

AASB Exposure Draft

ED 270
August 2015

Reporting Service Performance Information

Comments to the AASB by 12 February 2016 – **PLEASE NOTE THIS
DATE HAS BEEN EXTENDED TO 29 APRIL 2016**



Australian Government

**Australian Accounting
Standards Board**

How to comment on this AASB Exposure Draft

The AASB is seeking comment by 12 February 2016 – **PLEASE NOTE THIS DATE HAS BEEN EXTENDED TO 29 APRIL 2016.**

Formal submissions

Submissions should be lodged online via the “Work in progress – Open for Comment” page of the AASB website (www.aasb.gov.au/comment) as a PDF document and, if possible, a Word document (for internal use only).

Other feedback

Other feedback is welcomed and may be provided via the following methods:

E-mail: standard@aaasb.gov.au

Phone: (03) 9617 7600

All submissions on possible, proposed or existing reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chair of the AASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

COPYRIGHT

© Commonwealth of Australia 2015

Publication based on a Final IFAC Publication

This Australian Exposure Draft (ED) 270 *Reporting Service Performance Information* is based on *Recommended Practice Guideline (RPG) 3 Reporting Service Performance Information* of the International Public Sector Accounting Standards Board (IPSASB), published by the International Federation of Accountants (IFAC) in March 2015 and is used with permission of IFAC.

Reproduction within Australia in English in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgement of the source. Requests and enquiries concerning reproduction and rights for commercial purposes should be addressed to The Director of Finance and Administration, Australian Accounting Standards Board, P O Box 204, Collins Street West, Victoria 8007, Australia. The AASB acknowledges that IFAC is the owner of copyright in the RPG incorporated in this Australian Exposure Draft (ED) 270 *Reporting Service Performance Information* throughout the world.

All other existing rights in this material are reserved outside Australia. Further information and requests for authorisation to reproduce for commercial purposes outside Australia should be addressed to the International Federation of Accountants at Permissions@IFAC.org.

ISSN 1030-5882

CONTENTS

PREFACE

[DRAFT] ACCOUNTING STANDARD AASB 10XY REPORTING SERVICE PERFORMANCE INFORMATION

Paragraphs

Objective	1 – 4
Application	5 – 7
Scope	8 – 9
Reporting Service Performance Information	
Reporting Entity	10 – 12
Reporting Period	13 – 16
Location of Service Performance Information	17 – 19
Principles for Reporting Service Performance Information	20 – 24
Qualitative Characteristics	25 – 29
Elements of Service Performance Information	
Service Performance Objectives	30 – 32
Performance Indicators	33 – 35
Inputs	36 – 37
Outputs	38 – 39
Outcomes	40 – 45
Efficiency	46 – 47
Effectiveness	48 – 49
Selection of Service Performance Objectives and Performance Indicators	
Service Performance Objectives to be Reported	50 – 53
Performance Indicators to be Reported	54 – 61
Service Performance Information to be Reported	62 – 63
Information to be Reported by All Entities	64 – 69
Narrative Discussion and Analysis	70 – 72
Disclosures when the Service Performance Reporting Period is Different to the Financial Statements	73
Multi-year Reporting Period	74
Disclosures when Service Performance Information is Reported Separately from the Financial Statements	75
Reporting Against Planned Service Performance	76 – 78

Comparative Information and Consistency of Reporting	79 – 83
Transition	84
Commencement of the Legislative Instrument	85
Appendices:	
A. Defined Terms	<i>Page 29</i>
B. Application Guidance	<i>Page 31</i>
C. Illustrative Examples	<i>Page 44</i>
 [DRAFT] BASIS FOR CONCLUSIONS ON AASB 10XY	 <i>Page 50</i>

<p>[Draft] Australian Accounting Standard AASB 10XY <i>Reporting Service Performance Information</i> is set out in paragraphs 1 – 85 and Appendices A – C All the paragraphs have equal authority. Paragraphs in bold type state the main principles. .</p>

PREFACE

Introduction

Australian Accounting Standards

The Australian Accounting Standards Board (AASB) develops, issues and maintains Australian Accounting Standards.

The AASB is an Australian Government agency under the *Australian Securities and Investment Commission Act 2001*. AASB 1053 *Application of Tiers of Australian Accounting Standards* explains the two tiers of Australian Accounting Standards.

The approach the AASB takes in setting standards, including requirements specific to not-for-profit and public sector entities, is outlined in [AASB Policies and Processes](#).

Exposure Drafts

The publication of an Exposure Draft is part of the due process that the AASB follows before making a new Australian Accounting Standard or amending an existing one. Exposure Drafts are designed to seek public comment on the AASB's proposals for new Australian Accounting Standards or amendments to existing Standards.

What we are proposing

This Exposure Draft establishes principles and requirements for an entity to report service performance information that is useful for accountability and decision-making purposes. It proposes mandatory requirements for not-for-profit (NFP) entities in both the private and public sectors for which to report service performance information.

