

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Santiago, Chile

Meeting Date: March 10–13, 2015

Agenda Item 5

For:

Approval

Discussion

Information

Review of Draft RPG, *Reporting Service Performance Information*

Objectives of Agenda Item

1. The objectives of the session are to
 - (a) Review the draft Recommended Practice Guideline (RPG), *Reporting Service Performance Information* and identify revisions necessary for approval; and
 - (b) Approve the Recommended Practice Guideline (RPG).

Materials Presented

Agenda Item 5.1	Issues Paper
Agenda Item 5.2	Clean—Draft RPG, <i>Reporting Service Performance Information</i>
Agenda Item 5.3	Track Changes—Draft RPG, <i>Reporting Service Performance Information</i>

Actions Requested

2. The IPSASB is asked to:
 - (a) Consider the issues identified by staff in Agenda Item 5.1;
 - (b) Carry out a page-by-page review of the draft RPG, *Reporting Service Performance Information* in Agenda Item 5.2; and
 - (c) Approve the RPG.

Objectives of this Paper

1. This paper provides information to support the IPSASB's review of the draft Recommended Practice Guideline (RPG), *Reporting Service Performance Information* at the IPSASB's March 2015 meeting. It describes the RPG's background, including the IPSASB's December 2014 directions to staff and how those have been addressed.

Background

2. At its December 2014 meeting the IPSASB reviewed a first draft of the RPG, which had been developed by staff, in consultation with the Task Based Group (TBG), consisting of Ken Warren and Ron Salole. The draft RPG reflected the IPSASB's review of responses to the Exposure Draft (ED), ED 54, *Reporting Service Performance Information*, which occurred in September 2014.
3. This issues paper highlights revisions made to the draft RPG by comparison to the previous draft reviewed by the IPSASB in December, and discusses issues raised during revisions to address the IPSASB's December directions. The RPG's Basis for Conclusions has been revised to reflect the IPSASB's December discussions, and reordered so that its order is consistent with the new ordering of sections in the RPG.
4. A clean version of the draft RPG—for the IPSASB's page-by-page review—is provided in Agenda Item 5.2. (For information, a "track changes" version of the draft RPG is also provided in Agenda Item 5.3.

Overview of Issues

5. This paper highlights three issues for the IPSASB's consideration. The issues are:
 1. Order of RPG's coverage—reporting boundary and annual reporting;
 2. Information for disclosure;
 3. Overview of significant other revisions:
 - (i) Treatment of "economy" in the Basis for Conclusions; and
 - (ii) Definition of "effectiveness";
 - (iii) Appendix A—examples to illustrate defined terms. and
 - (iv) Deletion of Conceptual Framework coverage
6. Staff proposes that the IPSASB's page-by-page review of the draft RPG use the clean version, provided in Agenda Item 5.2.

Issue 1 Order of RPG's Coverage—Reporting Boundary and Annual Reporting

7. In December the IPSASB directed staff to provide a recommendation on the location of the RPG's sections on "Reporting Boundary" and "Annual Reporting and Reporting Period". This issue was raised in the context of revising the RPG's structure to align it with Chapter 8 of *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework), where presentation decisions are addressed as follows: (1) selection of information, (2) location of information, and (3) organization of information. Because the sections on "Reporting Boundary" and "Annual Reporting and Reporting Period" identified information for presentation, one option was to move them into "Selection of Service Performance Information".
8. Staff recommends that the location of these two sections should remain after the "Definitions" section, but that those specific paragraphs that identify information to be presented should be moved into "Selection of Service Performance Information". The draft RPG in Agenda Item 5.2 reflects this recommendation.
9. The topics addressed by these two sections have the potential to impact on all three presentation decisions. For example, the RPG's guideline on reporting boundary is an important factor for entities' consideration as they make decisions on information location and organization. Second, these topics are more directly linked to earlier chapters in the Conceptual Framework. For example Chapter 2, *Objectives and Users of GPFs*, emphasizes information on events that occur during the reporting period, while Chapter 3, *Qualitative Characteristics*, discusses timeliness. Chapter 4, *Reporting Entity*, relates to reporting boundary. These three chapters come before Chapter 8 in the Conceptual Framework. Chapter 8 mentions reporting entity and establishes that the qualitative characteristics apply to presentation decisions, but only Chapter 4 discusses reporting entity.
10. Appendix A shows text changes that would otherwise be obscured by relocation. (The extent of changes to text in these sections is not evident in the "track changes" version of the RPG in Agenda Item 5.3.) There have been few revisions to these two sections since December.

Action Requested:

1. Members are asked to indicate whether they agree that:
 - (a) The sections on "Reporting Boundary" and "Annual Reporting and Reporting Period" should remain immediately after the "Definitions" section; and,
 - (b) Those specific paragraphs that address selection of information should be moved into the "Selection of Service Performance Information" section.

Issue 2 Information for Disclosure

11. The IPSASB's September 2014 consideration of constituents' responses on disclosures indicated that the RPG should not establish an extensive list of information requirements. Entities should apply the RPG's principles when choosing information to disclose. The principles then drive what information is presented. In December the IPSASB considered a staff proposal that attempted to address the disclosure overload concerns and take a principles-based approach to presentation of information. The IPSASB directed staff to revise the approach, because it was confusing and provided too much discretion to preparers. Users' needs should guide the RPG's identification of information for display and disclosure. A similar wording to that used in RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*, should be applied to the RPG.
12. The main revisions made to the RPG's subsections on information for disclosure—which address disclosure on the basis of the displayed information and narrative discussion and analysis—are:
 - (a) New text included on the overarching aims of the two different types of disclosures (basis disclosures and narrative discussion and analysis) and users' needs related to disclosures.
 - (b) Basis disclosures:
 - (i) Reclassification of several disclosures as information that “should” be disclosed, when previously those were information that should be “considered for disclosure”.
 - (ii) Disclosures from other sections of the RPG moved into the disclosures subsection
 - (c) Narrative discussion and analysis:
 - (i) A small set of disclosures identified as information that should be disclosed;
 - (ii) Most of the narrative discussion and analysis disclosures have been moved into an “Implementation Examples” appendix and classified as illustrative examples.
13. These changes aim to provide clarity to preparers on what should be provided as disclosures, without causing disclosure overload. The restructuring of the RPG makes it more understandable, because all information requirements are in one place. Staff proposes the movement of many narrative discussion and analysis items into the appendix, because these items appeared to illustrate what is meant by narrative discussion and analysis rather than establish information that absolutely must be presented.

Action Requested:

2. Members are asked to indicate whether they agree with the information identified for:
 - (a) Disclosures on the basis for displayed information; and,
 - (b) Narrative and analysis disclosures.

Issue 3 Significant Other Revisions

14. This issue highlights the main further RPG revisions for the IPSASB's consideration.

Economy—Basis for Conclusions

15. In December the IPSASB directed that references to “economic use of resources: in the draft RPG should be removed, and the Basis for Conclusions revised to convey the IPSASB's views on “assessment of economy”. Paragraphs BC14–BC15 have been drafted to address the relationship between economy, jurisdictions' assessments of economy and the RPG:

BC14. During development of the CP and ED 54, and the subsequent review of responses to ED 54, the IPSASB considered whether to include “economy indicators” in the RPG's set of defined terms. Economy is a commonly used term in the context of service performance reporting. However different jurisdictions have different meanings for economy. For some jurisdictions economy means lower costs for service delivery without reference to impact on quantity and/or quality of services delivered. Other jurisdictions consider that this first view is not really economy and that using “economy” to describe situations where costs are reduced but service quantity and/or quality is negatively impacted could be misleading to users of GPFs. A second view of economy is that it is only achieved if service delivery is maintained or enhanced, when costs or other inputs are reduced. This second view of economy fits the definition of “efficiency” in the RPG. Indeed, there is a third group of national jurisdictions that does not use the term “economy” on the basis that the term can be confusing and it overlaps with efficiency.

BC15. IPSASB members decided to exclude economy indicators because the term is both confusing and unnecessary given other terms defined in the RPG. So-called “economy indicators” do not represent something additional to the ideas conveyed by either inputs or efficiency, for which the RPG establishes clear definitions. The IPSASB noted that the RPG's approach to selection of service performance information allows jurisdictions to assess “economy”, whatever the meaning that a particular national jurisdiction gives that word. For example, the RPG supports the presentation of information on costs, on other inputs, and on efficiency. Therefore the RPG does not define “economy indicators” and does not use the term “economy”.

Definition of Effectiveness

16. In December the IPSASB noted a possible circularity arising from the draft RPG's definitions of “effectiveness” and “service performance objective”. Staff were asked to consider and, if necessary, address this issue. The two definitions in December were:

Effectiveness is the relationship between actual results and service performance objectives.

A *service performance objective* is a description of the planned result(s) that an entity is aiming to achieve expressed in terms of inputs, outputs, outcomes, efficiency or effectiveness.

17. Staff view is that there is circularity (or weakness) in the December definition of effectiveness, such that entities are unlikely to identify service performance objectives that focus on effectiveness. Staff

recommends that this issue be addressed by removing the word “effectiveness” from the definition of “service performance objective”. The basis for this proposal is described below.

Proposal: Revise Definition of “Service Performance Objective”

18. Removing the word “effectiveness” from the definition of “service performance objective” would address the circularity problem. If effectiveness is viewed as focused on achievement of objectives then the word should not be mixed into the planned results i.e. the service performance objectives.
19. Effectiveness is central to users’ review of actual results against planned results. Deleting “effectiveness” from the definition of service performance objectives should not affect users’ abilities to make such assessments. The RPG would continue to support assessments of effectiveness in two ways:
 - (a) The information for display covers both planned and actual performance indicators; and
 - (b) The description of narrative discussion and analysis emphasizes review of achievement of actual results compared to planned results.
20. The RPG’s present coverage of narrative discussion and analysis could also be revised to explicitly mention effectiveness and effectiveness indicators.
21. The circularity (or weakness) of the December definition appears when considering a service performance objective described in terms of effectiveness. An effectiveness-focused objective can be stated. For example, an entity could aim to have actual results that achieve at least 80% of its *other* service performance objectives. However, it seems unlikely that entities would choose to report such an objective, because service performance objectives are set with the expectation that they will be fully (100%) achieved.

Alternative Approach: Revise “Effectiveness”

22. Alternatively the definition of effectiveness could be revised to exclude the circularity. If the IPSASB prefers this second option, then staff recommends that the definition of effectiveness revert to the definition included in the CP, as follows:

Effectiveness is the relationship between outputs and outcomes¹.
23. To avoid circularity a revised definition will need to avoid references to either objectives or planned results. In effect this means reverting to a relationship between different types of indicators, for example, outcomes related to outputs or outcomes related to inputs. The RPG’s definition of “efficiency” includes a relationship between outcomes and inputs. The CP definition (outcomes related to outputs):
 - (a) Avoids the problem of circularity that exists for the December definition;
 - (b) Is consistent with many jurisdictions’ meaning for effectiveness; and
 - (c) Received good support from respondents to the CP.

¹ To be precise, the CP has this definition: “Effectiveness indicators are measures of the relationship between outputs and outcomes.” The definition included in the paragraph above is in essence the same as the CP definition, but it has been aligned with ED 54’s approach to performance indicator definitions generally, which does not include “indicators” and “measures of”.

24. The CP's definition requires information on outcomes in order to assess effectiveness. ED 54's Basis for Conclusions explained the problems with the CP's definition as follows:

This [definition of effectiveness] implies that the relationship between outputs and outcomes is relatively simple to measure. After further consideration the IPSASB considered that the relationship between outputs and outcomes is likely, in many situations, to be more complex than the simple relationship underpinning the original definition. Furthermore, the IPSASB considered that effectiveness is better understood to be the degree to which an entity is successful in achieving its service performance objectives. On this basis the IPSASB decided that effectiveness indicators show the extent to which an entity has achieved its services performance objectives.

25. Based on the discussion above, staff recommends that the IPSASB retain the existing definition for effectiveness and revise the definition of service performance objectives.

Appendix A—Examples to Illustrate Defined Terms

26. In December the IPSASB directed that examples in the RPG and its non-authoritative appendix of examples should be revised to ensure comprehensive coverage, and consistency with appendix formats used by other pronouncements. Staff expanded the set of examples in the appendix, to provide more comprehensive coverage.
27. Recently issued IPSASs, for example, IPSAS 35, *Consolidated Financial Statements*, were reviewed. Consistent with recent IPSASs the appendix has been revised as follows:
- (a) Renamed "Implementation Examples";
 - (b) Moved to after the Basis for Conclusions; and
 - (c) An additional explanatory sentence added at the beginning of the appendix.
28. The use of bullet points and "bold" is consistent with the approach used in RPG 1 for its "Glossary of Indicators". Staff also considered whether Appendix A should remain immediately after the RPG and before the Basis for Conclusions. That location would be consistent with the location of RPG 1's "Glossary of Indicators". However, consistency with other IPSASs supports clarity as to the authority of the appendix, which does not form part of the RPG.

Deletion of Conceptual Framework Coverage

29. The IPSASB directed staff to review the draft RPG for any text that repeats Conceptual Framework coverage, delete that coverage and replace it, where appropriate, with a reference to the Conceptual Framework. The main impact of this review was the deletion of some of the paragraphs on application of the qualitative characteristics to service performance information.

Action Requested:

3. Members are asked to indicate whether they agree with the proposals on:
- (a) Economy—paragraphs for inclusion in the Basis for Conclusions;
 - (b) Effectiveness—revise the definition of "service performance objective" to remove reference to effectiveness; and
 - (c) Appendix A—Revised format and location; renamed as "Implementation Examples".

APPENDIX A: TEXT REVISIONS TO SECTIONS ON LOCATION AND ORGANIZATION

This appendix shows text revisions made to two sections of the RPG. In the main “track changes” document, Agenda Item 4.2, these changes were obscured when the sections were moved to new locations in the RPG. As can be seen, not many text revisions have been since the IPSASB’s December 2014 review of these two sections.

~~Presentation with Location of Service Performance Information the Financial Statements or in a Separate GPFR~~

45. An entity may present service performance information either:
 - (a) As part of a GPFR that includes the financial statements; or,
 - (b) In a separately issued GPFR.
46. The following factors should be considered when making this decision:
 - (a) The extent to which the service performance information needs to be reviewed within the context of information in the financial statements, including information on budget-actual comparisons;
 - (b) Whether the needs of users and the qualitative characteristics are enhanced if the service performance information is included in the same GPFR as the financial statements or in a separate GPFR;
 - (c) Application of the constraints on information, including whether the benefits of including the information in the same GPFR as the financial statements justify the additional costs (if any) involved; and,
 - (d) Jurisdiction-specific ~~requirements factors~~ which could specify either that service performance information should be located ~~either~~ in the same GPFR as the financial statements or in a separate GPFR.
47. With respect to point (a) in paragraph ~~46-77~~ above, an important factor in this decision is likely to be whether the primary objective of providing the service performance information is:
 - (a) To inform assessments on resource allocation decisions for the provision of services, in which case there is likely to be value in associating the reporting of service performance information with the financial statements that are compared to budget allocations; or
 - (b) To inform assessments on policy or strategy decisions, in which case there is likely to be value in associating the reporting of service performance information with information on policies or strategy.

~~Disclosures when Separate from the Financial Statements~~

48. Paragraph XX below addresses the location of service performance information in a GPFR. Where ~~the~~ service performance information is presented separately from the GPFR that includes the financial statements, the following information should be presented:
 - (a) The name of the entity;
 - (b) Where the entity is a controlling entity, a description of the group of entities controlled by the reporting entity;

- (c) Where the entity is a controlled entity, the identity of the controlling entity;
 - (d) The reporting date and the reporting period covered by the service performance information;
 - (e) The financial statements to which the service performance information relates and sufficient information necessary for users to locate the financial statements;
 - (f) The presentation currency, as defined in IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*; and,
 - (g) The level of rounding used.
49. Where an entity chooses to present its service performance information in a separate GPFR from the financial statements the separate GPFR should be issued on a timely basis, which will usually be demonstrated through issuance at the same time as the financial statements or, if not at the same time, then very close to issuance of the financial statements. ~~The two sets of information—financial information reported in the financial statements and service performance information—are linked and each type of information enhances the usefulness of the other. Service performance information assists users in their assessment of the entity's accountability for resources use.~~

Organization of Service Performance Information ~~within a GPFR~~

50. The organization of service performance information within a GPFR should enable users to support:
- (a) Understand an entity's service performance, including its achievement of service performance objectives;
 - (b) Assess the entity's service efficiency and effectiveness; and
 - (c) Use the service performance information for the purposes of accountability and decision making.
- ~~(a) Users' ability to use the information for the purposes of accountability and decision making; and~~
- ~~(b) Achievement of the qualitative characteristics.~~
51. ~~High level summaries of information should be supported with more in depth discussion and analysis. The service performance information should be organized so that connections are clear between the high level summaries displayed information and:~~
- (a) ~~(a) supporting detail. Disclosures on the basis of the displayed information;~~ and
 - (b) ~~(b) related Narrative~~ discussion and analysis.
- ~~51-52.~~ 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.
- ~~52-53.~~ Where service performance information is presented through narrative or case studies a tabular approach is unlikely to be appropriate. In some cases a mixture of case studies and one or more tables or statements will be appropriate.
54. Entities may use several levels of reporting in order to achieve a balance between being;

~~(a)~~ ~~(a)~~ Concise enough to be understandable; and

~~(b)~~ ~~(b)~~ Providing sufficient detail with respect to multiple aspects related to each service performance objective.

