

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Toronto, Canada

Meeting Date: September 16-19, 2013

Agenda Item 7

For:

Approval

Discussion

Information

Reporting Service Performance Information

Objective of Agenda Item

1. To **provide direction** on the issues identified and carry out an initial review of the draft RPG, *Reporting Service Performance Information*.

Materials Presented

Agenda Item 7.1	Issues Paper
Agenda Item 7.2	Draft RPG–3, <i>Reporting Service Performance Information</i>

Actions Requested

2. The IPSASB is asked to consider the significant issues in Agenda Item 7.1 and the draft RPG–3, *Reporting Service Performance Information* in Agenda Item 7.2, and provide direction on those issues and the draft RPG.

Reporting Service Performance Information

Background

Consultation Paper on Reporting Service Performance Information

1. A draft Recommended Practice Guide (RPG) has been developed based on the principles based framework in the IPSASB's Consultation Paper (CP) *Reporting Service Performance Information*, which proposed that a report on service performance should include:
 - (a) Information on the scope of the service performance information reported,
 - (b) Information on the public sector entity's objectives,
 - (c) Information on the achievement of objectives, and
 - (d) Narrative discussion of the achievement of objectives.
2. During its review of responses on the CP, the IPSASB tentatively agreed on definitions for five performance indicators identified in the CP—inputs, outputs, outcomes, efficiency indicators and effectiveness indicators—as well as definitions for “objective” and “performance indicator”.

IPSASB Decisions—March and June 2013 Meetings

3. The IPSASB decided in March that information additional to that included in the financial statements should be addressed through development of an RPG. At its June meeting the IPSASB considered four issues relevant to RPG development and directed that the draft RPG provide:
 - (a) A mixture of guidance on decisions and identification of minimum characteristics for reporting service performance information;
 - (b) Guidance on the selection of services to be reported, focused on applicable factors or criteria;
 - (c) Guidance on which types of performance indicators are chosen—inputs, outputs, outcomes, efficiency indicators, and/or effectiveness indicators—rather than stipulate that all indicators be reported; and,
 - (d) Principles applicable to choice of information organization approach.
4. The RPG was then further developed by staff and the TBG. The TBG for Reporting Service Performance Information consists of Sheila Fraser, Masud Muzaffar, Ron Salole, and Ken Warren.

Significant Issues

5. This memo presents two issues with respect to the draft RPG, and then asks IPSASB members to provide input on the draft RPG (Agenda Item 7.2). The two issues are:
 - (a) Application of the RPG to Government Business Enterprises; and,
 - (b) Definitions of the five types of performance Indicator.
6. With respect to IPSASB members' review of the draft RPG, input is particularly requested on:
 - (a) RPG's coverage of (i) applicable principles, and (ii) information for display and information for disclosure; and
 - (b) The RPG's proposed (i) structure, (ii) Basis for Conclusions, and (iii) Specific Matters for Consideration (SMCs).

Application of the RPG to Government Business Enterprises (GBEs)

7. During development of the draft RPG the issue arose of whether GBEs should be encouraged to report service performance information and apply the RPG's guidance. The main arguments considered in favor of such an encouragement were that:
 - (a) All public sector entities, including GBEs, exist to serve the public in some form and therefore should report service performance information so that users can assess their service performance.
 - (b) The present definition of a GBE includes entities that provide services on a non-commercial or monopoly basis where the public has little if any alternative to the GBE service provider with the result that users need service performance information for the purpose of accountability and decision making.
8. However the draft RPG's present wording, in paragraph 3, is that: "This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs)."
9. Arguments in favor of this wording include that it is consistent with the wording used in RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*, and RPG 2, *Financial Statement Discussion and Analysis*. It is also consistent with the *Preface to the Handbook of International Public Sector Accounting Pronouncements*, which states that the IPSASB "...serves the public interest by developing and issuing...accounting standards and other publications for use by public sector entities other than Government Business Enterprises (GBEs)". A further argument in favor of this wording is that those GBEs that (a) have a sole profit making objective, and (b) operate in a competitive and open market, should have no more obligation to provide additional service performance information than their private sector competitors. The additional burden of reporting could reduce the competitiveness of these GBEs, without providing information necessary to users.

Matter for Consideration

1. The IPSASB is asked to confirm the proposed wording:
"This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs)."

Definitions of Performance Indicators

10. As stated above, the IPSASB has tentatively agreed on definitions for the five performance indicators identified in the CP; inputs, outputs, outcomes, efficiency indicators and effectiveness indicators. However these definitions were revised during development of the draft RPG. The following table shows the changes made:

In the draft RPG	Tentatively Agreed by the IPSASB in December
<p><u>Inputs</u> are the resources <i>used by an entity</i> to produce outputs.</p> <p><u>Outputs</u> are the goods and services <i>provided by an entity</i>, including transfers to others.</p> <p><u>Outcomes</u> are the impacts <i>on the community, which occur as a result of the entity's outputs, its existence and operations.</i></p> <p><u>Efficiency indicators</u> are measures of the relationship between <i>(a)</i> inputs and outputs, or <i>(b)</i> inputs and outcomes.</p> <p><u>Effectiveness indicators</u> are measures of the relationship between <i>(a)</i> outputs <i>provided and objectives</i>, or <i>(b)</i> <i>outcomes attained</i> and objectives.</p>	<p><u>Inputs</u> are the resources <u>of a reporting entity</u> used to produce outputs <u>that are used in achieving its objectives.</u></p> <p><u>Outputs</u> are the goods and services, including transfers to others, provided by a reporting entity <u>that are used in achieving its objectives.</u></p> <p><u>Outcomes</u> are the impacts of outputs <u>that are used in achieving the reporting entity's objectives.</u></p> <p><u>Efficiency Indicators</u> are measures of the relationship between inputs and outputs or inputs and outcomes.</p> <p><u>Effectiveness Indicators</u> are measures of the relationship between outputs or actual outcomes and objectives.</p>

