

AASB/FRSB Joint Project Plan [as at 2 February 2010] Service Performance Reporting

Introduction

The minutes of the joint October 2009 meeting record that:

The Boards noted their respective project work on Service Performance Reporting and the range of entities that would be potentially affected.

The AASB's project 'Disclosures by Private Sector Not-for-Profit Entities' focuses on private sector not-for-profit (NFP) entities. Phase 1 of the AASB project includes consideration of service performance reporting.

The FRSB's project encompasses the review of existing requirements and guidance within NZ GAAP relating to service performance reporting. Although the current requirements and guidance in NZ GAAP apply to any entity preparing a statement of service performance, legislative requirements mean that it is predominantly public sector entities that prepare such statements.

The Boards discussed the potential benefits and challenges of working jointly, particularly in light of the different scopes. Consideration was given to whether the scope of the AASB project should be broadened to encompass public sector NFP entities. The AASB decided that this would not be appropriate for a number of reasons including:

- (a) the AASB's commitment to specifically consider the needs of users of general purpose financial statements prepared by private sector NFP entities;
- (b) the impact of a broader scope on the duration of the project, and the AASB's desire to undertake the service performance reporting part of its project within a 12-month timeframe;
- (c) there would need to be clarification about the role the Board might play relative to the range of organisations with a mandate to establish service performance reporting requirements for public sector NFP entities in Australia; and
- (d) the differing performance models used in the state jurisdictions.

The Boards observed that if the focus of the work were on developing general principles, the different scopes should not be an impediment to a joint project. The Boards noted that such an approach would not preclude the AASB from addressing issues which do not fall within the scope of the FRSB project. Those issues might include distinguishing between financial and non-financial information and identifying a constraining principle for the information included in service performance reports.

The Boards agreed that staff should prepare a joint project plan, including a time line, for consideration by the Boards. The plan will consider ways to ensure the project is progressed efficiently and in a timely manner, and will include consideration of how the Boards can work together, including how a joint sub-committee might be utilised. In the meantime, work will continue to proceed through the Boards' project staff liaising closely.

The Chairman of the IPSASB commented that the work of the AASB and FRSB on service performance reporting could help inform the IPSASB's project on Reporting of Service Performance Information.

The AASB noted the high level of interest expressed by constituents in participating in its Project Advisory Panel and intends to consult with the Panel extensively as work progresses.

At its 9-10 December 2009 meeting the AASB reviewed a draft project plan. An extract from the draft minutes record:

The Board then proceeded to consider a draft FRSB/AASB joint project plan in Agenda paper 12.4 and agreed that work should be undertaken jointly. The Board:

- (a) noted that the implications of its Differential Reporting project would need to be considered for service performance reports;
- (b) decided to consider issues relating to Key Performance Indicators, budgets and future oriented information, explanations of variances, volunteer services and costs, activity based costing and

sensitivity analysis under section 7.7 'Principles of service performance reporting' in addition to the principles listed;

- (c) decided that consideration should be given to the extent to which measurement issues need to be addressed as part of this project; and
- (d) decided to form a joint subcommittee that will undertake a substantial amount of the review function and preliminary decision making, with the Boards being kept informed of progress throughout. The joint subcommittee will comprise three members from each Board. The AASB members are Kevin Stevenson, Glenn Appleyard and Ian McPhee and, at this stage, Ms Perry for the FRSB.

The project plan amended for the above decisions, should be treated as a working document, to be amended, if necessary as the project progresses.

At its 17 December 2009 meeting the FRSB also reviewed a draft project plan and the FRSB draft minutes note:

The joint project plan will be regularly updated to take account of ongoing decisions by the Boards. The FRSB did not make any further changes to the project plan.

The FRSB agreed that the New Zealand members [of the joint Subcommittee] would be Joanna Perry (Chairman, FRSB), Angela Ryan (Senior Advisor, The Treasury and Chair of the PBE working group) and Dave Foster (Director Finance, Manukau City Council and member of the PBE working group).