~~53-55.~~ The use of several levels of reporting allows ~~the display of~~ concise reporting on service performance objectives at higher levels, and display or disclosure of more detailed coverage at lower levels, where service areas, for example, could be disaggregated into two or more individual services.

~~64-56.~~ IPSAS 18, *Segment Reporting*, applies to entities' identification of segments. It describes service segments and identifies factors that should be considered when grouping services into segments for financial reporting purposes. IPSAS 18's description of service segments is likely to be useful for entities when they consider how to present their service performance information.

RPG 3
[April] 2015

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™ (IPSAS™) and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS 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 IPSAS 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 © [April 2015] by the International Federation of Accountants® (IFAC®). For copyright, trademark, and permissions information, please see page [xx].

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

RPG 3 REPORTING SERVICE PERFORMANCE INFORMATION

CONTENTS

	Paragraph
Objective	1
Status and Scope	2–7
Definitions	8–28
Reporting Boundary	29–30
Annual Reporting and Reporting Period	31–33
Principles for Presentation of Service Performance Information	34–39
Selection of Service Performance Information	40–73
Location of Service Performance Information.....	74–77
Organization of Service Performance Information.....	78–84
Basis for Conclusions.....	
Illustrative Examples	

Objective

1. This Recommended Practice Guideline (RPG) provides guidance on reporting service performance information in General Purpose Financial Reports (GPFRs). Service performance information assists users of GPFRs (hereafter termed “users”) to assess the entity’s service efficiency and effectiveness. Service performance information is information on an entity’s service performance objectives, the extent of its achievement of those objectives, and the services that the entity provides.

Status and Scope

2. The reporting of information in accordance with this RPG represents good practice. An entity reporting service performance information should aim to achieve the applicable principles set out in 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). Although this RPG does not apply directly to GBEs, the services provided by a GBE controlled by the reporting entity are within the scope of this RPG.
4. Service performance information should not be described as complying with this RPG unless it complies with all the applicable principles in this RPG.
5. This RPG outlines information to be presented. An entity may present additional information if such information is useful in meeting the objectives of financial reporting and meets the qualitative characteristics of financial reporting.
6. In some jurisdictions the presentation of service performance information is a legislative or regulatory requirement. Entities are encouraged to disclose information about the impact of such requirements on compliance with this RPG.
7. A jurisdiction may have established service performance reporting requirements that extend beyond the guidelines in this RPG, These could include, for example, greater specification of required information organization, requirements for a larger set of information to display or disclose, and/or specific performance indicators or specific types of performance that are required to be presented. In that case the entity is encouraged to ensure that information identified through application of both this guideline and jurisdictional requirements is presented. To the extent that jurisdictional requirements differ from the guidelines in this RPG, those requirements would apply in addition to, not in lieu of, the guidelines in this RPG. Service performance information should not be described as complying with this RPG if the information presented departs from the RPG’s applicable principles in order to comply with jurisdictional requirements.

Definitions

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

Effectiveness is the relationship between actual results and service performance objectives.

Efficiency is the relationship between (a) inputs and outputs, or (b) inputs and outcomes.

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

Outcomes are the impacts on society, which occur as a result of, or are reasonably attributable to, the entity's outputs and operations.

Outputs are the services provided by an entity to recipients external to the entity.

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

A *service performance objective* is a description of the planned result(s) that an entity is aiming to achieve expressed in terms of inputs, outputs, outcomes or efficiency.

9. The Implementation Examples that accompany RPG 3 illustrate the terms defined above.

Effectiveness

10. Effectiveness describes the relationship between an entity's actual results and its service performance objectives, where the results and the related service performance objective are consistently expressed. When reporting on its effectiveness the entity reports the extent to which one or more of its service performance objectives has been achieved. The more effectively an entity operates as a service provider, the better will be its actual results when measured against its planned results.
11. Effectiveness is assessed at the end of the reporting period, once the actual results are available. Precise measurements of effectiveness are usually ratios of the actual results achieved to the planned results established in the service performance objective. An impression of effectiveness can be gained by comparing—without calculation—actual service performance against the relevant service performance objective.

Efficiency

12. An efficiency indicator can be used to show when a service is being provided more (or less) efficiently compared to:
 - (a) Previous reporting periods;
 - (b) Expectations;
 - (c) Comparable service providers; or,
 - (d) Benchmarks.
13. Other things being equal, if outputs 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 those previously attained, with other variables such as service quantity (outputs) 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 service quantity (outputs) and cost holding constant—would indicate less efficient service provision.

Inputs

14. 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.
15. Inputs are also reported in terms of costs incurred.

Outcomes

16. An entity's outcomes could be impacts affecting society as a whole or impacts on particular groups or institutions within society. Outcomes could be relatively direct impacts on recipients of the entity's services. They could also be impacts on others that are not recipients of the entity's services but who benefit indirectly from those services.
17. Outcomes may include, for example, changes to educational achievements within society, changes to poverty and crime levels, or changes to the health of different groups within society.
18. Although outcomes usually result from an entity's outputs, an entity's operations may also contribute to achievement of its outcomes.
19. There may be a strong, direct causal link between an entity's actions and its outcomes, but this will not always be the case. Factors beyond the entity's control may intervene to either hinder or facilitate the entity's achievement of outcomes.

Outputs

20. Services provided by an entity to external recipients could include:
 - (a) Services provided directly to individuals and institutions, for example, health or education services or the provision of goods such as food or books;
 - (b) Services provided indirectly to individuals and institutions, for example, services which aim to develop, promote, protect or defend a community, institution, country, or community values and rights;
 - (c) Transfers to individuals and institutions, for example, cash transfers and the provision of economic incentives such as tax incentives;
 - (d) Provision of policies, regulations or legislation to achieve public policy goals, which includes, for example, revenue related legislation and the enforcement of such legislation; and
 - (e) Collection of taxes and other revenues.
21. The receipt of services by recipients external to the entity is a critical factor in deciding whether services are outputs, rather than services consumed internally as part of an entity's production of outputs.

Performance Indicators

22. Inputs, outputs, outcomes, efficiency and effectiveness are types of performance indicators.

23. Performance indicators may be quantitative measures, for example, the number of outputs produced, the cost of services, the time taken to provide a service, or a numerical target for an outcome. Performance indicators may be qualitative measures, for example descriptors such as poor/good/excellent or satisfactory/unsatisfactory, which could include service quality ratings by service recipients, citizens or experts. Use of quantitative and qualitative measures may help users with:
 - (a) Their assessment of whether service performance objectives have been achieved; and,
 - (b) Inter-period and inter-entity comparisons of service performance.
24. A performance indicator could also be in the form of a qualitative description. A qualitative description may be necessary to provide users with relevant and understandable information on service performance where there is a high level of complexity and judgment involved in a particular service.

Service Performance Objectives

25. Service performance objectives may be expressed using performance indicators of inputs, outputs, outcomes or efficiency, or through a combination of one or more of these four performance indicators. A service performance objective may also be expressed using a narrative description of a desired future state resulting from provision of services.
26. Service performance objectives will generally be specific, measurable, achievable, realistic and time-bound.
27. An entity's service performance objectives may all be expressed in the same type of performance indicator, for example, all expressed in outcomes. They may also be expressed in different types of performance indicators, for example, some of the service performance objectives may be expressed in outcomes, while others are expressed in outputs and/or inputs.
28. A single service may contribute to achievement of one or more service performance objectives. Several services may contribute to the same service performance objective.

Reporting Boundary

29. For reporting service performance information the reporting boundary of the entity should be the same as that used for the financial statements.
30. Unlike consolidated financial statements, which aggregate the finances of controlled entities, service performance information reported by a controlling entity is not usually an aggregation of the services reported by its controlled entities. Instead, a controlling entity applies the principles in this RPG when presenting its service performance information. For example, the performance indicators presented will be relevant to the controlling entity's own service performance objectives. To the extent that a controlling entity presents information about the services provided by its controlled entities that information is likely to be a high level overview.

Annual Reporting and Reporting Period

31. Service performance information should be reported at least annually.
32. Service performance information should cover the same reporting period as that covered by the financial statements. However, a consideration of users' needs and an assessment of costs and

benefits may indicate that the reporting period should be different from that covered by the entity's financial statements. This may be the case, for example, when service performance information presented by a controlling entity is based on service performance information reported by controlled entities that have a different reporting period.

33. Service performance objectives may require periods longer than one year to achieve. Users will need information on progress towards such multi-year service performance objectives. Paragraph 55 addresses the type of service performance information that can be presented to show annual progress towards multi-year service performance objectives.

Principles for Presentation of Service Performance Information

34. An entity should present service performance information that is useful to users for accountability and decision making purposes. Presentation should enable users to assess the extent, efficiency and effectiveness of the entity's service performance. It should be appropriate to the entity's service performance objectives and make the relationship between the entity's service performance objectives and its service performance achievements clear.
35. When used in combination with the information in an entity's financial statements, service performance information should enable users to assess the entity's finances in the context of its achievement of service performance objectives and vice versa.
36. The service performance information presented should take account of the entity's specific circumstances, such as:
 - (a) The services that the entity provides;
 - (b) The nature of the entity; and,
 - (c) The regulatory environment in which the entity operates.
37. The presentation of service performance information should achieve the qualitative characteristics of financial reporting, while applying the pervasive constraints on information in GPFs. (The *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) describes the qualitative characteristics and pervasive constraints.)
38. Aggregation or disaggregation of service performance information should be at a level that conveys a meaningful understanding of the entity's service performance achievements. The level of aggregation should not be so high as to conceal or obscure performance, while the level of disaggregation should not be 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.
39. Comparability to other entities can be difficult to achieve in the context of service performance information since diverse services are provided. Even where two entities provide exactly the same service they may have different service performance objectives with the result that they need to report different, non-comparable performance indicators. Inter-entity comparability may need to be traded off against relevance, so that service performance objectives and their related performance indicators are chosen to be relevant to the service performance situation of the entity. Alternatively the needs of users may indicate that performance indicators that are comparable with those of

other entities delivering the same services are relevant to the entity, and the two qualitative characteristics—comparability and relevance—are aligned.

Selection of Service Performance Information

Information for Display

40. The following information should be displayed:
 - (a) Service performance objectives;
 - (b) Performance indicators; and,
 - (c) Total costs of the services.
41. With respect to performance indicators and the total costs of the services, the entity should display:
 - (a) Planned and actual information for the reporting period; and
 - (b) Actual information for the previous reporting period.
42. Where service performance information includes information that is also in the financial statements, cross-references to the financial statements should be presented so that users can assess the information within the context of the financial information reported in the financial statements.
43. Information found in an entity's legislation and planning documents (budget statement, mission statement, strategic plan, funding agreements, corporate plan, etc.) will usually help to identify the service performance objectives and performance indicators that are relevant to the entity.

Service Performance Objectives

44. Where the entity's service performance objectives change, the information presented should reflect the change. For example, an entity may initially have service performance objectives related to increasing either the inputs or outputs related to its services, and then later re-focus its performance towards improving either the services' efficiency or effectiveness. That change should be reflected in the service performance information that the entity presents.

Performance Indicators

45. Judgment is needed to determine the most suitable set of performance indicators to be reported. 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. For performance indicators to be relevant they should link directly to one or more of the entity's service performance objectives. Alignment between the different indicators presented—for example between input, output and/or outcome performance 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 service performance objectives.
46. The performance indicators presented should allow users to assess how efficiently and effectively the entity has used its resources to deliver services and achieve its service performance objectives.
47. Where an entity has publicly reported planned performance indicators the actual performance indicators presented will usually be consistent with those previously made public. Those entities that publish their budget information and apply IPSAS 24, *Presentation of Budget Information in*

Financial Statements, should consider the relationship between that information and the service performance information that they report.

48. An entity is encouraged to display information about its intended outcomes and its achievements with respect to those outcomes.
49. There may be a large number of performance indicators that can be presented for an entity's service performance objectives, services or programs. To ensure that the information is understandable and to avoid overwhelming users, entities generally will need to identify only those few key performance indicators that will best meet the needs of users for information that meets the objectives of financial reporting.
50. Performance indicators that involve quantification should be able to be measured reliably. Where performance indicators can be generated by a transaction processing system the use of such a system will support the verifiability and timeliness of reported information.
51. When selecting performance indicators entities should ensure that the indicators presented will provide a representationally faithful description of service performance. There may be trade-offs between different aspects of service performance, such that one aspect improves while another aspect deteriorates. Information presented should be neutral and without bias. Entities should avoid any tendency to present performance indicators that are biased towards reporting positive results. This helps to ensure that the qualitative characteristics are met and users can be confident that the performance indicators faithfully represent the entity's service performance.
52. Ease of measurement is likely to be a consideration when selecting performance indicators, but it should be secondary to the needs of users. The performance indicators presented should not over-emphasize easily measured dimensions.
53. In some situations a qualitative description (also called narrative information) should be presented as a performance indicator. This could be the case where service performance achievements cannot be reduced to a small set of quantitative or qualitative measures because the service:
 - (a) Is complex;
 - (b) Involves interrelated factors; and
 - (c) Involves a large number of different possible indicators of success or progress, all of which involve judgment as to their relative importance.
54. Information reported on any particular service may include one or more different types of performance indicators; quantitative measures, qualitative measures and/or qualitative descriptions.

Multi-year Service Performance Objectives and Performance Indicators

55. In situations where service performance objectives are multi-year, inherently difficult to measure, or very costly to measure, alternative or proxy measures that indicate progress towards achievement of the service performance objective may be able to be presented in the short-term, until information on achievement of the multi-year service performance objective is available. The extended timeframe of multi-year service performance objectives should not be a deterrent to reporting multi-year objectives and disclosing progress towards their achievement, although ways to report on progress in a cost-effective way may need to be developed. For example, where an entity establishes both annual outputs and longer term, multi-year outcomes for one or more

service area there may be scope to treat annual reporting against outputs as indicative of progress towards achievement of the outcomes, with actual outcomes reported less frequently.

Total Costs of Services and Disaggregated Cost Information

56. In addition to display of the total costs of services, an entity may also choose to present disaggregated cost information. Disaggregated cost information could, for example, be costs related to individual service performance objectives, outcomes, service areas, individual services, the costs of outputs, or costs related to particular inputs. Users' assessment of efficiency may be supported through provision of costs related to either outputs or outcomes.

Planned and Actual Service Performance

57. Planned and actual service performance information should be reported consistently so that users' assessments of effectiveness are facilitated. Wherever possible, entities should report on the same performance indicators, with the same methodology and parameters for their computation, as that established before the start of the reporting period. This enables users to compare actual performance with planned performance at the end of the reporting period.
58. Consistency of performance indicators over several years facilitates long-term trend analysis. But such consistency should not be pursued at the expense of:
- (a) Improving the quality of performance indicators; or,
 - (b) Aligning indicators with changed expectations from stakeholders.
59. 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, when stakeholders revise their service performance expectations during the reporting period, resulting in an amendment to service performance objectives. Service performance objectives may also change as a result of a public sector combination, where accountability for services is transferred from one entity to another or reporting needs to be on services previously provided by two different entities and now provided by a single, merged entity. In these situations it may be possible for the entity to report against both the original and the revised service performance objectives. The reason for, and the impact of, these changes could be outlined in narrative discussion and analysis, so that users have the information they need to understand reasons for variances between service performance objectives at the beginning of the reporting period and actual achievements, while also understanding the degree of actual achievement against the more up-to-date, revised service performance objectives.

Information for Disclosure

60. Judgment is needed to decide what information should be disclosed so that users:
- (a) Understand the basis of the displayed service performance information; and,
 - (b) Receive a concise overview of the entity's service performance, which highlights the main issues relevant to their assessment of that service performance.

Basis of Displayed Service Performance Information

61. An entity should disclose sufficient information on the basis of displayed service performance information to enable users to evaluate:

- (a) Whether the information on service performance objectives, performance indicators and total costs is useful to assess the entity's service efficiency and effectiveness; and
 - (b) The quality of the displayed information, including its verifiability.
62. An entity should disclose information on the sources of displayed service performance information and make any additional disclosures necessary to meet the objectives of financial reporting.
63. The following information should be disclosed:
- (a) An explanation of the displayed service performance objectives, which describes how they have been established, the need for them to be achieved, and the relationship(s) between the service performance objectives and:
 - (i) The displayed performance indicators, and
 - (ii) The entity's overall objectives.
 - (b) An explanation of the relationship(s) between related performance indicators. (For example, information on the extent of alignment between input, output and/or outcome indicators, where the inputs and outputs contribute to achievement of a particular outcome.)
 - (c) An explanation of the basis for information aggregation (or disaggregation), which addresses the level of detail reported.

Disaggregated Information on Costs

64. If an entity chooses to present disaggregated information on costs then the basis for cost determination should be disclosed.
65. Cost determination information includes information such as:
- (a) Cost allocation policies;
 - (b) The treatment of direct and indirect service related expenses; and/or
 - (c) A reconciliation or a comparison between the costs of services presented and total expenses.
66. Where an entity discloses either a reconciliation or a comparison between the costs of services presented and total expenses this could be between, for example:
- (a) Total costs of services and total expenses; or
 - (b) Costs related to individual services or groups of services and costs reported for different segments.

Controlling Entity Disclosures

67. Where a controlling entity reports on services provided by its controlled entities the controlling entity should disclose information that explains the respective roles and responsibilities for service performance within the economic entity.

Disclosures when Reporting Period is Different

68. When the service performance information covers a reporting period different from that for the entity's financial statements, the following information should be disclosed:
- (a) The fact that the reporting period is not the same as that for the financial statements;

- (b) Why there is a difference; and,
 - (c) If financial information is included in the service performance report, either
 - (i) The reporting period of the financial statements from which the information has been derived, along with information to facilitate access to those financial statements; or
 - (ii) The source of the financial information reported, if the information has not been derived from the entity's financial statements, along with information to facilitate access to that source.
69. When the reporting period for information on some services is different from the reporting period of the entity's service performance report the following information should be considered for disclosure:
- (i) The services affected,
 - (ii) The applicable reporting period(s), and
 - (iii) An explanation for the difference(s).