Service performance information relates to the delivery of goods and/or services with the intention of having a positive impact on society or segments of society.

This Exposure Draft requires service performance information to be reported at least annually in relation to:

- (a) the entity's service performance objectives;
- (b) key outputs, including the inputs used to produce those outputs;

- (c) any outcomes the entity is seeking to influence; and
- (d) the entity's efficiency and effectiveness in achieving its service performance objectives.

The proposals in this Exposure Draft are not required to be included as part of the financial statements; rather, the information reported is intended to supplement financial statements to assist users of NFP entity reporting in evaluating that entity's service performance. Therefore, this Exposure Draft does not specify whether service performance information reported is required to be audited; this is a matter for each entity's regulator.

Why we are making these proposals

Service performance information is information that relates to the delivery of goods and/or services with the intention of having a positive impact on society or segments of society. Service performance information (in conjunction with an entity's financial statements) assists users of general purpose financial statements to assess an entity's performance.

Much like the International Accounting Standards Board's Practice Statement *Management Commentary* that sets a framework for presentation, the proposals in this Exposure Draft aim to set a framework for reporting service performance information.

The AASB's powers and functions are set out under Part 12 Section 227 of the *Australian Securities and Investments Commission Act 2001*. Section 227 (1)(c) allows the AASB to "formulate accounting standards for other purposes" and it is under this function that the AASB has the mandate to develop an Australian Accounting Standard for reporting service performance information.

The AASB notes that section 300B of the *Corporations Act 2001* requires companies limited by guarantee to provide much of the information required by the proposals in this Exposure Draft in their Annual directors' report. For example, these entities are required to:

- (a) describe their objectives;
- (b) set out the strategy for achieving those objectives;
- (c) state the principal activities during the year;
- (d) state how those activities assisted in achieving the entity's objectives; and

- (e) state how the entity measures its performance including any key performance indicators.

The AASB is also aware that some entities may already be subject to service performance reporting requirements from another authority. For example, some public sector entities are required by the *Public Governance, Performance and Accountability Act 2013* to prepare annual performance statements that provide information about the entity's performance in achieving its purpose.

However, there is currently no Australian Accounting Standard that requires service performance information to be reported.

The AASB originally initiated a project on Reporting Service Performance Information as part of its response to concerns expressed by constituents that the disclosures required for private sector NFP entities by existing Australian Accounting Standards are not sufficiently targeted to the needs of users.

Further, there was a risk that other information specific to private NFP entities and needed by users was not being disclosed, or was not being disclosed in a consistent manner. Many existing disclosures focussed on financial aspects of performance, whereas non-financial aspects of private NFP entities are often important to users.

These concerns have also been reflected in various other reports, including:

- (a) The Senate Standing Committee on Economic Report [*Disclosure regimes for charities and not-for-profit organisations*](#) (2008) stated as Recommendation 13:

The committee recommends that a new disclosure regime contain elements of narrative and numeric reporting as well as financial, in acknowledgment 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.

- (b) The Institute of Chartered Accountants in Australia's 2009 edition of [*Enhancing Not-for-Profit Annual and Financial Reporting*](#) provides recommendations for enhancing NFP annual reporting three of which are specifically relevant to this ED are:
 - **Objectives** - Provide more information about what the NFP is trying to achieve, how it operates, explanations of activities to achieve those objectives, and how those activities are funded;

- **Risk Management** - Ideally readers of the annual report should be provided with sufficient information to understand the risks faced by the NFP and the ongoing management of those risks. This could be achieved by providing a summary of policies on risk oversight and management of material risks in the governance statement.
- **Outputs, outcomes and impacts** - NFPs enhance the effectiveness of their annual reports by portraying what the NFP has done (its outputs), what it has achieved (its outcomes), and what difference it has made (its impacts).

These reports identify that the needs of users of NFP entity reporting are different from those of users of for-profit entity reporting because of the differing objectives between the two sectors.

The primary objective of a for-profit entity is to obtain a return on investment for investors. Therefore, to evaluate the entity's achievement of this objective, profit is frequently used as a measure of performance or as the basis for other measures, such as return on investment or earnings per share. Generally, this information can be gained from the financial statements.

However, in the NFP sector, an entity's primary objective is not the generation of profit but rather the provision of goods and/or services for the community or social benefit. Therefore, to enable users to assess whether a NFP entity has met its objectives it is necessary for such an entity to report on its service performance in addition to its financial statements.

Providing information on service performance allows a NFP entity to tell a story to its users of how well its objectives have been achieved. This provides useful information for accountability and decision-making purposes.

Benefits that are expected to flow from this [draft] Standard include:

- (a) users of NFP entity reporting would be provided with more relevant and understandable information about the financial and non-financial aspects of a NFP entity;
- (b) greater consistency of reporting by NFP entities; and
- (c) NFP entities could better satisfy their accountability obligations.