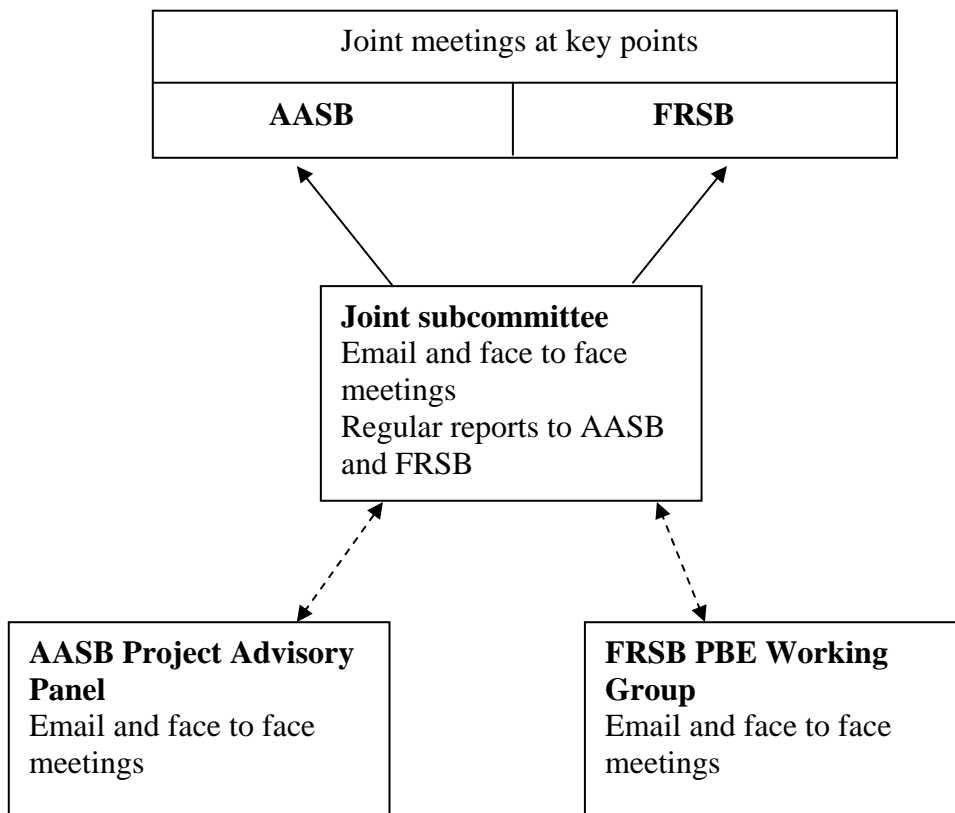
The FRSB noted the minutes of the PBE working group meeting of 1 December. This working group had provided useful feedback on some of the issues identified in the joint project plan. The FRSB agreed that the joint subcommittee would be responsible for deciding how to make best use of the working group's expertise and how to involve the working group in various components of the joint project plan.

The following work plan and timetable reflect the above decisions made by the Boards.

Detailed work plan and timetable

Consistent with the Boards' October 2009 discussions, the following work plan anticipates the establishment of a joint subcommittee to undertake a substantive amount of the review function and preliminary decision making. Because of this, there will be a need to keep the Boards informed of progress. This could take the form of Board agenda papers, provided for noting, comprising notes on subcommittee deliberations, and possibly copies of subcommittee papers on key issues.

The work plan also anticipates consulting with constituents during the project through, in Australia, a Project Advisory Panel and, in NZ, the FRSB PBE Working Group. The following diagram depicts the relationships between the Boards, the sub-committee, the AASB Project Advisory Panel and the FRSB PBE Working Group.



The estimated timing noted in the following table is subject to a range of factors that are beyond the control of the project team. It is achievable only if most of the work is done by the subcommittee and in the event that the Boards substantively accept the subcommittee's recommendations. The timetable is provided to give a broad sense of the sequence and an indication of the period of time work on service performance reporting might take.