Disclosures when Separate from the Financial Statements

70. Paragraphs 74–77 below address the location of service performance information in a GPFR. Where service performance information is presented separately from the GPFR that includes the financial statements, the following information should be presented:
- (a) The name of the entity;
 - (b) Where the entity is a controlling entity, a description of the group of entities controlled by the reporting entity;
 - (c) Where the entity is a controlled entity, the identity of the controlling entity;
 - (d) The reporting date and the reporting period covered by the service performance information;
 - (e) The financial statements to which the service performance information relates and sufficient information necessary for users to locate the financial statements;
 - (f) The presentation currency, as defined in IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*; and,
 - (g) The level of rounding used.

Narrative Discussion and Analysis

71. The entity should disclose narrative discussion and analysis on its service performance information. Narrative discussion and analysis complements the displayed service performance information by enabling users to gain insight from the entity on:
- (a) Aspects of service performance that the entity considers should be highlighted; and
 - (b) Factors that affected service performance achievements during the reporting period.
72. Narrative discussion and analysis should provide a concise overview of the entity's service performance that:
- (a) Discusses the degree to which service performance objectives have been met;

- (b) Provides balanced explanations of the information displayed, which cover both positive and negative aspects of the entity's service performance; and
 - (c) Facilitates users' assessments of the efficiency and effectiveness of the entity's service performance.
73. The Implementation Examples that accompany RPG 3 illustrates types of information that could be included in narrative discussion and analysis.

Location of Service Performance Information

74. An entity may present service performance information either:
- (a) As part of a GPFR that includes the financial statements; or,
 - (b) In a separately issued GPFR.
75. The following factors should be considered when making this decision:
- (a) The extent to which the service performance information needs to be reviewed within the context of information in the financial statements, including information on budget-actual comparisons;
 - (b) Whether the needs of users and the qualitative characteristics are enhanced if the service performance information is included in the same GPFR as the financial statements or in a separate GPFR;
 - (c) Application of the constraints on information, including whether the benefits of including the information in the same GPFR as the financial statements justify the additional costs (if any) involved; and,
 - (d) Jurisdiction-specific requirements which could specify either that service performance information should be located in the same GPFR as the financial statements or in a separate GPFR.
76. With respect to point (a) in paragraph 77 above, an important factor in this decision is likely to be whether the primary objective of providing the service performance information is:
- (a) To inform assessments on resource allocation decisions for the provision of services, in which case there is likely to be value in associating the reporting of service performance information with the financial statements that are compared to budget allocations; or
 - (b) To inform assessments on policy or strategy decisions, in which case there is likely to be value in associating the reporting of service performance information with information on policies or strategy.
77. Where an entity chooses to present its service performance information in a separate GPFR from the financial statements the separate GPFR should be issued on a timely basis, which will usually be demonstrated through issuance at the same time as the financial statements or, if not at the same time, then very close to issuance of the financial statements.

Organization of Service Performance Information

78. The organization of service performance information within a GPFR should enable users to:
- (a) Understand an entity's service performance, including its achievement of service performance objectives;
 - (b) Assess the entity's service efficiency and effectiveness; and
 - (c) Use the service performance information for the purposes of accountability and decision making.
79. The service performance information should be organized so that connections are clear between displayed information and:
- (a) Disclosures on the basis of the displayed information, and
 - (b) Narrative discussion and analysis.
80. 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 the performance indicators presented are quantitative measures or qualitative measures reported on multiple services.
81. Where service performance information is presented through narrative or case studies a tabular approach is unlikely to be appropriate. In some cases a mixture of case studies and one or more tables or statements will be appropriate.
82. Entities may use several levels of reporting in order to achieve a balance between being:
- (a) Concise enough to be understandable; and,
 - (b) Providing sufficient detail with respect to multiple aspects related to each service performance objective.
83. The use of several levels of reporting allows the display of concise reporting at higher levels, and display or disclosure of more detailed coverage at lower levels, where service areas, for example, could be disaggregated into two or more individual services.
84. IPSAS 18, *Segment Reporting*, applies to entities' identification of segments. It describes service segments and identifies factors that should be considered when grouping services into segments for financial reporting purposes. IPSAS 18's description of service segments is likely to be useful for entities when they consider how to present their service performance information.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, RPG 3.

Background

Project Initiation, Consultation Paper and Decision to Develop Guidance

BC1. The IPSASB's project on reporting service performance information began with a review of 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 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 Consultation Paper (CP), *Reporting Service Performance Information*, issued in 2011. The CP proposed a principles based framework for reporting service performance information and a standard terminology.

Development of a Recommended Practice Guideline

BC2. In 2013 the IPSASB decided that information additional to that included in the financial statements should presently be addressed through development of a Recommended Practice Guideline (RPG). Therefore a draft RPG, ED 54, *Reporting Service Performance Information*, was developed for reporting service performance information. This RPG is based on the service performance reporting framework developed for the CP, revised for the IPSASB's decisions during its review of responses to the CP and its subsequent review of responses to ED 54. This RPG is underpinned by the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework).

Overall Approach of RPG—Guidance on Decisions and Minimum Characteristics

- BC3. 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 guidelines on 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.
- BC4. Given the diversity of services and reporting contexts, the IPSASB decided that the RPG should not attempt to standardize service performance reporting, but focus on achievement of applicable principles. At the same time, the core type of service performance information that should be presented. This approach was decided on the basis that guidelines are needed on what type of information should be presented and it is possible to identify broad categories of information—for example, information on service performance objectives—that are applicable to all entities that report service performance information.
- BC5. In developing an RPG for reporting service performance information the IPSASB acknowledged the challenge in developing guidance that would be useful when applied to 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. The IPSASB considered these matters and was of the view that it would be most helpful to develop 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.

- BC6. The IPSASB's view is that principles applicable to reporting service performance information provide 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.
- BC7. Some respondents to the ED were concerned about an apparent contradiction between RPGs as pronouncements that do not establish requirements and paragraph 5 of the ED, which stated that compliance with the RPG involves compliance with all of its requirements. The IPSASB decided that the phrase "compliance with requirements" in this paragraph should be replaced with "compliance with applicable principles". The basis for this is twofold. First, the RPG establishes principles which entities then use to guide their decisions on what service performance information they report. Second, while the paragraph still uses the idea of "compliance", the IPSASB considers that this is consistent with the RPG's role as a recommended guideline. The nature of an RPG as a guideline is established by the allowance for entities to not follow a particular RPG—in its entirety—without impacting negatively on the entity's IPSAS compliance. Preparers (or jurisdictions) may also choose to apply part of the RPG and, for example, progressively move towards full compliance, at which point compliance can be asserted. Nonetheless the specific content of an RPG involves a set of principles that establish best practice. An RPG may also, depending on the topic addressed, involve more flexibility of application than is the case for an IPSAS. This is the case for this RPG which includes options as to presentation and uses principles to guide preparers' decisions on what information to present.

Scope

- BC8. The IPSASB considered whether the RPG should apply to Government Business Enterprises (GBEs). While acknowledging that GBEs provide services and may report service performance information on those services the IPSASB decided that this RPG should apply to all public sector entities other than 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. This exclusion from the scope should not be read as implying that the guidance could not be applied by GBEs or that there is any barrier to GBEs applying this guidance.
- BC9. In reaching this conclusion the IPSASB noted that where a controlling entity reports service performance information according to the recommendations in this RPG it may provide information on services provided by one or more controlled GBEs. Although the GBEs' own reporting is not within the scope of this RPG, the IPSASB decided that the information reported by the controlling entity—about the GBEs' services—needs to follow the RPG's requirements, if the controlling entity is to assert compliance with the RPG.

BC10. The IPSASB considered whether this RPG should apply to entities in national jurisdictions which already have extensive service performance information reporting requirements for their public sector entities—requirements that may extend beyond the principles approach to information which is set out in the RPG. The IPSASB's view is that, in such circumstances, the entity will need to ensure that jurisdictional requirements are met. While the RPG does not set out detailed comprehensive and specific requirements, this does not represent an encouragement to report less than is already reported under national or other requirements, nor is this viewed as in conflict with more extensive reporting. Paragraphs 6–7 of the RPG addresses the relationship between the RPG and jurisdictional requirements for service performance information, explaining that the RPG does not preclude the presentation of additional information and more extensive jurisdictional requirements would apply in addition to the guidelines in the RPG. The IPSASB concluded that the RPG adequately addresses this issue and the RPG should be able to be applied to entities in jurisdictions where extensive service performance information reporting requirements already exist.

Definitions of Terms

BC11. 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.

BC12. The IPSASB developed the defined terms in the RPG, by basing them, as far as possible, on terms already used in jurisdictions with a well thought through and explicit approach to, and extensive experience in, service performance reporting.

BC13. During the review of responses on the CP and the ED, and then during subsequent development of the RPG the IPSASB revised the definition of an effectiveness indicator. The CP definition was: "Effectiveness indicators are measures of the relationship between outputs and outcomes." This implies that the relationship between outputs and outcomes is relatively simple to measure. After further consideration the IPSASB considered that the relationship between outputs and outcomes is likely, in many situations, to be more complex than the simple relationship underpinning the original definition. Furthermore, the IPSASB considered that effectiveness is better understood to be the degree to which an entity is successful in achieving its service performance objectives. On this basis the IPSASB decided that effectiveness indicators show the extent to which an entity has achieved its services performance objectives

BC14. During development of the CP and ED 54, and the subsequent review of responses to ED 54, the IPSASB considered whether to include "economy indicators" in the RPG's set of defined terms. Economy is a commonly used term in the context of service performance reporting. However different jurisdictions have different meanings for economy. For some jurisdictions economy means lower costs for service delivery without reference to impact on quantity and/or quality of services delivered. Other jurisdictions consider that this first view is not really economy and that using "economy" to describe situations where costs are reduced but service quality and/or quality is negatively impacted could be misleading to users of GPFRs. A second view of economy is that it is only achieved if service delivery is maintained or enhanced, when costs or other inputs are reduced. This second view of economy fits the definition of "efficiency" in the RPG. Indeed, there

is a third group of national jurisdictions that does not use the term “economy” on the basis that the term can be confusing and it overlaps with efficiency.

- BC15. IPSASB members decided to exclude economy indicators because the term is both confusing and unnecessary given other terms defined in the RPG. So-called “economy indicators” do not represent something additional to the ideas conveyed by either inputs or efficiency, for which the RPG establishes clear definitions. The IPSASB noted that the RPG’s approach to selection of service performance information allows jurisdictions to assess “economy”, whatever the meaning that a particular national jurisdiction gives that word. For example, the RPG supports the presentation of information on costs, on other inputs, and on efficiency. Therefore the RPG does not define “economy indicators” and does not use the term “economy”.

Reporting Entity

- BC16. Service performance information should support the users’ of the GPFRs as they hold the entity accountable for its service provision and use of resources, and makes decisions affecting that entity. On that basis a majority of the IPSASB considered that service performance information should be prepared for the same reporting entity as for the financial statements. To be consistent with coverage in RPGs 1 and 2 (see RPG 1, paragraph 14 and RPG 2, paragraph 4) the wording in RPG 3 focuses on “reporting boundary” rather than reporting entity. In reaching this conclusion the IPSASB also noted that the RPG’s accountability and decision making focus is not designed to apply to supply chains, networks or other combinations of individual entities that may be able to influence each other but do not have the ability to control.
- BC17. Several respondents to the ED suggested that the RPG should also provide guidance for reporting on programs or policies that involve a group of entities that are not under common control, that is, “cross-boundary” reporting. The IPSASB acknowledged that there is a trade-off between service performance reporting that applies the same reporting entity boundary as for the financial statements and flexible boundaries that provide scope for cross-boundary reporting. A focus on the same reporting entity as for the financial statements has the benefit of following lines of control and supporting organization-focused accountability, while also facilitating both collection of service performance information and the integration of such information with financial information in the entity’s financial statements. However there are cases where no single entity is accountable for a program or policy and requiring cross-boundary reporting, aligned with the program or policy, would provide information that better explains service performance related to that program or policy. The IPSASB considered expanding the RPG’s scope to also include guidance for cross-boundary reporting on “programs” or “sets of activities that contribute to the same outcome(s)”. The IPSASB decided that the RPG should remain focused on reporting by the same entity as that for the financial statements. This does not prevent national jurisdictions from adapting the RPG’s principles and guidance for application to cross-boundary reporting.
- BC18. The IPSASB considered concerns expressed by respondents to the CP and the ED over controlling entities being required to report all services provided by their controlled entities. That could have the result that information becomes too detailed and lengthy to meet the qualitative characteristics and support users’ assessments for accountability and decision making. The IPSASB decided to include further explanation in the RPG to address this concern. On this basis the RPG states that controlling entities should report against their own service performance objectives rather than attempt to aggregate all those services provided by controlled entities.

Annual Reporting and Reporting Period

BC19. The IPSASB considered whether service performance information should be reported annually, when service performance objectives, whether expressed in outcomes, outputs or inputs, may require periods longer than one year to achieve. The majority of IPSASB members considered that service performance information should be reported annually because this is important to ensure that users' have the information they need for the purposes of accountability and decision-making. To address the existence of multi-year service performance objectives the IPSASB decided that the RPG could encourage entities to disclose information on their progress towards multi-year service performance objectives. The IPSASB noted that responses to the ED indicated generally strong support for annual reporting. The IPSASB confirmed that service performance information should be presented annually and use the same reporting period as that for the financial statements, unless users' needs require a different period.

Scope to Report More Frequently

BC20. Some respondents to the ED were concerned that it did not allow entities to report more frequently than annually. The IPSASB agreed with respondents who argued in favor of scope for more frequent reporting, noting that this is likely to increase transparency and accountability. As one respondent stated, more frequent reporting also can encourage "management dialogue between all those involved in the evaluated public policy mission and improves the management process by increasing the accountability of the public manager. The IPSASB decided to use the phrase "should be reported at least annually", which allows for more frequent reporting and is the same phrase as that used in IPSAS 1, *Presentation of Financial Statements*, to address reporting frequency.

Reporting Against Multiyear Performance Objectives

BC21. The IPSASB considered concerns raised by some respondent to the ED that annual reporting could have negative consequences for outcome reporting, including the possibility that annual reporting could have the unintended effect of reducing the extent to which entities report outcomes. The IPSASB noted that for some outcomes annual measurement is very expensive and measurable change showing progress towards outcome achievement will not emerge for two or more years. One respondent noted that annual reporting in such cases may even be misleading. This problem is not restricted to service performance objectives focused on outcomes, but can also occur for outputs and input reporting. To address this concern the RPG includes explicit coverage on use of proxy measures and provides scope for entities to report outputs or inputs as indicative of progress towards achievement of outcomes or other types of multi-year service performance objectives.

Service Performance Information Issued at Same Time as the Financial Statements

BC22. The IPSASB considered whether the RPG should state that service performance information should be issued at the same time as the financial statements. The IPSASB noted that issuance at the same time as the financial statement supports timeliness, but may be very difficult for some entities to achieve and may not be justified if an assessment of its costs and the resulting benefits is done. The IPSASB decided that, while acknowledging that it is desirable for service performance to be reported at the same time as the financial statements, the RPG should not state that this is necessary.

Controlling Entity and Controlled Entities with a Different Reporting Period

BC23. The IPSASB considered situations in which a controlling entity includes information on services that are provided by controlled entities with a different reporting period from that of the controlling entity. Ideally all the service performance information reported should cover the same reporting period. However there are situations where the benefits of aligning the information with the controlling entity's reporting period do not outweigh the costs involved. For example, some public sector entities provide service performance reports to donors who require a different reporting period from that for the entities' financial statements. The additional costs of preparing service performance reports for each reporting period (donors and financial statements) may not justify the benefits. On this basis the IPSASB decided that the RPG should acknowledge the possibility that some of the service performance information reported may be for a different reporting period and address this through additional disclosures.

Two Approaches for Reporting Service Performance Information

BC24. In developing this RPG the IPSASB acknowledged that there are differing approaches to reporting service performance information, including approaches that are more output focused and approaches that are more outcome focused. A more outputs focused approach reports information about the services provided. This type of information is oriented towards resource providers and aims primarily to report on the services received for resources provided and whether resources have been used efficiently, although there is scope to widen the focus to include information about outcomes. A more outcome focused approach tells a performance story, which generally reports on the achievement of outcomes, although there is scope to relate this performance story back to the costs of services. The information reported explains how well the entity is doing in terms of achieving its objectives, where those objectives are described in terms of outcomes.

BC25. The IPSASB considered whether the RPG should include guidance specifically tailored for each approach, but decided against this on the basis that the RPG's focus on achievement of objectives can be applied to either approach. Allowing entities to tailor their reporting to their objectives means that entities or jurisdictions do not need to fit their individual approach into either an output-focused approach or an outcome-focused approach in order to apply the RPG. This means that the RPG's content will be useful to a variety of entities applying different approaches. Entities' service performance objectives may even relate to inputs, when their reporting of service performance information is at an early stage. However, the ideal to which entities should, over time, aspire is the reporting of service performance information that reports comprehensively on both outcomes and outputs, along with information that allows users to assess the efficiency and effectiveness of both. This is consistent with the IPSASB's view, discussed below, that the performance indicators presented should form a holistic system such that they communicate a coherent, integrated view of the entity's service performance.