Who would be affected

It is proposed that the requirements in this Exposure Draft will apply to:

- each NFP entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001* and that is a reporting entity;
- any other NFP reporting entity that prepares general purpose financial statements; and
- any other NFP entity that prepares financial statements that are, or are held out to be, general purpose financial statements.

Therefore, the requirements will apply to NFP public sector entities, and many other NFP entities, including Australian Charities and Not-for-Profits Commission registered entities that prepare general purpose financial statements.

What happens next

The AASB will consider constituents' feedback at a future meeting with a view to determining how to progress the project.

Application Date

It is proposed that this [draft] Standard be applicable to annual reporting periods beginning on or after 1 July 2018. It is proposed that early adoption of this [draft] Standard will be permitted.

We need your feedback

Comments are invited on any of the proposals in this Exposure Draft by 12 February 2016. **[PLEASE NOTE THIS DATE HAS BEEN EXTENDED TO 29 APRIL 2016]** Submissions play an important role in the decisions that the AASB will make in regard to a Standard. The AASB would prefer that respondents express a clear overall opinion on whether the proposals, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or otherwise, on the major issues. The AASB regards supportive and non-supportive comments as essential to a balanced review of the issues and will consider all submissions, whether they address some or all specific matters, additional issues or only one issue.

Specific Matters for Comment

The AASB would particularly value comments on the following:

- 1 Paragraph 20 proposes the principles for reporting service performance information. These principles state that an entity reports service performance information that:
 - (a) is useful for accountability and decision-making purposes;
 - (b) shall be appropriate to the entity's service performance objectives;
 - (c) clearly shows the extent to which an entity has achieved its service performance objectives; and
 - (d) should enable users to assess the efficiency and effectiveness of the entity's service performance.

Do you agree with these principles? Why or why not?

- 2 It is proposed that the [draft] Standard will be applicable to NFP entities in both the private and public sector. The performance of these entities cannot typically be evaluated from the financial statements alone. Accordingly, users of NFP entity reporting require further information for accountability and decision-making purposes.

Do you agree that it is appropriate that the [draft] Standard apply to NFP entities in both the private and public sectors? Why or why not?

- 3 The AASB discussed whether this [draft] Standard could be applied by for-profit entities at a future date. The Board noted that the principle objectives of NFP entities and for-profit entities are different and, therefore, user needs are potentially different. However, the Board is of the view that users of for-profit reporting may also benefit from for-profit entities reporting service performance information.

Do you agree that the application of this [draft] Standard could be extended in the future to include for-profit entities? Why or why not?

- 4 The AASB discussed whether the requirements of this [draft] Standard should apply to entities that prepare consolidated financial statements including whole-of-government (WoG) and the general government sector (GGS) financial statements. The Board decided that if the [draft] Standard did not apply to entities preparing consolidated financial statements, some important information might not be

reported, particularly if a controlled entity was not required to apply this [draft] Standard. Further, it was noted that some governments prepare a strategic plan for the WoG (not just individual agencies). Therefore, this [draft] Standard could be applied in relation to those WoG plans.

Do you agree that this [draft] Standard should apply to all NFP entities that prepare consolidated general purpose financial statements (including WoG and GGS financial statements)? Why or why not?

- 5 This [draft] Standard proposes that the reporting entity for which service performance information is reported shall be the same as that used for the entity's financial statements.

Do you agree with this proposal? Why or why not?

- 6 This [draft] Standard allows an entity to present its service performance information in:

- (a) the same report as the financial statements;
- (b) a separately issued report; or
- (c) in a variety of different reports.

Do you agree that this [draft] Standard should not specify the location of service performance information? Why or why not?

If you disagree with the approach proposed in this [draft] Standard how do you consider entities should present service performance information and why?

- 7 This [draft] Standard allows for an entity's service performance information to be reported for a different time period to that of the entity's financial statements.

Do you agree with this proposal? Why or why not?

- 8 The [draft] Standard includes defined terms in Appendix A. Do you agree that the proposed defined terms in Appendix A appropriately explain the significant terms in the [draft] Standard? Why or why not?

Do you agree with these defined terms? Why or why not?

Are there additional terms that should be defined in Appendix A to assist application of the [draft] Standard?

- 9 The AASB's view is that this [draft] Standard should be mandatory as it, in conjunction with an entity's financial statements, provides useful information for users to assess the performance of NFPs in relation to an entity's service performance objectives. Providing this information will further assist users for accountability and decision-making purposes.

Do you agree that this [draft] Standard should be mandatory for NFP entities? Why or why not?

- 10 It is proposed that this [draft] Standard will be applicable for annual reporting periods beginning on or after 1 July 2018. Early application will be permitted.

Do you agree with the proposed application date of 1 July 2018? Why or why not?