11. These changes are not intended to fundamentally change the measures. The reason for each change is provided below:

- Inputs: The phrase “of a reporting entity” has been replaced with “used by an entity” to clarify the connection between inputs and outputs. The phrase “that are used in achieving its objectives” has been deleted on the basis that (i) it is possible that some outputs may not contribute to an entity’s objectives, and (ii) the meaning of an input remains clear without this phrase.
- Outputs: The phrase “of a reporting entity” has been replaced with “used by an entity” to clarify the connection between inputs and outputs. The phrase “that are used in achieving its objectives” has been deleted on the basis that it is possible that some outputs may not contribute to an entity’s objectives.
- Outcomes: Additional wording—existence and operations—added to acknowledge that the relationship between what an entity does and outcomes is not straightforward, with outcomes resulting from not just the entity’s outputs but also (potentially) from its existence and operations. The phrase “in achieving the entity’s objectives” has been deleted, because it is possible that some outputs may not contribute to an entity’s objectives.

Efficiency and effectiveness indicators: The changes made to clarify the intended meaning.

<p>Matter for Consideration</p> <p>2. The IPSASB is asked to confirm the performance indicators definitions proposed in the draft RPG.</p>

Exposure Draft 48

September 2013

Comments due: February 15, 2014

RPG 3

Proposed Recommended Practice Guideline

**Reporting Service Performance
Information**

IPSASB

**International Public
Sector Accounting
Standards Board**

This document was developed and approved by the International Public Sector Accounting Standards Board (IPSASB).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective the IPSASB sets International Public Sector Accounting Standards (IPSASs) and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSASs relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSASs RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants (IFAC).

Copyright © September 2013 by the International Federation of Accountants (IFAC). For copyright, trademark, and permissions information, please see page 22.

REQUEST FOR COMMENTS

This Exposure Draft 48 (ED 48), *Reporting Service Performance Information*, was developed and approved by the IPSASB.

The proposals in this Exposure Draft (ED) may be modified in light of comments received before being issued in final form. Comments are requested by **February 15**, 2014.

Respondents are asked to submit their comments electronically through the IPSASB website, using the "Submit a Comment" link. Please submit comments in both a PDF file and a Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. Although IPSASB prefers that comments are submitted via its website, comments can also be sent to Stephenie Fox, IPSASB Technical Director at stepheniefox@ipsasb.org.

This publication may be downloaded free of charge from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

Objective of the Exposure Draft

The objective of this ED of an RPG is to provide guidance on reporting service performance information.

Guide for Respondents

The IPSASB welcomes comments on all the proposals in ED 48. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for proposed changes to ED 48.

Specific Matters for Comment

The IPSASB particularly values comments on the Specific Matters for Comment below.

Specific Matter for Comment 1

Do you agree with the definitions of terms in paragraph 5 and the accompanying discussion in paragraphs 7 to 17? If not, how would you modify them?

Specific Matter for Comment 2

Do you agree with the principles of service performance information in paragraphs 20 to 26? If not, how would you modify them?

Specific Matter for Comment 3

Do you agree with the guidelines with respect to service performance information selection in paragraphs 27 to 58? If not, how would you modify them?

Specific Matter for Comment 4

Do you agree with the classification of service performance information to be *displayed* (paragraphs 31 to 32) versus information to be *disclosed* (paragraphs 49 to 58)? If not, how would you modify this?

Specific Matter for Comment 5

Do you agree with the guidelines with respect to service performance information location and organization in paragraphs 59 to 70? If not, how would you modify them?

ED 48 REPORTING SERVICE PERFORMANCE INFORMATION

CONTENTS

	Paragraph
Objective	5
Status and Scope.....	5
Definitions	5
Principles of Service Performance Information	7
Selection of Service Performance Information	8
Information Location and Organization.....	12
BASIS FOR CONCLUSIONS	15

Objective

1. This Recommended Practice Guide (RPG) provides guidance on reporting service performance information. Service performance information is information on an entity's service performance objectives, its achievement of those objectives, and the services that the entity provides. It assists users to assess the extent to which an entity's service performance objectives have been achieved. Service performance information may also assist users to assess the entity's service efficiency and effectiveness.

Status and Scope

2. The reporting of information in accordance with this RPG represents good practice. An entity reporting service performance information is encouraged to follow this RPG. Compliance with this RPG is not required in order for an entity to assert that its financial statements comply with International Public Sector Accounting Standards (IPSASs).
3. This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs).
4. Service performance information should not be described as complying with this RPG unless it complies with all the requirements of this RPG. This RPG outlines minimum information levels. It does not preclude the presentation of additional information if such information is useful in meeting the objectives of financial reporting and meets the qualitative characteristics of financial reporting.

Definitions

5. The following terms are used in this RPG with the meanings specified:

A service performance objective is a description of the result(s) that an entity is aiming to achieve when it provides services.

Performance indicators are quantitative measures, qualitative measures, and/or qualitative discussions of the nature and extent to which an entity is using resources, producing goods and services, and achieving its service objectives.

Inputs are the resources used by an entity to produce outputs.

Outputs are the goods and services provided by an entity, including transfers to others.

Outcomes are the impacts on the community, which occur as a result of the entity's outputs, its existence and operations.

Efficiency indicators are measures of the relationship between (a) inputs and outputs, or (b) inputs and outcomes.

Effectiveness indicators are measures of the relationship between (a) outputs provided and objectives, or (b) outcomes attained and objectives.

6. Terms defined in IPSASs are used in this RPG with the same meaning as in those Standards, and are reproduced in the *Glossary of Defined Terms* published separately.

Service Performance Objectives

7. Service performance objectives may be expressed in terms of inputs, outputs, outcomes, efficiency indicators, or effectiveness indicators. A service objective may also be expressed as a narrative description of a desired future state resulting from provision of one or more services.

