

## **AASB/FRSB Joint Project Plan [as at 27 Sept 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).

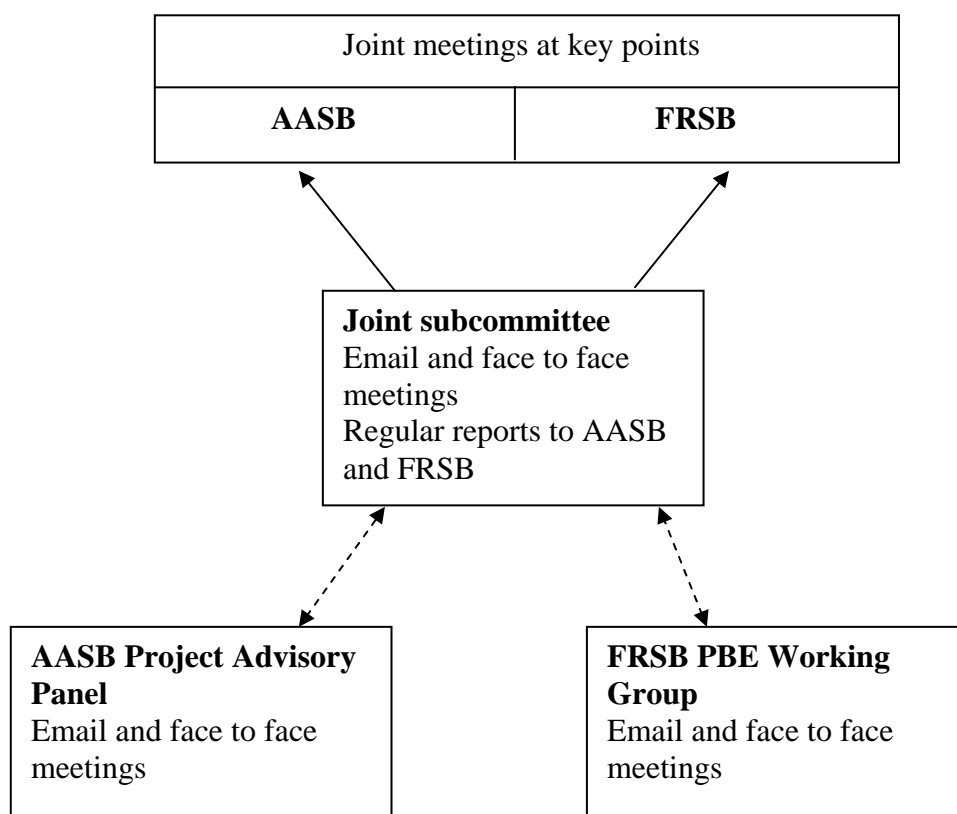
The FRSB noted the minutes of the PBE working group meeting of 1 December. This working group had provided useful feedback on some of the issues identified in the joint project plan. The FRSB agreed that the joint subcommittee would be responsible for deciding how to make best use of the working group's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

## Detailed work plan and timetable

Consistent with the Boards' October 2009 discussions, a joint subcommittee has been established 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.