General Matters for Comment

The AASB would particularly value comments on the following:

- 11 Whether:
- (a) there are any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals by not-for-profit entities, including any issues relating to public sector entities, such as GAAP/GFS implications?
 - (b) overall, the proposals would result in reporting that would be useful to users?
 - (c) the proposals are in the best interests of the Australian economy?
- 12 Unless already provided in response to the matters for comment 1-10 above, the costs and benefits of the proposals relative to the current Australian Accounting Standards, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

**[DRAFT] ACCOUNTING STANDARD
AASB 10XY**

***REPORTING SERVICE PERFORMANCE
INFORMATION***

Objective

- 1** **The objective of this [draft] Standard is to establish principles and requirements for an entity to report service performance information that is useful for accountability and decision-making purposes.**

- 2** The primary objective of a *not-for-profit entity* is to provide goods and/or services for community or social benefit. Therefore, users (eg funders – donors and taxpayers) of not-for-profit entity reporting require information about an entity’s objectives, whether the entity has achieved those objectives and how efficiently and effectively the entity has used its resources to achieve its objectives.

- 3** Because of the primary objective of a not-for-profit entity, the needs of users extend beyond information traditionally provided in *general purpose financial statements*. Accordingly, entities shall also report on their *service performance*. Specifically, in relation to:
 - (a) the *inputs* used by the entity in delivering *outputs*;
 - (b) the outputs delivered by the entity;
 - (c) the *outcomes* sought to be influenced by that entity;
 - (d) the *efficiency* of an entity in achieving its *service performance objectives*; and
 - (e) the *effectiveness* of the entity in achieving its service performance objectives.

- 4** This [draft] Standard acknowledges that the type of service performance information that is useful for accountability and decision-making will differ between entities. It establishes information requirements in respect of both outputs and outcomes, and provides guidance on the detailed information that should be provided in relation to service performance objectives and *performance indicators*,

depending on an entity's circumstances. This [draft] Standard also provides guidance to assist entities in determining the appropriate balance of information to present.

Application

- 5 This [draft] Standard applies to:**
- (a) each not-for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001* and that is a reporting entity;**
 - (b) each other not-for-profit reporting entity that prepares general purpose financial statements; and**
 - (c) each other not-for-profit entity that prepares financial statements that are, or are held out to be, general purpose financial statements.**
- 6 This [draft] Standard applies to annual reporting periods beginning on or after 1 July 2018.**
- 7 This [draft] Standard may be applied to annual reporting periods beginning before 1 July 2018.**

Scope

- 8 An entity shall apply this [draft] Standard in reporting service performance information.**
- 9 Some entities or regulators may have service performance reporting requirements that extend beyond the requirements in this [draft] Standard. These could include, for example;
- (a) greater specification of the way in which information is organised;
 - (b) requirements for a larger set of information to present or disclose; and/or
 - (c) specific performance indicators and/or specific types of performance that are required to be presented.

In such circumstances, an entity is encouraged to ensure that information identified through application of both this [draft] Standard and those requirements is presented.

Reporting Service Performance Information

Reporting Entity

- 10 The reporting entity for which service performance information is reported shall be the same as that for which the entity's general purpose financial statements are prepared.**
- 11 If the reporting entity is an economic entity comprising a controlling entity and controlled entities, then the service performance information is reported in respect of that economic entity. If the reporting entity is a single entity then the service performance information is reported in respect of that single entity.
- 12 When an entity contracts with another entity to deliver goods and/or services on its behalf or produces goods and/or services in conjunction with another entity, the entity shall identify its own service performance objectives and the activities and results on which it should report.

Reporting Period

- 13 Service performance information shall be reported at least annually.**
- 14 It is preferable that service performance information should cover the same reporting period as that covered by the financial statements. However, there may be situations in which the reported service performance information is for a reporting period that differs from the reporting period covered by the financial statements.
- 15 Decisions about using a different reporting period should be based on a consideration of users' needs and an assessment of costs and benefits.
- 16 Service performance objectives may span a number of reporting periods.

Location of Service Performance Information

- 17 An entity may present service performance information in:
- (a) the same report as the financial statements;
 - (b) a separately issued report; or
 - (c) a variety of different reports.

- 18 If all the information required by this [draft] Standard is not presented in a single report, an entity shall identify where the information required by this [draft] Standard is located (eg by way of cross-reference).
- 19 An entity should consider the following factors when deciding where and how to present service performance information:
- (a) legislative or other requirements, which may specify the location or format of service performance information; and
 - (b) whether the needs of users are better met if service performance information is provided in the same report as the financial statements.

Principles for Reporting Service Performance Information

- 20 **An entity is required to report service performance information that:**
- (a) is useful for accountability and decision-making purposes;**
 - (b) shall be appropriate to the entity's service performance objectives;**
 - (c) clearly shows the extent to which the entity has achieved those service performance objectives; and**
 - (d) should enable users to assess the efficiency and effectiveness of the entity's service performance.**
- 21 Meeting these principles requires the exercise of judgement in the selection of information to be reported and will depend on an entity's particular facts and circumstances, such as the:
- (a) nature of the entity;
 - (b) goods and/or services that the entity provides; and
 - (c) regulatory environment in which the entity operates.
- 22 To be useful for accountability and decision-making purposes, service performance information will include the:
- (a) entity's key service performance objectives;

- (b) entity's key outputs, including the inputs used to produce those outputs;
 - (c) outcomes that the entity is seeking to influence; and
 - (d) entity's efficiency and effectiveness in achieving its service performance objectives.
- 23 Information reported shall also include both positive and negative aspects of the entity's service performance activities.
- 24 Information may be reported qualitatively, quantitatively or as a narrative discussion, or as a combination of these forms.

