

Reporting of Service Performance Information

Consultation Paper
December 2012 Meeting
New York City, New York

Objectives For This Meeting

- The objectives of agenda item 3 are:
 - to further **review** responses to the Consultation Paper (CP), *Reporting Service Performance Information*,
 - to **confirm** preliminary views 3 and 4,
 - to **reach** consensus on the specific matters for comment, and
 - to **agree** on an approach to further develop this document.

Nature of Guidance to Be Developed—Specific Matter for Comment 1

- Almost a 50/50 split between those who support authoritative and those who support non-authoritative guidance
 - Slight majority supported some type of authoritative guidance
 - Even those who supported non-authoritative guidance expressed a preference for authoritative guidance in the long-term

Arguments for Issuing Non-authoritative Guidance

- Does not discourage entities from applying IPSAS because of lack of service performance information
- Recognizes that service performance information is “still evolving”
- Reflects that some countries already have performance reporting arrangements in place led by national jurisdictions, governing bodies, or by donors – additional guidance from IPSASB would overlap rather than complement

Arguments for Issuing Non-authoritative Guidance (continued)

- Accepts that the guidance proposed in the CP is not prescriptive and is not intended as a template for reporting all service performance information – not nature of an accounting standard
- Follows from a view that reporting on service performance is not necessary, particularly for financial statements

Arguments for Issuing Authoritative Guidance— Voluntary Standard (similar to IPSAS 22)

- Provides consistency and comparability in reporting service performance information for those entities that elect to report it
- Guards against countries being discouraged from adopting IPSASs, where the reporting of service performance information may be seen as a barrier
- Avoids situation whereby entities that currently comply with IPSAS may not be able to continue their compliance
- Represents a “middle ground” between authoritative and non-authoritative
- May encourage public sector service performance reporting to continue evolving over time
- Ensures the provision of key indicators to recipients – where no guidance exists

Arguments for Issuing Authoritative Guidance— Mandatory Standard

- Follows the view that service performance information is necessary to meet the objectives of general purpose financial reporting
- Would ensure that more comparable information is reported
- Would ensure that users have the information necessary for assessing the service performance of a public sector entity
- Could enhance compliance because mandatory requirements are more effective than encouragement

Nature of Guidance to Be Developed—Specific Matter for Comment 1—TBG View

- Non-authoritative Guidance (ED of an RPG)
 - Concerned that the practice of service performance reporting is not sufficiently developed for the IPSASB to issue authoritative guidance at this time
 - Believes that authoritative guidance may not be appropriate because we are not considering the reporting of a tightly integrated set of performance information with the financial statements
 - Sympathetic to view that, without some sort of authoritative requirement, few entities will elect to report service performance information and notes that there was support among respondents for authoritative guidance

Nature of Guidance to Be Developed—Specific Matter for Comment 1

- Question for the Board
 - What type of guidance do you think the IPSASB should issue related to service performance reporting?

Preliminary View 3

- The components of service performance information to be reported are:
 - Information on the scope of the service performance information reported,
 - Information on the public sector entity's objectives,
 - Information on the achievement of objectives, and
 - Narrative discussion of the achievement of objectives.
- **RECOMMENDATION**
 - IPSASB confirm this preliminary view

Why Confirm Preliminary View 3?

- The needs of users identified in the proposed conceptual framework were used to identify the four dimensions of service performance information.
- The four components of service performance information were identified as providing information relative to the dimensions.
- The research identified that although no two jurisdictions have identical service performance reporting presentation frameworks that are required or encouraged to be followed within GPFRs, there are similarities in the presentation of service performance information reported.

Why Confirm Preliminary View 3 (continued)?

- The similar service performance information components identified within these frameworks include:
 - Information on the scope of the service performance information reported;
 - Information on the public sector entity's objectives;
 - Information on the achievement of objectives; and
 - Narrative discussion of the achievement of objectives.
- Overall there was strong agreement with PV3 and the TBG believes that this position has strong support
 - The discussions of issues have not resulted in substantive changes and are simply matters of clarification in response to singular (few) respondents.

Disagreements with Preliminary View 3

- The components of service performance proposed to be reported would provide “too” broad of a view of performance
 - Components intentionally provide a broad view—principles based framework
- The components reflect essentially the non-accounting nature of reporting
- The components would cut across several entities for many measures and therefore, the governments are not accountable for the outcomes
 - Components may allow for the reporting of service performance information that might include information about several entities

Components of Service Performance Information— Preliminary View 3

- Question for the Board
 - Do you confirm the preliminary view that the components of service performance information to be reported are
 - Information on the scope of the service performance information reported,
 - Information on the public sector entity’s objectives,
 - Information on the achievement of objectives, and
 - Narrative discussion of the achievement of objectives?