	<b>AASB</b>	<b>FRSB</b>	<b>Joint</b>	<b>Estimated timing</b>
<b>1 Staff resources</b>	Robert Keys, Jessica Lion, Daping Gao, Mischa Ginns and Emma O'Brien	Joanne Scott, Chris Neame	Joint leaders: Robert and Joanne	Available now
<b>2 Board subcommittee</b>	Kevin Stevenson, Ian McPhee and Glenn Appleyard	Joanna Perry, Angela Ryan and Dave Foster	Joint subcommittee – to form views on all significant issues before the Boards' are provided with a key decision questionnaire that asks the Board's views on the subcommittee's views on key issues. The subcommittee would operate mainly through email, but meet when necessary to discuss issues. To keep the Boards informed of progress, a copy of key issues papers and notes of the outcomes of subcommittee deliberations could be included in Board papers as the project progresses – for noting purposes only.	From December 2009.
<b>3 Consultation</b>	Project Advisory Panel – 67 nominations	FRSB PBE Working Group	Consult on papers contemporaneously, for the purpose of informing the subcommittee's deliberations	Already in place.
<b>4 Scope of project</b>	Disclosures by private sector not-for-profit entities (Phase 1: creation of new requirements; Part 1: service performance reporting)	Service performance reporting by public benefit entities (review of current requirements and guidance)	Aim to identify general principles for service performance reporting and the status of any guidance developed	Already agreed at the October 2009 joint meeting
<b>5. Project Plan</b>			This paper has been prepared jointly by AASB/FRSB staff.	Original agreed at December 2009 meetings – subsequently updated
<b>6. Background research</b>				
6.1 Status report on IPSASB and FRSB work on service performance reporting			Noted at October 2009 joint meeting and continuing to monitor IPSASB project	Noted at October 2009 joint meeting – ongoing monitoring
6.2 Domestic and international requirements and practices relating to service performance reporting (with examples of statements of service performance) (Jess & Emma)			Combine AASB staff and FRSB staff work..	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	Inform AASB of outcome of FRSB deliberations	FRSB staff (Joanne)		Completed November 2009
<b>7 Topics</b>				
7.1 Threshold issues (see agenda paper 7.2 of the AASB September 2009 meeting) – revisit later in project	Considered at September 2009 AASB meeting	Considered by FRSB PBE Working Group October 2009		Completed September/October 2009 – subject to consideration later
7.2 Distinction between financial and non-financial information (see agenda paper 12.2 of the AASB December 2009 meeting) – revisit later in project	AASB consider issues paper prepared by AASB staff (Robert) with input from FRSB staff (Joanne)	Inform FRSB of outcome of AASB deliberations		Completed December 2009 – subject to consideration later
7.3 Identifying a constraining principle for information included in service performance reports (see agenda paper 12.2 of the AASB December 2009 meeting) – revisit later in project	AASB consider issues paper prepared by AASB staff (Robert) with input from FRSB staff (Joanne)	Inform FRSB of outcome of AASB deliberations		Completed December 2009 – subject to consideration later
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)	AASB consider issues paper prepared by AASB staff (Daping)	Inform FRSB of outcome of AASB deliberations		Completed December 2009
7.5 Features of service performance reports found in practice, based on 6.2 above. (Note: this is not intended	AASB staff (Jess) lead drafting of issues papers	FRSB staff (Chris) to provide input on NZ service performance	Issues paper to subcommittee Subcommittee note features found in practice	Completed February 2010

	<b>AASB</b>	<b>FRSB</b>	<b>Joint</b>	<b>Estimated timing</b>
to codify practice, rather to provide input to and a check against principles to be developed)		reports	and consider whether they might help in the development of comprehensive principles (see 7.8)	Completed March 2010
7.6 Identify literature on user needs in relation to service performance		FRSB staff (Chris) lead drafting of issues paper	Issues paper to subcommittee Subcommittee form tentative views on issues	December 2010 January 2011
7.7 Application guidance/illustrative examples - consider need for, and role of standard-setter		FRSB staff (Joanne) lead drafting of issues paper	Issues paper to subcommittee Subcommittee form tentative views on issues	December 2010 January 2011
7.8 Principles of service performance reporting (including consideration of qualitative characteristics) - definition [AASB JL/MG] - framework [AASB JL] - objectives [AASB JL] - application of qualitative characteristics [FRSB JS] - core principles [AASB JS] - inputs (including information about volunteers) [AASB JL] - output and outcome dimensions (including performance relating to grants made) [AASB JL] - costing models (including activity based costing and consideration of the extent to which measurement needs to be addressed in this project) [AASB MG] - principles for selecting performance measures [FRSB JS] - principles for selecting performance targets [FRSB JS] - segment reporting/disaggregated information [FRSB JS] - variance reporting against budget/KPIs (including explanations of variances) [AASB MG] - future oriented information [AASB MG] - sensitivity analysis [AASB MG] - relationship to financial statements - relationship to management commentary [FRSB CN] - definitions [FRSB JS]		FRSB staff (Joanne) co-ordinate drafting of issues paper by allocating relevant sub-topics to individual AASB and FRSB staff members	Issues paper to subcommittee Subcommittee form tentative views	December 2010 January 2011
7.9 Should entities be required to report on service position as well as service performance?		FRSB staff lead drafting of issues paper	Issues paper to subcommittee Subcommittee form tentative views	January 2011 February 2011
7.10 Should service performance reporting include analysed information?	AASB staff (Jess) lead drafting of issues paper		Issues paper to subcommittee Subcommittee form tentative views	January 2011 February 2011
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)?	AASB staff (Mischa) lead drafting of issues paper		Issues paper to subcommittee Subcommittee form tentative views	January 2011 February 2011
7.12 Should the principles developed for service performance reporting be mandated?		FRSB staff (Joanne) lead drafting of issues paper	Issues paper to subcommittee Subcommittee form tentative views	February 2011 March 2011
7.13 Where should requirements relating to service performance reports be located?	AASB staff (Mischa) lead drafting of issues paper		Issues paper to subcommittee Subcommittee form tentative views	February 2011 March 2011
7.14 Application guidance/illustrative examples - develop guidance, if appropriate (see 7.7)	AASB staff (TBA) lead re private sector charity	FRSB staff (Joanne) lead re public sector and member-based	Issues paper to subcommittee Subcommittee form tentative views	February 2011 March 2011
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	Subcommittee AASB members informed of outcome of subcommittee FRSB members' deliberations	FRSB staff (Joanne) draft issues paper. Issues paper to FRSB subcommittee members to form tentative views		March 2011
7.16 Consider implications of withdrawing TPA-9 – FRSB only		FRSB staff (Joanne)		March 2011