Qualitative Characteristics

- 25 **For service performance information to be useful for accountability and decision-making purposes it shall meet the fundamental qualitative characteristics in the *Framework for the Preparation and Presentation of Financial Statements* (Framework) of relevance and faithful representation.**
- 26 **Service performance information is relevant if it is capable of making a difference in the decisions made by users. Materiality is one aspect of relevance, which is particularly important when reporting service performance information. Information is material if its omission or misstatement could influence the decisions of users. However, so as not to overwhelm users, only information that is necessary to a user's understanding of an entity's key service performance objectives and achievements should be reported.**
- 27 **Service performance information shall also be a faithful representation of the entity's service performance activities and achievements.**
- 28 The enhancing qualitative characteristics of understandability, timeliness, comparability and verifiability should also be met when reporting service performance information.
- 29 The cost-benefit pervasive constraint on information and a balance between the qualitative characteristics should also be applied to reporting service performance information.

Elements of Service Performance Information

Service Performance Objectives

- 30 An entity's service performance objective is a description of the planned results that an entity aimed to achieve through its service performance. An entity may have one or more service performance objectives.**
- 31 A service performance objective may be expressed using performance indicators of inputs, outputs, outcomes, efficiency and effectiveness or through a combination of one or more of these performance indicators. However, a service performance objective shall not be expressed using inputs alone, as this will not provide useful information. If an entity expresses a service performance objective with reference to inputs, it shall also express that service performance objective in combination with another performance indicator (eg 'aim to achieve Y outputs by using X inputs'). A service performance objective may also be expressed using a narrative description of a desired future state resulting from provision of goods and/or services.
- 32 A single service may contribute to the achievement of one or more service performance objectives. In addition, several goods and/or services may contribute to the same service performance objective.

Performance Indicators

- 33 Performance indicators are the measures or narrative descriptions used by an entity to communicate its achievement of service performance objectives to users.**
- 34 Performance indicators may be expressed as:
- (a) quantitative measures, for example, the quantity of outputs produced, the cost of goods and/or services, the time taken to provide a service, or a numerical target for an outcome;
 - (b) qualitative measures, for example, descriptors such as poor/good/excellent or satisfactory/unsatisfactory; and/or
 - (c) qualitative descriptions, for example, a description of the nature of service performance achievement. Qualitative descriptions may be necessary to provide users with relevant and understandable information on service performance when there is a high level of complexity and judgement involved in a particular good and/or service.

- 35 Inputs, outputs, outcomes, efficiency and effectiveness are types of performance indicators.

Inputs

- 36 Inputs are the resources used to produce outputs and include (but are not limited to):
- (a) human resources or labour (both paid and voluntary);
 - (b) capital assets such as land, buildings and vehicles;
 - (c) cash and other financial assets; and
 - (d) intangible assets such as intellectual property.
- 37 Inputs may be reported in terms of costs incurred or quantities used to produce outputs.

Outputs

- 38 Outputs are goods and/or services provided by an entity to external recipients and include (but are not limited to):
- (a) services provided directly to individuals and/or institutions, for example, health or education services or the provision of goods such as food or books;
 - (b) services provided indirectly to individuals and/or institutions, for example, services, which aim to develop, promote, protect or defend a community, institution, country, or community values and rights;
 - (c) transfers to individuals and/or institutions, for example, cash transfers and the provision of economic incentives such as tax incentives;
 - (d) provision of policies, regulations or legislation to achieve public policy goals, which includes, for example, revenue related legislation and the enforcement of such legislation; and
 - (e) collection of taxes and other revenues.
- 39 The receipt of goods and/or services by recipients external to the entity is a critical factor in deciding whether goods and/or services are outputs, rather than goods and/or services consumed internally as part of an entity's production of outputs.

Outcomes

- 40 **Outcomes are the impacts on society or segments of society, which occur as a result of, or are reasonably attributable to the entity's outputs.**
- 41 **For the purposes of this [draft] Standard, an entity is accountable for the achievement of outcomes if:**
- (a) **legislation, contractual or other agreements establish accountability for outcomes; or**
 - (b) **it asserts that it is accountable for the achievement of outcomes.**
- 42 An entity's outcomes could be impacts affecting society as a whole or impacts on particular groups or institutions within society. Outcomes could be relatively direct impacts on recipients of the entity's goods and/or services. Outcomes could also be impacts on others that are not recipients of the entity's goods and/or services but who benefit indirectly from those goods and/or services.
- 43 Outcomes may include, for example, changes to educational achievements within society, changes to poverty and crime levels, or changes to the health of different groups within society.
- 44 Although outcomes usually result from an entity's outputs, an entity's operations may also contribute to achievement of its outcomes.
- 45 There may be a strong, direct causal link between an entity's actions and its outcomes, but this will not always be the case. Factors beyond the entity's control may intervene to either hinder or facilitate the entity's achievement of outcomes.

