



MEMORANDUM

DATE: 11 October 2010

TO: MEMBERS OF THE AUSTRALIAN ACCOUNTING STANDARDS BOARD AND THE FINANCIAL REPORTING STANDARDS BOARD

FROM: JOANNE SCOTT and JESSICA LION

SUBJECT: Service Performance Reporting

Purpose

1. The purpose of this memo is to update the Boards on the Service Performance Reporting project (which is one phase of the AASB's broader project on Disclosures by Private Sector Not-for-Profit Entities). It is not intended to address technical issues. Technical issues will be brought to the Boards in March.

Summary of progress

2. An updated project plan is provided at agenda item B10.2. This shows which papers have been completed and estimated timing for other papers. The revised plan reflects the fact that progress on this project has been delayed, in part due to staff commitments on other projects.
3. A large volume of research on service performance reporting that already exists in various jurisdictions has been performed to date and is documented in Paper 7.4 *Common features of service performance reporting frameworks found in practice*. This paper has been reviewed by the AASB's Project Advisory Panel, the FRSB's PBE working group and the Board's sub-committee. All comments from the review process have either been incorporated into the paper or included as an attachment. This provided staff with an opportunity to capture initial thoughts and reactions to the project and the research will provide a basis with which to benchmark our work.
4. Some of this feedback identified additional papers that were not foreseen in the original plan and that will need to be prepared by staff. For example, since the original project plan, reviewers have requested additional work on whether service performance reporting falls under the existing conceptual framework, and the establishment of a working definition of Service Performance Reporting.
5. These additional papers have been included in the latest project plan.
6. A number of papers are partially completed. The following table summarises work in progress.

Work plan no.	Title of paper	Stage of completion
7.6	Identify literature on user needs in relation to service performance	Near final stage for distribution to panel ¹
7.7	Application guidance/illustrative examples	Near final stage for distribution to sub-committee
7.8	Principles	
	Definition of service performance reporting	Mid stage for distribution to panel
	Framework	Mid stage for distribution to panel
	Objectives	Mid stage for distribution to panel
	Qualitative characteristics	Mid stage for distribution to panel
	Core principles	Initial stages
	Inputs	Mid-stage for distribution to panel
	Output and outcome dimensions	Mid-stage for distribution to panel
	Costing models	Near final stage for distribution to panel
	Measurement	Near final stage for distribution to panel
	Selecting performance measures	Dependent on earlier papers
	Selecting performance targets	Dependent on earlier papers
	Segment reporting	Dependent on earlier papers
	Variance reporting	Mid stage for distribution to panel
	Future oriented information	Mid stage for distribution to panel
	Sensitivity analysis	Mid stage for distribution to panel
	Relationship to management commentary	Near final stage for distribution to panel
	Relationship to financial statements	Dependent on earlier papers
	Definitions	Dependent on earlier papers
7.11	Should the same requirements apply to all types of PBE/NFP?	Final stage for distribution to panel

Additional Australian considerations

7. In establishing the project the Boards noted that working jointly would not preclude the AASB from addressing issues that do not fall within the scope of the FRSB project. The project plan notes that such issues might include distinguishing between financial and non-financial information and identifying a constraining principle for the information included in service performance reports. This approach acknowledges the different stages at which each Board is at with its thinking on Service Performance Reporting, with the FRSB already having a level of Service Performance Reporting in place.

Additional New Zealand considerations

8. From 1 July 2011 accounting and auditing standards setting functions within New Zealand will be the responsibility of a reconstituted Accounting Standards Review Board (ASRB), to be called the External Reporting Board (XRB).
9. Given the change in institutional arrangements it would be desirable to have a completed or near final exposure draft prior to the XRB being commenced. This would make it easier for the XRB to proceed with the project during a busy transition period. The revised project plan, based on our assessment of the work that needs to be done, including consultation along the way, does not reflect this aspiration, and estimates that an ED will be issued in August 2011. Whether this proposed deadline will be met will be dependent on the level of feedback received by staff on their papers. We note that all papers are subject to trans-Tasman staff reviews,

¹ References to the panel in this table also refer to the PBE working group.
Confidential – Not for distribution to unauthorised parties

panel reviews (both in Australia and New Zealand) and subcommittee reviews before being brought to the Boards for final review.

10. The ASRB is taking an interest in this project has requested an update on progress.

IPSASB service performance reporting project

11. The International Public Sector Accounting Standards Board (IPSASB) also has an active project on service performance reporting. The IPSASB commenced discussion on this project at its meeting in June 2010. The paper tabled at that meeting contained a wide ranging review of service performance information in a variety of jurisdictions, including information used for internal management purposes. AASB/FRSB staff raised issues about how this project fitted in with the conceptual framework project as it proposed a wider set of objectives and users than the conceptual framework project.
12. The IPSASB agreed that the project should be further developed with an emphasis on mapping the preliminary decisions reached on objectives, users and users' needs in Phase 1 of the Conceptual Framework project to this project. The IPSASB will consider further issues at its November 2010 meeting.
13. Staff continue to monitor the IPSASB project and have provided information about the AASB/FRSB joint project to IPSASB staff.

Recommendations

14. It is recommended that the Boards note the revised project plan at agenda item B10.2.