8. A single service may contribute to achievement of one or more service objectives. Several services may contribute to the same service objective. Services may include, and are not limited to, (a) the provision of goods and services, (b) transfers to others, (c) the development of legislation and regulation, and (d) services that aim to protect or defend a community, country, or aspects of community values or rights. The primary focus for service performance objectives is on services provided to recipients external to the entity and outcomes arising from those services.

Performance Indicators

9. The types of performance indicators used to report service performance information are inputs, outputs, outcomes, efficiency indicators and effectiveness indicators.
10. Performance indicators may be quantitative measures, for example, the number of outputs produced, the cost of services, or a numerical target for an outcome. Performance indicators may be qualitative measures, for example descriptors such as poor/good/excellent or satisfactory/unsatisfactory. Use of quantitative and qualitative measures may help users with inter-period and inter-entity comparisons of service performance, enhancing the comparability, relevance and understandability of the information reported.

Inputs

11. Resources used to produce outputs include: (a) human resources or labor, (b) capital assets such as land, buildings and vehicles, (c) cash and other financial assets, and (d) intangible assets such as intellectual property. Reporting the cost of services represents reporting on inputs.

Outputs

12. The recipients of goods and services are a critical factor for deciding whether the goods and services are outputs, as opposed to inputs. Outputs are provided to recipients external to the entity, rather than goods and services consumed internally as part of an entity's production of goods and services.

Outcomes

13. There may be a strong, direct causal link between an entity and its outcomes, but this will not always be the case. Factors beyond the entity's control may intervene to either prevent or facilitate the achievement of outcomes.

Efficiency Indicators

14. Efficiency indicators may either (a) relate outputs to the inputs used to produce them, or (b) relate outcomes to the inputs used to produce them.
15. An efficiency indicator shows when a service is being produced more (or less) efficiently. Other things being equal, if the service can be produced at less cost than before, then production efficiency has improved and an efficiency indicator designed to report that type of efficiency gain will show an improvement. Similarly, if the quality of a service improves so that the outcomes achieved are better than previously, with other variables such as service quantity and cost holding constant, then this represents an increase in efficiency, and an efficiency indicator designed to capture that type of efficiency gain will show an improvement. The converse—quality decreases so that outcomes are worse, with other variables such as quantity and cost holding constant—would indicate less efficient production.

Effectiveness Indicators

16. Effectiveness describes the relationship between the desired or expected results of services (the service performance objectives) and the actual results achieved stated either as outputs or outcomes.
17. The more effectively an entity operates as a service provider, the higher its actual achievements (outputs provided or outcomes attained), when measured against its objectives. Conversely, effectiveness declines when actual achievements decline.

Reporting Boundary

18. The reporting boundary for service performance information should be the same as that used for the financial statements.

Annual Reporting and Reporting Period

19. Service performance information should be presented at least annually and should use the same reporting period as that covered by the financial statements.

Principles of Service Performance Information

20. Service performance information should be useful for accountability and decision making. It should enable users to assess the entity's:
 - (a) Service delivery activities, achievements, and outcomes during the reporting period; and,
 - (b) Financial results in the context of its achievement of service delivery objectives.
21. Service performance information should provide input relevant to users' assessments of the economy, efficiency, and effectiveness of the entity's service delivery.
22. The presentation of service performance information should meet the qualitative characteristics of financial reporting, which are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. The following considerations are important when considering application of the qualitative characteristics to service performance information:
 - *Relevance*: Service performance information should be useful for (a) holding the entity accountable for its service provision and (b) users' decision making.
 - *Faithful Representation*: Service performance information should provide an unbiased representation of the service performance of an entity's services.
 - *Understandability*: Service performance information should be communicated to users simply and clearly.
 - *Timeliness*: Service performance information should be reported to users before it loses its capacity to be useful for accountability and decision making purposes.
 - *Comparability*: Service performance information should provide users with a basis and context to compare an entity's service performance over time, against targets, and to other entities.
 - *Verifiability*: Service performance information should provide users with a basis for assessing whether the information in a service performance report could be replicated by independent bodies using the same measurement methods.
23. The pervasive constraints on information in general purpose financial reports—materiality, cost-benefit, and balance between the qualitative characteristics—should also be applied to service performance information.

24. Service performance objectives and other information presented should take account of the entity's specific circumstances, such as (a) the services that the entity provides, (b) the entity's nature, and (c) the regulatory environment in which the entity operates.
25. The information presented should reflect any changes to the entity's achievement focus. For example, an entity may initially aim to increase either the inputs or outputs related to a particular service, and then later re-focus the objective towards improving either the service's efficiency or effectiveness. That change of focus should be reflected in the service performance information that the entity presents.
26. The principles set out above should be applied when the entity makes its service performance information presentation decisions—selection, location and organization of information.

Selection of Service Performance Information

27. Information selected should provide a complete description of the entity's service performance.
28. Information selection involves identification of an entity's important service performance activities. These are likely to be found in an entity's planning documents (budget statement, mission statement, strategic plan, funding agreements, corporate plan, etc.), which usually provide the most relevant source of information about the entity's purpose, its service performance objectives, and the services about which information should be presented.
29. Aggregation of information should be at a level that conveys a meaningful understanding of the entity's service performance achievements. Aggregation should not be so high as to cover or obscure performance, or so low as to result in detailed listings that also obscure performance and reduce understandability. Information reported should be sufficiently specific for users to hold the entity accountable for its service performance, particularly its performance with respect to its service performance objectives.
30. Materiality is a key issue to consider when selecting service performance information for presentation. Information is material if its omission or misstatement could influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity's GPFs prepared for that reporting period. Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity. When applying materiality to service performance information it is not possible to specify a uniform quantitative threshold at which a particular type of information becomes material. This is because service performance information involves qualitative and quantitative information about service delivery achievements during the reporting period, and is likely to influence expectations about service delivery and financial outcomes in the future.