Efficiency

- 46 Efficiency can be used to show when a service is being provided more (or less) efficiently compared to:
- (a) expectations;
 - (b) comparable service providers; or
 - (c) previous reporting periods.
- 47 Other things being equal, if outputs can be produced with less inputs than before, then production efficiency has improved and an efficiency

indicator designed to report that type of efficiency gain will show an improvement. Similarly, if the quality of a service improves so that the outcomes achieved are better than those previously attained, with other variables such as service quantity (outputs) and cost holding constant, then this represents an increase in efficiency, and an efficiency indicator designed to capture that type of efficiency gain will show an improvement. The converse – quality decreases so that outcomes are worse, with other variables such as service quantity (outputs) and cost holding constant – would indicate less efficient service provision.

Effectiveness

- 48 Effectiveness describes the relationship between an entity's outputs and/or outcomes and its service performance objectives, where the results and the related service performance objectives are consistently expressed. When reporting on its effectiveness the entity reports the extent to which one or more of its service performance objectives has been achieved. The more effectively an entity operates as a service provider, the better will be its outputs and/or outcomes when measured against its planned results.
- 49 Effectiveness is assessed at the end of the reporting period, once the actual results are available. Precise measurements of effectiveness are usually ratios of the actual results achieved to the planned results established in the service performance objective. An impression of effectiveness can be gained by comparing – without calculation – actual service performance against the relevant service performance objective.

Selection of Service Performance Objectives and Performance Indicators

Service Performance Objectives to be Reported

- 50 An entity may have multiple service performance objectives and judgement will need to be exercised when selecting which service performance objectives are to be reported.
- 51 So as not to overwhelm users, an entity will need to consider which key service performance objectives will provide users with the most useful information for accountability and decision-making purposes.
- 52 To determine the most useful service performance objectives to report, one factor an entity may consider is how the organisation is managed; for example, is it on a program basis.

- 53 However, when an entity's service performance objectives change, the information reported should reflect that change (see paragraph 81). For example, an entity may initially have service performance objectives related to increasing either the inputs or outputs related to its services, and then later re-focus its performance towards improving either the efficiency or effectiveness of service delivery. That change should be reflected in the service performance information that the entity presents.

Performance Indicators to be Reported

- 54 To ensure that the information is understandable and to avoid overwhelming users, entities generally will need to identify only those key performance indicators that will best meet users' needs.
- 55 In selecting the performance indicators to be reported, an entity applies the principle that service performance information needs to be useful for accountability and decision-making purposes. This includes consideration of the qualitative characteristics and the cost constraint on information. Judgement is needed to determine the most relevant performance indicators to be reported. An entity should measure aspects of performance that are of particular value or importance for the purposes of accountability and decision-making.
- 56 An entity is likely to use more performance indicators for internal management purposes than would be appropriate for reporting service performance information. Therefore, service performance reporting performance indicators should have an external focus. Outputs are provided by an entity to recipients external to the entity. Therefore, performance indicators should not focus on internal activities or internal processes, plans or policies.
- 57 For performance indicators to be relevant they should link directly to one or more of the entity's service performance objectives.
- 58 Performance indicators related to outputs should be controllable by the entity or the entity should have a reasonable level of influence over achieving the performance specified.
- 59 The selection of performance indicators will be dependent on the focus of the service performance information reported. The balance of information reported will vary from entity to entity. For example, in reporting service performance information some entities will be focused more on outputs than outcomes, whilst others will be focused more on outcomes than outputs. The balance of information reported and the performance indicators selected will reflect this.

- 60 The performance indicators presented should allow users to assess how efficiently and effectively the entity has used its resources to deliver goods and/or services and achieve its service performance objectives.
- 61 In order to be meaningful in the context of an entity's service performance information, performance indicators related to outcomes should relate to the entity's purported impact on outcomes.

Service Performance Information to be Reported

- 62 An entity shall report information to enable users of its financial statements to evaluate the efficiency and effectiveness of the delivery of its service performance objectives.
- 63 Judgement is needed to decide what information should be reported so that users:
- (a) understand the basis of the service performance information; and
 - (b) receive a concise overview of the entity's service performance, which highlights the main issues relevant to their assessment of that service performance.

