates are faithful representations of the actual information.

5.3.3   The IPSASB believes that faithful representation needs to be specifically recognized as a necessary qualitative characteristic of service performance information.   Faithful representation is important in order for users to have confidence that the service performance information that is reported is a realistic representation of the service performance of a public sector entity's programs and services.

5.4   *Understandability*

5.4.1   In its Conceptual Framework ED 1, the IPSASB has proposed that understandability is the quality of information itself, and how it is communicated, that enables users to comprehend the meaning of the information.   Including understandability as a qualitative characteristic of service performance information recognizes that in order for this information to be understandable to users, it needs to be communicated simply and clearly.   Users have different purposes for reviewing service performance information, as well as different interests, needs, levels of understanding, and public involvement.   An entity,

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therefore, may obtain feedback from actual or potential users of a service performance report in order to enhance the understandability of the reported service performance information.

5.4.2   Developing a service performance report that communicates service performance information to users in an understandable manner may depend on (a) the manner in which service performance information is presented, (b) the users' ability to comprehend the information, (c) the users' knowledge of an entity or its programs and services, and (d) the users' willingness to study and analyze the information with reasonable diligence. The preparation of service performance information, and any guidance on that, will need to assume a reasonable level of knowledge by users.

5.4.3   The manners of presentation commonly used in service performance reports include charts and tables with numeric measures/indicators of service performance, graphs showing the relationships between two or more components of service performance information, and objective narrative descriptions of results. Charts, tables, or graphs may be used to enhance the ability of users to understand service performance information by showing many different types of comparisons, such as to targets, or previous periods.

5.4.4   The IPSASB believes that the qualitative characteristic of understandability needs to be specifically recognized as a necessary qualitative characteristic of service performance information. Because users approach service performance information with different backgrounds and process that information differently, service performance reports need to communicate information using a variety of methods designed to meet the needs of various groups of users. By communicating service performance information using a variety of methods, preparers may enhance users' ability to understand this information.

5.5   *Timeliness*

5.5.1   In its Conceptual Framework ED 1, the IPSASB has proposed that timeliness means having information available to users before it loses its capacity to be useful for accountability and decision-making purposes. Including timeliness as a qualitative characteristic of service performance information recognizes that service performance reports need to report this information to users before it loses its capacity to be useful for accountability and decision-making purposes. Timeliness alone does not make information useful; however, the passage of time generally diminishes its usefulness.

5.5.2   The IPSASB believes that the qualitative characteristic of timeliness needs to be specifically recognized as a necessary qualitative characteristic of service performance information. Service performance information needs to be reported in a timely manner so that it will be available to users before it loses its capacity to be of value in assessing results.

5.6   *Comparability*

5.6.1   In its Conceptual Framework ED 1, the IPSASB has proposed that comparability is the quality of information that enables users to identify similarities in, and differences between, two sets of phenomena. Including comparability as a qualitative characteristic of service performance information recognizes that this information needs to provide users with a basis and context for assessing an entity's service performance. Service performance measures/indicators, if presented alone, do not provide users with a basis or context for assessing service performance. If the information presented within a service performance report is comparable and comparisons are presented, the information provides users with a frame of reference to assess an entity's service performance. To assess whether the reported service performance is improving, deteriorating, remaining the same, or at an acceptable level, users need comparative information such as measures/indicators from earlier periods or established targets.

5.6.2   Time series comparisons and comparisons with targets are the main types of comparative service performance information included within service performance reports. Time series comparisons provide users with a basis for comparing the results of two or more periods. Time series comparisons also provide users with service performance information to use in assessing whether results are improving, deteriorating, or remaining the same over time. However, time series comparisons do not provide users with a basis for assessing whether the results are at an acceptable level. Comparisons to targets set by the entity provide users with a means of assessing whether the entity is achieving the level of results anticipated. However, targets may be established that are too high or too low. Therefore, to assist users in assessing the reasonableness of targets, they may be compared against prior-period actual results.

