

Paper 4 Appendix F Extracts from explicit frameworks and research relating to users of service performance reports and those user needs

Reference	IASB - <i>Framework for the Preparation and Presentation of Financial Statements</i>
Type	Conceptual framework
Purpose	N/A
Methods	N/A
Types of entities considered	Profit orientated
Summary of the main conclusions	<p>Users:</p> <ul style="list-style-type: none"> • Present and potential investors • Employees • Lenders • Suppliers and other trade creditors • Customers • Governments and their agencies • The public <p>User needs:</p> <ul style="list-style-type: none"> • Investors. The providers of risk capital and their advisers are concerned with the risk inherent in, and return provided by, their investments. They need information to help them determine whether they should buy, hold or sell. Shareholders are also interested in information which enables them to assess the ability of the entity to pay dividends • Employees. Employees and their representative groups are interested in information about the stability and profitability of their employers. They are also interested in information which enables them to assess the ability of the entity to provide remuneration, retirement benefits and employment opportunities • Lenders. Lenders are interested in information that enables them to determine whether their loans, and the interest attaching to them, will be paid when due • Suppliers and other trade creditors. Suppliers and other creditors are interested in information that enables them to determine whether amounts owing to them will be paid when due. Trade creditors are likely to be interested in an entity over a shorter period than lenders unless they are dependent upon the continuation of the entity as a major customer • Customers. Customers have an interest in information about the continuance of an entity, especially when they have a long-term involvement with, or are dependent on, the entity • Governments and their agencies. Governments and their agencies are interested in the allocation of resources and, therefore, the activities of entities. They also require information in order to regulate the activities of entities, determine taxation policies and as the basis for national income and similar statistics • Public. Entities affect members of the public in a variety of ways. For example, entities may make a substantial contribution to the local economy in many ways, including the number of people they employ and their patronage of local suppliers. Financial statements may assist the public by providing information about the trends and recent developments in

	the prosperity of the entity and the range of its activities
Reference	AASB - <i>Framework for the Preparation and Presentation of Financial Statements</i>
Type	Conceptual framework
Purpose	N/A
Methods	N/A
Types of entities considered	All
Summary of the main conclusions	<p>Users:</p> <ul style="list-style-type: none"> • Present and potential investors • Employees • Lenders • Suppliers and other trade creditors • Customers • Governments and their agencies • The public <p>User needs:</p> <ul style="list-style-type: none"> • Investors. The providers of risk capital and their advisers are concerned with the risk inherent in, and return provided by, their investments. They need information to help them determine whether they should buy, hold or sell. Shareholders are also interested in information which enables them to assess the ability of the entity to pay dividends • Employees. Employees and their representative groups are interested in information about the stability and profitability of their employers. They are also interested in information which enables them to assess the ability of the entity to provide remuneration, retirement benefits and employment opportunities • Lenders. Lenders are interested in information that enables them to determine whether their loans, and the interest attaching to them, will be paid when due • Suppliers and other trade creditors. Suppliers and other creditors are interested in information that enables them to determine whether amounts owing to them will be paid when due. Trade creditors are likely to be interested in an entity over a shorter period than lenders unless they are dependent upon the continuation of the entity as a major customer • Customers. Customers have an interest in information about the continuance of an entity, especially when they have a long-term involvement with, or are dependent on, the entity • Governments and their agencies. Governments and their agencies are interested in the allocation of resources and, therefore, the activities of entities. They also require information in order to regulate the activities of entities, determine taxation policies and as the basis for national income and similar statistics • Public. Entities affect members of the public in a variety of ways. For example, entities may make a substantial contribution to the local economy in many ways, including the number of people they employ and their patronage of local suppliers. Financial statements may assist the public by providing information about the trends and recent developments in the prosperity of the entity and the range of its activities