Information for Display

31. The following information should be displayed:
 - (a) Service performance objectives;
 - (b) Performance indicators that show the entity's achievements with respect to its service performance objectives;
 - (c) The total cost of services; and,
 - (d) The period covered by the information presented.
32. With respect to performance indicators and total service costs, the entity should display:

- (a) Planned and actual information for the reporting period; and
 - (b) Actual information for the previous reporting period.
33. Displayed information should communicate the key messages about an entity's service performance in a way that ensures they are concise and understandable. Displayed information may either be located separately from disclosed information or located in the same area and distinguished from disclosed information through the use of an appropriate presentation technique such as clear labeling, borders, tables or graphs, so that it is given prominence.

Service Performance Objectives

34. Reporting of service performance information should strengthen an entity's accountability for achievement of its service performance objectives. For effective accountability the entity should (a) establish clear service performance objectives at the start of the period; and, (b) provide clear information at the end of the period on the extent to which those objectives were achieved during the period. Information presented should be tailored to the entity's service performance objectives.

Performance Indicators

35. Judgment is needed to determine the most suitable set of performance indicators. The overriding principle is that indicators should be selected on the basis of their importance to users and their usefulness in assessing the entity's achievements in terms of its service performance objectives.
36. There may be a large number of measurements that can be made for a single program or service. To ensure that the information is understandable and to avoid overwhelming users, entities generally will need to identify only a few key performance indicators for each service. Selected indicators that involve measurement should be representationally faithful, which includes the need for them to be reliably measured. While the process of selecting key performance indicators provides an opportunity for an entity to be selective in the reporting of performance indicators with a bias towards reporting positive results, selection decisions should ensure that information is neutral and without bias, so that the qualitative characteristics are met and users can be confident that the performance indicators faithfully represent the entity's service performance.
37. Selection of performance indicators should not over-emphasize easily measured dimensions. Ease of measurement should only be considered in the relatively rare situation of choosing between indicators that are very similar in terms of their ability to provide relevant information about the entity's service performance.
38. For some services, or in some situations, narrative information should be presented instead of performance indicators. This is the case where narrative provides a more relevant and understandable description of the level of achievement for a particular service objective than would a performance indicator involving an attempt to quantify the achievement numerically.
39. An entity is encouraged to display information about its intended outcomes and its achievements with respect to those outcomes. Information about outcomes may be difficult to provide, but it is information that all entities should strive to provide. This is because outcome information focuses on the ultimate reason for service provision, which is the impact that services have on the community. By reporting outcomes an entity most directly addresses the question of whether the entity's service provision is having the intended effect and whether the resources spent on services are producing the intended results.

40. Outcome achievements may span more than one reporting period. When selecting outcome indicators the entity should consider indicators that will help users to understand what progress is being made towards achievement of such an outcome.
41. Alignment between input, output and outcome indicators and the service performance objectives helps users to assess the relationship between resources and results, and how resource availability may have influenced achievement of objectives.
42. The use of several levels of reporting may assist entities in achieving a balance between being (a) concise enough to be understandable, and (b) providing detailed coverage of multiple aspects related to each service objective. The use of several levels of reporting allows the display of concise reporting at higher levels, and disclosure of more detailed coverage at lower levels, where single services are disaggregated into two or more sub-services. The number and type of indicators reported may vary depending on the level of reporting, with additional indicators included at more detailed, lower levels of reporting.

Service Costs

43. Users' understanding of service performance is enhanced by information on service costs, which supports accountability and decision making generally, while also being essential to users' assessment of efficiency.
44. In addition to the total costs of services, disaggregated cost information is encouraged. Disaggregated cost information could present costs related to individual objectives, outcomes, service areas, costs per output, or costs related to particular inputs. Depending on the level of disaggregation, the information could be either displayed or disclosed.

Planned and Actual Service Performance

45. Planned and actual service performance information should be reported consistently so that comparisons are facilitated. Wherever possible, entities should report on the same performance indicators as those established at the start of the reporting period. This enables users to compare actual performance with planned performance at the end of the reporting period.
46. Consistency of performance indicators over several years supports long-term trend analysis. But such consistency should not be pursued at the expense of (a) improving the quality of performance indicators, (b) aligning indicators with changed expectations from users, or (c) improving indicators so that they are more impactful with respect to, and better aligned with, desired outcomes.
47. An entity may need to address the issue of how to report on changes to planned service performance that occurred during the reporting period. This situation may arise, for example, if the entity was amalgamated with another entity during the reporting period. It is also possible that stakeholders may revise service performance expectations during the reporting period, resulting in an amendment to planned service performance. In these situations, it is recommended that, where possible, the entity report against both the original and the revised planned service performance. The reason for, and the impact of, these changes should also be outlined in supporting commentary, so that users have a full understanding of reasons for variances between service performance achievements planned at the beginning of the reporting period and actual achievements, while also understanding the extent to which the entity has achieved against the more up-to-date revised service performance objectives.

Information for Disclosure

48. Disclosed service performance information should make displayed information more useful by providing detail that will help users to understand the displayed information. Narrative discussion and analysis should be provided to support users' assessments of the efficiency, effectiveness and sustainability of services. Information on the parameters of the service performance information displayed should be disclosed to support users' understanding of the information's basis, extent, and limits.