5.6.3   The IPSASB believes that comparability needs to be specifically recognized as a necessary qualitative characteristic of service performance information. Service performance measures/indicators, when reported alone; do not provide users with a basis for assessing or understanding the level of service performance. Further, the inclusion of comparative information may assist in providing users with a basis for assessing the service performance being reported.

5.7   *Verifiability*

5.7.1   In its Conceptual Framework ED 1, the IPSASB has proposed that verifiability is the quality of information that helps assure users that information in GPFRs faithfully represents the phenomena that it purports to represent. Including verifiability as a qualitative characteristic of service performance information recognizes that users may need to assess whether the information in a service performance report could be replicated by independent evaluators using the same measurement methods. Generally, service performance information needs to be derived from systems producing verifiable data. Assurance may be achieved by verification of an measure/indicator itself or by selected testing to verify the procedures used to obtain the service performance information reported by the measure/indicator. In addition to independent verification (such as an audit), there are other ways for users to assess the verifiability of service performance

information; for example, system control reviews conducted internally and program staff or director evaluations.

5.7.2 The IPSASB believes that verifiability needs to be specifically recognized as a necessary qualitative characteristic of service performance information. One way to assist users in determining to what degree the service performance information is reliable is to provide them with information upon which they may base their assessment of the verifiability of the service performance information. Once users have established this basis, service performance information may be more widely and effectively used in their decision-making process.

5.8   Constraints on Service Performance Information

5.8.1 Materiality, cost/benefit relationship, and achieving an appropriate balance between the qualitative characteristics are pervasive constraints on service performance information. A pervasive constraint represents a limitation that is applicable to all of the qualitative characteristics. For example, if the costs of reporting service performance information are considered to be greater than the benefits that the information may provide to users, this may supersede the need and relevance of reporting the service performance information.

5.9   *Materiality*

5.9.1 Materiality represents the magnitude of an omission or misstatement of service performance information that under the circumstances makes it probable that the judgment of a reasonable person relying on the service performance information would have been changed or influenced by the omission or misstatement. Materiality depends on both the nature and amount of the service performance information in the particular circumstances of each public sector entity. As a result, it is not possible to specify a uniform quantitative threshold at which a particular type of service performance information becomes material.

5.9.2 The pervasive nature of materiality makes it difficult to consider the concept except as it relates to the other qualitative characteristics. For example, if the omitting or misstating of certain service performance information does not influence an accurate assessment of the performance of a public sector entity's programs or services, it would not be considered material and therefore provide a basis for limiting the service performance information that needs to be reported.

5.10   *Cost/Benefit*

5.10.1 The reporting of service performance information imposes costs. The benefits of reporting service performance information should justify those costs. Assessing whether the benefits of providing service performance information justify the related costs is often a matter of judgment because it is often not possible to identify and quantify all of the costs or benefits of reporting service performance information.

5.10.2 The IPSASB recognizes that an accountability perspective in service performance reporting complicates the cost/benefit analysis of information because accountability reporting may be virtually without limits. Cost encompasses the

cost of preparing, auditing, and using service performance information. The IPSASB intends to maintain a broad perspective of the meaning and implications of accountability reporting. At the same time, it recognizes that service performance information considered relevant by some users, is not relevant to others. Excessive detail may confuse rather than clarify.

5.11 *Balance Between the Qualitative Characteristics*

5.11.1 Reaching an appropriate balance between the qualitative characteristics is necessary. As noted in the Conceptual Framework ED 1, the qualitative characteristics work together in different ways to contribute to the usefulness of the service performance information. For example, in order for service performance information to be relevant, it must also be timely and understandable.

5.11.2 There often is a balancing or trade-off between the qualitative characteristics to achieve the objectives of accountability and informing decision-making. The relative importance of the qualitative characteristics in each situation is a matter of professional judgment. For example, there is often a trade-off between the degree of verifiability and the relevance of service performance information being reported. However, there may be a point beyond which some trade-offs between the qualitative characteristics would not be considered acceptable.