Principles for Presentation of Service Performance Information

BC26. The RPG sets out principles applicable to the presentation of service performance information, which includes principles applicable to decisions on information selection, location and organization. The RPG identifies factors that should be considered when making presentation decisions and generally proposes information that should be considered for presentation, in light of those principles, rather than prescribing an extensive list of information requirements. This

principles-based approach is consistent with the IPSASB's decisions on the RPG's overall approach, developed during the consultation phase and further considered during both development of the ED and the IPSASB's review of responses to the ED. Although the RPG identifies the type of information that all entities should present, it does not prescribe an extensive set of information. The IPSASB has maintained the principles based approach proposed in the CP and then exposed in the ED on the basis that the principles-based approach:

- (a) Allows entities the flexibility they need to report service performance information that is relevant and appropriate to their service performance objectives and will meet the needs of users of the information;
- (b) Reduces the risk of "disclosure overload", which undermines the extent to which a report on service performance meets the needs of users and does not achieve either the qualitative characteristics or provide benefits in excess of the costs; and
- (c) Requires entities to apply principles that will result in the presentation of the service performance information that users need for the purpose of accountability and decision-making.

BC27. The IPSASB determined that the key principles for reporting service performance information should be based on the users' needs that such information should meet, as established through consultation and with reference to the experience of different jurisdictions. The principles are consistent with the Conceptual Framework and have involved application of the Conceptual Framework to the reporting of service performance information.

Presentation of Service Performance Information

Consultation Paper's Dimensions and Components of Service Performance Information

BC28. 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.

BC29. The RPG's coverage of information selection addresses these four dimensions when it establishes that an entity should report:

- (a) Information on an entity's service performance objectives, including the need or demand for these objectives to be achieved (the "why" dimension);
- (b) Performance indicators to show achievements with respect to service performance objectives (the "what" dimension);
- (c) Comparisons of actual performance to planned (or targeted) results, including information on the factors that influence results (the "how" dimension); and
- (d) Annually on service performance information presenting actual information for the current and the previous reporting period (the "when" dimension).

- BC30. The CP also established components of service 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;
 - (b) Information on the "parameters" of the service performance information reported (termed "basis" in the RPG); and
 - (c) Information on the entity's service performance objectives, and its achievement of those service performance objectives.

Principles Rather than Specific Requirements

- BC31. 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.
- BC32. Because services provided, service performance objectives, and applicable service performance indicators depend on these different factors, the IPSASB decided that the RPG should not identify specific performance indicators that must be presented. Instead, it should identify broad types of information that should be reported and provide guidance on achievement of the qualitative characteristics when selecting service performance information.
- BC33. The RPG identifies different types of performance indicators that could be presented, but does not require that particular performance indicators be presented. While efficiency and effectiveness indicators directly address those aspects of performance, the RPG's objective of providing information for users to assess efficiency and effectiveness does not mean that those two types of performance indicators must be presented. For example, efficiency can be calculated using information about outputs and their cost. Effectiveness can be assessed using information on service performance objectives and results achieved against those service performance objectives.

Information that Conveys a Coherent, Integrated View of the Entity's Service Performance

- BC34. The IPSASB considered that the principles focused approach was appropriate because it allows entities at an early stage of developing service performance reporting to meet the RPG's guidelines and report service performance information consistent with their existing reporting capabilities. Nonetheless, the IPSASB's view is that good quality service performance information needs to be reported so that users can assess an entity's service performance, including both its achievement of objectives and the extent to which it has used resources efficiently and effectively to deliver outputs and achieve outcomes. Ideally the set of performance indicators presented should form a holistic system such that they communicate a coherent, integrated view of the entity's service performance.

Selection of Performance Indicators

- BC35. The IPSASB considered whether the RPG should require entities to report all five types of performance indicators—inputs, outputs, outcomes, efficiency and effectiveness—for the services that they provide. This would result in comprehensive coverage of an entity's service

performance, but it might not reflect an entity's actual service performance focus. In practice it is likely that an entity's service performance objectives will change over time. For example, service performance objectives may initially focus on inputs, then outputs and efficiency, and then outcomes. 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 financial reporting objectives. On that basis the IPSASB decided that the RPG should not require reporting of all five types of indicators but should instead provide guidance on how an entity should choose the types of performance indicators that it reports.

- BC36. The IPSASB also considered whether the RPG should require entities to report outcome indicators. Outcome information is important to users, because it focuses on the ultimate reason for service provision, which is the impact that services have on the community. However outcome information can be very difficult for entities to provide, particularly when they are at an early stage in developing their services performance reporting or in situations where the reporting entity is one of many entities contributing to the same outcome(s). On that basis the IPSASB decided that the RPG should encourage but not require entities to present information on outcomes.

Location of Service Performance Information

- BC37. The IPSASB considered whether service performance information should be located in the same report as the financial statements or in a separate GPF. It noted that while many national jurisdictions treat service performance information as distinctly different and therefore separate from information provided with the financial statements, there are also jurisdictions that integrate service performance information into the same report as the financial statements, treating the two sets of information as complimentary. There are benefits to both approaches. In order to allow for jurisdictional differences the IPSASB decided that the RPG should allow entities to report service performance information either in the same report as the financial statements or in a separate report.

Organization of Service Performance Information

- BC38. 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.
- BC39. 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.

- BC40. The IPSASB decided that the RPG should focus on principles applicable to this decision. 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;
 - (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.
- BC41. 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 services reported. Unless the performance 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 the organization of information to be tailored to an entity's service performance objectives and services provided so that it meets the needs of users.

Illustrative Examples

These examples accompany, but are not part of, RPG 3.

- IE1. The examples in this appendix portray hypothetical situations. Although some aspects of the examples may be present in actual situations, all facts and circumstances of a particular situation would need to be evaluated when applying RPG 3.
- IE2. The first part of this appendix lists examples of terms defined in the RPG. It is not intended to be an exhaustive list of examples for all defined terms. The examples illustrate the meaning of different terms usually through reference to an entity that provides health services. The examples focus on one service— the provision of vaccinations to infants in order to prevent measles. The entity uses a range of inputs to produce its outputs (measles vaccinations). Those outputs are then expected to cause (directly or indirectly) the desired outcome(s).
- IE3. The second part of this appendix provides an illustrative list of information that could be included in an entity's service performance narrative analysis and discussion.

Part 1: Examples of Defined Terms

- **Service Performance Objectives (SPO):**
 - *Input-focused SPO:* To apply 1,200 full-time equivalent days of medical staff time to vaccination services.
 - *Output-focused SPO:* To provide 20,000 vaccinations to infants.
 - *Outcome-focused SPO:* To reduce the percentage of infants who contract measles annually from 65% to 2% within five years i.e. by the end 20XX."
 - *Efficiency focused SPO:* To reduce the total cost per vaccination from \$5 to \$4.
- **Input:** The number of full-time equivalent staff days used to provide vaccinations against measles."
- **Outputs:** The number of infants vaccinated against measles.
- **Outcome:** A reduction in the number of infants that contract measles." (The reduction could be expressed in absolute terms (5,000 fewer incidents of measles) or as a percentage reduction (a 35% percentage reduction in infants contracting measles).
 - *Outcome for a particular group within society:* A 35% reduction in the incidence of measles for infants within the lowest socio-economic decile.
 - *Direct or indirect outcomes:* A reduction in the number of incidents of measles experienced by recipients of measles vaccinations provided by the entity is an example of a direct impact on the recipients of the entity's services. By contrast children going to the same schools as those that vaccinated children attend but who have not received a vaccination will also be impacted indirectly by the entity's vaccination services, because their risk of contracting measles is reduced.
 - *Outcomes influenced by the entity's operations:* An entity responsible for vaccinations also collects information to compile health statistics about measles, which is viewed by the entity as an operational input to its health services. The health surveys raise awareness of measles and contribute to the reduction of measles.

- *Factors that impact on outcomes, but are outside of the entity's control:* An entity such as a police department may have an outcome to reduce crime. Factors such as an aging population or changes to economic well-being may both help to reduce the crime rate. Both factors (aging population and changes to economic well-being) are outside of the control of the police department.
- **Efficiency:**
 - "Cost per infant vaccinated" is an example of an efficiency indicator that relates outputs (vaccinations) to an input (cost). Efficiency may also be expressed in terms of other inputs such as, for example, number of staff or staff time. For example, 1,000 vaccinations annually per qualified medical staff member.
 - "Cost per reduction in number of infants contracting measles" is an example of an efficiency indicator that relates an outcome (reduction in number of infants contracting measles) to an input (cost).
- **Effectiveness:**
 - *Input effectiveness:* The service performance objective was to dedicate 20,000 hours of medical staff time to provision of measles vaccinations during the year ended 31 March 20XX. The actual result achieved was 18,000 hours of medical staff time. Therefore the entity effectiveness in this area was 80%.
 - *Output effectiveness:* The service performance objective was to provide 100,000 measles vaccinations to infants during the year ended 31 March 20XX. The actual result achieved was 99,000 vaccinations. Therefore the entity's effectiveness in this area was 99%.
 - *Outcome effectiveness:* The service performance objective was to reduce the number of infants that contract measles by 3,000 compared to the previous year. The actual result achieved was a 3,000 reduction in infants contracting measles. Therefore the entity's effectiveness in this area was 100%.
- **Performance indicator—Qualitative Description:**

A government department (the Ministry) responsible for supporting the government's relationships with other nations, including trade relationships, uses the following qualitative description as one of its performance indicators:

Engagement with Latin America during this year is expected to include several successful ministerial-led business missions to national governments and ministerial engagement in two regional forums. The Ministry will provide host and other support for ministerial level visits from several countries in the region, and undertake bilateral foreign policy consultations. Consultations will include advocacy of free trade agreements. The diplomatic network in several Latin America countries will be expanded through additional consulates and honorary consuls.

Part 2: Narrative Discussion and Analysis—Types of Information

- IE4. The following list provides examples of the different types of information that could be included in narrative discussion and analysis to help users' assessment of an entity's service performance:
- (a) Particular service performance achievements, deficiencies and issues.

- (b) Identification and discussion of the factors that may have influenced achievement (or non-achievement) of service performance objectives.
 - (c) Effectiveness indicators.
 - (d) Discussions of differences between planned and actual achievements.
 - (e) Comparisons of indicators:
 - (i) Over time;
 - (ii) To milestones; and/or,
 - (iii) Between actual and planned results.
 - (f) Reasons for change(s), if the service performance objectives or performance indicators presented have changed compared to those presented for the previous year.
 - (g) Where an entity has multiyear service performance objectives, narrative about progress towards their achievement.
 - (h) Where outcomes are reported, information on the extent to which outcomes can be attributed to the entity's activities.
 - (j) Significant lessons learned during the reporting period with respect to the entity's service performance including, where relevant, plans on ways to address issues affecting service performance and areas that require further evaluation.
 - (k) Identification and discussion of the risks associated with the delivery of services and, if risk assessments for services have been carried out, information on how such risk trade-off decisions are informed and managed.
 - (l) Identification and discussion of the consequences—intended and unintended, direct and indirect—of the services provided.
- IE5. If an entity provides a discussion of differences between planned and actual achievements this discussion could include, for example:
- (a) Identification of the size of the variances; and
 - (b) Factors contributing to the variances. (For example, external factors, efficiencies or inefficiencies in internal processes, resource availability, or government service delivery decisions.)
- IE6. The achievement of outcomes is often influenced by factors outside of the entity's control. If an entity provides narrative discussion and analysis on outcomes the disclosures should be sufficient to ensure that users do not overestimate the entity's role with respect to either improving or worsening outcomes. Where outcome information is displayed, information on the following may be useful for users:
- (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.
- IE7. The delivery of public services often follows a risk assessment, involving clear parameters around tolerance of different types of risks, including the risk of false positives and false negatives with

respect to intervention decisions. Information on how an entity assesses risks as part of service delivery can support users' understanding of an entity's service performance.

International Public Sector Accounting Standards™, Exposure Drafts, Consultation Papers, Recommended Practice Guidelines, 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™', 'Recommended Practice Guidelines,' the IFAC logo, 'International Federation of Accountants®', and 'IFAC' are trademarks or registered trademarks and service marks of IFAC.

Copyright © April 2015 by the International Federation of Accountants (IFAC). All rights reserved. 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: _____

RPG 3
[April] 2015

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™ (IPSAS™) and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS 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 IPSAS 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 © [April 2015] by the International Federation of Accountants® (IFAC®). For copyright, trademark, and permissions information, please see page [xx].

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

RPG 3 REPORTING SERVICE PERFORMANCE INFORMATION

CONTENTS

	Paragraph
Objective	1
Status and Scope	2–7
Definitions	8–28
Reporting Boundary	29–30
Annual Reporting and Reporting Period	31–33
Principles for Presentation of Service Performance Information	34–39
Selection of Service Performance Information	40–73
Location of Service Performance Information.....	74–77
Organization of Service Performance Information	78–84
Basis for Conclusions.....	
Illustrative Examples	

Objective

1. This Recommended Practice Guideline (RPG) provides guidance on reporting service performance information in General Purpose Financial Reports (GPFRs). Service performance information assists users of GPFRs (hereafter termed “users”) to assess the entity’s service efficiency and effectiveness. ~~Service performance information is information for users of General Purpose Financial Reports (GPFRs) on an entity’s service performance objectives, the extent of its achievement of those objectives, and the services that the entity provides. Service performance information can also assist users of GPFRs (hereafter termed “users”) to assess the entity’s service efficiency and effectiveness and economic use of resources for the provision of services.~~

Status and Scope

2. The reporting of information in accordance with this RPG represents good practice. An entity reporting service performance information should aim to achieve the applicable principles set out in 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). Although this RPG does not apply directly to GBEs, the services provided by a GBE controlled by the reporting entity are within the scope of this RPG.
4. Service performance information should not be described as complying with this RPG unless it complies with all the applicable principles in this RPG.
5. This RPG outlines ~~minimum~~ information to be presented. An entity may present additional information if such information is useful in meeting the objectives of financial reporting and meets the qualitative characteristics of financial reporting.
6. In some jurisdictions, the ~~preparation and~~ presentation of service performance information is a legislative or regulatory requirement. Entities are encouraged to disclose information about the impact of such requirements on compliance with this RPG.
7. A jurisdiction may have established service performance reporting requirements that extend beyond the requirements guidelines in of this RPG, These could include, for example, greater specification of required information organization, requirements for a larger set of information to display or disclose, and/or specific performance indicators or specific types of performance that are required to be presented. In that case the entity is encouraged to ensure that information identified through application of both this guideline and jurisdictional requirements is presented. To the extent that jurisdictional requirements differ from the minimum information requirements guidelines in this RPG, those requirements would apply in addition to, not in lieu of, the requirements of guidelines in this RPG. Service performance information should not be described as complying with this RPG if the information presented departs from the RPG’s applicable principles in order to comply with jurisdictional requirements.

7. —

Definitions

8. The following terms are used in this RPG with the meanings specified:
Effectiveness is the relationship between actual results and service performance objectives.

Efficiency is the relationship between (a) inputs and outputs, or (b) inputs and outcomes.

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

Outcomes are the impacts on society, which occur as a result of, or are reasonably attributable to, the entity's outputs and operations.

Outputs are the services provided by an entity to recipients external to the entity.

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

A service performance objective is a description of the planned result(s) that an entity is aiming to achieve expressed in terms of inputs, outputs, outcomes, ~~or~~ efficiency ~~or effectiveness~~.

~~9. [The Implementation Examples that accompany RPG 3 illustrate the terms defined above. \(Appendix A provides examples that illustrate effectiveness and other definitions.\)](#)~~

~~9. —~~

Effectiveness

~~10. Effectiveness describes the relationship between an entity's actual results and its service performance objectives, where the results and the related service performance objective are consistently expressed. When reporting on its effectiveness the entity reports the extent to which one or more of its service performance objectives has been achieved. The more effectively an entity operates as a service provider, the better will be its actual results when measured against its planned results.~~

~~11. [Effectiveness is assessed at the end of the reporting period, once the actual results are available. Precise measurements of effectiveness are usually ratios of the actual results achieved to the planned results established in the service performance objective. An impression of effectiveness can be gained by comparing—without calculation—actual service performance against the relevant service performance objective.](#)~~

~~10.12. [\(Appendix A provides examples that illustrate effectiveness and other definitions.\)](#)~~

Efficiency

~~13. An efficiency indicator can be used to show when a service is being provided more (or less) efficiently compared to:~~

~~(a) [\(a\) p](#)Previous reporting periods;~~

~~(b) [\(b\) e](#)Expectations;~~

~~(c) [\(c\) c](#)Comparable service providers; or,~~

~~(a)(d) [\(d\) b](#)Benchmarks, derived, for example, from best practices within a group of comparable service providers.~~

~~14.14. Other things being equal, if outputs 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 those previously attained, with other variables such as service quantity [\(outputs\)](#) 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 service quantity (outputs) and cost holding constant—would indicate less efficient service provision.

Inputs

15. Resources used to produce outputs include:

- (a) ~~(a) h~~ Human resources or labor;_i
- (b) ~~(b) e~~ Capital assets such as land, buildings and vehicles;_i
- (c) ~~(c) C~~ Cash and other financial assets;_i and₁
- (d) ~~(d) i~~ Intangible assets such as intellectual property.

~~12-16.~~ Inputs are also reported in terms of costs incurred.