Narrative Discussion and Analysis

49. The narrative discussion and analysis disclosed should provide an overview of the major and critical service performance results, cover both positive and negative aspects of the entity's service performance, and include:
- (a) Balanced explanations of the information presented;
 - (b) The factors that may have influenced results, including those influencing achievement (or non-achievement) of service performance objectives;
 - (c) The risks associated with the delivery of services; and
 - (d) The consequences—intended and unintended, direct and indirect—of the services provided.
50. It should cover the degree to which service performance objectives have been met, while also highlighting particular achievements, deficiencies and issues.
51. Comparisons of indicators (a) over time, (b) to milestones, and (c) between actual and planned results should be disclosed and discussed. Analysis that includes trend information and explanation of significant changes since the previous year provides a context for service performance.
52. Explanations for differences between actual and planned results should be provided. Discussion and analysis should identify the size of the variances as well as the factors leading to them. These factors might include the effect of external factors (positive or negative), efficiencies or inefficiencies in processes, the impact of resource availability (for example funding or staff increased availability or constraints), or explicit government decisions.
53. Often the delivery of public services follows a risk assessment, where uncertainty means that some errors (both false positives and false negatives) will be inevitable. Parole decisions, customs processing, child welfare interventions are examples of where such risk assessments are critical to the entity's service performance. Information on how such risk trade-off decisions are informed and managed will usefully inform users' assessments of the challenges faced and the performance delivered by the entity.

Parameters of Services Performance Information

54. The following information on the parameters of the displayed service performance information, should be disclosed:
- (a) The basis for the displayed service performance objectives, showing how the objectives have been established, the need or demand for these objectives to be achieved, and the relationship(s) between:
 - (i) The objectives and the services presented,

- (ii) The objectives and the displayed service performance indicators; and
 - (iii) The entity's overall objectives and its displayed service performance objectives and/or services.
- (b) Information about the services on which information has been displayed, including an explanation for the choice to disclose information on those services;
 - (c) An explanation of the relationship between difference performance indicators, particularly the extent of alignment between input, output and outcome indicators.
 - (d) Sufficient information on the sources of the information displayed for users to understand its quality and level of verification;
 - (e) An explanation of the basis for information aggregation, which addresses the level of detail reported; and,
 - (f) The basis for cost determination, which explains cost allocation policies, including the treatment of direct and indirect service related expenses and any other information necessary for users to understand how costs were determined.
55. Users need to know which services have been included in a service performance report, as well as the reasons why those services were chosen for inclusion. The level of detail provided, the determination of those services on which to report, and the rationale for that approach to detail and services should be explained to users. Sufficient information should be provided to allow users to determine (a) if the service performance report is relevant to them, and (b) 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.
56. Where an entity's performance with respect to inputs, outputs or outcomes is intended to be delivered or completed over a number of reporting periods, this should be disclosed, along with sufficient information for users to understand work-in-progress towards achievement of the longer term, multi-year goal.
57. The achievement of outcomes may not be fully under the entity's control. Where outcome information is displayed, information should be disclosed on (a) the extent to which the outcomes can be attributed to the entity's activities, and (b) other factors that may have influenced the outcomes. Disclosures should be sufficient to ensure that users do not overestimate the entity's role with respect to either improving or worsening outcomes.
58. Disclosure of a reconciliation between total costs of services and the total expenses reported in the entity's financial statements is encouraged, to support users' understanding of the basis for service costs and their importance within the context of the entity's other activities.

Information Location and Organization

59. The location and organization of service performance information should contribute to achievement of (a) the objectives of financial reporting, (b) the qualitative characteristics, and (c) the principles of service performance information. It should help to ensure that key messages are understandable, and make clear important relationships between items.
60. Information location and organization should be tailored to the service performance information presented. How an entity decides to locate and organize its service performance information will

vary depending on (a) the services that the entity provides, (b) nature of the entity, and (c) the context within which the entity operates, particularly its regulatory environment.

61. Information organization should be appropriate for the applicable service performance objectives and the type of achievements or performance indicators to be reported. It should make clear the relationship between service performance objectives and service performance achievements.
62. Information organization should support inter-period comparisons and, to the extent that such comparisons are meaningful for the service performance information reported, inter-entity comparisons.

Location in the Same Report as the Financial Statements or in a Separate Report

63. An entity may present service performance information either:
 - (a) As part of a report that includes the financial statements; or,
 - (b) In a separately issued report.
64. When making this location decision, the following factors should be considered:
 - (a) Whether or not service performance information needs to link very closely to the information in the financial statements, or should instead be located in a separate general purpose financial report which will either (i) be dedicated solely to service performance information, or (ii) include both service performance information and other, additional information with close links to the service performance information.
 - (b) Whether users' needs and the qualitative characteristics are enhanced if the service performance information is included with the financial statements, on its own in a report dedicated to service performance information, or in a separate report that includes other information.
 - (c) Whether there are jurisdiction-specific factors, such as legal provisions, which specify that service performance information should be located either in the same report as the financial statements or in a separate report.
65. With respect to point (a) above, an important factor in this decision is likely to be whether the primary objective of providing the service performance information is:
 - To inform assessments on resource allocation decisions on the provision of services, which would suggest value in associating the reporting of service performance information with the financial statements that are compared to budget allocations; or
 - To inform assessments on policy or strategy decisions, which would suggest value in associating the reporting of service performance information with information on policies or strategy.

Organization of Service Performance Information within a Report

66. Service performance information should be organized to facilitate users making a comparison between the planned service provision and services actually provided.
67. As stated above, an entity's reporting context is one important consideration when considering how best to organize service performance information. Users' needs are likely to be better met through information organization that follows a commonly used format that is familiar to users in a particular

jurisdiction. Important users may have made clear their expectations with respect to information organization through legislation, regulation or other form of directive.