| | Comments | Estimated timing |
|--|---|--|
| 1 Staff resources | Joint leaders: Robert Keys (AASB staff) and Joanne Scott (FRSB staff) | Available now |
| 2 Board subcommittee | Joint subcommittee – to form views on all significant issues before the Boards are provided with a key decision questionnaire that asks the Boards for their views on the subcommittee’s views on key issues. | From December 2009. |
| 3 Consultation | Consult on papers contemporaneously, for the purpose of informing the subcommittee’s deliberations | Already in place. |
| 4 Scope of project | Aim to identify general principles for service performance reporting and the status of any guidance developed | Already agreed at the October 2009 joint meeting |
| 5. Project Plan | This paper has been prepared jointly by AASB/FRSB staff. | Agreed at December 2009 meetings |
| 6. Background research | | |
| 6.1 Status report on IPSASB and FRSB work on service performance reporting | Noted at October 2009 joint meeting | October 2009 |
| 6.2 Domestic and international requirements and practices relating to service performance reporting (with examples of statements of service performance) | Background research | August 2009 and ongoing |
| 6.3 Consider the extent to which shortcomings in current service performance reporting (with reference to the work of the OAG) could be addressed through an improved financial reporting pronouncement | | November 2009 |
| 7 Topics | | |
| 7.1 Threshold issues | See agenda paper 7.2 of the AASB September 2009 meeting | September/October 2009 |
| 7.2 Distinction between financial and non-financial information | See agenda paper 12.2 of the AASB December 2009 meeting | December 2009 |
| 7.3 Identifying a constraining principle for information included in service performance reports | See agenda paper 12.2 of the AASB December 2009 meeting | December 2009 |
| 7.4 Assess service performance reporting against <i>Process for Modifying IFRSs for NFP/PBE</i> , to determine whether for-profit private sector entities should be included within scope | See agenda paper 12.3 of the AASB December 2009 meeting | December 2009 |
| 7.5 Features of service performance reports found in practice, based on 6.2 above. (Note: this is not intended to codify practice, rather to provide input to and a check against principles to be developed) | Issues paper to subcommittee Subcommittee note features found in practice and consider whether they might help in the development of comprehensive principles (see 7.8) | February 2010 March 2010 |
| 7.6 Identify literature on user needs in relation to service performance | Issues paper to subcommittee Subcommittee form tentative views on issues | February 2010 March 2010 |
| 7.7 Application guidance/illustrative examples - consider need for, and role of standard-setter | Issues paper to subcommittee Subcommittee form tentative views on issues | February 2010 March 2010 |
| 7.8 Principles of service performance reporting (including consideration of qualitative characteristics) - objectives - application of qualitative characteristics - core principles - inputs (including information about volunteers) - output and outcome dimensions (including performance relating to grants made) - costing models (including activity based costing and consideration of the extent to which measurement needs to be addressed in this project) - principles for selecting performance measures - principles for selecting performance targets - segment reporting/disaggregated information - variance reporting against budget/KPIs (including explanations of variances) - sensitivity analysis - future oriented information - relationship to management commentary - definitions | Issues paper to subcommittee Subcommittee meet to form tentative views | May 2010 June 2010 |
| 7.9 Should entities be required to report on service position as well as service performance? | Issues paper to subcommittee Subcommittee meet to form tentative views | May 2010 June 2010 |
| 7.10 Should service performance reporting include analysed information? | Issues paper to subcommittee Subcommittee meet to form tentative views | May 2010 June 2010 |
| 7.11 Should the same requirements apply to all types of [private sector] PBE/NFP (note, except to the extent being addressed in the Differential Reporting project)? | Issues paper to subcommittee Subcommittee meet to form tentative views | May 2010 June 2010 |
| 7.12 Should the principles developed for service performance reporting be mandated? | Issues paper to subcommittee Subcommittee form tentative views | June 2010 July 2010 |
| 7.13 Where should requirements relating to service performance reports be located? | Issues paper to subcommittee | June 2010 |

| | Comments | Estimated timing |
|---|--|--|
| | Subcommittee form tentative views | July 2010 |
| 7.14 Application guidance/illustrative examples - develop guidance, if appropriate (see 7.7) | Issues paper to subcommittee | June 2010 |
| | Subcommittee form tentative views | July 2010 |
| 7.15 Are there any public sector specific issues that need to be resolved? – this is mainly relevant to FRSB given scope of AASB work | | June 2010 |
| 7.16 Consider implications of withdrawing TPA-9 – FRSB only | | August 2010 |
| 7.17 Key decisions questionnaire (on key issues) | Boards consider tentative views of subcommittee on the key decisions questionnaire at a joint Board meeting | September 2010 |
| 8 Exposure draft (ED) | | |
| 8.1 Consideration of extent it is possible to produce a joint ED | Boards consider tentative views of subcommittee on the decision of whether to prepare a joint ED | September 2010 |
| 8.2 First draft ED on service performance reporting (including Basis for Conclusions) | First draft ED to subcommittee and comments provided back to staff | November 2010 |
| 8.3 Second draft ED | Second draft ED to separate Board meetings and Boards approve issue of ED | December 2010, issued for 4-month comment period |
| 8.4 Collation of comments, including staff recommendations for amending ED | Collation of comments to subcommittee and subcommittee meet to form tentative views on amending the ED proposals | June 2011 |
| 9 Standard | | |
| 9.1 First draft Standard – subject to outcome of item 7.12 (including Basis for Conclusions) | First draft Standard to subcommittee for comment back to staff | August 2011 |
| 9.2 Second draft Standard | Second draft Standard to separate Board meetings for final approval | September 2011 |
| 9.3 Post-implementation review | AASB/FRSB staff undertake research in respective jurisdictions and share findings | In due course |
| 10 Differential reporting | | |
| 10.1 Consider the implications of the Differential Reporting project for service performance reporting | | In due course |