~~13. Information on inputs supports users' assessments of an entity's economic use of resources. More economic use of resources is indicated by absolute reductions in the level of inputs (the resources used). Initiatives to achieve reductions in resources—for example staff training initiatives or revised purchase policies—also provide information on an entity's economic use of resources. By contrast, efficiency combines information on inputs and on outputs to allow users to assess resource use for a particular service level, as indicated by the quantity of outputs.~~

Outcomes

~~14-17. An entity's outcomes could be impacts affecting society as a whole or impacts on particular groups or institutions within society. Outcomes could be relatively direct impacts on recipients of the entity's services. They could also be impacts on others that are not recipients of the entity's services but who benefit indirectly from those services.~~

~~15-18. Outcomes may include, for example, changes to educational achievements within society, changes to poverty and crime levels, or changes to the health of different groups within society.~~

~~16-19. An entity's outcomes could be impacts affecting society as a whole or particular groups or institutions within society. Outcomes could be relatively direct impacts on recipients of the entity's services. They could also be impacts on others that are not recipients of the entity's services but who benefit indirectly from those services.~~

~~17-20. Although usually outcomes usually result from an entity's outputs, an entity's operations may also contribute to achievement of its outcomes.~~

~~18-21. There may be a strong, direct causal link between an entity's actions and its outcomes, but this will not always be the case. Factors beyond the entity's control may intervene to either hinder or facilitate the entity's achievement of outcomes. For example, an aging population or changes to economic well-being may both help to reduce a community's crime rate. Both factors (aging population and changes to economic well-being) are outside of the control of an entity such as a police department or ministry of justice for whom reducing crime could be an outcome. So the extent of crime reduction is influenced by factors beyond the entity's control.~~

Outputs

19-22. Services provided by an entity ies to external recipients could include:

- (a) Services provided directly to individuals and institutions, for example, health or education services or the provision of goods such as food or books;
- (b) Services provided indirectly to individuals and institutions, for example, services which aim to develop, promote, protect or defend a community, institution, country, or community values and rights;
- (c) Transfers to individuals and institutions, for example, cash transfers and the provision of economic incentives such as tax incentives;
- (d) ~~(d)~~ Provision of policies, regulations or legislation to achieve public policy goals, which includes, for example, revenue related legislation and the enforcement of such legislation; and
- (e) Collection of taxes and other revenues.

20-23. The receipt of services by recipients external to the entity is a critical factor in deciding whether services are outputs, rather than services consumed internally as part of an entity's production of outputs.

Performance Indicators

24. Inputs, outputs, outcomes, efficiency and effectiveness are types of performance indicators.

25. Performance indicators may be quantitative measures, for example, the number of outputs produced, the cost of services, the time taken to provide a service, or a numerical target for an outcome. Performance indicators may be qualitative measures, for example descriptors such as poor/good/excellent or satisfactory/unsatisfactory, which could include service quality ratings by service recipients, citizens or experts. Use of quantitative and qualitative measures may help users with:

- (a) ~~(a)~~ Their assessment of whether service performance objectives have been achieved; and
- (b) ~~(b)~~ Inter-period and inter-entity comparisons of service performance.

21-26. A performance indicator could also be in the form of a qualitative description. A qualitative description may be necessary to provide users with relevant and understandable information on service performance where there is a high level of complexity and judgment involved in a particular service.

Service Performance Objectives

22-27. Service performance objectives may be expressed using performance indicators of inputs, outputs, outcomes or, efficiency, ~~or effectiveness~~, or through a combination of one or more of these ~~five-four~~ performance indicators. A service performance objective may also be expressed using a narrative description of a desired future state resulting from provision of services.

28. Service performance objectives will generally be specific, measurable, achievable, realistic and time-bound.

23-29. An entity's service performance objectives may all be expressed in the same type of performance indicator, for example, all expressed in outcomes. They may also be expressed in different types of performance indicators, for example, some of the service performance objectives may be expressed in outcomes, while others are expressed in outputs and/or inputs.

~~30.~~ A single service may contribute to achievement of one or more service performance objectives. Several services may contribute to the same service performance objective.

~~24.~~

Reporting Boundary

~~25.31.~~ For reporting service performance information ~~the reporting boundary for service performance information of the entity~~ should be the same as that used for the financial statements.

~~26.32.~~ Service performance information may be reported by the controlling entity and by its controlled entities, some of which may in turn be controlling entities. While information reported by each entity relates to the same reporting boundary as that used for its financial statements the extent of aggregation and the services reported is likely to vary depending on an entity's level within government and its service performance objectives. ~~By contrast to~~ Unlike consolidated financial statements, which aggregate the finances of controlled entities, service performance information reported by a controlling entity ~~generally~~ is not ~~usually~~ an aggregation of the services reported by ~~its~~ controlled entities. Instead, a controlling entity applies the principles ~~in this RPG below~~ when presenting its service performance information. ~~For example, the performance indicators presented will be relevant to the controlling entity's own service performance objectives. Paragraph 73 identifies considerations of particular relevance to controlling entities. To the extent that a controlling entity presents information about the services provided by its controlled entities that information is likely to be a high level overview.~~

Annual Reporting and Reporting Period

~~27.33.~~ Service performance information should be reported ~~at least~~ annually, ~~and may be reported more frequently. Service performance information should cover the same reporting period as that covered by the financial statements.~~

~~28.34.~~ Service performance information should cover the same reporting period as that covered by the financial statements. ~~However, Aa consideration of users' needs and an assessment of costs and benefits may indicate that the reporting period should be different from that covered by the entity's financial statements. There may be situations in which the reported service performance information is for a reporting period that is different from that covered by the financial statements. This may be the case, Ffor example, when some of the~~ service performance information presented by a controlling entity ~~may be~~ is based on service performance information reported by controlled entities that have a different reporting period. ~~A consideration of users' needs and an assessment of costs and benefits may indicate that the reporting period should be different from that covered by the entity's financial statements~~

~~29.35.~~ Service performance objectives may require periods longer than one year to achieve. ~~For accountability and decision-making u~~Users will need information on progress towards such multi-year service performance objectives. Paragraph ~~7255~~ addresses the type of service performance information that can be presented to show annual progress towards multi-year service performance objectives.

Principles for Reporting-Presentation of Service Performance Information

- ~~30. The principles for reporting service performance information set out in this section apply to the location, organization and selection of service performance information within a GPFR, which are addressed in the following three sections.~~
- ~~31. An entity should report-present service performance information that is useful to users for accountability and decision making purposes. ~~It-Presentation~~ should enable users to assess the extent, efficiency and effectiveness of the entity's service performance.~~
- ~~32. Extent of achievement of its service performance objectives;~~
- ~~(a) Service performance activities;~~
 - ~~(b) Efficiency and effectiveness of the entity's service performance; and~~
 - ~~(c) Economic use of resources for the provision of its services.~~
- ~~33. In combination with the information in an entity's financial statements, service performance information should enable users to assess the entity's finances in the context of its achievement of service performance objectives and vice versa.~~
- ~~34-36. The presentation of service performance information~~It should be appropriate to the entity's service performance objectives, and make the relationship between the entity's service performance objectives and its service performance achievements clear.
- ~~35-37. It-When used in combination with the information in an entity's financial statements, service performance information should enable users to assess the entity's finances in the context of its achievement of service performance objectives and vice versa.~~
- ~~36-38. The Sservice performance objectives and other service performance information presented should take account of the entity's specific circumstances, such as:~~
- ~~(a) The services that the entity provides;~~
 - ~~(b) The nature of the entity; and,~~
 - ~~(c) The regulatory environment in which the entity operates.~~
- ~~37. The presentation of service performance information should meet-achieve the qualitative characteristics of financial reporting, while applying, ~~which are relevance, faithful representation, understandability, timeliness, comparability, and verifiability.~~~~
- ~~38. When applying the qualitative characteristics to service performance information the following considerations are important:~~
- ~~(a) Relevance: Service performance information should be useful for (a) holding the entity accountable for its service provision and (b) users' decision making.~~
 - ~~(b) Faithful Representation: Service performance information should faithfully represent the service performance of an entity's services. Faithful representation is attained when the service performance information is complete, neutral, and free from material error.~~
 - ~~(c) Understandability: Service performance information should be communicated to users simply and clearly.~~
 - ~~(d) Timeliness: Service performance information should be reported to users before it loses its capacity to be useful for accountability and decision-making purposes.~~

~~(e) *Comparability:* Service performance information should provide users with a basis and context to compare an entity's service performance over time, against targets and, where possible, to other entities.~~

~~(f) *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 approach.~~

39. ~~¶The pervasive constraints on information in GPFRs—materiality, cost-benefit, and balance between the qualitative characteristics—should also be applied to service performance information. (The *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Conceptual Framework)* describes the qualitative characteristics and pervasive constraints.)~~

Understandability and Relevance

40. Aggregation or disaggregation of service performance information should be at a level that conveys a meaningful understanding of the entity's service performance achievements. The level of aggregation should not be so high as to conceal or obscure performance, while the level of disaggregation should not be 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.

~~41. 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 reported service performance information 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 performance achievements during the reporting period and is likely to influence expectations about service performance and financial outcomes in the future.~~

~~42. The benefits of reporting service performance information should justify the costs imposed by such reporting. The preparation and reporting of service performance information is expected to benefit both users of the information and the entity, as a result of better decision making by management. Assessing whether the benefits of providing information justify the related costs is often a matter of judgment. Service recipients and resource providers ultimately bear the cost of those efforts because resources are redirected away from providing services towards reporting on service performance.~~

Comparability

~~43. Presentation should support inter-period comparisons and, to the extent that such comparisons are meaningful inter-entity comparisons.~~

~~44. Consistent reporting of service performance information will help to provide users with a basis to compare an entity's service performance over time, against targets, and (to the extent possible) to other entities.~~

~~45.41. Comparability to other entities can be difficult to achieve in the context of service performance information since diverse services are provided, and even where two entities provide exactly the~~

same service they may have different service performance objectives with the result that they need to report different, non-comparable performance indicators. ~~The balance between the qualitative characteristics means that~~ Inter-entity comparability may need to be traded off against relevance, so that ~~the~~ service performance objectives and their related performance indicators are chosen to be relevant to ~~the~~ service performance situation of the ~~particular~~ entity. ~~Alternatively~~ ~~U~~~~the needs of users' needs~~ may indicate that performance indicators that are comparable with those of other entities ~~that delivering~~ the same services are ~~also~~ relevant ~~to the entity~~, and the two qualitative characteristics—comparability and relevance—are aligned.

Information for Resource Allocation Decisions

~~46. Service performance information should be available to support users' assessment of an entity's resource allocation decisions, its economic use of resources to provide services, and general financial management, as evidenced by the information in its financial statements and its reporting against budget. Service performance information provides an essential part of the picture of an entity's overall performance, and generally should be available at the same time as the financial statements, so that the finances can be assessed with reference to the entity's service performance and vice versa. Where service performance information is used to inform the assessment of policy and strategy decisions timeliness involves having the information available so that it can support and inform those decisions.~~

Presentation with the Financial Statements or in a Separate GPFR

~~47. An entity may present service performance information either:~~

- ~~(a) As part of a GPFR that includes the financial statements; or,~~
- ~~(b) In a separately issued GPFR.~~

~~48. The following factors should be considered when making this decision:~~

- ~~(a) The extent to which the service performance information needs to be reviewed within the context of information in the financial statements, including information on budget-actual comparisons;~~
- ~~(b) Whether the needs of users and the qualitative characteristics are enhanced if the service performance information is included in the same GPFR as the financial statements or in a separate GPFR;~~
- ~~(c) Application of the constraints on information, including whether the benefits of including the information in the same GPFR as the financial statements justify the additional costs (if any) involved; and,~~
- ~~(d) Jurisdiction-specific factors which specify that service performance information should be located either in the same GPFR as the financial statements or in a separate GPFR.~~

~~49. With respect to point (a) in paragraph **46** above, an important factor in this decision is likely to be whether the primary objective of providing the service performance information is:~~

- ~~(a) To inform assessments on resource allocation decisions for the provision of services, in which case there is likely to be value in associating the reporting of service performance information with the financial statements that are compared to budget allocations; or~~

~~(b) To inform assessments on policy or strategy decisions, in which case there is likely to be value in associating the reporting of service performance information with information on policies or strategy.~~

~~50. Where the service performance information is presented separately from the GPFR that includes the financial statements, the following information should be presented:~~

~~(a) The name of the entity;~~

~~(b) Where the entity is a controlling entity, a description of the group of entities controlled by the reporting entity;~~

~~(c) Where the entity is a controlled entity, the identity of the controlling entity;~~

~~(d) The reporting date and the reporting period covered by the service performance information;~~

~~(e) The financial statements to which the service performance information relates and sufficient information necessary for users to locate the financial statements;~~

~~(f) The presentation currency, as defined in IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*; and,~~

~~(g) The level of rounding used.~~

~~51. Where an entity chooses to present its service performance information in a separate GPFR from the financial statements the separate GPFR should be issued on a timely basis, which will usually be demonstrated through issuance at the same time as the financial statements or, if not at the same time, then very close to issuance of the financial statements. The two sets of information—financial information reported in the financial statements and service performance information—are linked and each type of information enhances the usefulness of the other. Service performance information assists users in their assessment of the entity's accountability for resource use.~~

Organization of Service Performance Information within a GPFR

~~52. The organization of service performance information within a GPFR should support:~~

~~(a) Users' ability to use the information for the purposes of accountability and decision making; and,~~

~~(b) Achievement of the qualitative characteristics.~~

~~(c) 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.~~

~~53. 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.~~

~~54. Where service performance information is presented through narrative or case studies a tabular approach is unlikely to be appropriate. In some cases a mixture of case studies and one or more tables or statements will be appropriate.~~

- ~~55. Entities may use several levels of reporting in order to achieve a balance between being (a) concise enough to be understandable, and (b) providing sufficient detail with respect to multiple aspects related to each service performance objective. The use of several levels of reporting allows the display of concise reporting at higher levels, and display or disclosure of more detailed coverage at lower levels, where service areas, for example, could be disaggregated into two or more individual services.~~
- ~~56. IPSAS 18, *Segment Reporting*, applies to entities' identification of segments. It describes service segments and identifies factors that should be considered when grouping services into segments for financial reporting purposes. IPSAS 18's description of service segments is likely to be useful for entities when they consider how to present their service performance information.~~

Selection of Service Performance Information

Information for Display

~~57.42.~~ 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; and,~~
- ~~(c) Information on the Total costs of the services.~~

~~58.43.~~ With respect to performance indicators and the total costs of the services, the entity should display: ~~actual information for the reporting period.~~

- ~~(a) Planned and actual information for the reporting period; and~~
- ~~(b) Actual information for the previous reporting period.~~

~~59.~~ The entity should also consider displaying:

- ~~(a) Planned information for the reporting period; and~~
- ~~(b) Actual information for the previous reporting period.~~

~~44.~~ Where service performance information includes information that is also in the financial statements, cross-references to the financial statements should be presented so that users can assess the information within the context of the whole set of financial information reported in the financial statements.

~~60.45.~~ Information found in an entity's legislation and planning documents (budget statement, mission statement, strategic plan, funding agreements, corporate plan, etc.) will usually help to identify the service performance objectives and performance indicators that are relevant to the entity.

Service Performance Objectives

~~61.~~ Service performance objectives generally should be specific, measurable, achievable and time-bound.

~~62.46.~~ Where the entity's service performance objectives change, the information presented should reflect the change. For example, an entity may initially have service performance objectives related to increasing either the inputs or outputs related to its services, and then later re-focus its

performance towards improving either the services' efficiency or effectiveness. That change should be reflected in the service performance information that the entity presents.

Services

~~63. The service performance information presented should show those services that are key to achieving the entity's mandate or service performance objectives, relevant performance indicators and other information relevant to those services. Information found in an entity's legislation and planning documents (budget statement, mission statement, strategic plan, funding agreements, corporate plan, etc.) will usually help to identify the relevant service performance objectives, key services provided by an entity and relevant performance indicators.~~

Performance Indicators

47. Judgment is needed to determine the most suitable set of performance indicators to be reported. 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. For performance indicators to be relevant they should link directly to one or more of the entity's service performance objectives. ~~The set of performance indicators presented should allow users to assess how efficiently and effectively the entity has used its resources to deliver services and achieve its service performance objectives.~~ Alignment between the different indicators presented—for example between input, output and/or outcome performance 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 service performance objectives.

48. ~~The performance indicators presented should allow users to assess how efficiently and effectively the entity has used its resources to deliver services and achieve its service performance objectives.~~

~~64.49.~~ Where an entity has publicly reported planned performance indicators the actual performance indicators presented will usually be consistent with those previously made public. Those entities that publish their budget information and apply IPSAS 24, *Presentation of Budget Information in Financial Statements*, should consider the relationship between that information and the service performance information that they report.

~~65. The set of performance indicators presented should allow users to assess how efficiently and effectively the entity has used its resources to deliver services and achieve its service performance objectives.~~

~~66.50.~~ 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 aim 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 in relation to inputs and outputs 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.~~

~~67.51.~~ There may be a large number of performance indicators that can be presented for an entity's service performance objectives, services or programs. To ensure that the information is understandable and to avoid overwhelming users, entities generally will need to identify only those

few key performance indicators that will best meet the needs of users' for information that meets the objectives of financial reporting needs for the services presented.

~~68.52.~~ Performance indicators that involve quantification should be able to be measured reliably. Where performance indicators can be generated by a transaction processing system the use of such a system will support the verifiability and timeliness of reported information. ~~The representational faithfulness and verifiability of some performance indicators can be supported through certification by an independent, qualified body.~~

~~69.53.~~ When selecting performance indicators entities should ensure that the indicators presented will provide a representationally faithful description of service performance. There may be trade-offs between different aspects of service performance, such that one aspect improves while another aspect deteriorates. Information presented should be neutral and without bias. Entities should avoid any tendency to present performance indicators that are biased towards reporting positive results. This helps to ensure that the qualitative characteristics are met and users can be confident that the performance indicators faithfully represent the entity's service performance.