6 WHICH CONTENT ELEMENTS OF SERVICE PERFORMANCE INFORMATION SHOULD BE CONSIDERED FOR INCLUSION IN GENERAL PURPOSE FINANCIAL REPORTS

6.1 Content Elements in Current Use

6.1.1 The research identified that although no two jurisdictions have identical service performance reporting frameworks that are required or encouraged within GPFRs, there are some similarities in the service performance information that is reported. The similar service performance information components identified within these frameworks were: information on the scope of the report, information on goals and objectives, information on the achievement of goals and objectives, comparisons over time and of actual to targeted results, narrative discussion of results, and certain qualitative characteristics that non-financial information (measures/indicators) needs to possess.

6.1.2 Two components identified, comparisons over time and of actual to targeted results and certain qualitative characteristics that non-financial information needs to possess, are included within the qualitative characteristics (Section 5) that service performance information needs to possess in order to effectively communicate to users the performance of an entity or its programs and services.

6.2 Types of Content Elements that Should be Considered for Inclusion in General Purpose Financial Reports

6.2.1 A content element sets forth the service performance information that needs to be reported by public sector entities in order to effectively communicate their service

performance. The more common content elements of service performance information identified during the research that may be necessary to meet the needs of users include:

a) Information on the scope of the report;

b) Information on goals and objectives;

c) Information on the achievement of goals and objectives; and

d) Narrative discussion of results.

6.3   *Information on the Scope of the Service Performance Information Presented*

6.3.1   The research identified the scope of the service performance information presented as a commonly reported content element for service performance information included in GPFRs. Information on the scope of the service performance information presented may include descriptions of:

- What programs and services have been included in the service performance information presented;

- The reasons why the programs and services being reported on were chosen, including any capacity considerations that may have influenced their inclusion;

- The period covered by the service performance information presented;

- The frequency and sources of the service performance information presented;

- The level of detail of the service performance information presented; and

- The extent of assurance or verification, if any, obtained on service performance information.

6.3.2   The reporting of service performance information may include a statement of scope describing what programs and services are included in the report as well as a description of those programs and services, the reasons they were chosen for inclusion, and any capacity considerations that may have influenced their inclusion. Most entities are complex, often with many separate programs offering multiple services. An entity may choose to only report selected programs or services within its service performance report rather than the entity in its entirety. This choice may be based on a number of factors including the materiality, risk, and sensitivity of the service performance information. As a result, users of a service performance report need information to be able to determine which programs or services are included as well as the reasons why they were chosen for inclusion in the service performance report. When users have this information, they may determine if the service performance report is relevant to them and if it

will provide the kind of information they need to make informed decisions and reach conclusions about the results of the entity's service performance.

6.3.3   The statement of scope also may describe the period covered by the report or specific reported service performance measures/indicators and the frequency and sources of service performance information collected. Providing this type of scope information may give users a basis for determining whether the service performance information is reported regularly and in a timely manner. When users have this information, they may be able to determine if the service performance information is useful for their assessment of accountability and their decision-making.

6.3.4   The statement of scope may identify the level of detail of the service performance information presented—for example, at an overview or executive summary level of an entity as a whole or at a more detailed level by geographic area—and the reasons an entity has decided to report at that level. Users of service performance information may have different levels of knowledge, interests, and needs for this type of information. Therefore, in order to meet the varying needs of the majority of users, an entity needs to consider what level or levels of detail are necessary to most effectively communicate service performance information. In knowing what service performance information is included within each level, users may more appropriately choose which level or levels of detail provide them with the information they need to make assessments and informed decisions.

6.3.5   For users to assess the degree of reliability of the service performance information, the statement of scope may discuss the extent of assurance or verification, if any, obtained on service performance information. A discussion on the extent of assurance or verification obtained may clearly present the methodologies used and any limitations in the reliability of the service performance information presented. Providing this type of assurance or verification information may give users a basis for assessing the degree to which they can rely on the service performance information being presented. Once this basis is established, the information may be more widely and effectively used in assessing accountability and in making decisions.