68. In some jurisdictions, comparability of information between entities in a particular service area may be important. If service performance indicators have been established for a specific service sector and all entities in the sector or providing those services must report those indicators, then there are increased benefits from entities organizing service performance information in a similar way, in order to facilitate users' ability to make inter-entity comparisons.
69. One way to organize service performance information is in a "statement of service performance", which involves organizing information into a tabular or statement form. A statement of service performance can support understandability and comparability when numerical or "summary descriptive" performance indicators (e.g. "satisfactory or unsatisfactory") are reported on multiple services. Service performance information can also be presented through information rich narrative or case studies. It is also possible to use a mixture of case studies and one or more statements.
70. High level summaries of information should be supported with more in-depth discussion and analysis. Information should be organized so that connections are clear between the high level summaries and (a) supporting detail, and (b) related discussion and analysis.

BASIS FOR CONCLUSIONS

This Basis for Conclusions accompanies, but does not form part of, the RPG.

Background

Project Initiation, Consultation Paper and Decision to Develop Guidance

- B1. The IPSASB approved a project brief on reporting service performance information, then called “performance reporting”, in March 2008. Work on the project was deferred until responses to a Consultation Paper on Phase 1 of the IPSASB’s Conceptual Framework (which includes the scope of general purpose financial reporting (GPFR), the objectives, qualitative characteristics and the reporting entity) had been considered. The first issues paper related to the project was discussed at the IPSASB’s June 2010 meeting.
- B2. A Consultation Paper (CP), *Reporting Service Performance Information*, was issued in September 2011. In developing the CP, the IPSASB reviewed and compared existing national standards, guidance, and regulatory requirements for service performance reporting (or its equivalent) from selected national jurisdictions, the United Nations, and the Organization for Economic Co-operation and Development. No two jurisdictions have identical service performance reporting frameworks, but it was found that there are similarities in the service performance information that is reported. Consideration of these similarities and of commonly used terms provided the basis for the CP’s (a) principles based framework for reporting service performance information, and its (b) terminology, with associated definitions.
- B3. The IPSASB completed its review of responses to the CP in December 2012. A decision on whether guidance or an accounting standard should be developed was deferred, because the issue needed to be considered broadly, as it affects topics other than reporting service performance information. In March 2013 the IPSASB decided that information additional to that included in the financial statements should be addressed through development of an RPG and, on that basis, this Recommended Practice Guide (RPG) was developed for reporting service performance information.

Development of a Recommended Practice Guide

- B4. This RPG is based on the framework developed for the CP, revised for the IPSASB’s decisions during its review of responses to the CP. This RPG is also underpinned by Chapters 1 to 4 of the Conceptual Framework, and is consistent with CF–ED4, *Presentation in General Purpose Financial Reports*.
- B5. The Conceptual Framework notes that the primary function of governments and most public sector entities is to provide needed services to constituents. Consequently, their financial results need to be assessed in the context of the achievement of service delivery objectives. Reporting non-financial as well as financial information about service delivery activities, achievements and/or outcomes during the reporting period is necessary for a government or other public sector entity to discharge its obligation to be accountable—that is, to account for, and justify the use of, the resources raised from, or on behalf of, constituents. Decisions that donors make about the allocation of resources to particular entities and programs are also made, at least in part, in response to information about service delivery achievements during the reporting period, and future service delivery objectives.

- B6. As for the CP, this RPG sets out principles based guidance for the reporting of service performance information by public sector entities. This guidance focuses on meeting the needs of users of GPFs.

Overall Approach of RPG—Guidance on Decisions and Minimum Characteristics

- B7. During development of this RPG, the IPSASB considered whether its overall approach should aim to (a) establish minimum characteristics of service performance information, consistent with an RPG's role as providing good practice and requirements; or (b) provide a framework that identifies decisions that preparers need to make and guidance on those decisions, consistent with the framework approach in the CP and an RPG's function as guidance. The IPSASB decided that the RPG should provide a mixture of guidance on decisions and identification of minimum characteristics for reporting service performance information.
- B8. When developing an RPG for reporting service performance information the challenge is to develop guidance that will be useful when applied to very diverse services, diverse service performance objectives, and diverse accountability and decision-making contexts world-wide. Arguably service performance reporting quality depends in part on the extent to which it meets the particular information needs arising from the services provided and the context for their provision. For example, a report that tells the story of factors influencing progress toward critical targets may look quite different to a report that provides an account of services delivered for the resources provided. This argues in favor of an RPG that identifies the decisions that preparers will need to make, then provides guidance on how such decisions should be made, rather than an RPG that establishes minimum standards.
- B9. The IPSASB's view is that a mixture of guidance on decisions and identification of minimum characteristics for reporting service performance information provides useful guidance, without attempting to establish global requirements that may not be appropriate for the variety of different services and different service delivery contexts that exist globally. Service performance information is a developing area, which means that the RPG should not be overly prescriptive

Objective

- B10. The objective for this RPG is based on the Conceptual Framework's description of the needs of users of GPFs for service performance information. It also reflects the CP's analysis that concluded there is scope for guidance, while also acknowledging that the guidance should be broad enough to allow entities and national jurisdictions to address users' needs with respect to particular services in particular contexts.

Status and Scope

- B11. As stated above, the IPSASB has decided that all documents related to reporting in addition to the financial statements will be RPGs rather than IPSASs. On that basis this is an RPG rather than an IPSAS.
- B12. This RPG applies to all public sector entities, other than Government Business Enterprises (GBEs). This is consistent with the *Preface to International Public Sector Accounting Standards*, which states that the IPSASB develops accounting standards and other publications for use by public sector entities, other than GBEs.
- B13. To meet accountability requirements, the IPSASB considers that service performance information included in GPFs should be prepared for the same reporting entity as for GPFs.

That reporting entity is the entity that (a) receives resources for providing services, and (b) is accountable to users for the achievement of its objectives.

