



<b>To:</b>	<b>AASB Members</b>	<b>Date:</b>	11 October 2011
<b>From:</b>	<b>Mischa Ginns and Lydia Kilcullen</b>	<b>Agenda Item:</b>	7.1
<b>Subject:</b>	<b>Service Performance Reporting</b>	<b>File:</b>	

## Action

Consider the factors outlined in agenda paper 7.2 with a view to determining whether, and if so how, to progress the Board's Service Performance Reporting project.

## Attachments

*Agenda paper 7.2 Staff Paper – Factors relevant to the future direction of the AASB's Service Performance Reporting project*

## Overview

Since the initiation of the AASB's Service Performance Reporting project, a number of factors have caused the project team to seek input from the Board on the future strategic direction of the project.

They include:

- (a) the recent establishment of the Australian Charities and Not-for-profits Commission (ACNC) and its potential interest in service performance reporting issues;
- (b) the introduction through the *Corporations Amendment (Corporate Reporting Reform) Act 2010* of performance reporting requirements for certain companies limited by guarantee;
- (c) feedback received from constituents on the project to date, including the reaction of some attendees (particularly from a preparer perspective) at the AASB's not-for-profit (NFP) Symposiums held in September 2011;
- (d) the IPSASB's progress on its project on reporting service performance information;
- (e) the IASB's emerging Conceptual Framework;
- (f) New Zealand's changed standard setting arrangements;

- (g) the AASB's project on Income of NFP Entities, in particular the Board's decisions about the accounting for donated services received, which were linked to the Board's Service Performance Reporting project; and
- (h) the introduction by the AASB of Reduced Disclosure Requirements.

Given the nature of these factors, we think it timely that the Board considers whether they, in combination, would give rise to a change in the strategic direction that it takes on its Service Performance Reporting project.

### ***Strategic direction of the AASB's Service Performance Reporting project***

The project team has identified three possible broad strategies the Board could take to the project in response to these factors.

- (a) **Alternative 1** – temporarily suspend the project until the role of the ACNC (and the outcome of the IPSASB project and IASB Conceptual Framework project) in relation to service performance reporting has been established. Once this occurs, the role of the Board should be reassessed; or
- (b) **Alternative 2** – temporarily suspend the project until the role of the ACNC (and the outcome of the IPSASB project and IASB Conceptual Framework project) in relation to service performance reporting has been established. In the meantime commence work on reducing the disclosure burden on private sector NFP entities; or
- (c) **Alternative 3** – continue to progress the project and at the same time maintain a dialogue with the ACNC (and continue to monitor the progress made by the IPSASB and IASB) in relation to service performance reporting.

### ***Project Team View***

The project team recommends that the Board continue to progress with this project (Alternative 3), for reasons documented in agenda paper 7.2.

### **Background**

The Service Performance Reporting project is Part 1 of Phase 1 of the AASB's project on Disclosures by Private Sector Not-For-Profit Entities, which was initiated by the Board in July 2009. Phase 1 is intended to explore what useful information is not currently required to be disclosed by private sector NFP entities, with Part 1 aiming to determine whether, and if so what, service performance reporting principles should be developed. The Board decided that the project

should initially focus on disclosures that Australian Accounting Standards do not currently require of private sector NFP entities that should be required (see paragraph A1 of Appendix A of agenda paper 7.2), before subsequently considering as Phase 2 opportunities for reducing the reporting burden on such entities<sup>1</sup>.

The initiation of the project is consistent with the Senate Standing Committee on Economics Report *Disclosure regimes for charities and not-for-profit organisations* (December 2008), which recommended that ‘a new disclosure regime contain elements of narrative and numeric reporting as well as financial, in acknowledgement that the stakeholders of the Sector want different information to that of shareholders in the Business Sector. The financial reporting should be transparent and facilitate comparison across charities.’ In addition, other reports, such as The Institute of Chartered Accountants in Australia’s document *Enhancing not-for-profit annual and financial reporting – Best practice reporting – March 2009*, identified the need to consider financial reporting issues specific to private sector NFP entities.

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<sup>1</sup> The Board’s original project plan also contemplated a possible third Phase, which might look at presentation (as distinct from disclosure) for private sector NFP entities and determine if the current presentation requirements are adequate and relevant for private sector NFP entities. The Board noted that this phase would depend on the IASB’s work on financial statement presentation.