

Paper 4 Appendix B

Extracts from explicit frameworks on the relationship of service performance reports to conventional financial statements

Explicit Framework	Link between conventional financial statements and service performance reporting
US Governmental Accounting Standards Board (GASB) (<i>GASB Proposes Suggested Guidelines for Voluntary Reporting of Service Efforts and Accomplishments Performance Information</i> , June 2009, page 1)	“Traditional financial statements provide financial performance information about a government’s fiscal and operational accountability, but they do not provide all the information needed to determine the degree to which a government was successful in helping to maintain or improve the well-being of its citizens by providing services. Information about a government’s service efforts and accomplishments helps to fill this void...”
UK Charities Commission (<i>Accounting And Reporting By Charities: Statement of Recommended Practice</i> , page 2, paragraphs 12-14)	<p>“12. The balance sheet is not necessarily a measure of the wealth of the charity but does show the resources available, what form those resources take and how they are held in the different funds, and provides information about the liquidity of assets and general solvency.</p> <p>13. The Statement of Financial Activities provides information as to how a charity receives and applies its resources to meet its objectives. It is not intended to demonstrate a charity’s efficiency.</p> <p>14. Accounts focus on financial performance and in isolation do not give the reader a perspective of what has been achieved from the activities undertaken and the resources expended in their delivery. The SORP recognises these limitations and places significant weight on the Trustees’ Annual Report to provide a necessary link between objectives, strategies, activities and the achievements that flow from them. Without this information the value of the accounts to the reader may be significantly diminished.”</p>
Canadian - CICA Standards and Guidance Collection <i>The CICA Virtual Professional Library 2008 SORP-2 - Public Performance Reporting statement of recommended practice</i> (Paragraph 68)	“The public performance report should link financial and non-financial information to show how resources and strategies influence results.”
AASB - Statement of Accounting Concepts SAC 2 <i>Objective of General Purpose Financial Reporting</i>	<p>“29 Aspects of the performance of a reporting entity can be measured in financial and non-financial terms ...</p> <p>30 Non-financial measures of performance may also be relevant to users for the purposes identified, particularly in relation to non-business entities. The absence of a profit or rate of return objective for these entities means that financial measures of performance are unlikely to be sufficient to assess fully the extent to which those entities have achieved their objectives, which typically include social as well as financial dimensions. The extent to which non-financial performance measures can be considered to fall within the scope of general purpose financial reporting will be the subject of a separate Statement of Accounting Concepts.”</p>
AASB - <i>Framework for the Preparation and Presentation of Financial Statements</i>	“Aus15.1 In respect of not-for-profit entities, ownership groups and contributors of donations are generally not concerned with obtaining a financial return but are usually more interested in the ability of an entity to achieve its non-financial objectives, which in turn may depend upon the entity’s financial position and financial performance.”
Australia - AAS 27 <i>Financial Reporting by Local Governments</i>	“99 The primary objective of local governments is the provision of goods and services to members of the community, and not the generation of profits. Therefore, non-financial as well as financial measures of performance will be relevant to assessments of the economy, efficiency and effectiveness of local governments in achieving their objectives. This Standard does not require local governments to report non-financial measures of performance. However, local governments are encouraged to report non-financial performance indicators which assist users in assessing the local government’s performance in meeting its government body’s objectives.”
UK Interpretation <i>Statement of Principles for Financial Reporting – Interpretation for Public Benefit Entities</i> issued June 2007	“7.15 Financial statements are often accompanied and complemented by information that does not form part of the financial statements. Examples of such information include ... key performance indicators, such as information on waiting lists, cost of refuse collection per household, and other indicators of a charity’s performance ...”
CPA Australia <i>Financial Reporting by Not-for-Profit Entities</i> (2000)	“The goals of the two objectives are the same but, because of the distinguishing characteristics of nonbusiness organizations, somewhat different information is required to satisfy these goals. Both seek to measure the efforts and accomplishments of the entity but assessment of performance in nonbusiness lacks earnings as a focal measure. This creates the need for information on service efforts and accomplishments.”

<p>NZ Financial Reporting Standards Board (FRSB) (Technical Practice Aid No. 9 <i>Service Performance Reporting</i>, paragraph 3.3)</p>	<p>“In the commercial sector, the primary aim of organisations is to make a profit or to maximise shareholder value. Financial statements assist in assessment of the extent to which organisations are achieving this aim. The situation is rather different for organisations in the public and voluntary sectors. Generally, their aim is to improve the well-being of the community through delivering outputs. These entities normally receive funding from one party but deliver (or arrange to deliver) outputs (goods and services) to third parties. Financial statements provide limited information on output delivery performance, which is particularly important for organisations in the public and voluntary sectors.”</p>
<p>NZ <i>Framework</i>,</p>	<p>NZ 4.1"The IASB <i>Framework</i>, on which this NZ <i>Framework</i> is based, focuses on financial statements. However, financial statements are often presented in conjunction with other information. A financial report may include financial statements, non-financial statements and supplementary information. In adopting this NZ <i>Framework</i> for application to New Zealand entities, and particularly to ensure the relevance of the NZ <i>Framework</i> for public benefit entities, certain aspects have been extended to acknowledge the role of non-financial and supplementary information. These paragraphs are clearly marked." ...</p> <p>NZ 7.1. “A financial report may include financial statements, non-financial statements such as statements of service performance and supplementary information which is additional to the information in financial statements.”</p>