6.4   *Information on Goals and Objectives*

6.4.1   The research identified information on the goals and objectives of a public sector entity as a commonly reported content element for service performance information included in GPFRs. Information on goals and objectives may include descriptions of:

- The goals and objectives of the programs and services being presented;

- The sources of the goals and objectives presented;

- The link between the goals and objectives and the measures/indicators of the achievement of the goals and objectives being presented; and

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

6.4.2   The reporting of service performance information may state the goals and objectives of the programs and services included within the report. Providing information on their goals and objectives may give users a basis for understanding what an entity intends to accomplish through its programs and services. When users have this information they may be able to assess whether programs and services are directed towards the accomplishment of what the entity has agreed to accomplish. They also may be able to assess the degree to which the reported service performance information provides a basis for assessing the results of the achievement of those goals and objectives.

6.4.3   Service performance information may state the sources of the goals and objectives and explain the link between the goals and objectives and the measures/indicators of achievement of those goals and objectives. Goals and objectives need to set forth what the entity intends to achieve, while service performance measures/indicators need to provide relevant indicators of the level of accomplishment of those goals and objectives. Providing users with information on the sources of the entity's goals and objectives may assist them in assessing how relevant those goals and objectives are to their needs and interests based on who is responsible for the establishment of the goals and objectives. For example, goals and objectives that are established strictly by management may not consider the needs and interests of various types of users. Providing information on how goals and objectives link to the reported service performance measures/indicators may assist users in assessing an entity's achievement of those goals and objectives.

6.4.4   Some entities establish goals and objectives for the entity as a whole as well as goals and objectives for their specific programs and services. These entities also may articulate how the goals and objectives of specific programs and services relate to the goals and objectives of the entity as a whole, to the extent such a relationship exists. It is important for users to be able to understand whether entity wide goals and objectives are being advanced through the entity's specific programs and services. Providing users with information on both levels of goals and objectives may allow them to determine if the entity-wide goals and objectives are encompassed within the goals and objectives of the entity's specific programs and services.

6.5   *Information on the Achievement of Goals and Objectives*

6.5.1   The research identified information on the achievement of an entity's goals and objectives as a commonly reported content element for service performance

information included in GPFRs. Information on the achievement of goals and objectives may include:

- Relevant measures/indicators that provide a basis for assessing the service performance of the programs and services presented; and

- Positive achievement and lack of achievement in goals and objectives of programs and services.

6.5.2   The reporting of service performance information may focus on measures/indicators that will assist users in assessing the performance of the programs and services being reported and the achievement of goals and objectives. The use of relevant measures/indicators within a service performance report may provide users with necessary information to facilitate their development of conclusions regarding the important aspects of an entity's service performance without overwhelming them with more information than they can assimilate. The number and type of measures/indicators reported may vary depending on the level of reporting, with additional measures/indicators included at more detailed levels of reporting.

6.5.3   Striking a balance between being concise enough to be understandable and comprehensive and objective enough in its coverage of an entity's goals and objectives to communicate results, whether positive or negative may be considered. The use of several levels of reporting may assist entities in achieving this balance by allowing more concise presentations at higher levels and more comprehensive coverage at more detailed levels. To the degree feasible, a service performance report also needs to present the service performance measures/indicators that users consider to be important and relevant. Providing information to users on the achievement of goals and objectives that is comprehensive, objective, and relevant, may encourage a broader use of this information, which may in turn provide users with a basis for more informed decision-making.

6.5.4   Providing users with information to determine whether there are service performance measures/indicators that provide a basis for assessing the achievement of an entity's goals and objectives may be considered   This information may assist them in identifying what goals and objectives are not being measured. Also, by providing information on service performance measures/indicators that are based on estimates, users may ascertain the degree to which they may choose to rely upon the service performance measures/indicators. A user also needs a basis for assessing the degree to which an entity has achieved what it intends to achieve. Without goals and objectives users would not have a basis for making this assessment. Therefore, entities that do not have formal goals and objectives need to have some method of determining what they intend to accomplish and how to communicate this to users of a service performance report.

6.6   *Types of Measures/Indicators on the Achievement of Goals and Objectives*

6.6.1   As noted earlier, the research identified five broad types of service performance measures/indicators. The five types of service performance measures/indicators identified include: (1) inputs, (2) outputs, (3) outcomes, (4) efficiency, and (5) effectiveness. The value of these types of measures are enhanced when linked back to the goals and objectives established by that particular public sector entity. Aligning input, output, and outcome measures with the goals and objectives established may help users to assess the relationship between resources and results and how resource availability may have influenced the achievement of goals.

