

Paper 1: Status report on IPSASB and NZ FRSB work on service performance reporting (as at 7 September 2009, to be updated as IPSASB and NZ FRSB make progress)

Background

1. At its 29-30 July 2009 meeting, the Board decided to undertake an active project 'Disclosures by Private Sector Not-for-Profit Entities'. Initially (phase 1), the project will focus on disclosures that Australian Accounting Standards do not currently require of private sector not-for-profit entities that should be required, having regard to the information needs of users of general purpose financial statements. In the first instance (part 1 of phase 1), consideration will be given to service performance reporting, including the work being undertaken by the International Public Sector Accounting Standards Board (IPSASB) and the New Zealand Financial Reporting Standards Board (FRSB) on that topic. The intention is that this part of the project has a 12-month development timeframe.

Purpose of this paper

2. This paper is for information purposes only. It provides the Board with a status report on the IPSASB and FRSB work on service performance reporting.

IPSASB

3. Although it is not yet listed on the IPSASB website as a project in process, IPSASB decided at its March 2008 meeting to add a project Reporting of Service Performance Information to its work program and identified two key issues that are critical aspects of the project:
 - (a) What are the objectives of reporting service performance information?
 - (b) Who are the identified users of service performance information, what are their needs, and what type of service performance information is needed to meet those needs?

4. At the October 2008 meeting, the IPSASB considered a project brief on performance reporting and decided that the project:
 - (a) should adopt a principles-based approach; and
 - (b) should not address the issue of audit implications, due to potential problems and a broad range of practice.

The IPSASB noted that the brief was not intended to presume the outcome of Phase 1 Conceptual Framework Consultation Paper regarding the scope of financial reporting. Accordingly, the project would not be considered again until responses to the Conceptual Framework Consultation Paper have been reviewed. The need for additional international material to feed into the project was also highlighted by the IPSASB. The IPSASB agreed to update the project brief to reflect discussion on the Conceptual Framework, as appropriate.

5. The IPSASB also agreed to consider the formation of a Task Force for the project. The US Governmental Accounting Standards Board (GASB) and the Canadian Institute of Chartered Accountants (CICA) have offered to assist IPSASB with the

project. We understand that issues relating to the Performance Reporting project are scheduled to be discussed at the December 2009 meeting.

NZ FRSB

6. NZ FRSB Technical Practice Aid TPA-9 *Service Performance Reporting* was first issued by the FRSB in September 2002 and subjected to a limited scope revision in November 2007. It is widely adopted by NZ public sector entities. In addition to TPA-9, service performance guidance and requirements issued by the FRSB consist of:
 - (a) references to service performance reporting in the NZ *Framework*, including a requirement that “the quality of the information presented in non-financial and supplementary information should be considered with regard to the qualitative characteristics and constraints on those qualitative characteristics discussed in paragraphs 24 to 45 of this NZ *Framework*” (paragraph NZ 103.3); and
 - (b) the requirements in NZ IAS 1 *Financial Statement Presentation* regarding statements of service performance. Paragraphs NZ 138.1 to NZ 138.10 require that “where a statement of service performance is presented it shall describe and disclose the outputs of an entity” and that the statement shall present a comparison of planned and actual performance.

7. The FRSB has decided to conduct a “full review of existing requirements and guidance relating to the statement of service performance” as resources permit and to consider the issue of segment reporting or disaggregated reporting by public benefit entities (PBEs) as part of this project. Any proposals to develop PBE specific segment disclosures will be considered in the context of the finalised *Process for modifying IFRSs for PBEs*. NZ FRSB will also consider whether and how to link its project on revising TPA-9 with the IPSASB project. The FRSB has not yet decided whether the project would result in a new Standard or a revised TPA.

8. In November 2008, among other things, FRSB staff sought feedback from the FRSB’s PBE working group on issues to be addressed in a NZ project on service performance reporting. Some of that feedback was:
 - (a) non-financial reporting is just as important, if not more important, than financial reporting for PBEs;
 - (b) service performance reporting should explain what a PBE has achieved through its service and interventions, and link the financial and non-financial information;
 - (c) because of the links between service performance information and financial statements, the users could be expected to be the same;
 - (d) TPA-9 is based around legislative requirements – it would be useful to develop requirements using a more conceptual approach based on user needs;
 - (e) the principles should be mandatory for all PBEs (public or private), and there could be a role for guidance for different sectors;
 - (f) it is premature to form a view on whether information on service performance should be in the financial statements or as part of management commentary; and
 - (g) it is important to report on both outputs and outcomes, to answer the two questions of (i) what has the entity done, and (ii) what has the entity achieved – more focus on outcomes than is currently in TPA-9 would be appropriate.

9. More recently, FRSB staff have advised that the PBE working group has not met this year, but is intending to meet in early October 2009.