Reference	New Zealand Equivalent to the IASB Framework for the Preparation and Presentation of Financial Statements (NZ Framework)
Type	Conceptual framework
Purpose	N/A
Methods	N/A
Types of entities considered	All
Summary of the main conclusions	<p>Users:</p> <ul style="list-style-type: none"> • Present and potential investors • Employees • Lenders • Suppliers and other trade creditors • Customers • Governments and their agencies • The public <p>User needs:</p> <ul style="list-style-type: none"> • Investors. The providers of risk capital and their advisers are concerned with the risk inherent in, and return provided by, their investments. They need information to help them determine whether they should buy, hold or sell. Shareholders are also interested in information which enables them to assess the ability of the entity to pay dividends. • Employees. Employees and their representative groups are interested in information about the stability and profitability of their employers. They are also interested in information which enables them to assess the ability of the entity to provide remuneration, retirement benefits and employment opportunities. • Lenders. Lenders are interested in information that enables them to determine whether their loans, and the interest attaching to them, will be paid when due. • Suppliers and other trade creditors. Suppliers and other creditors are interested in information that enables them to determine whether amounts owing to them will be paid when due. Trade creditors are likely to be interested in an entity over a shorter period than lenders unless they are dependent upon the continuation of the entity as a major customer. • Customers. Customers have an interest in information about the continuance of an entity, especially when they have a long-term involvement with, or are dependent on, the entity. • Governments and their agencies. Governments and their agencies are interested in the allocation of resources and, therefore, the activities of entities. They also require information in order to regulate the activities of entities, determine taxation policies and as the basis for national income and similar statistics. • Public. Entities affect members of the public in a variety of ways. For example, entities may make a substantial contribution to the local economy in many ways, including the number of people they employ and their patronage of local suppliers. Financial statements may assist the public by providing information about the trends and recent developments in the prosperity of the entity and the range of its activities.

	<p>Other information:</p> <ul style="list-style-type: none"> • The NZ <i>Framework</i> also notes that the users of financial statements in the New Zealand context also includes: <ul style="list-style-type: none"> ○ funders and financial supporters (for example, taxpayers and donors), and ○ elected or appointed representatives. • Their needs include the following: <ul style="list-style-type: none"> ○ Funders or financial supporters. Funders or financial supporters provide a source of cash and/or resources that does not generate a direct return (unlike a loan) and is not provided in exchange for direct benefits (goods or services) for themselves. The funder or financial supporter generally provides taxation, grants or donations to the entity. This class of users includes the past, present and potential funders and financial supporters of the entity. When funders and financial supporters provide resources that are used to supply goods and services to third parties they are interested in the quality of the goods and services produced and whether the goods and services were produced in accordance with relevant contracts or agreements. As with customers that purchase goods and services directly from an entity, funders and financial supporters are interested in information about the continuance of an entity, such as its sustainability, flexibility and vulnerability ○ Elected or appointed representatives. Members of Parliament and local authority councillors represent their respective electorates. Members of a governing body represent the interests of specific groups or entities. Elected or appointed representatives use financial statements to assess an entity’s actual achievement against its formal objectives and targets and hold an entity accountable for its performance. Such users are likely to use financial statements in conjunction with non-financial information. Where the elected or appointed representatives have responsibility for the long-term financial performance of an entity they may also be interested in its sustainability, flexibility and vulnerability
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Reference	FRSB, Technical Practical Aid – 9 <i>Service Performance Reporting</i> (Institute of Chartered Accountants of New Zealand, <i>revised 2007</i>)
Type	Guidance document
Purpose	To provide general information and guidance for interested parties in respect of service performance reporting for local and central government
Methods	N/A
Types of entities considered	Local and central government. TPA-9 also acknowledges that it could be applied by NFP's.
Summary of the main conclusions	<p>Users</p> <ul style="list-style-type: none"> • Purchasers of services • Managers of entities • General public <p>Other information:</p> <ul style="list-style-type: none"> • Reporting of service performance is to strengthen accountability for delivery of outputs as specified • Service performance reports should report on outputs with information on outcomes being provided as contextual information