6.6.2   Users of service performance information may need different types of measures/indicators because they understand, analyze, and make assessments of the information in different ways.   Including measures/indicators from some, but not all, types may not provide users with sufficient service performance information to accurately assess performance of a public sector entity's programs and services.

6.6.3   In order to assess the achievement of goals and objectives, users need information about measures/indicators from each of the five types because including measures/indicators from some but not all types may not provide users with the information necessary for them to assess certain aspects of an entity's service performance. For example, reporting only input measures/indicators does not provide information on the quantity of programs and services being provided, and information on the degree to which desired results are being achieved. Second, reporting only output measures/indicators does not provide information on the resources used in providing programs and services, and information on the degree to which desired results are being achieved. Lastly, reporting only outcome measures/indicators does not provide information on the level or type of resources used in achieving those outcomes, and information on the quantity of programs and services being provided to achieve those outcomes.

6.6.4   However, reporting all five types of measures/indicators, inputs, outputs, outcomes, efficiency, and effectiveness, may result in too many measures being reported. This may overwhelm users and lessen their ability to focus on those measures/indicators that would have the greatest influence on their assessment of accountability or decision-making processes. In addition, public sector entities that lack the resource capacity to report all five types of measures/indicators may become discouraged and as a result, decide not to report any service performance information.   Further, some may attempt to report all five types of measures/indicators even when reliable data is not available for all five types of measures/indicators leading to the reporting of inaccurate service performance information to users.

6.6.5   Information on the relationships between input, output, and outcome measures also are commonly needed by users. These measures are often expressed as "efficiency" (input-to-output) measures/indicators and "effectiveness" (output-to-outcome) measures/indicators. Efficiency measures/indicators are more valuable when linked back to the goals and objectives established for public sector

programs and services being provided. Efficiency measures/indicators provide information that may assist users in assessing the production of outputs using a given level of resources. Effectiveness measures/indicators provide information that may assist users in assessing whether the outcomes being achieved are commensurate with the outputs provided.

6.6.6 However, not being able to gather relevant and reliable cost (input) information may prove to be an impediment to a public sector entity developing efficiency measures/indicators. This may discourage public sector preparers from attempting to report service performance information. The inability to gather relevant and reliable input information also may lead to the reporting of efficiency measures that are not accurate indicators of service performance. This may mislead users and result in inappropriate assessments of the efficiency of public sector programs and services. The inability to gather relevant and reliable outcome information and to establish a causal relationship between the outputs produced with the outcomes achieved may prove to be an impediment to a public sector entity developing effectiveness measures/indicators. This may also discourage public sector preparers from attempting to report service performance information or lead to the reporting of inaccurate measures/indicators of service performance.

6.7   *Narrative Discussion of the Achievement of Goals and Objectives*

6.7.1 The research identified a narrative discussion of the achievement of goals and objectives as a commonly reported content element for service performance information included in GPFRs. A narrative discussion of the achievement of goals and objectives may include a discussion of:

- The objective explanations of the results being reported;

- The factors that may have influenced the achievement, or lack thereof, of the goals and objectives of programs and services presented; and

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

6.7.2 A narrative discussion of the achievement of goals and objectives may provide an objective explanation of the results being reported. This discussion needs to focus on the major and critical results being reported, together with the reasons why the actual results differed from the intended results. The discussion of the achievement of goals and objectives present a balanced view, including both positive and negative aspects of an entity's service performance. Providing users with objective and balanced information on the achievement of goals and objectives may assist users in determining that the service performance report includes the information that is necessary to faithfully represent major results.

6.7.3 Including a narrative discussion of the factors that may have influenced the achievement, or lack thereof, of goals and objectives, within the reporting of service performance information may assist users in understanding the reported

achievements and the public sector entities understanding of the factors that may have influenced those achievements, or lack thereof.