Reporting Boundary and Reporting Period

- B14. The reporting entity may be part of a supply chain, a network of entities all working towards the same outcome, or otherwise dependent on other entities to achieve its outcomes. The RPG focuses on information for accountability and decision making, where it is the reporting entity being held accountable and decision making is about the reporting entity, rather than a supply chain, network or other combination of individual entities. Where only part of the entity focuses on service delivery, users can benefit from understanding the relative importance of service performance given the entity's overall objectives and competing demands for its resources. On that basis the IPSASB considers that the reporting boundary for service performance information should be the same as that used for the financial statements.
- B15. Annual reporting of service performance information is important to ensure that users' have the information they need to hold an entity accountable for its service provision and make decisions. Planned achievements, whether expressed in outcomes, outputs or inputs, may require periods longer than one year to achieve. The RPG requires annual reporting, but allows scope for the entity to provide disclosures to address progress towards a multi-year goal.

Definitions of Terms

- B16. In reaching its view on the need for standardized service performance terminology the IPSASB noted that although entities use some terminology consistently, many of those entities have not defined some or all of the terms they use. Moreover, the same terms sometimes have different meanings in different jurisdictions. On this basis, the IPSASB concluded that a standardized service performance terminology was necessary to support the understandability and comparability of service performance information reported by entities in GPFRs.
- B17. This RPG defines seven terms: (a) service objectives, (b) performance indicators, (c) inputs, (d) outputs, (e) outcomes, (f) efficiency indicators, and (g) effectiveness indicators. This set of defined terms is based, as far as possible, on terms already used in jurisdictions with a well thought through and explicit conceptual framework for, and extensive experience in, service performance reporting. These seven terms cover the main categories of information that the IPSASB considers should be reported when reporting service performance information. Establishing definitions for these seven terms is expected to assist with the communication of service performance concepts, and support achievement of the qualitative characteristics.
- B18. The RPG distinguishes between efficiency indicators and effectiveness indicators. These two types of indicators provide different insights into an entity's service performance. Efficiency indicators address how well an entity uses its resources to deliver either outputs or outcomes. By contrast effectiveness indicators focus on actual achievements (outputs or outcomes) in proportion to planned achievements (service performance objectives).

Principles of Service Performance Information

- B19. The IPSASB determined that the key principles of service performance information should be based on the users' needs that such information should meet, as established through consultation and with reference to the Conceptual Framework. The IPSASB acknowledged that entities' presentation of service performance information will vary, depending on (a) the

services that the entity provides, (b) the nature of the entity, and (c) the regulatory environment or other context within which the entity operates. Because services provided, service objectives, and applicable service performance indicators depend on these different factors, this RPG does not identify specific indicators of service performance. Instead, it identifies broad types of information that should be reported and provides guidance on achievement of the qualitative characteristics (QCs) of GPFs, when presenting service performance information.

Two Models for Reporting Service Performance Information

- B20. In developing this RPG two models for reporting service performance information were identified, (a) an output focused model, which involves reporting services; and, (b) an outcome focused model, which involves reporting on achievement of objectives. The first model conceives of service performance reporting as an account of services provided, which is aimed at resource providers. The first model focuses primarily on the services received for resources provided and on efficiency, although there is also scope to widen the focus to include objectives and outcomes. The second model tells a performance story, which is focused on objectives and achievements, although there is scope to relate this performance story back to the costs of services. It focuses on explaining how well the entity is doing in terms of its achieving objectives, where those objectives are often described in terms of outcomes.
- B21. The IPSASB considered whether the RPG should include guidance specifically tailored for each model, on the basis that the RPG's focus on achievement of objectives can be applied to either model, while also being consistent with the approach proposed in the CP. This approach, tailored to entities' objectives, means that entities or jurisdictions do not need to fit their individual approach into either one model or the other in order to apply the RPG. This should mean that the RPG's content will be useful to (a) those applying one of the two models, (b) those using other approaches, and, (c) those using approaches that mix different aspects of the two models. The RPG's guidance has been reviewed to ensure that it can be applied to both models.

Selection of Service Performance Information

Consultation Paper's Dimensions and Components of Service Performance Information

- B22. The CP explained that there are four dimensions of service performance on which information should be presented. The four dimensions—why, what, how and when—relate to an entity's (a) service performance objectives, (b) performance indicators, (c) comparison between planned and actual performance, and (d) time series that allow users to assess either changes in service provision over time or progress towards a multi-year goal.
- B23. The RPG's coverage of information selection addresses these four dimensions when it establishes that an entity should report:
- (a) Information on the public sector entity's objectives, including the need or demand for these objectives to be achieved (the "why" dimension);
 - (b) Performance indicators to show achievements with respect to objectives (the "what" dimension);
 - (c) Comparisons of actual performance to projected (or targeted) results, including information on the factors that influence results (the "how" dimension); and

- (d) Time-oriented information, including the comparisons of actual results over time and to milestones (the “when” dimension).
- B24. The CP then established components of services performance information, which relate to these four dimensions. The RPG’s coverage of information selection addresses the CP’s components, which are: (a) narrative discussion of the achievement of objectives, and information on (b) the parameters of the service performance information reported, (c) the entity’s service objectives, and (d) the achievement of service objectives.
- B25. Clear specification of service performance expectations and information on the degree to which expectations have been met are necessary for users to hold entities accountable for their service performance achievements and assess whether their service performance is acceptable. The complexity of service activities in the public sector can make it difficult to specify performance expectations. However very broad expectations reduce scope to hold the entity accountable for its service performance. Therefore, it is important for entities to clearly specify service performance expectations, and then report those expectations and the degree to which they have been achieved.

Principles Applicable to the Selection of Service Performance Information

- B26. The RPG sets out principles applicable to information selection, identifies factors that should be considered, when making decisions on information selection, and identifies the type of information that should be presented.

Information on Service Performance Objectives

- B27. Providing information on objectives will give users a basis for understanding what an entity intends to accomplish through its services. This allows users to assess (a) whether resources are directed towards achievement of the entity’s objectives, and the degree to which the reported information provides a reasonable basis for assessing the achievement of those objectives.