Reference	Statement of Financial Accounting Concepts (SFAC) No.4 Objectives of Financial Reporting by Non-business Organizations (FASB, 1980a).
Type	Conceptual Framework
Purpose	To discuss the objectives of financial reporting by non-business organisations
Methods	N/A
Types of entities considered	Private sector non-business
Summary of the main conclusions	<p>Users:</p> <ul style="list-style-type: none"> • Resource providers – lenders, suppliers, employees • Constituents – may include some resource providers for example tax payers • Government and oversight bodies • Managers (managers of the reporting organisation) <p>Objectives of financial reporting:</p> <ul style="list-style-type: none"> • Information useful in making resource allocation decisions • Information useful in assessing services and ability to provide services • Information useful in assessing management stewardship and performance • Information about economic resources, obligations, net resources, and changes in them. Also includes: <ul style="list-style-type: none"> ○ nature of the relationship between inflows and outflows ○ service efforts and accomplishments ○ liquidity • Managers' explanations and interpretations

Reference	<i>CICA, Statement of Recommended Practice SORP-2 Public Performance Reporting (CICA 2006)</i>
Type	Guidance
Purpose	To provide guidance for reporting performance information in public performance reports.
Methods	N/A
Types of entities considered	Public sector
Summary of the main conclusions	<p>Users:</p> <ul style="list-style-type: none"> • Primary users are elected officials and the public they represent • Principle funder • Transferor of resources • Resource providers • Contributors <p>Other external users:</p> <ul style="list-style-type: none"> • Partners • Advocacy groups • Media <p>Report producers can:</p> <ul style="list-style-type: none"> • Align internal and external reporting systems • Use technology to manage performance information • Engage senior management • Ensure continuity of membership in the performance reporting team • Report against explicit targets set out in plans • Link performance to broader government priorities • Use performance measures consistently from year to year but maintain flexibility for continuous improvement • Pay particular attention to relevance and understandability • Disclose the level of assurance on the reliability and relevance of performance information • Consult users • Produce performance reports in formats that meet user needs <p>A public report should focus on the few critical aspects of performance:</p> <ul style="list-style-type: none"> • Commitments and issues raised • Financial magnitude • Importance to the overall success of the entity

	<ul style="list-style-type: none">• Economic, social and environmental impact
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Reference	CCAF, <i>Good Practices for Central Agencies, Legislators, Auditors, and Report Producers</i> (CCAF 2007)
Type	Guidance document
Purpose	The report compiles examples of good practice in public sector performance reporting for eight jurisdictions (Canada, Alberta, Washington State, Oregon, New Zealand, United Kingdom, Australia and New South Wales).
Methods	N/A
Types of entities considered	Public sector
Summary of the main conclusions	<p>Users:</p> <ul style="list-style-type: none"> • Internal users • Legislators • Private sector partners • Program beneficiaries • Non-governmental organisations, and • Other audiences <p>Other information:</p> <ul style="list-style-type: none"> • CCAF's Users and Uses report recommended that public performance report producers consult with users on the content and format of reports, to ensure that reports meet user needs • The essence of quality public performance reporting is to report on performance against planned targets. This allows both internal and external users to understand if objectives were met, if programs are functioning effectively and whether outcomes are being achieved