6.7.4 The indirect consequences (both positive or negative and intended or unintended) of the programs and services provided also need to be discussed. These consequences may not be directly associated with the stated goals and objectives of a public sector entity or its programs and services and may not be anticipated. Providing this information may assist users in understanding that the results of programs and services may include effects that are beyond those anticipated by the entity. Understanding these effects may assist users in their assessment of the results of programs and services because they may alter the users' perception of results achieved and therefore may lead users to reach more informed conclusions.

6.7.5 Similar to measures/indicators of service performance, the discussion of the achievement of goals and objectives and factors that influence those achievements needs to strike a balance between being concise and comprehensive. To the degree feasible, the discussion also needs to focus on the information that users consider to be most important. Providing a narrative discussion of the achievement of goals and objectives and factors that influenced those achievements that is concise and comprehensive may encourage the use of this information, which may then provide a basis for more informed decision-making by users.

6.8   Challenges of Reporting Service Performance Information

6.8.1 Reporting service performance information to service recipients and resource providers that can be used for accountability and decision-making purposes is most likely to be useful when:

- Service performance expectations are clearly specified and the degree of their achievement is clearly presented,

- Responsibility for the service performance can be clearly assigned,

- The relationship between inputs, outputs, and outcomes is understood,

- Service performance information can be reliably measured,

- Service performance information is presented in an understandable manner,

- There is assurance the service performance information is not biased, and

- The consequences of the service performance information to service recipients and resource providers are clear.

6.8.2 In many areas of public sector program and service activity, complexity makes it common that performance expectations are only set broadly. Therefore, it is important to identify service performance expectations clearly. For example, where the services are delivered by professional, using their collection of professional skills and knowledge to react to rapidly changing conditions, it can

be very difficult to set targets, and there will be appropriate opposition if targets are set that are not sensitive to their needs. Also, there can be political value in not presenting specific service performance expectations. The lack of specified service performance expectations removes the possibility of public sector officials being held accountable for their achievement.
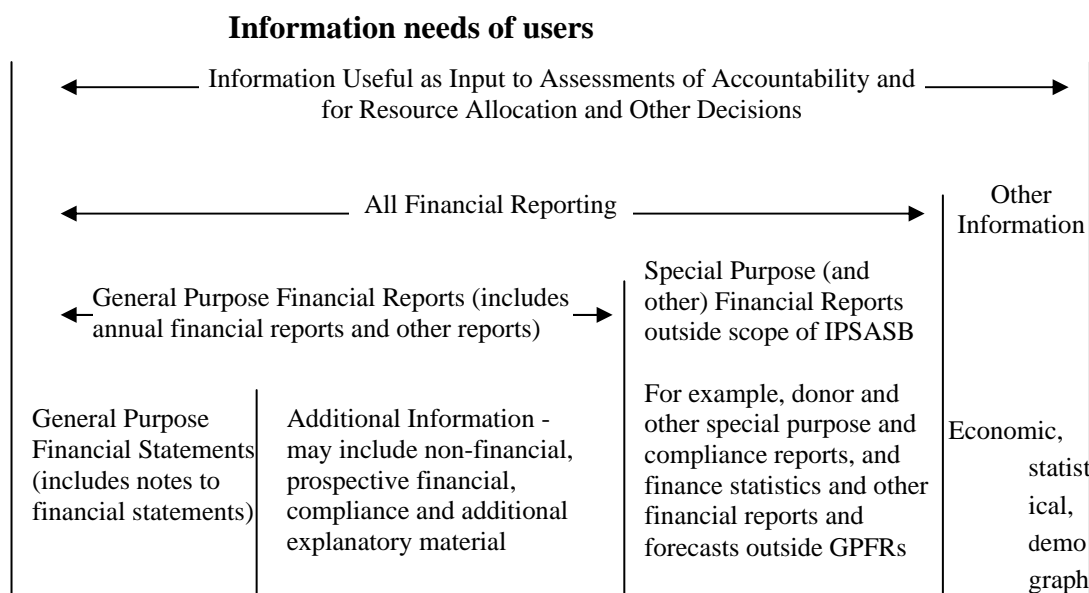
6.8.3 For service performance information to be used in assessing accountability and making decisions, users need to able to assess the degree to which their expectations for service performance have been achieved. If no results of service performance are reported to compare against expectations, users will not have a basis for assessing whether service performance is acceptable.