Selection of Service Performance Indicators

- B28. Consistent with the need to provide information to users on the “what” dimension of performance, the RPG states that service performance indicators should be presented to show achievement against service performance objectives.
- B29. This RPG does not identify specific indicators of service performance, because this would not be appropriate given the wide diversity of services provided, and the impact of an entity’s accountability environment. Instead it identifies broad types of information that should be reported.
- B30. This RPG does not stipulate that an entity report all five types of indicators— inputs, outputs, outcomes, efficiency indicators and effectiveness indicators—for the services reported. Instead it provides guidance on how an entity should choose the types of performance indicators that it reports on services. This approach supports users’ assessment of the entity’s achievement of its service objectives. Service objectives may change over time, evolving from a focus on inputs to a focus on outputs and efficiency, then outcomes and effectiveness. If an entity is able to adjust its reporting of performance indicators to align them with its service performance objectives, then the information presented is more likely to be useful to users and meet the qualitative characteristics, while supporting achievement of the objectives of GPFs.

- B31. The IPSASB considers that reporting on outcomes is very important, while acknowledging that not all entities or jurisdictions report outcomes. Assessing the impact of service on outcomes can be subjective. The services provided may be only one factor impacting on outcomes and the causal relationship between outcomes and contributing factors complex. Accountability for outcomes may, therefore, be unclear. On that basis the RPG encourages but does not require the reporting of outcomes.

Narrative Discussion and Analysis

- B32. This RPG states that entities should disclose a narrative discussion and analysis, which addresses the factors that may have influenced the achievement, or its lack, of service performance objectives. Providing this narrative discussion is expected to assist users in understanding the reported achievements, and the factors that may have influenced the attainment (or otherwise) of planned achievements.
- B33. The discussion and analysis can also be used to describe the indirect consequences (positive or negative, intended or unintended) of the services provided. This assists users to understand that services may result in effects that are beyond those anticipated by the entity.
- B34. Presentation of such discussion and analysis reflects the CP's proposal that service performance information should include a narrative discussion component and cover the dimensions of how and when. (See the summary above of the CP's coverage of "components" and "dimensions").

Parameters of Services Performance Information

- B35. The RPG states that the parameters of the service performance information should be disclosed. This supports an understanding of the information's extent, limits, and basis. Disclosure of parameters also reflects the CP's proposal that service performance information should include a parameters component. (See the summary above of the CP's coverage of "components" and "dimensions").

Location and Organization of Service Performance Information

Principles and Factors Applicable to Information Location and Organization

- B36. The RPG sets out principles applicable to information location and organization, and then identifies factors that should be considered, when making decisions on information location and organization. This principles-based approach is consistent with the IPSASB's decision on the RPG's overall approach. The principles and factors are based on (a) concepts developed for Phase 4 of the Conceptual Framework, and (b) application of those concepts to the reporting of service performance information.

Location in the Same Report as the Financial Statements or in a Separate Report

- B37. The issue of whether service performance information should be located in the same report as the financial statements or in a separate report was considered during development of the CP, and the subsequent review of responses on the CP. In order to allow for jurisdictional differences the IPSASB decided that this should not be prescribed. On that basis the RPG allows service performance information to be located either in the same report as the financial statements or in a separate report.

Organization of Service Performance Information within a Report

- B38. During development of this RPG the IPSASB considered whether the RPG should (a) propose one way that service performance information should be organized, with the main method considered being a tabular form, described as a “statement of service performance”; or, (b) provide principles that should be applied to guide jurisdictions and/or preparers when they choose between different possible information organization approaches.
- B39. The IPSASB noted that in some jurisdictions there are requirements that service performance information be reported in a “statement of service performance”. In other jurisdictions preparers apply principles to identify how best to organize information, with reference to the particular types of services desired outcomes or planned achievements on which information needs to be reported. Organizing information into a tabular or statement form can support understandability and comparability when numerical or “summary descriptive” performance indicators (e.g. “satisfactory or unsatisfactory”) are reported on multiple services. But service achievements could be misrepresented or poorly described if a statement format is the only form of presentation permitted.
- B40. The IPSASB decided that the RPG should focus on principles. By focusing on principles rather than stipulating a standard reporting structure, the RPG allows the choice of information organization to be tailored to (a) the nature of the services on which performance information is presented; and, (b) the needs of users, so that it supports achievement of the objectives and qualitative characteristics of financial reporting, and (c) the regulatory context, including the regulatory environment in which the entity operates. Although this could result in less standardization, and reduced comparability between entities, service performance information differs from financial statements information due to the diversity of service reported. Unless the indicators themselves are comparable, a single presentation format will not provide the benefits of inter-entity comparability, but will sacrifice the benefits to be gained from allowing information organization to be tailored for objectives and specific services provided, such that the resulting organization meets the needs of users.

International Public Sector Accounting Standards, Recommended Practice Guidelines, Exposure Drafts, Consultation Papers, and other IPSASB publications are published by, and copyright of, IFAC.

The IPSASB and IFAC do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

The IPSASB logo, 'International Public Sector Accounting Standards Board', 'IPSASB', 'International Public Sector Accounting Standards' 'IPSAS', the IFAC logo, 'International Federation of Accountants', and 'IFAC' are trademarks and service marks of IFAC.

Copyright © July 2013 by the International Federation of Accountants (IFAC). All rights reserved. Permission is granted to make copies of this work provided that such copies are for use in academic classrooms or for personal use and are not sold or disseminated and provided that each copy bears the following credit line: *"Copyright © July 2013 by the International Federation of Accountants (IFAC). All rights reserved. Used with permission of IFAC. Contact permissions@ifac.org for permission to reproduce, store or transmit this document."* Otherwise, written permission from IFAC is required to reproduce, store, transmit, or make other similar uses of this document, except as permitted by law. Contact permissions@ifac.org.

ISBN: 978-1-60815-158-5