Preliminary View 4

- The qualitative characteristics of information and pervasive constraints on the information that is currently included in GPFRs of public sector entities also apply to service performance information.
- **RECOMMENDATION**
 - IPSASB confirm this preliminary view

Why Confirm Preliminary View 4?

- The pervasive constraints on information included in GPFRs apply to the reporting of service performance information.
- 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 services.

Why Confirm Preliminary View 4 (continued)?

- The components of service performance information 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.
- Overall there was strong agreement with PV4 and the TBG believes that this position has strong support.
 - The discussions of issues have not resulted in substantive changes and are simply matters of clarification in response to singular (few) respondents.

Disagreements with Preliminary View 4

- The qualitative characteristics relate to financial statements (GPFSS) and not service performance information (GPFR).
 - CF–ED 1 provides information on the qualitative characteristics of, and constraints on, information included in GPFRs, NOT GPFSSs.
 - More appropriate to consider this issue, and the scope of IPSAS issue, in its deliberations of the conceptual framework project.

Qualitative Characteristics of Information— Preliminary View 4

- Question for the Board
 - Do you confirm the preliminary view that the qualitative characteristics of information and pervasive constraints on the information that is currently included in GPFs of public sector entities also apply to service performance information?

Specific Matter for Comment 2

- Questioned whether respondents agreed that this project should not identify specific indicators of service performance?
- **RECOMMENDATION**
 - IPSASB reach consensus that this project should not identify specific indicators of service performance.

Why agree with the Recommendation?

- There is strong support for not identifying specific indicators of service performance within this project (Almost all respondents).
- Relevant indicators of service performance may differ between public sector entities because:
 - Services provided by public sector entities are diverse and often complex in nature
 - Public sector entities have different objectives for the services they deliver

Disagreements with the Recommendation—Specific Matter for Comment 2

- The project should identify specific indicators of service performance—increases comparability
 - Difficult, if not impossible, to develop minimum guidance on the selection of specific performance indicators because the services provided by public sector entities are so numerous and diverse
 - The unique perspectives and professional and technical knowledge of individuals and groups that a public sector entity collaborates with (management personnel, elected officials, parliament, citizens, auditors, professional associations, and other interested parties) can inform the selection of specific performance indicators
 - Public sector entity objectives may not be the same for identical services and therefore identifying specific performance indicators may not provide relevant information on the achievement of those objectives

Specific Matter for Comment 2

- Question for the Board
 - Do you agree that this project should not identify specific indicators of service performance?

Specific Matter for Comment 3

- Questioned whether service performance information included in GPFRs should be prepared for the same reporting entity as for GPFSSs?
- **RECOMMENDATION**
 - IPSASB reach consensus that service performance information included in GPFRs should be prepared for the same reporting entity as for GPFSSs.

Why agree with the Recommendation?

- Many respondents agreed with the recommendation
- Reporting service performance information for the same reporting entity as for GPFS would include the most important and decision relevant information
- Will allow users to identify the relationships between the financial information (resources) and the service performance information, allowing for more informed decision-making

Disagreements with the Recommendation—Specific Matter for Comment 3

- It is necessary to report service performance information for a different reporting entity than GPFSs because:
 - GBEs have their own performance measures as applied in the private sector
 - If a GBE has their own established performance indicators, these indicators would be reported for the GBE regardless of whether the reporting was at the enterprise or entity wide level. The objectives would be the same in either case and would therefore report the same indicators.
 - Several entities may contribute jointly to one service
 - The CP indicates that this view would not preclude a government from reporting on its service performance within a service area (which may involve a number of entities); however, such reporting is outside the scope of the proposed framework

Disagreements with the Recommendation—Specific Matter for Comment 3

- It is necessary to report service performance information for a different reporting entity than GPFs because:
 - Public sector entities may be reporting on their service performance within a service area
 - Although the IPSASB is not proposing to issue guidance on the reporting of service performance at individual service levels, the proposed framework for reporting service performance information could be applied to individual service areas of the reporting entity.
 - Compilation of service performance information for the entire reporting entity would then become less complex.