6.8.4 Where responsibilities are shared between entities or organizational units, it can be difficult to attribute the service performance. Therefore, it is important to assign responsibility for the service performance Splitting the shared responsibilities to overcome this issue may make it harder to determine whether the desired outcome is being achieved.

6.8.5 When reporting service performance information it is important to understand the relationship between inputs, outputs, and outcomes. Often empirical research provides inconclusive evidence of the interrelationship between inputs, processes, outputs, and outcomes. Users are primarily interested in how inputs and outputs are used to achieve desired outcomes. Therefore, understanding the relationship between them is critical to their assessment of service performance.

6.8.6 Given the large number of measurements that can be made of a single program or service, it is common to provide only a few key measures/indicators in order to avoid overwhelming users. It is important to present information that can be reliably measured. However, this selection of key measures/indicators allows for the manipulation by the selection of those measures/indicators that present positive results instead of those that might present negative results. Also, users need to feel assured that the measures/indicators being reported are reliable.

6.8.7 Users have different purposes for reviewing service performance information, as well as different interests, needs, levels of understanding, and public involvement. As a result, the reporting of service performance information is most useful to users when it considers these differences when preparing a report and the information in an understandable manner.

6.8.8 As with the reporting of all accountability reports there are disincentives for preparers to provide service performance information critical of their performance. If the service performance information reported is not regarded as a faithful representation of the public sector entity's performance, users may be unwilling to invest time and resources to review the report and assess performance. Therefore, it is important to provide some level of assurance that the service performance information reported is not biased.

6.8.9 How to respond to the service performance information reported is not always obvious to users. Therefore, it is important to provide a clear discussion of possible consequences of the service performance information to service

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recipients and resource providers.For example, to the extent that an outcome produced is not as effective or efficient as expected, further analysis will be necessary to assess whether the appropriate action is to provide more or less resources in delivering those services or to modify the service being provided.

7   ALTERNATIVES FOR REPORTING SERVICE PERFORMANCE INFORMATION

7.1   Relationship between General Purpose Financial Statements and General Purpose Financial Reports

7.1.1   In its first Conceptual Framework Consultation Paper, issued in September 2008, the IPSASB distinguished traditional General Purpose Financial Statements (GPFSs) and General Purpose Financial Reports (GPFRs). The exhibit (reproduced from that Consultation Paper) below illustrates the relationship between GPFSs and GPFRs.

Information needs of users

Information Useful as Input to Assessments of Accountability and for Resource Allocation and Other Decisions		
All Financial Reporting		Other Information
General Purpose Financial Reports (includes annual financial reports and other reports)	Special Purpose (and other) Financial Reports outside scope of IPSASB	
General Purpose Financial Statements (includes notes to financial statements)	Additional Information - may include non-financial, prospective financial, compliance and additional explanatory material	For example, donor and other special purpose and compliance reports, and finance statistics and other financial reports and forecasts outside GPFRs	Economic, statistical, demographgraph

7.1.2   GPFRs of public sector entities include, but are more comprehensive than, GPFSs (including their notes). GPFRs can report information about the past, present, and future that is useful to users—including financial and non-financial quantitative and qualitative information about the achievement of financial and service delivery objectives in the current reporting period, and anticipated future service delivery activities and resource needs. GPFRs are likely to comprise multiple reports, each responding to certain aspects of the objectives of financial reporting and matters included within the scope of financial reporting. The reporting of service performance information could represent one or more of these multiple types of reports.

7.1.3 The reporting of service performance information is likely to evolve over time and therefore the reporting guidance developed should be voluntary at this time (Section 1.3). As a result, the voluntary guidance developed for the reporting of service performance information could provide a basis for public sector entities to report this information, (1) in a separately issued general purpose financial report, (2) as part of the traditional general purpose financial report that is currently issued (annual financial report) but not part of the general purpose financial statements, or (3) in both a separately issued general purpose financial report and as a part of the currently issued traditional general purpose financial report (annual financial report).