~~70.54.~~ ~~The importance of performance indicators to users and their usefulness in assessing the entity's achievements in terms of its service performance objectives is the primary consideration. When selecting performance indicators to be reported ease of measurement is likely to be a consideration when selecting performance indicators, but it should be secondary to the needs of users. The performance indicators presented should not over-emphasize easily measured dimensions.~~

~~55.~~ ~~For some services, or in some situations, where a quantitative or qualitative measure is not relevant or possible, a qualitative description (also called narrative information) should be presented as a performance indicator. This is could be the case where a qualitative description provides a more relevant and understandable description of the level of achievement for a particular service performance objective than would a quantitative or qualitative measure. Service performance achievements may not be capable of cannot being reduced to a small set of quantitative or qualitative measures when because the service:~~

~~(a) (a) is complex;~~

~~(b) (b) involves interrelated factors; and~~

~~(c) (c) involves a large number of different possible indicators of success or progress, all of which involve judgment as to their relative importance.~~

~~71.56.~~ Information reported on any particular service may include one or more different types of performance indicators; quantitative measure(s), qualitative measure(s) and/or qualitative description(s).

~~72.~~ ~~Alignment between input, output and outcome performance 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 service performance objectives.~~

Multi-year Service Performance Objectives and Performance Indicators

~~73.57.~~ In situations where ~~outcomes (or other service performance objectives)~~ are multi-year, inherently difficult to measure, or very costly to measure, alternative or proxy measures that indicate progress towards achievement of ~~an outcome the service performance objective~~ may be able to be presented in the short-term, until ~~outcome~~ information ~~on achievement of the multi-year service performance~~

objective is available. The extended timeframe of multi-year service performance objectives should not be a deterrent to reporting multi-year objectives and disclosing progress towards their achievement, although ways to report on progress in a cost-effective way may need to be developed. For example, Wwhere an entity establishes both annual outputs and longer term, multi-year outcomes for one or more service area there may be scope to treat annual reporting against outputs as indicative of progress towards achievement of the outcomes, with actual outcomes reported less frequently.

Service Performance Information Presented by a Controlling Entity

~~74. A controlling entity will apply the principles in paragraphs 30-44 when selecting service performance information to present. To identify its service performance objectives the controlling entity will consider its own individual mandate rather than those of its controlled entities. Then the performance indicators reported will relate to the controlling entity's own service performance objectives. To the extent that the controlling entity presents service performance information for services provided by its controlled entities that information will need to be high level and understandable. The service performance information presented could, for example, be:~~

- ~~(a) A high level summary or description of the suite of services provided by the controlled entities;~~
- ~~(b) Cross-references that allow users to find service performance information reported by controlled entities in those entities' individual GPFs;~~
- ~~(c) Performance indicators relevant to groups of services (by contrast to the controlled entities' reporting of performance indicators for individual services); or~~
- ~~(d) Final outcomes for which the controlling entity can more reasonably be held accountable but to which the controlled entities only contribute (by contrast to the controlled entities' reporting of interim outcomes, outputs or inputs).~~

Total Costs of Services and Disaggregated Cost Information

~~75. Users' understanding of service performance is enhanced by information on the total costs of services.~~

~~76-58. In addition to display of When reporting the total costs of services, an entity may also choose to present disaggregated cost information could also be presented. Disaggregated cost information could, for example, be costs related to individual service performance objectives, outcomes, service areas, individual services, the costs of outputs, or costs related to particular inputs. Users' assessment of efficiency may be supported through provision of costs related to either outputs or outcomes.~~

Planned and Actual Service Performance

~~77-59. Planned and actual service performance information should be reported consistently so that comparisons users' assessments of effectiveness are facilitated. Wherever possible, entities should report on the same performance indicators, with the same methodology and parameters for their computation, as that established before the start of the reporting period. This enables users to compare actual performance with planned performance at the end of the reporting period.~~

~~60. Consistency of performance indicators over several years facilitates long-term trend analysis. But such consistency should not be pursued at the expense of:~~

~~(a) (a) Improving the quality of performance indicators, for example by revising indicators so that they have more impact on decision making and are better aligned with desired outcomes; or,~~

~~(a)(b) (b) a~~Aligning indicators with changed expectations from stakeholders.

~~78.61.~~ 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, when stakeholders revise their service performance expectations during the reporting period, resulting in an amendment to service performance objectives. Service performance objectives may also change as a result of an ~~an~~ entity-public sector combination, where accountability for services is transferred from one entity to another or reporting needs to be on services previously provided by two different entities and now provided by a single, merged entity. In these situations, ~~it is recommended that, where it may be possible for,~~ the entity to report against both the original and the revised service performance objectives. The reason for, and the impact of, these changes ~~should also could~~ be outlined in supporting commentary narrative discussion and analysis, so that users ~~have a full~~ have the information they need to understanding of reasons for variances between service performance objectives at the beginning of the reporting period and actual achievements, while also understanding the degree of actual achievement against the more up-to-date, revised service performance objectives.

Information for Disclosure

~~79.62.~~ Judgment is needed to decide what ~~the~~ information should be disclosed so that users~~for disclosure consists of:~~

- ~~(a)~~ Understand the basis of the displayed service performance information~~Narrative discussion and analysis;~~ and,
- ~~(b)~~ Receive a concise overview of the entity's service performance, which highlights the main issues relevant to their assessment of that service performance~~Information on the basis of the displayed service performance information.~~

Basis of Displayed Service Performance Information

~~80.~~ Judgment will be involved in deciding what information needs to be disclosed so that users understand the basis of the displayed service performance information. Sufficient information should be disclosed to allow users to determine whether the displayed service performance information is:

~~81.~~ Relevant to them; and

~~(a)~~ Useful for the purposes of accountability and decision making.

~~82-63.~~ An entity should disclose ~~The following sufficient information on the basis of displayed service performance information to enable users to evaluate~~should be considered for disclosure:

- ~~(a)~~ Whether the information on service performance objectives, performance indicators and total costs is useful to assess the entity's service efficiency and effectiveness~~Information about the services on which information has been displayed, including a brief explanation for the choice to display information on those services; and~~
- ~~(b)~~ Sufficient information on~~t~~ The he sources of the displayed information for users to understand its quality of the displayed information, including its verifiability;

64. An entity should disclose information on the sources of displayed service performance information and make any additional disclosures necessary to meet the objectives of financial reporting.

~~83-65. The following information should be disclosed. Entities may also choose to disclose one or more of the items of information below:~~

- (a) An explanation of the displayed service performance objectives, which describes how they have been established, the need for them to be achieved, and the relationship(s) between the service performance objectives and:
 - ~~(i) The services presented,~~
 - ~~(ii)(i) The displayed service performance indicators, and~~
 - ~~(iii)(ii) The entity's overall objectives.~~
- (b) An explanation of the relationship(s) between related performance indicators. (For example, information on the extent of alignment between input, output and/or outcome indicators, where the inputs and outputs contribute to achievement of a particular outcome.)
- (c) An explanation of the basis for information aggregation (or disaggregation), which addresses the level of detail reported.

Disaggregated Information on Costs

~~66. When an entity chooses to present disaggregated information on costs then is provided, the basis for cost determination should be disclosed.~~

~~67. Cost determination information includes information such as which explains:~~

- ~~(a) Cost allocation policies;~~
- ~~(b) , including the treatment of direct and indirect service related expenses; and/or~~
- ~~(c) A reconciliation or a comparison between the costs of services presented and total expenses. and any other information necessary for users to understand how costs were determined.~~

~~68. Where an entity discloses either a reconciliation or a comparison between the costs of services presented and total expenses this could be between, for example:~~

- ~~(a) Total costs of services and total expenses; or~~
- ~~(b) Costs related to individual services or groups of services and costs reported for different segments.~~

Controlling Entity Disclosures

~~84-69. Where a controlling entity reports on services provided by its controlled entities the controlling entity should consider disclosing information that explains the respective roles and responsibilities for service performance within the economic entity.~~

Disclosures when Reporting Period is Different

~~85-70. When the service performance information covers a reporting period different from that for the entity's financial statements, the following information should be considered for disclosure:~~

- ~~(a) The fact that the reporting period is not the same as that for the financial statements;~~
- ~~(b) Why there is a difference; and,~~

- (c) If financial information is included in the service performance report, either
- (i) The reporting period of the financial statements from which the information has been derived, along with information to facilitate access to those financial statements; or
 - (ii) The source of the financial information reported, if the information has not been derived from the entity's financial statements, along with information to facilitate access to that source.

~~86-71.~~ When the reporting period for information on some services is different from the reporting period of the entity's service performance report the following information should be considered for disclosure:

- (i) The services affected,
- (ii) The applicable reporting period(s), and
- (iii) An explanation for the difference(s).

Disclosures when Separate from the Financial Statements

72. Paragraphs 74–77 below address the location of service performance information in a GPFR. Where service performance information is presented separately from the GPFR that includes the financial statements, the following information should be presented:

- (a) The name of the entity;
- (b) Where the entity is a controlling entity, a description of the group of entities controlled by the reporting entity;
- (c) Where the entity is a controlled entity, the identity of the controlling entity;
- (d) The reporting date and the reporting period covered by the service performance information;
- (e) The financial statements to which the service performance information relates and sufficient information necessary for users to locate the financial statements;
- (f) The presentation currency, as defined in IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*; and,
- (g) The level of rounding used.

Reconciliation or Comparison between Costs and Expenses

~~87. Either a reconciliation or a comparison between the costs of services presented and the expenses reported in the entity's financial statements may be disclosed. This information could support users' understanding of the basis for costs of services and their importance within the context of the entity's other activities. Reconciliations or comparisons could be between, for example, (a) total costs of services and total expenses, or (b) costs related to individual services or groups of services and costs reported for different segments.~~

Narrative Discussion and Analysis

73. The entity should disclose Anarrative discussion and analysis on its service performance information. Narrative discussion and analysis complements the displayed service performance information by enabling users to gain insight from the entity on:

- (a) Aspects of service performance that the entity considers should be highlighted; and
- (b) Factors that affected service performance achievements during the reporting period.

~~88-74. Narrative discussion and analysis should provide a concise overview of thean entity's service performance that focuses on issues that are critical to users' assessments of that service performance. The concise overview should:~~

- (a) Discusses the degree to which service performance objectives have been met; ~~and;~~
- (b) Provides balanced explanations of the information displayed, which cover both positive and negative aspects of the entity's service performance; ~~and~~
- ~~(b)(c) Facilitates users' assessments of the efficiency and effectiveness of the entity's service performance.~~

~~89. The following disclosures should be considered for inclusion in an entity's narrative discussion and analysis:~~

- ~~(a) Particular achievements, deficiencies and issues;~~
- ~~(b) Identification and discussion of the factors that may have influenced achievement (or non-achievement) of service performance objectives;~~
- ~~(c) Discussions of differences between planned and actual achievements could include identification of the size of the variances as well as the factors contributing to the variances. (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.)~~

~~90. Entities may also choose to disclose one or more of the items of information below:~~

- ~~(a) Comparisons of indicators:
 - ~~(i) Over time;~~
 - ~~(ii) To milestones; and,~~
 - ~~(iii) Between actual and planned results.~~~~
- ~~(b) Reasons for change(s), if the service performance objectives or performance indicators presented have changed compared to those presented for the previous year.~~
- ~~(c) Where an entity has multi-year service performance objectives, narrative about progress towards their achievement.~~
- ~~(d) Where outcomes are reported, information on:~~
- ~~(e) The extent to which outcomes can be attributed to the entity's activities; and
 - ~~(i) Other factors that may have influenced the outcomes.~~~~
- ~~(f) Significant lessons learned during the reporting period with respect to the entity's service performance including, where relevant, plans on ways to address issues affecting service performance and areas that require further evaluation.~~
- ~~(g) Identification and discussion of the risks associated with the delivery of services and, if risk assessments for services have been carried out, information on how such risk trade-off decisions are informed and managed.~~

~~(h) Identification and discussion of the consequences—intended and unintended, direct and indirect—of the services provided.~~

~~91. The achievement of outcomes is often influenced by factors outside of the entity's control. Disclosures should be sufficient to ensure that users do not overestimate the entity's role with respect to either improving or worsening outcomes. Where outcome information is displayed, information 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 may be useful for users. Disclosures should be sufficient to ensure that users do not overestimate the entity's role with respect to either improving or worsening outcomes.~~

~~92. Often the delivery of public services follows a risk assessment, which establishes risk tolerance involving clear parameters around the risk of "false positives" and "false negatives". Parole decisions, customs inspections or clearances, and child welfare interventions are examples of decisions where such risk assessments are critical to the entity's service performance. Information on how such risk trade-off decisions are informed and managed could assist users' assessments of the challenges faced and the performance delivered by the entity.~~

~~75. The Implementation Examples that accompany RPG 3 illustrates types of information that could be included in narrative discussion and analysis.~~

Location of Service Performance Information

~~76. An entity may present service performance information either:~~

- ~~(a) As part of a GPFR that includes the financial statements; or,~~
- ~~(b) In a separately issued GPFR.~~

~~77. The following factors should be considered when making this decision:~~

- ~~(a) The extent to which the service performance information needs to be reviewed within the context of information in the financial statements, including information on budget-actual comparisons;~~
- ~~(b) Whether the needs of users and the qualitative characteristics are enhanced if the service performance information is included in the same GPFR as the financial statements or in a separate GPFR;~~
- ~~(c) Application of the constraints on information, including whether the benefits of including the information in the same GPFR as the financial statements justify the additional costs (if any) involved; and,~~
- ~~(d) Jurisdiction-specific requirements which could specify either that service performance information should be located in the same GPFR as the financial statements or in a separate GPFR.~~

~~78. With respect to point (a) in paragraph 77 above, an important factor in this decision is likely to be whether the primary objective of providing the service performance information is:~~

- ~~(a) To inform assessments on resource allocation decisions for the provision of services, in which case there is likely to be value in associating the reporting of service performance information with the financial statements that are compared to budget allocations; or~~

(b) To inform assessments on policy or strategy decisions, in which case there is likely to be value in associating the reporting of service performance information with information on policies or strategy.

79. Where an entity chooses to present its service performance information in a separate GPFR from the financial statements the separate GPFR should be issued on a timely basis, which will usually be demonstrated through issuance at the same time as the financial statements or, if not at the same time, then very close to issuance of the financial statements.

Organization of Service Performance Information

80. The organization of service performance information within a GPFR should enable users to:

(a) Understand an entity's service performance, including its achievement of service performance objectives;

(b) Assess the entity's service efficiency and effectiveness; and

(c) Use the service performance information for the purposes of accountability and decision making.

81. The service performance information should be organized so that connections are clear between displayed information and:

(a) Disclosures on the basis of the displayed information, and

(b) Narrative discussion and analysis.

82. 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 the performance indicators presented are quantitative measures or qualitative measures reported on multiple services.

83. Where service performance information is presented through narrative or case studies a tabular approach is unlikely to be appropriate. In some cases a mixture of case studies and one or more tables or statements will be appropriate.

84. Entities may use several levels of reporting in order to achieve a balance between being:

(a) Concise enough to be understandable; and,

(b) Providing sufficient detail with respect to multiple aspects related to each service performance objective.

85. The use of several levels of reporting allows the display of concise reporting at higher levels, and display or disclosure of more detailed coverage at lower levels, where service areas, for example, could be disaggregated into two or more individual services.

86. IPSAS 18, *Segment Reporting*, applies to entities' identification of segments. It describes service segments and identifies factors that should be considered when grouping services into segments for financial reporting purposes. IPSAS 18's description of service segments is likely to be useful for entities when they consider how to present their service performance information.