Disagreements with the Recommendation—Specific Matter for Comment 3

- It is necessary to report service performance information for a different reporting entity than GPFs because:
 - Service performance information is generally reported within a budget framework
 - If service performance information is already being prepared as part of the budget process it will make the accumulation of this information easier at the reporting entity level
 - The boundaries should be left up to the discretion of the reporting entity and not prescribed by IPSASB.
 - Allowing entities to select their own boundaries for service performance reporting would not provide users with consistent and comparable service performance information across jurisdictions or that is consistent with GPFs.

Specific Matter for Comment 3

- Question for the Board
 - Do you agree that service performance information included in GPFRs should be prepared for the same reporting entity as for GPFSSs?

Specific Matter for Comment 4

- Questioned whether the dimensions of service performance information identified in the CP are appropriate? These dimensions include:
 - Information on the public sector entity’s objectives, including the need or demand for these objectives to be achieved (the “why” dimension);
 - Input, output, outcome, efficiency, and effectiveness indicators, including service recipient perceptions or experience information (the “what” dimension);
 - Comparisons of actual performance to be projected (or targeted) results, including information on the factors that influence results (the “how” dimension); and
 - Time-oriented information, including comparisons of actual results over time and to milestones (the “when” dimension).

Specific Matter for Comment 4

- RECOMMENDATION

- IPSASB reach consensus that the four dimensions of service performance information included in the CP are necessary to meet the needs of users identified in CF-ED 1.

Why agree with the Recommendation?

- There is overall support, although some recommendations for improvements to the discussions by individual respondents, for the four dimensions of service performance information identified in the CP.
- The dimensions establish that user needs are driving the process of identifying the appropriate components of service performance information to be reported in order to meet these needs.

Disagreements with the Recommendation—Specific Matter for Comment 4

- The dimensions of service performance information unnecessarily increase the complexity of the subject matter without adding value.
 - The dimensions provide a simple way to summarize the types of service performance information users need for accountability and decision-making purposes.
- The dimensions of service performance information provide significant overlap with the components of service performance information.
 - The discussion of the dimensions of service performance information from the perspective of user needs, establishes the foundation for the components of service performance information to be reported by identifying the service performance information necessary to meet user needs.
 - There is in fact some overlap but it is important to establish that user needs are driving the process of identifying the appropriate components.

Specific Matter for Comment 4

- Question for the Board
 - Do you agree that the four dimensions of service performance information included in the CP are necessary to meet the needs of users identified in CF–ED 1? Including the recommendations for improvement, these four dimensions would be:
 - Information on the public sector entity’s objectives, including the need or demand for these objectives to be achieved
 - Input, output, outcome, efficiency, and effectiveness indicators, including service recipient perceptions or experience information
 - Comparisons of actual performance to be projected (or targeted) results, including information on the factors that influence results
 - Time-oriented information, including comparisons of actual results over time

Specific Matter for Comment 5

- Questioned whether service performance information should be reported:
 - As part of the GPFR that is currently issued (for example, an annual financial report) but not part of the GPFSSs,
 - In a separately issued GPFR, or
 - In both a separately issued GPFR and as part of the currently issued GPFR?

Specific Matter for Comment 5

- **RECOMMENDATION**

- IPSASB not prescribe where a public sector entity reports service performance information but rather provide that all service performance information could be reported in either the currently issued GPFR or in a separately issued GPFR.

Why agree with the Recommendation?

- There is strong support for either reporting service performance information as part of the GPFR that is currently issued but not part of GPFs or in a separately issued GPFR.
- There is equally strong support for the IPSASB not prescribing where service performance information should be reported.

Why agree with the Recommendation?

- Reporting service performance information in a separately issued GPFR may encourage more public sector entities to issue service performance reports including this information and may make this information more accessible and understandable to users.
- Reporting service performance information in the currently issued GPFR may allow users to more readily access and analyze financial information and service performance information in one report with which they may already be familiar and therefore assist in their decision-making.

Disagreements with the Recommendation—Specific Matter for Comment 5

- Service performance information should be reported in both a separately issued GPFR and as part of the currently issued GPFR.
 - Reporting parts of the service performance information in separate GPFRs could make it difficult for users to know where to access specific service performance information and could result in duplicating information or not providing complete information in either place.

Specific Matter for Comment 5

- Question for the Board
 - Do you agree that the IPSASB should not prescribe where a public sector entity reports service performance information but rather provide that all service performance information could be reported in either the currently issued GPFR or in a separately issued GPFR?