7.1.4 As noted in its Conceptual Framework ED 1, GPFRs 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 GPFRs would represent a significant improvement in financial reporting practices for public sector entities. In the past, service performance information has not been included as part of external reporting by many public sector entities.

7.1.5 GPFRs focus on providing information to meet the needs of financial report users. This information may be provided in the annual financial report, or other separate GPFRs. Based on the objectives of GPFRs discussed in Section 1 (accountability and decision-making), providing users with information that will assist them in assessing the service performance of the reporting entity would help in meeting these objectives. Service performance information that assists users in assessing how efficiently and effectively public sector entities are using resources to provide programs and services and achieve their established goals and objectives should play an important role in GPFR.

7.2 Information Provided in a Separately Issued General Purpose Financial Report

7.2.1 Reporting service performance information in a separately issued GPFR may be appropriate because: (1) service performance information is largely non-financial and not considered to be supplementary to the financial information reported in the traditional GPFSs, (2) the time period of some or all of the service performance information being reported may be different than the time period of the GPFSs, (3) service performance information may be of interest to different users than those of GPFSs, and (4) the guidance on the reporting of service performance information is outside the scope of the project.

7.2.2 However, reporting service performance information in a separately issued GPFR may discourage preparers from preparing a service performance report because of the additional time and resources that may be needed. Preparers are already responsible for the preparation of several GPFRs and other financial reports. There often is a relationship between the traditional financial information reported in an annual financial report and service performance information (specifically inputs and efficiency measures/indicators). By reporting service performance information separately, users of this information may have more difficulty in

recognizing and assessing these relationships. Users also may have become accustomed to utilizing traditional annual financial reports for their decision-making processes. By reporting service performance information separately and perhaps at a different time than the annual financial report, users may not be aware of its availability and the value of the information to their decision-making.

7.3   Information Provided as Part of the Traditional General Purpose Financial Report

7.3.1   Reporting service performance information as part of the traditional GPFR may be appropriate because: (1) preparers would then not be responsible for the preparation of an additional GPFR specifically containing service performance information, (2) users would have the ability to access financial and non-financial information in one report that they may already be familiar with, (3) users may be able to more readily identify the relationship between traditional financial information and service performance information, and (4) presenting service performance information in conjunction with traditional financial information may encourage users of service performance information to become familiar with and use traditional financial information in their decision-making.

7.3.2   However, reporting service performance information as part of the traditional GPFR may cause preparers to not report the traditional financial information in as timely a manner. Gathering the nonfinancial information, especially if it relates to a different time period than the financial information, may require more time and resources at the end of the reporting period. Reporting service performance information as part of the traditional GPFR may confuse users of the traditional annual financial report because of the inclusion of nonfinancial information with the financial information already being reported. Reporting service performance information as part of the traditional GPFR also may result in a financial report that is too voluminous, which may discourage the use of this report by many potential users. Further, users who are interested primarily in service performance information may be discouraged from accessing the information because it is not as distinctly reported as it would be in a separate report.

7.4   Information Provided in Both a Separately Issued General Purpose Financial Report and as Part of the Traditional General Purpose Financial Report

7.4.1   Reporting service performance information in both a separately issued GPFR and as part of the traditional GPFR may be appropriate because users may be able to access, understand, and analyze service performance information, such as inputs and efficiency measures/indicators, where a relationship exists with traditional financial information.

7.4.2   However, reporting service performance information in both a separately issued GPFR and as part of the traditional GPFR may create confusion for preparers when trying to determine where to appropriately report service performance information. This could result in inconsistencies between public sector entities in the reporting, as well as between reporting periods for a public sector entity.

Reporting service performance information in both a separately issued GPFR and as part of the traditional GPFR also may create confusion for users in knowing where to access specific measures/indicators of service performance. Further, reporting service performance information in both places results in either duplicating information in both traditional GPFRs and separately issued GPFRs or not providing complete service performance information in one GPFR.