~~IE1. Appendix A: Illustrative Examples—Definitions~~

~~IE2. The following examples are for an entity that provides health services. One of its services is to provide vaccinations to prevent measles. In order to achieve its outcome focused service performance objective—see the example below—the entity uses a range of inputs to produce its outputs which, in this example are measles vaccinations. Those outputs are then expected to cause (directly or indirectly) the desired outcome.~~

Service Performance Objective

- ~~○ An example of a service performance objective for an entity responsible for vaccinations against measles is: “To reduce the percentage of infants who contract measles annually from 65% to 2% within five years i.e. by the end 20XX.” This is an outcome focused service performance objective.~~

Inputs

- ~~● Staff time spent providing vaccinations against measles is an example of a health service related input. Then “the number of full-time equivalent staff days used to provide the vaccinations against measles service” would be one possible input indicator for that service.~~

Outputs

- ~~● The provision of vaccinations against measles to infants is an example of a health related output. The service’s recipients—the infants—are external to the entity. “The number of infants vaccinated against measles” would be a possible output indicator for that health service.~~

- ~~● **Outcomes**~~

- ~~● **Outcomes Generally**~~

- ~~● One possible example of an outcome for the measles vaccinations service is a reduction in the number of infants that contract measles. A reduction could be expressed in absolute terms (5,000 fewer incidents of measles) or as a percentage reduction (a 35% percentage reduction in infants contracting measles).~~

Outcomes for Society as a Whole or for Groups within Society

- ~~○ An entity that reports reductions in the number of children that contract measles could report such rates for the whole of society or people living in particular neighborhoods.~~

Direct or Indirect Outcomes

- ~~○ *Direct or Indirect Outcomes* No incidents of measles experienced by recipients of measles vaccinations provided by the entity is an example of a direct impact on the recipients of the entity’s services. By contrast children in the same group who have not received a vaccination will be impacted indirectly by the entity’s vaccination services, because their risk of contracting measles is reduced.~~

Outcomes Influenced by the Entity’s Operations

- ~~○ An entity’s operations may also contribute to achievement of its outcomes. For example, the process of collecting information to compile health statistics about measles—viewed by the entity as an operational input to its health services—could raise awareness of measles and~~

~~contribute to the reduction of measles. For example, an aging population or changes to economic well-being may both help to reduce a community's crime rate. Both factors (aging population and changes to economic well-being) are outside of the control of an entity such as a police department or ministry of justice for whom reducing crime could be an outcome. So the extent of crime reduction is influenced by factors beyond the entity's control.~~

Efficiency

- ~~○ With respect to vaccinations against measles, "cost per infant vaccinated" is one example of an efficiency indicator, one which relates outputs (vaccinations) to an input (cost). Efficiency may also be expressed in terms of other inputs such as, for example, number of staff or staff time. For example, 1,000 vaccinations annually per qualified medical staff member. "Cost per reduction in number of infants contracting measles" is an example of an efficiency indicator that relates an outcome (reduction in number of infants contracting measles) to an input (cost). Efficiency may also be expressed in terms of other inputs such as, for example, number of staff or staff time. For example, 1,000 vaccinations annually per qualified medical staff member.~~

Effectiveness

~~If the entity's service performance objective (the entity's planned result) expressed in terms of outcomes is to reduce the number of infants that contract measles by 3,000, then one possible effectiveness indicator would be the ratio of the actual reduction to the planned reduction, expressed as a percentage. If the entity reduced the number of infants contracting measles by three thousand, this effectiveness indicator would show 100% effectiveness. Since the actual result is a 3,000 reduction in infants contracting measles, the planned result (a 3,000 reduction in infants contracting measles) has been fully (100%) achieved. The same entity could have a second service performance objective expressed in terms of outputs, for example, that 10,000 children would be vaccinated against tuberculosis. If 8,000 children were actually vaccinated then, with respect to this second objective, effectiveness would be at 80%. These percentages measure the ratio between planned and actual results, i.e. measures of the entity's effectiveness, rather than a percentage reduction of disease incidence in the target population, which would be an outcome measure.~~

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, RPG 3.

Background

Project Initiation, Consultation Paper and Decision to Develop Guidance

~~BC1.—The IPSASB's project on reporting service performance information 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.~~

~~BC1. A Consultation Paper (CP), Reporting Service Performance Information, was issued in September 2011. In developing the CP, the began with a IPSASB reviewed and compared existing of 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. Based on the IPSASB's research, nNo 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 Consultation Paper (CP), Reporting Service Performance Information, issued in 2011. The CP's proposed (a) a principles based framework for reporting service performance information, and its (b) a standard terminology, with associated definitions.~~

Development of a Recommended Practice Guideline

~~BC2.—~~

~~BC3.—The IPSASB completed its review of responses to the CP in December 2012. In March 2013 the IPSASB decided that information additional to that included in the financial statements should presently be addressed presently through development of a Recommended Practice Guideline (RPG) and, on that basis, Therefore a draft this RPG, ED 54, Reporting Service Performance Information, was developed for reporting service performance information.~~

~~BC4. Development of a Recommended Practice Guideline~~

~~BC5. BC2. This RPG is based on the service performance reporting framework developed for the CP, revised for the IPSASB's decisions during its review of responses to the CP and its subsequent review of responses to ED 54. This RPG is underpinned by the IPSASB's Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Conceptual Framework).~~

~~BC6.—The Conceptual Framework notes that the primary function of governments and most public sector entities is to provide services to constituents. Consequently, their financial results need to be assessed in the context of the achievement of service performance objectives. Reporting non-financial as well as financial information about service performance 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 performance achievements during the reporting period, and future service performance objectives.~~

~~BC7. 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

~~BC3.~~ 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 guidelines on 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.~~

~~BC8-BC4.~~ Given the diversity of services and reporting contexts, ~~the~~ IPSASB decided that the RPG should not attempt to standardize service performance reporting, ~~given the diversity of services and reporting contexts,~~ but focus on achievement of ~~the~~ applicable principles. At the same time, the core type of service performance information that should be presented. This approach was decided on the basis that guidelines are needed on what type of information should be presented and it is possible to identify broad categories of information—for example, information on service performance objectives—that are applicable to all entities that report service performance information.

~~BC9-BC5.~~ In developing an RPG for reporting service performance information the IPSASB acknowledged the challenge in developing guidance that would be useful when applied to 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. The IPSASB considered these matters and was of the view that it would be most helpful to develop 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.

~~BC10-BC6.~~ The IPSASB's view is that principles applicable to 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.

~~BC11-BC7.~~ Some respondents to the ED were concerned about an apparent contradiction between RPGs as pronouncements that do not establish requirements and paragraph 5 of the ED, which stated that compliance with the RPG involves compliance with all of its requirements. The IPSASB decided that responded to this concern by eliminating reference to the phrase “compliance with requirements” in this paragraph, and should be replaced with “compliance with applicable

principles". The basis for this is twofold. First, the RPG establishes principles which entities then use to guide their decisions on what service performance information they report. Second, while the paragraph still uses the idea of "compliance", the IPSASB considers that this is consistent with the RPG's role as a recommended guideline. ~~also noted that the~~ nature of an RPG as a guideline is established by the allowance for entities to not follow a particular RPG—in its entirety—without impacting negatively on the entity's IPSAS compliance. Preparers (or jurisdictions) may also choose to apply part of the RPG and, for example, progressively move towards full compliance, at which point compliance can be asserted. Nonetheless the specific content of an RPG involves a set of principles that establish best practice. An RPG may also, depending on the topic addressed, involve more flexibility of application than is the case for an IPSAS. This is the case for this RPG which includes options as to presentation and actions which are encouraged rather than required ~~uses principles to guide preparers' decisions on what information to present.~~

Objective

~~BC12. 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 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.~~

Scope

~~BC13-BC8. The IPSASB considered whether the RPG should apply to Government Business Enterprises (GBEs). While acknowledging that GBEs provide services and may report service performance information on those services the IPSASB decided that this RPG applies should apply 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. This exclusion from the scope should not be read as implying that the guidance could not be applied by GBEs or that there is any barrier to GBEs applying this guidance.~~

~~BC14-BC9. In reaching this conclusion the IPSASB noted that where the a controlling entity reports service performance information according to the recommendations in this RPG it may provide information on services provided by one or more controlled GBEs. Although the GBEs' own reporting is not within the scope of this RPG, the IPSASB decided considers that the information reported by the controlling entity—about the GBEs' services—needs to follow the RPG's requirements, if the controlling entity is to assert compliance with the RPG.~~

~~BC15-BC10. The IPSASB discussed considered whether this RPG should apply to entities in national jurisdictions which already have extensive service performance information reporting requirements for their public sector entities—requirements that may extend beyond the minimum principles approach to information levels which is set out in the RPG. The IPSASB's view is that, in such circumstances, the entity will need to ensure that jurisdictional requirements are met. While the RPG does not set out detailed comprehensive and specific requirements, this does not represent an encouragement to report less than is already reported under national or other requirements, nor is this viewed as in conflict with more extensive reporting. Paragraphs 6–7 of the RPG addresses the relationship between the RPG and jurisdictional requirements for service~~

~~performance information, explaining that The RPG includes a statement that it sets out minimum information levels. It also states that the RPG "...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 and more extensive jurisdictional requirements would apply in addition to the guidelines in the RPG." On this basis t~~The IPSASB concluded that the RPG adequately addresses this issue and the RPG should be able to be applied to entities in jurisdictions where extensive service performance information reporting requirements already exist.

Definitions of Terms

~~BC16-BC11.~~ 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 GPFs.

~~BC17-BC12.~~ ~~This RPG defines seven~~The IPSASB developed the defined terms in the RPG, which are based, by basing them, as far as possible, on terms already used in jurisdictions with a well thought through and explicit approach to, and extensive experience in, service performance reporting. ~~Establishing definitions for these terms is expected to assist with the communication of service performance concepts, and support achievement of the qualitative characteristics.~~

~~BC13.~~ During the review of responses on the CP and the ED, and then during subsequent development of the RPG the IPSASB revised the definition of an effectiveness indicator. The CP definition was: "Effectiveness indicators are measures of the relationship between outputs and outcomes." This implies that the relationship between outputs and outcomes is relatively simple to measure. After further consideration the IPSASB considered that the relationship between outputs and outcomes is likely, in many situations, to be more complex than the simple relationship underpinning the original definition. Furthermore, the IPSASB considered that effectiveness is better understood to be the degree to which an entity is successful in achieving its service performance objectives. On this basis the IPSASB decided that effectiveness indicators show the extent to which an entity has achieved its services performance objectives, ~~where those objectives are stated in terms of outcomes or outputs. Responses to the ED, where the revised definition was proposed, were generally supportive of this approach.~~

~~BC14.~~ During development of the CP and ED 54, and the subsequent review of responses to ED 54, the IPSASB considered whether to include "economy indicators" in the RPG's set of defined terms. Economy is a commonly used term in the context of service performance reporting. However different jurisdictions have different meanings for economy. For some jurisdictions economy means lower costs for service delivery without reference to impact on quantity and/or quality of services delivered. Other jurisdictions consider that this first view is not really economy and that using "economy" to describe situations where costs are reduced but service quality and/or quality is negatively impacted could be misleading to users of GPFs. A second view of economy is that it is only achieved if service delivery is maintained or enhanced, when costs or other inputs are reduced. This second view of economy fits the definition of "efficiency" in the RPG. Indeed, there is a third group of national jurisdictions that does not use the term "economy" on the basis that the term can be confusing and it overlaps with efficiency.

~~BC15. IPSASB members decided to exclude economy indicators because the term is both confusing and unnecessary given other terms defined in the RPG. So-called “economy indicators” do not represent something additional to the ideas conveyed by either inputs or efficiency, for which the RPG establishes clear definitions. The IPSASB noted that the RPG’s approach to selection of service performance information allows jurisdictions to assess “economy”, whatever the meaning that a particular national jurisdiction gives that word. For example, the RPG supports the presentation of information on costs, on other inputs, and on efficiency. Therefore the RPG does not define “economy indicators” and does not use the term “economy”.~~

~~BC18.—~~

~~BC19. “Economy indicators” were considered for inclusion in the set of standard terminology, during development of the CP, because it is a commonly used term. A majority of IPSASB members decided to exclude economy indicators because they overlap with efficiency indicators and are difficult to derive in isolation. In addition the concept of economy was considered to be covered by input indicators. This issue was considered further by the IPSASB during its review of responses to the ED, when a majority of IPSASB members reconfirmed the view that economy indicators do not represent something additional to the ideas conveyed by either efficiency or inputs. On that basis “economy indicators” are not included in the defined terms. However the IPSASB decided that the RPG’s objective should note that service performance information can support users’ to assess the entity’s economic use of resources for the provision of services.~~

Reporting Entity

~~BC20-BC16. During development of the CP the IPSASB considered whether service performance information should be presented for the same reporting entity as for financial statements. Public sector performance information can be constructed around a desired outcome, which many entities may contribute to, or benchmark indicators against which entities can be compared. Such information is likely to be of particular value when entities need to work together to achieve public policy objectives. Alternatively, sService performance information can should support the users’ of the GFRs as they (a) holding the reporting entity accountable for its service provision and use of resources, and (b) makes decisions making affecting that entity. Members had differing views and sought feedback on this issue. After reviewing responses to the CP the IPSASB concluded that service performance information as defined by the RPG should be presented for the same reporting entity. On that basis a majority of the IPSASB considered that service performance information should be prepared for the same reporting entity as for the financial statements. To be consistent with coverage in RPGs 1 and 2 (see RPG 1, paragraph 14 and RPG 2, paragraph 4) the wording in RPG 3 focuses on “reporting boundary” rather than reporting entity. This wording also avoids potential confusion over whether reporting entity addresses the issue of “which entity should report?”—the focus Chapter 4, Reporting Entity in the Conceptual Framework—or “given that this entity reports, what services fall within the entity’s reporting responsibilities or for what services is the entity broadly speaking accountable?”. In reaching this conclusion the IPSASB also noted that the RPG’s accountability and decision making focus is not designed to apply to supply chains, networks or other combinations of individual entities that may be able to influence each other but do not have the ability to control.~~

~~BC21. Some respondents to the ED commented on this issue—even though there was no SMC on it—with most comments supporting the ED’s “same reporting entity” approach and no new, previously unconsidered issues raised. Several respondents to the ED suggested that the RPG should also provide guidance for reporting on programs or policies that involve a group of entities that are not~~

under common control, that is, “cross-boundary” reporting. ~~The IPSASB took the view that this would unduly extend the scope of the project, and confirmed the ED’s approach to reporting entity.~~

~~BC22-BC17.~~ The IPSASB ~~also~~ acknowledged that there is a trade-off between service performance reporting that applies the same reporting entity boundary as for the financial statements and flexible boundaries that provide scope for cross-boundary reporting. A focus on the same reporting entity as for the financial statements has the benefit of following lines of control and supporting organization-focused accountability, while also facilitating both collection of service performance information and the integration of such information with financial information in the entity’s financial statements. However there are cases where no single entity is accountable for a program or policy and requiring cross-boundary reporting, aligned with the program or policy, would provide information that better explains service performance related to that program or policy. The IPSASB considered expanding the RPG’s scope to also include guidance for cross-boundary reporting on “programs” or “sets of activities that contribute to the same outcome(s)”. The IPSASB decided that the RPG should remain focused on reporting by the same entity as that for the financial statements. This does not prevent national jurisdictions from adapting the RPG’s principles and guidance for application to cross-boundary reporting.

~~BC23.~~ ~~The RPG focuses on information for accountability and decision making involving the reporting entity rather than a supply chain, network or other combination of individual entities. 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.~~

~~BC24.~~ ~~The IPSASB considered concerns expressed by Some~~ respondents to the CP ~~and the ED over were concerned that~~ controlling entities ~~should not being~~ required to report all services provided by their controlled entities, ~~That could with have~~ the result that information becomes too detailed and lengthy to meet the qualitative characteristics and support users’ assessments for accountability and decision making. ~~The IPSASB decided to include further explanation in the RPG T~~to address this concern. ~~the ED included guidance on how a controlling entity can present service performance information on services provided by its controlled entities, without providing an overwhelming amount of detail in its own report.~~

~~BC25-BC18.~~ ~~The ED included an SMC on whether respondents agreed with its coverage of reporting at different levels of government. Some respondents remained concerned that this could result in overly detailed, onerous reporting by controlling entities. After further consideration the IPSASB decided that the ED still allowed scope for preparers to conclude that the same approach to consolidating information as that used for financial statement consolidations—whereby financial totals reported by controlled entities are fully included in the controlling entity’s financial statements—would be required by the RPG. On this basis T~~the RPG ~~states was therefore revised to clarify~~ that controlling entities should report against their own service performance objectives rather than attempt to aggregate all those services provided by controlled entities.

Annual Reporting and Reporting Period

~~BC26.~~ The IPSASB considered whether service performance information should be reported annually, when service performance objectives, whether expressed in outcomes, outputs or inputs, may require periods longer than one year to achieve. The majority of IPSASB members considered that service performance information should be reported annually because this is important to ensure that users’ have the information they need ~~for the purposes of to hold an entity~~ ~~accountabilitye for its service provision~~ and ~~make~~ decision ~~makings~~. To address the existence of multi-year service

performance objectives the IPSASB decided that the RPG could encourage entities to disclose information on their progress towards multi-year service performance objectives. [The IPSASB noted that](#)

~~BC19. An SMC was included in responses to the ED on whether reporting should be on an annual basis. After noting the indicated generally strong support from respondents for annual reporting, the The IPSASB confirmed that service performance information should be presented annually and use the same reporting period as that for the financial statements, unless users' needs require a different period. The main issues raised by respondents were that~~

~~(a) entities should be allowed to report more frequently, for example six monthly; and (b) a requirement for annual reporting on multi-year service performance objectives could cause problems, either reducing entities' willingness to set multi-year service performance objectives or adding excessively to the costs through requiring expensive program evaluations on an annual basis.~~

Scope to Report More Frequently

~~BC27-BC20. Some respondents to the ED were concerned that it did not allow entities to report more frequently than annually. The IPSASB agreed with respondents who argued in favor of scope for more frequent reporting, noting that this is likely to increase transparency and accountability. As one respondent stated, more frequent reporting also can encourage "management dialogue between all those involved in the evaluated public policy mission and improves the management process by increasing the accountability of the public manager." At the same time, for many jurisdictions and many entities an assessment of the needs of users, with consideration of the costs and benefits of reporting more frequently than on an annual basis, may indicate that annual reporting of service performance is sufficient. On this basis t The IPSASB decided to use the phrase "should be reported at least annually", which allows and may be for more frequent reporting and is the same phrase as that used in IPSAS 1, *Presentation of Financial Statements*, to address reporting frequencyed more frequently" in the RPG. This phrase clarifies that the RPG allows entities to report service performance information more frequently than annually, while avoiding any implication that annual reporting is a bare minimum.~~

Reporting Against Multiyear Performance Objectives

~~BC28-BC21. The IPSASB considered how to address concerns raised by some respondent to the EDs' concerns that annual reporting could have negative consequences for outcome reporting, including the possibility that annual reporting could have the unintended effect of reducing the extent to which entities report outcomes. The IPSASB noted that for some outcomes annual measurement is very expensive and measurable change showing progress towards outcome achievement will not emerge for two or more years. One respondent noted that annual reporting in such cases may even be misleading. This problem is not restricted to service performance objectives focused on outcomes, but can also occur for outputs and even input reporting. To address this concern the RPG includes explicit coverage on use of proxy measures and provides scope for entities to report outputs or inputs as indicative of progress towards achievement of outcomes or other types of multi-year service performance objectives. In effect, this allows for outcomes to be reported less frequently than annually in those situations where an application of the RPG's presentation principles indicates that this should be done.~~

Service Performance Information Issued at Same Time as the Financial Statements

~~BC29-BC22.~~ The IPSASB considered whether the RPG should state that service performance information should be issued at the same time as the financial statements. ~~To be useful for accountability and decision making service performance information should be reported within a reasonably short time after the end of the reporting period, which would mean issuance at a similar time as for the financial statements. This is important to achieve the qualitative characteristic of timeliness.~~ The IPSASB noted that issuance at the same time as the financial statement supports timeliness, (a) may but may be very difficult for some entities ~~or jurisdictions~~ to achieve, and ~~(b)~~ may not be justified if an assessment of its costs and the resulting benefits is done. The IPSASB decided that, while acknowledging that it is desirable for service performance to be reported at the same time as the financial statements, the RPG should not state that this is necessary.