	<b>AASB</b>	<b>FRSB</b>	<b>Joint</b>	<b>Estimated timing</b>
7.17 Key decisions questionnaire (on key issues)	AASB staff (Mischa) lead drafting of key decisions questionnaire		Boards consider tentative views of subcommittee on the key decisions questionnaire at a joint Board meeting	April 2011
<b>8 Exposure draft (ED)</b>				
8.1 Consideration of extent it is possible to produce a joint ED	AASB staff (Mischa) lead drafting of issues paper		Boards consider tentative views of subcommittee on the decision of whether to prepare a joint ED	April 2011
8.2 First draft ED on service performance reporting (including Basis for Conclusions)	AASB staff (Mischa) lead drafting of ED		First draft ED to subcommittee and comments provided back to staff	June 2011
8.3 Second draft ED	AASB staff (Mischa) lead drafting of ED		Second draft ED to separate Board meetings and Boards approve issue of ED	August 2011, issued for 4-month comment period
8.4 Collation of comments, including staff recommendations for amending ED		FRSB staff (Joanne) lead drafting of collation	Collation of comments to subcommittee and subcommittee meet to form tentative views on amending the ED proposals	December 2011
<b>9 Standard</b>				
9.1 First draft Standard – subject to outcome of item 7.12 (including Basis for Conclusions)	AASB staff (Mischa) lead drafting of Standard		First draft Standard to subcommittee for comment back to staff	February 2012
9.2 Second draft Standard	AASB staff (Mischa) lead drafting of Standard		Second draft Standard to separate Board meetings for final approval	April 2012
9.3 Post-implementation review			AASB/FRSB staff undertake research in respective jurisdictions and share findings	In due course
<b>10 Differential reporting</b>				
10.1 Consider the implications of the Differential Reporting project for service performance reporting	Pending outcome of Differential Reporting project	Pending outcome of Differential Reporting project		In due course

**Provisional sub-committee and Board meetings schedule**

<b>Item taken</b>	<b>Send to PBE/Panel members</b>	<b>Send to Sub-committee</b>	<b>Review by</b>	<b>Sub-committee meeting</b>	<b>FRSB Board</b>	<b>AASB Board</b>
7.5	Completed Middle February 2010	Completed Late February 2010	Completed March 2010	N/a	Outcome of sub-committee meeting and possibly sub-committee papers included in Board papers at the September Board meeting	Outcome of sub-committee meeting and possibly sub-committee papers included in Board papers at the September Board meeting
7.6 7.7 7.8	November 2010	December 2010	January 2011	N/a	Outcome of sub-committee meeting and possibly sub-committee papers included in Board papers at the February Board meeting	Outcome of sub-committee meeting and possibly sub-committee papers included in Board papers at the February Board meeting
7.9 7.10 7.11	December 2010	January 2011	February 2011	N/a	Outcome of sub-committee meeting and possibly sub-committee papers included in Board papers at the March Board meeting	Outcome of sub-committee meeting and possibly sub-committee papers included in Board papers at the March Board meeting
7.12 7.13 7.14 7.15	January 2011	February 2011	March 2011	N/a	Outcome of sub-committee meeting and possibly sub-committee papers included in Board papers at the April Board meeting	Outcome of sub-committee meeting and possibly sub-committee papers included in Board papers at the April Board meeting
7.16 [FRSB only – TPA 9]	early March 2011	N/a	end March 2011	NZ subcommittee members early April 2011	April Board meeting	N/a
7.17 8.1	N/a	N/a	N/a	N/a	Board meeting April 2011	Board meeting April 2011
8.2	Early June 2011	Late June 2011	July 2011	N/a	N/a	N/a
8.3	N/a	N/a	N/a	N/a	August Board meeting 2011	August Board meeting 2011
8.4	N/a	December 2011	December 2011	Meeting December 2011 (exact timing TBA)	Outcome of sub-committee meeting and possibly sub-committee papers included in Board papers at the December 2011 Board meeting	Outcome of sub-committee meeting and possibly sub-committee papers included in Board papers at the December 2011 Board meeting

9.1	Early February 2012	Late February 2012	March 2012	N/a		N/a
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