Reference	Connolly Ciaran and Noel Hyndman, <i>Performance Reporting by UK Charities - Approaches Difficulties and Current Practice</i> (The Institute of Chartered Accountants of Scotland, 2003)
Type	Research paper
Purpose	The paper discusses user needs in the context of accountability and considers the types of information provided in annual reports of UK charities to assess if the nature of information provided supports accountability.
Methods	Empirical analysis of the annual reports of the top 100 UK fundraising entities
Types of entities considered	UK Charities
Summary of the main conclusions	<p>Types of performance information identified:</p> <ul style="list-style-type: none"> • Goals and objectives • Inputs • Outputs • Results • Efficiency • Effectiveness • Future target information • Budget information <p>Other information:</p> <ul style="list-style-type: none"> • Annual reports are generally recognised as key documents in the discharge of accountability to external users • It is argued that the inclusion of performance information in annual reports of charities will lead to a more accountable charitable sector and also provide a stimulus for better management within a charity
Selected references to other sources	<ul style="list-style-type: none"> • Trueblood Report (American Institute of Certified Public Accountants (AICPA), 1973) • Statement of Financial Accounting Concepts No.4 Objectives of Financial Reporting by Non-business Organisations (FASB, 1980a) in the United States • Bird and Morgan-Jones (1981) (document which lead to the creation of the UK SORP) • 2000 SORP (Charity Commission, 2000)

Reference	Jones et al (1985)
Type	Research paper
Purpose	To identify users of US state and local government annual reports
Methods	To be updated
Types of entities considered	State and local governments
Summary of the main conclusions	<p>Users:</p> <ul style="list-style-type: none"> • Citizen groups: <ul style="list-style-type: none"> ○ Taxpayers ○ Voters ○ Service recipients ○ Pressure groups ○ Journalists ○ Researchers • Investors and creditors: <ul style="list-style-type: none"> ○ Securities underwriters ○ Bond rating agencies ○ Bond insurers ○ Financial institutions ○ Investors • Legislative & oversight officials: <ul style="list-style-type: none"> ○ State legislators ○ County commissioners ○ City council members ○ Board of trustees ○ School boards <p>Users information needs in respect of financial and non-financial performance information:</p> <ul style="list-style-type: none"> • Evaluate efficiency & effectiveness • Compare results of the current year with those of the previous year • Assess financial operations & financial condition • Determine compliance with the budget • Advocate certain programs or actions • Evaluate executive branch funding and spending proposals • Compare results with other governmental units • Monitor fund activity and financial position and to analyse fund balances • Ascertain the ability of a government to repay its debt

	<p>Other information:</p> <ul style="list-style-type: none">• Jones recognised the primacy of accountability over decision usefulness in public sector annual reporting, and this is reflected in the user categories below
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Reference	Farmjee, Pesh, ' <i>Performance Counts – Financial Reporting Charities</i> ', Accountancymagazine.com, September 2004
Type	Magazine article
Purpose	To discuss the need for charity reporting to include outputs, outcomes and impact information
Methods	Independently commissioned survey of 1,000 people
Types of entities considered	UK Charities
Summary of the main conclusions	<p>The following types of information were considered to be useful by the survey respondents:</p> <ul style="list-style-type: none"> • Aims and beneficiaries • Charity's objectives • Activities and their cost • Measuring success of activities • Particular achievements • Measuring the difference it makes • Using past results to plan the future • Effective leadership and management • Beneficiaries' influence on decisions & plans • Sources of income • Fundraising activities

Reference	Lee, J (2008) <i>Preparing Performance Information in the Public Sector: An Australian Perspective</i> , Financial Accountability & Management, 24(2), May 2008
Type	Research
Purpose	This paper examines performance information and reporting issues through a survey of the views of public sector managers in Australia regarding the importance of selected performance information in achieving the objectives of an organisation, the extent of information development, usefulness for reporting in annual reports, and actual reporting.
Methods	Empirical
Types of entities considered	Public sector managers in Australia
Summary of the main conclusions	<p style="text-align: center;">Role of Performance Information in Public Sector Governance</p> <pre> graph TD A[Stakeholders: Parliament, Portfolio Ministers, Ministers, Legislative and regulatory framework] --> B[Performance information, indicators, outcomes and outputs] B --> C[Departments/agencies board, secretary, CEO, Performance planning, setting objectives, operations, management decision making] B --> D[Monitoring of performance] B --> E[Portfolio budget statements] C --> F[Service delivery] F --> D D --> E E --> G[Annual reports] G --> A </pre> <p>Source: Adapted from ANAO (2002), <i>Performance Information in Portfolio Budget Statements, Better Practice Guide</i> (May), p.6.</p>