Controlling Entity and Controlled Entities with a Different Reporting Period

~~BC30-BC23.~~ The IPSASB considered situations in which a controlling entity includes information on services that are provided by controlled entities with a different reporting period from that of the controlling entity. Ideally all the service performance information reported should cover the same reporting period. However there are situations where the benefits of aligning the information with the controlling entity's reporting period do not outweigh the costs involved. For example, some public sector entities provide service performance reports to donors who require a different reporting period from that for the entities' financial statements. The additional costs of preparing service performance reports for each reporting period (donors and financial statements) may not justify the benefits. On this basis the IPSASB decided that the RPG should acknowledge the possibility that some of the service performance information reported may be for a different reporting period and address this through additional disclosures.

Two Approaches for Reporting Service Performance Information

~~BC31-BC24.~~ In developing this RPG the IPSASB acknowledged that there are differing approaches to reporting service performance information, including approaches that are more output focused and approaches that are more outcome focused. A more outputs focused approach reports information about the services provided. This type of information is oriented towards resource providers and aims primarily to report on the services received for resources provided and whether resources have been used efficiently, although there is scope to widen the focus to include information about outcomes. A more outcome focused approach tells a performance story, which generally reports on the achievement of outcomes, although there is scope to relate this performance story back to the costs of services. The information reported explains how well the entity is doing in terms of achieving its objectives, where those objectives are described in terms of outcomes.

~~BC32-BC25.~~ The IPSASB considered whether the RPG should include guidance specifically tailored for each approach, but decided against this on the basis that the RPG's focus on achievement of objectives can be applied to either approach, ~~while also being consistent with what is proposed in the CP.~~ Allowing entities to tailor their reporting to their objectives means that entities or jurisdictions do not need to fit their individual approach into either an output-focused approach or an outcome-focused approach in order to apply the RPG. This means that the RPG's content will be useful ~~to a variety of these~~ entities applying different approaches that (a) apply one of these two approaches, (b) use other approaches, and, (c) use mixture of different aspects of both the output and outcome approaches. Entities' service performance objectives may even relate to

inputs, when their reporting of service performance information is at an early stage. However, the ideal to which entities should, over time, aspire is the reporting of service performance information that reports comprehensively on both outcomes and outputs, along with information that allows users to assess the efficiency and effectiveness of both. This is consistent with the IPSASB's view, ~~referred to earlier within the context of performance indicators discussed below~~, that the performance indicators presented should form a holistic system such that they communicate a coherent, integrated view of the entity's service performance.

Principles for ~~Reporting Presentation of~~ Service Performance Information

~~BC26.~~ The RPG sets out principles applicable to ~~the presentation of service performance information presentation~~, which includes ~~principles applicable to~~ decisions on information selection, location and organization. The RPG identifies factors that should be considered when making presentation decisions and generally proposes information that should be considered for presentation, in light of those principles, rather than prescribing an extensive list of information requirements. This principles-based approach is consistent with the IPSASB's decisions ~~on the RPG's overall approach, developed during the consultation phase and further considered during both development of the ED and the IPSASB's review of responses to the ED. Although the RPG identifies the type of information that all entities should present, The IPSASB considered taking a more prescriptive approach, and this consideration included the possibility of it does not prescribing an extensive set of information for disclosure rather than proposing such information for entities' consideration as possible disclosures. The IPSASB has maintained the principles based approach proposed in the CP and then exposed in the ED~~ on the basis that ~~the principles-based approach~~:

~~-(a) the principles-based approach a~~Allows entities the flexibility they need to report service performance information that is relevant and appropriate to their service performance objectives and will meet the needs of users of the information;

~~-(b) Reduces the risk of "disclosure overload",—~~ which undermines the extent to which a report on service performance meets the needs of users and does not achieve either the qualitative characteristics or provide benefits in excess of the costs ~~—should be avoided;~~ and

~~(c) Requires entities to must~~ apply ~~the RPG's principles, that will result in the presentation of the service performance when choosing what information that users need for the purpose of accountability and decision-making they disclose, the IPSASB has maintained the principles based approach proposed in the CP and then exposed in the ED.~~

~~BC33-BC27.~~ The IPSASB determined that the key principles for reporting service performance information should be based on the users' needs that such information should meet, as established through consultation and with reference to ~~the experience of different jurisdictions. The principles are consistent with the Conceptual Framework and have involved application of the Conceptual Framework to the reporting .The RPG's principles have been informed by the nature of serviceof service performance information information reporting, as evident from the experience of different jurisdictions, which the CP discussed and synthesized.~~

~~BC34.~~ The principles and factors are also based on application of the concepts developed for Phase 4 of the Conceptual Framework to the reporting of service performance information. As stated above, if the IPSASB decides to revise presentation concepts proposed in CF ED4 as part of its finalization of the relevant chapters of the Conceptual Framework, the revisions will be taken into account during the finalization of this RPG.

Presentation of Service Performance Information

Consultation Paper's Dimensions and Components of Service Performance Information

BC28. 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) Sservice performance objectives;
- (b) PPerformance 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.

BC35-BC29. The RPG's coverage of information selection addresses these four dimensions when it establishes that an entity should report:

- (a) Information on an entity's service performance objectives, including the need or demand for these objectives to be achieved (the "why" dimension);
- (b) Performance indicators to show achievements with respect to service performance objectives (the "what" dimension);
- (c) Comparisons of actual performance to planned (or targeted) results, including information on the factors that influence results (the "how" dimension); and
- (d) Annually on service performance information presenting actual information for the current and the previous reporting period~~Time-oriented information, including the comparisons of actual results over time and to milestones~~ (the "when" dimension).

BC30. The CP ~~then also~~ established components of service 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) Information on the "parameters" of the service performance information reported (termed "basis" in the RPG); ~~and~~
- (c) Information on the entity's service performance objectives, and ~~(d) the its~~ achievement of those service performance objectives.

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

~~BC36. The IPSASB considered whether service performance information should be located in the same report as the financial statements or in a separate report. It noted that while many national jurisdictions treat service performance information as distinctly different and therefore separate from information provided with the financial statements, there are also jurisdictions that integrate service performance information into the same report as the financial statements, treating the two sets of information as complimentary. There are benefits to both approaches. In order to allow for jurisdictional differences the IPSASB decided that the RPG should not restrict entities to reporting service performance information either in a separate report or in the same report as the financial statements.~~

Display of Service Performance Information within a Report

~~BC37. 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.~~

~~BC38. 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.~~

~~BC39. The IPSASB decided that the RPG should focus on principles applicable to this decision. 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 services 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.~~

Principles Rather than Specific Requirements

~~BC31. 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.~~

~~BC40-BC32. Because services provided, service performance objectives, and applicable service performance indicators depend on these different factors, the IPSASB decided that the RPG should not identify specific performance indicators that must be presented. Instead, it should identify broad types of information that should be reported and provide guidance on achievement of the qualitative characteristics when selecting service performance information.~~

~~BC41-BC33. The RPG identifies different types of performance indicators that could be presented, but does not require that particular performance indicators be presented. While efficiency and effectiveness indicators directly address those aspects of performance, the RPG's objective of providing information for users to assess efficiency and effectiveness does not mean that those two types of performance indicators must be presented. For example, efficiency can be~~

calculated using information about outputs and their cost. Effectiveness can be assessed using information on service performance objectives and results achieved against those service performance objectives. ~~Similarly, the assessment of economy relies on information presented on an entity's inputs, particularly their costs.~~

Information that Conveys a Coherent, Integrated View of the Entity's Service Performance

BC42-BC34. The IPSASB considered that the principles focused approach was appropriate because it allows entities at an early stage of developing service performance reporting to meet the RPG's guidelines and report service performance information consistent with their existing reporting capabilities. Nonetheless, the IPSASB's view is that good quality service performance reporting information needs to be reported so that users can assess an entity's service performance, including both ~~(a)~~ its achievement of objectives and ~~(b)~~ the extent to which it has used resources efficiently and effectively to deliver outputs and achieve outcomes. Ideally the set of performance indicators presented should form a holistic system such that they communicate a coherent, integrated view of the entity's service performance.

Selection of Performance Indicators

BC43-BC35. The IPSASB considered whether the RPG should require entities to report all five types of performance indicators—inputs, outputs, outcomes, efficiency and effectiveness—for the services that they provide. This would result in comprehensive coverage of an entity's service performance, but it might not reflect an entity's actual service performance focus. In practice it is likely that an entity's service performance objectives will change over time. For example, service performance objectives may initially focus on inputs, then outputs and efficiency, and then ~~or~~ 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 financial reporting objectives. On that basis the IPSASB decided that the RPG should not require reporting of all five types of indicators but should instead provide guidance on how an entity should choose the types of performance indicators that it reports.

BC36. The IPSASB also considered whether the RPG should require entities to report outcome indicators. Outcome information is important to users, because it focuses on the ultimate reason for service provision, which is the impact that services have on the community. However outcome information can be very difficult for entities to provide, particularly when they are at an early stage in developing their services performance reporting or in situations where the reporting entity is one of many entities contributing to the same outcome(s). On that basis the IPSASB decided that the RPG should encourage but not require entities to present information on outcomes.

Location of Service Performance Information

BC37. The IPSASB considered whether service performance information should be located in the same report as the financial statements or in a separate GPF. It noted that while many national jurisdictions treat service performance information as distinctly different and therefore separate from information provided with the financial statements, there are also jurisdictions that integrate service performance information into the same report as the financial statements, treating the two sets of information as complimentary. There are benefits to both approaches. In order to allow for jurisdictional differences the IPSASB decided that the RPG should allow entities to report service performance information either in the same report as the financial statements or in a separate report.

Organization of Service Performance Information

BC38. 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.

BC39. 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.

BC40. The IPSASB decided that the RPG should focus on principles applicable to this decision. 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;
- (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.

BC41. 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 services reported. Unless the performance 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 the organization of information to be tailored to an entity’s service performance objectives and services provided so that it meets the needs of users.

Illustrative Examples

These examples accompany, but are not part of, RPG 3.

- IE1. The examples in this appendix portray hypothetical situations. Although some aspects of the examples may be present in actual situations, all facts and circumstances of a particular situation would need to be evaluated when applying RPG 3.
- IE2. The first part of this appendix lists examples of terms defined in the RPG. It is not intended to be an exhaustive list of examples for all defined terms. The examples illustrate the meaning of different terms usually through reference to an entity that provides health services. The examples focus on one service— the provision of vaccinations to infants in order to prevent measles. The entity uses a range of inputs to produce its outputs (measles vaccinations). Those outputs are then expected to cause (directly or indirectly) the desired outcome(s).
- IE3. The second part of this appendix provides an illustrative list of information that could be included in an entity's service performance narrative analysis and discussion.

Part 1: Examples of Defined Terms

- **Service Performance Objectives (SPO):**
 - *Input-focused SPO:* To apply 1,200 full-time equivalent days of medical staff time to vaccination services.
 - *Output-focused SPO:* To provide 20,000 vaccinations to infants.
 - *Outcome-focused SPO:* To reduce the percentage of infants who contract measles annually from 65% to 2% within five years i.e. by the end 20XX."
 - *Efficiency focused SPO:* To reduce the total cost per vaccination from \$5 to \$4.
- **Input:** The number of full-time equivalent staff days used to provide vaccinations against measles."
- **Outputs:** The number of infants vaccinated against measles.
- **Outcome:** A reduction in the number of infants that contract measles." (The reduction could be expressed in absolute terms (5,000 fewer incidents of measles) or as a percentage reduction (a 35% percentage reduction in infants contracting measles).
 - *Outcome for a particular group within society:* A 35% reduction in the incidence of measles for infants within the lowest socio-economic decile.
 - *Direct or indirect outcomes:* A reduction in the number of incidents of measles experienced by recipients of measles vaccinations provided by the entity is an example of a direct impact on the recipients of the entity's services. By contrast children going to the same schools as those that vaccinated children attend but who have not received a vaccination will also be impacted indirectly by the entity's vaccination services, because their risk of contracting measles is reduced.
 - *Outcomes influenced by the entity's operations:* An entity responsible for vaccinations also collects information to compile health statistics about measles, which is viewed by the entity as an operational input to its health services. The health surveys raise awareness of measles and contribute to the reduction of measles.

○ Factors that impact on outcomes, but are outside of the entity's control: An entity such as a police department may have an outcome to reduce crime. Factors such as an aging population or changes to economic well-being may both help to reduce the crime rate. Both factors (aging population and changes to economic well-being) are outside of the control of the police department.

● **Efficiency:**

○ "Cost per infant vaccinated" is an example of an efficiency indicator that relates outputs (vaccinations) to an input (cost). Efficiency may also be expressed in terms of other inputs such as, for example, number of staff or staff time. For example, 1,000 vaccinations annually per qualified medical staff member.

○ "Cost per reduction in number of infants contracting measles" is an example of an efficiency indicator that relates an outcome (reduction in number of infants contracting measles) to an input (cost).

● **Effectiveness:**

○ Input effectiveness: The service performance objective was to dedicate 20,000 hours of medical staff time to provision of measles vaccinations during the year ended 31 March 20XX. The actual result achieved was 18,000 hours of medical staff time. Therefore the entity effectiveness in this area was 80%.

○ Output effectiveness: The service performance objective was to provide 100,000 measles vaccinations to infants during the year ended 31 March 20XX. The actual result achieved was 99,000 vaccinations. Therefore the entity's effectiveness in this area was 99%.

○ Outcome effectiveness: The service performance objective was to reduce the number of infants that contract measles by 3,000 compared to the previous year. The actual result achieved was a 3,000 reduction in infants contracting measles. Therefore the entity's effectiveness in this area was 100%.

● **Performance indicator—Qualitative Description:**

A government department (the Ministry) responsible for supporting the government's relationships with other nations, including trade relationships, uses the following qualitative description as one of its performance indicators:

Engagement with Latin America during this year is expected to include several successful ministerial-led business missions to national governments and ministerial engagement in two regional forums. The Ministry will provide host and other support for ministerial level visits from several countries in the region, and undertake bilateral foreign policy consultations. Consultations will include advocacy of free trade agreements. The diplomatic network in several Latin America countries will be expanded through additional consulates and honorary consuls.

Part 2: Narrative Discussion and Analysis—Types of Information

IE4. The following list provides examples of the different types of information that could be included in narrative discussion and analysis to help users' assessment of an entity's service performance:

(a) Particular service performance achievements, deficiencies and issues.

(b) Identification and discussion of the factors that may have influenced achievement (or non-achievement) of service performance objectives.

- (c) Effectiveness indicators.
 - (d) Discussions of differences between planned and actual achievements.
 - (e) Comparisons of indicators:
 - (i) Over time;
 - (ii) To milestones; and/or,
 - (iii) Between actual and planned results.
 - (f) Reasons for change(s), if the service performance objectives or performance indicators presented have changed compared to those presented for the previous year.
 - (g) Where an entity has multiyear service performance objectives, narrative about progress towards their achievement.
 - (h) Where outcomes are reported, information on the extent to which outcomes can be attributed to the entity's activities.
 - (i) Significant lessons learned during the reporting period with respect to the entity's service performance including, where relevant, plans on ways to address issues affecting service performance and areas that require further evaluation.
 - (k) Identification and discussion of the risks associated with the delivery of services and, if risk assessments for services have been carried out, information on how such risk trade-off decisions are informed and managed.
 - (l) Identification and discussion of the consequences—intended and unintended, direct and indirect—of the services provided.
- IE5. If an entity provides a discussion of differences between planned and actual achievements this discussion could include, for example:
- (a) Identification of the size of the variances; and
 - (b) Factors contributing to the variances. (For example, external factors, efficiencies or inefficiencies in internal processes, resource availability, or government service delivery decisions.)
- IE6. The achievement of outcomes is often influenced by factors outside of the entity's control. If an entity provides narrative discussion and analysis on outcomes the disclosures should be sufficient to ensure that users do not overestimate the entity's role with respect to either improving or worsening outcomes. Where outcome information is displayed, information on the following may be useful for users:
- (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.
- IE3-IE7. The delivery of public services often follows a risk assessment, involving clear parameters around tolerance of different types of risks, including the risk of false positives and false negatives with respect to intervention decisions. Information on how an entity assesses risks as part of service delivery can support users' understanding of an entity's service performance.

International Public Sector Accounting Standards™, Exposure Drafts, Consultation Papers, Recommended Practice Guidelines, 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™', 'Recommended Practice Guidelines,' the IFAC logo, 'International Federation of Accountants®', and 'IFAC' are trademarks or registered trademarks and service marks of IFAC.

Copyright © April 2015 by the International Federation of Accountants (IFAC). All rights reserved. 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: _____

