



Memorandum

To:	AASB and FRSB members	Date:	2 March 2011
From:	Huy Pham and Robert Keys	Agenda Item:	J6.1
Subject:	Service performance reporting project update	File:	

Action

Note the following progress report – although we are not formally seeking the input of Board members on the technical issues relating to this project at this stage, any comments Board members have would be welcome.

Update on AASB/FRSB Service Performance Reporting (SPR) Project

Introduction

A project progress report was provided in agenda item B10 to the October 2010 AASB/FRSB joint meeting (see: http://www.aasb.gov.au/admin/file/content102/c3/Oct_2010_AP_B10.1_Service_Performance_Reporting_Memorandum.pdf.)

The minutes of that meeting record: “The Boards noted the updated project plan, which outlines the research and steps needed to produce an exposure draft in 2011. The Boards reaffirmed the importance and high priority of this project and requested that the project be accelerated if possible.”

Since the October meeting, progress on this project has been slower than expected due to unforeseen staff absences.

A large volume of research on service performance reporting that already exists in various jurisdictions has been performed to date and is documented in the Project Paper on *Common*

*features of service performance reporting frameworks found in practice*¹ (now numbered Project Paper 7.5). It provides a basis for benchmarking our developing thoughts on principles for SPR.

Consistent with the Project Plan, much of the work is being progressed out-of-session through an Advisory Panel/Working Group and Subcommittee. Based on our assessment of the work that needs to be done, including consultation along the way, we now do not expect to be able to achieve the publication of an ED by August 2011 like we had hoped. A revised deadline will be dependent on the feedback received by project team members on their latest papers.

Staff continue to monitor the IPSASB project and have provided information about the AASB/FRSB joint project to IPSASB staff.

Recent developments

The following four inter-related high-level Framework type papers² were sent to the Panel/Working Group as working drafts containing tentative views of the project team³ on 25 February 2011 with comments requested by 18 March 2011:

- Project Paper 7.8.1 *Principles of service performance reporting – a working definition of service performance reporting*;
- Project Paper 7.8.2 *Applicability of the Current AASB and FRSB Conceptual Frameworks to Service Performance Reporting*;
- Project Paper 7.8.2A *Principles of service performance reporting – the objective of service performance reports*; and
- Project Paper 7.6 *The identification of users and user needs in relation to service performance reporting*.

The remainder of this memorandum contains a summary of the tentative views expressed in each of these papers. Project staff are currently preparing further papers to be considered in due course.

¹ If you want to see a copy of the paper, or any other papers referred to in this report, please contact hpham@asb.gov.au.

² Although we describe these papers as 'Framework type papers', each is written from the perspective that the this SPR project is a standards-level project, and not a Framework-level project, and therefore accepts rather than attempts to re-write the existing AASB and FRSB Conceptual Frameworks.

³ Not all project team members agreed with all the tentative views expressed in the papers.

Project Paper 7.8.1 *Definition of SPR*

The purpose of this paper is to develop a working definition of ‘service performance reporting’, to provide a basis for considering whether SPR falls within existing Conceptual Frameworks and ultimately for developing principles for SPR. The project team has taken the approach of considering and benchmarking against existing and emerging Conceptual Frameworks to develop the definition.

The paper puts forward the following working definition, built upon (and marked up from) the existing definition of ‘performance’ contained in paragraph 5 of AASB SAC 2 *Objective of General Purpose Financial Reporting*:

‘Information about the proficiency of a reporting entity in acquiring resources economically and using those resources as inputs efficiently and effectively in producing outputs and outcomes in achieving specified objectives.’

Project Paper 7.8.2 *Framework for SPR*

The purpose of this paper is to consider whether the current AASB and FRSB Frameworks⁴ are broad enough to encompass some or all aspects of SPR. The tentative view is that the current Conceptual Frameworks are applicable for SPR and that principles can be developed under them. The tentative view is also that, as standard setters, the Boards would have the skills and expertise to develop principles for SPR. Therefore, in due course, the Boards should consider each component of the Conceptual Frameworks, and expand them where necessary, to express them in a SPR context. Such consideration will be the subject of separate papers.

Project Paper 7.8.2A *Objectives Principle for SPR*

The purpose of this paper is to consider and propose an objectives principle for SPR. In developing the objectives, the project team identified decision usefulness as the main objective (consistent with the current AASB/FRSB Conceptual Frameworks). The tentative view is that the objectives of SPR should be expressed in a manner based on paragraphs 12 and 14 of the existing AASB and FRSB Framework, as marked up in the following:

⁴ Consideration is also given to the emerging Frameworks of the IASB and IPSASB.

'The objective of service performance reports ~~financial statements~~ is to provide information about the ~~financial position, service~~ financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions.

Service performance reports ~~Financial statements~~ also show the results of the stewardship of management, or the accountability of management for the resources entrusted to it. Those users who wish to assess the stewardship or accountability of management do so in order that they may make economic decisions; these decisions may include, for example, whether to make a donation to the entity ~~hold or sell their investment in the entity~~ or whether to reappoint or replace the management.'

Project Paper 7.6 *Users and user needs in relation to SPR*

The purpose of this paper is to make an initial identification of the users of, and those users' needs for, service performance information. Current and emerging Frameworks as well as empirical research were referred to in developing the tentative view that users can be categorised into the following groups and needs:

- (a) providers of resources or their representatives have the following service performance information needs for the purposes of economic decision making:
 - (i) information to determine whether resources (inputs) provided to the entity have been used for their intended purpose; and
 - (ii) information to determine whether resources provided to the entity have been used in an efficient and effective manner.
- (b) recipients of goods and services or their representatives have the following service performance information needs for the purposes of economic decision making:
 - (i) information to determine whether the entity is meeting their interests; and
 - (ii) information about the ability of the entity to continue to provide goods and services.

These are the primary needs of users and do not include all needs of these user groups. The tentative view of the project team is that this project is unable to, and indeed should not, consider all the needs of users. This view is consistent with the current and emerging IASB Conceptual Frameworks and the emerging IPSASB Conceptual Framework.