	<p>Ranking of importance for specific types of information</p> <p>Categories of information:</p> <ul style="list-style-type: none"> • Quality of outputs • Outcomes • Financial information • Narrative analysis of performance • Quality of outputs <p>Individual Items of information:</p> <ul style="list-style-type: none"> • Customer satisfaction • Costs • Reliability of service • Timeliness of service • Contribution of outcomes • Operating surplus/deficit • Actual outcomes compared to intended outcomes • Accessibility of service • Factors, events or trends influencing performance • Revenue • Narrative analysis on non-financial performance • Narrative analysis of financial performance
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Reference	Mack J, Ryan C and Dunstan K, <i>Users of Local Government Annual Reports: An Exploratory Study</i> , Working Paper Series, Working Paper No. 4, Centre for Accounting, Governance and Taxation Research, School of Accounting and Commercial Law, Victoria University of Wellington (2008).
Type	Research
Purpose	This paper examines and analyses the annual report distribution lists for local government authorities within Queensland
Methods	Empirical
Types of entities considered	Local Authorities in Queensland, Australia
Summary of the main conclusions	<p>Users (based on an expansion of the users identified in SAC 2):</p> <ul style="list-style-type: none"> • Ratepayers, taxpayers and residents • Lenders and suppliers of funds • Councillors • Other consumers of services including local businesses • Oversight bodies including media, ratepayer and resident associations • Departments of Local Governments <p>Recipients of annual reports:</p> <ul style="list-style-type: none"> • Residents & Ratepayers • Lenders & Fund Providers • Councillors • Consumers of Services • Oversight Bodies • Internal • Other councils

Reference	United Kingdom Audit Commission, <i>In the Know. Using information to make better decisions: a discussion paper</i> , London, United Kingdom (2008)
Type	Discussion Paper
Purpose	This paper is intended to encourage those with a responsibility to improve public services to think about how they could exploit information more fully.
Methods	Field work, review engagements and seminars
Types of entities considered	Local Authorities in the UK
Summary of the main conclusions	<p>Information needs to be relevant for the decision at hand:</p> <ul style="list-style-type: none"> • Different decisions require different information, and judging what information is relevant for a decision is not easy • Performance indicators alone will not be adequate for important decisions • Aggregating information (for example over geography or time), using a range of information from different sources, and sharing information, will generate a fuller picture <p>The way information is presented is important for accurate interpretation:</p> <ul style="list-style-type: none"> • Relevant, good quality, information will not help decision makers if they cannot understand it • How information is presented, and what story it helps to tell, can affect the decisions based upon it • The way information is presented, therefore, needs to be tailored for both the audience and the decision at hand. Using information well requires decision makers and analysts to have particular skills • Decision makers need to be able to identify the information they need and to interpret it accurately • Those providing information need strong analytical and presentation skills • Evidence suggests that these skills are in short supply • People need to think carefully about the information they use whenever they make decisions • Those who make important decisions about local public services should demand better and clearer information • Public bodies need to evaluate whether their information is fit for purpose and used to best effect • Relevance, quality and presentation, summarised as RQP, are the key characteristics for useful information

Reference	Likierman A and others, <i>Financial Reporting in the Public Sector</i> , London: Chapman & Hall, (1992)
Type	Research
Purpose	N/A
Methods	To be updated
Types of entities considered	Public sector entities
Summary of the main conclusions	<p>The following users were identified:</p> <ul style="list-style-type: none"> • Elected members • Voters and taxpayers • Customers and clients • Employees • Suppliers • Government • Competitors • Regulators • Lenders • Donors & sponsors • Investors & partners • Pressure groups <p>The following user needs were identified. Information to:</p> <ul style="list-style-type: none"> • demonstrate compliance and stewardship • Monitor performance & evaluate management • Assess efficiency & effectiveness in use of resources • Enable making of planning decisions • Enable judgments about future viability • Assist public relations • Be a source of facts and figures <p>Other information:</p> <ul style="list-style-type: none"> • It was noted that it was easier to identify the information needs of specific users rather than the needs of general users