Information to be Reported by All Entities

- 64 **The purpose of reporting service performance information is to assist users in assessing how well an entity has achieved its service performance objectives.**
- 65 **To assist in making this assessment, an entity's service performance information shall report:**
- (a) **an entity's service performance objectives;**
 - (b) **an entity's performance indicators relating to:**
 - (i) **inputs;**
 - (ii) **outputs;**
 - (iii) **the outcomes (if any) that an entity is seeking to influence;**
 - (iv) **the link between inputs and outputs and/or outcomes (efficiency); and**

- (v) **the link between outputs and/or outcomes and service performance objectives (effectiveness);**
- (c) **the total costs of goods and/or services; and**
- (d) **the assumptions and methodologies adopted in compiling the service performance information.**

66 In addition to the information required in paragraph 65, an entity that is accountable for the achievement of outcomes shall report additional service performance information on the outcomes it seeks to influence, including:

- (a) descriptions of the population or target group(s) for outcomes including the current status of the population or target group(s);
- (b) an explanation of how the entity has influenced outcomes, together with performance indicators to support that explanation;
- (c) the rationale for the selection of performance indicators; and
- (d) other factors that have affected the entity's ability to influence outcomes (eg any risks that were identified when establishing the service performance objective).

67 The costs of outputs reported will depend on an entity's accounting policies and its cost allocation policies. An entity looks to its internal financial reporting system as the starting point for identifying those items that can be directly attributed, or reasonably attributed, to the outputs described. Unattributed or unallocated expenses are reported as an unallocated amount in reconciling the output cost information to the total expenses in the statement of financial performance.

68 The proposals in ED 260 *Income of Not-for-profit Entities* permit but do not generally require that an entity recognise volunteer services as revenue. If volunteer services provided to an entity have not been recognised as revenue, then the use of those resources in producing outputs will not have been recognised as expenses. If an entity has not recognised volunteer services as revenue and expenses it may nonetheless choose to provide information on those resources.

69 Where service performance information includes information that is also presented in the entity's financial statements, cross-references to the financial statements shall be used so that users can assess the service performance information within the context of the financial information reported in the financial statements.

Narrative Discussion and Analysis

- 70 Entities should also consider using narrative discussion and analysis to accompany the reported service performance information.
- 71 Narrative discussion and analysis complements the reported service performance information by enabling users to gain insight from the entity on:
- (a) aspects of service performance that the entity considers should be highlighted; and
 - (b) factors that affected service performance achievements during the reporting period.
- 72 Narrative discussion and analysis should provide a concise overview of the entity's service performance that:
- (a) discusses the degree to which service performance objectives have been met;
 - (b) provides balanced explanations of the information displayed, which cover both positive and negative aspects of the entity's service performance; and
 - (c) facilitates users' assessments of the efficiency and effectiveness of the entity's service performance.

Disclosures when the Service Performance Reporting Period is Different to the Financial Statements

- 73 When the service performance information covers a reporting period that is different from that for the entity's financial statements, the following information shall be disclosed:
- (a) the fact that the reporting period is not the same as that for the financial statements;
 - (b) why there is a difference; and
 - (c) the reporting period(s) of the financial statements from which the information has been derived, along with information to facilitate access to those financial statements.

Multi-year Reporting Period

- 74 When an entity has multi-year service performance objectives it shall report on progress made towards the achievement of those objectives during the period. An entity may also provide additional information on progress made towards the achievement of those objectives in prior periods to provide context for the current period's performance.

Disclosures when Service Performance Information is Reported Separately from the Financial Statements

- 75 When service performance information is reported separately from the financial statements, the following information should be presented:
- (a) the name of the reporting entity;
 - (b) where the entity is a controlling entity, a description of the group of entities controlled by the reporting entity;
 - (c) where the entity is a controlled entity, the identity of the controlling entity;
 - (d) the reporting date and the reporting period covered by the service performance information; and
 - (e) the financial statements to which the service performance information relates and sufficient information necessary for users to locate the financial statements.

Reporting Against Planned Service Performance

- 76 **When an entity has published information about its planned service performance the entity shall report its actual service performance against its planned service performance and explain any major variances.**
- 77 The focus of service performance information is on an entity's actual service performance during the period. The meaningfulness of information about actual service performance is enhanced when it includes information on planned service performance for that period.
- 78 Where planned service performance information is presented, planned and actual service performance information should be reported consistently so that comparisons are facilitated. An entity shall report against its original levels of planned activity. However, information

about revisions to plans during the period may help explain variances between original plans and actual results.

Comparative Information and Consistency of Reporting

- 79 An entity may elect to report actual service performance against previous period's service performance if it provides relevant and useful information.
- 80 Paragraph 74 of this [draft] Standard explains that an entity with multi-year service performance objectives may choose to provide information on progress made towards the achievement of those objectives in prior periods to provide context for the current period's service performance.
- 81 An entity shall report service performance information consistently. Paragraph 53 of this [draft] Standard explains that an entity may change its service performance objectives. When this occurs, an entity shall report on the nature of those changes and their effect on the current period.**
- 82 An entity shall correct material prior period errors in the first service performance information reported after the discovery of the errors. If the error relates solely to narrative information, an explanation of the error shall be provided.**
- 83 If an entity reports service performance against previous period's service performance, comparative information shall be restated for material errors discovered.