Reference	The New Zealand Office of the Controller and Auditor-General, <i>The Auditor-General's Observations on the Quality of Performance Reporting</i> , (OAG 2008)
Type	Discussion paper
Purpose	To set out the Auditor-General's perspectives on the purposes of performance reporting
Methods	N/A
Types of entities considered	Public sector
Summary of the main conclusions	<p>The audiences for performance reporting:</p> <ul style="list-style-type: none"> • Ministers and their monitoring agents • Parliament • Elected representatives • Media • Academics • Political and financial analysts and commentators • Concerned members of the public <p>User needs</p> <ul style="list-style-type: none"> • Serve accountability purposes • Aid decision-making <p>Other information:</p> <ul style="list-style-type: none"> • Assumption that users are moderately informed and willing to make the effort to understand

Reference	Jenkins, <i>Meeting the Information Needs of Investors and Creditors</i> Comprehensive Report of the Special Committee on Financial Reporting American Institute of Certified Public Accountants (1994)
Type	N/A
Purpose	To identify the information needs of investors and creditors
Methods	N/A
Types of entities considered	Profit oriented
Summary of the main conclusions	<p>User:</p> <ul style="list-style-type: none"> • Investors • Creditors • Management and board members • Employee groups • Competitors • Regulators • Academics • The press • Users concerned with various social causes <p>User needs:</p> <ul style="list-style-type: none"> • Financial and non-financial data • Management's analysis of financial and non-financial data • Forward-looking information • Information about management and shareholders • Background about a company • Display of information in financial statements • Unusual or non-recurring transactions or events • Disclosures related to unconsolidated entities • Accounting for intangibles, including goodwill • Measurement uncertainties • Reporting financial information by segment • Purchase and pooling methods of accounting for business combinations • Limiting the range of accounting alternatives • Off-balance-sheet financing arrangements • Accounting for leases and other executory contracts • Accounting and disclosures for innovative financial instruments • Value information in financial statements

Reference	GASB Governmental Accounting Standards Board Statement No. 34, <i>Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments</i> , GASB (1987)
Type	Financial reporting pronouncement
Purpose	The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions (or who may do so in the future) such as: legislators, their staff, and members of oversight bodies; investors, creditors, and others who provide resources to governments; and citizen groups and the public in general.
Methods	N/A
Types of entities considered	State and Local Government
Summary of the main conclusions	<p>Users:</p> <ul style="list-style-type: none"> • Citizenry groups and the general public • Legislative & oversight bodies • Investors and creditors • Resource providers to governments <p>User needs:</p> <ul style="list-style-type: none"> • Used in making economic, social, and political decisions and in assessing accountability • Comparing actual financial results with the legally adopted budget • Assessing financial conditions and results of operations • Assisting in determining compliance with finance related laws, rules and regulations • Assisting in evaluating efficiency and effectiveness
Selected references to other sources	Based on the earlier work of Jones et al (1985)

Reference	UK Accounting Standards Board – <i>Statement of Principles for Financial Reporting – Interpretation for Public Benefit Entities, UK ASB (1999)</i>
Type	Interpretation
Purpose	The Interpretation explains how the principles in the Statement apply to public benefit entities
Methods	N/A
Types of entities considered	Public benefit entities
Summary of the main conclusions	<p>Users:</p> <ul style="list-style-type: none"> • Present and potential investors • Present and potential funders and financial supporters • Lenders • Beneficiaries/customers • Governments and their agencies including regulators • The public