Transition

- 84 In respect of paragraph 79, if an entity provides comparative information against prior periods, an entity need not present such comparative information in the first year of applying this [draft] Standard.

Commencement of the Legislative Instrument

- 85 For legal purposes, this legislative instrument commences on 30 June 2018.

APPENDIX A

DEFINED TERMS

This appendix is an integral part of AASB 10XY

effectiveness	The relationship between: (a) outputs and service performance objectives and/or (b) outcomes and service performance objectives.
efficiency	The relationship between: (a) inputs and outputs; and/or (b) inputs and outcomes.
general purpose financial statements	Financial statements that are intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.
inputs	Resources used by an entity to provide outputs.
not-for-profit entity	An entity whose principal objective is not the generation of profit. A not-for-profit entity can be a single entity or a group of entities comprising the parent entity and each of the entities that it controls.
outcomes	The impacts on society or segments of society, which occur as a result of, or are reasonably attributable to, the entity's outputs.
outputs	The goods and/or services provided by an entity to recipients external to the entity.
performance indicators	Quantitative measures, qualitative measures, and/or qualitative descriptions of the nature and extent to which an entity is using resources, providing goods and/or services and achieving its service performance objectives.
service performance	The delivery of goods and/or services with the intention of having a positive impact on society or segments of society.

**service performance
objective**

A description of the planned results(s) that an entity is aiming to achieve through its service performance.

APPENDIX B

APPLICATION GUIDANCE

This appendix is an integral part of AASB 10XY.

Objective

- AG1 Reporting service performance provides information on the entity's service performance objectives, the entity's delivery of goods and/or services in its attempt to fulfil those objectives, and the extent to which the entity was successful in achieving those objectives, including the efficiency and effectiveness of achieving its objectives.
- AG2 In the context of this [draft] Standard, users of service performance information are those stakeholders who cannot typically demand the information from the entity. They include resource providers such as taxpayers or donors and recipients of the goods and/or services provided by not-for-profit (NFP) entities.
- AG3 Service performance information reported is linked to the entity's relevant financial statements to enable users to assess how efficiently and effectively the entity has used its resources in achieving its service performance objectives.

Application

- AG4 This [draft] Standard applies to all NFP entities in both the private and public sectors that prepare general purpose financial statements or are required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and are a reporting entity. The fundamental feature of the definition of a NFP entity in Australian Accounting Standards is "an entity whose principal objective is not the generation of profit". Consequently, the primary objective of a NFP entity is the provision of goods and/or services for the general public, community or social benefit. Whilst the generation of profit may be of some importance (to ensure continued delivery of service), it is not the primary reason for the entity's existence.
- AG5 The performance of a NFP entity is measured by how well it has achieved its service performance objectives not just on its generation of profit (or some investment return). Accordingly, the financial statements typically do not provide all the relevant information in relation to the performance of a NFP entity. Therefore, requirements for NFP entities to report on their service performance, in conjunction

with financial information, will allow users to assess a NFP entity's performance.

Scope

- AG6 Entities are required to apply the requirements of this [draft] Standard in reporting service performance information. Some entities may already be subject to legislative or other regulatory requirements to present service performance information. This [draft] Standard does not override those requirements.

Reporting Service Performance Information

Reporting Entity

- AG7 In reporting service performance information an entity should report against its own service performance objectives. For example, a controlling entity should report against its own service performance objectives rather than those of its controlled entities. Often these service performance objectives will be the same; however, the controlling entity needs to be aware that the mere aggregation of information reported by controlled entities (ie using the same principles used to prepare consolidated financial statements) may not provide relevant information on the controlling entities service performance objectives. To the extent that the controlling entity presents service performance information in respect of its controlled entities, that information should be high-level (ie an overview of the group's service performance), should link to its objectives and be understandable.
- AG8 This [draft] Standard also requires an entity to report on its own service performance even if it has used another party to deliver the goods and/or services used to achieve its service performance objectives. For example, when an entity has agreed to deliver services and then contracts with another entity for delivery of those services, the first entity remains accountable for the delivery of those services and should report accordingly.
- AG9 Further, when an entity produces goods and/or services together with another entity, it needs to consider the most appropriate and meaningful way of reporting on those activities. For example, the entity may report on its contribution to those activities or it may report on the whole activity and explain its contribution to that activity.

Reporting Period

- AG10 This [draft] Standard requires an entity to report its service performance information at least annually. There is no restriction on reporting more frequently; however, entities should avoid overwhelming users with too much information.
- AG11 Although it is preferable for service performance information to be reported for the same reporting period as that covered by the financial statements, this [draft] Standard allows entities to report service performance information on a different time-period to that of the financial statements if this will provide more useful information. For example, an entity may provide its financial statements on a financial year (July-June) basis but conducts its service performance activities on a calendar year (January-December) basis. The entity must decide which reporting period will provide the most useful information to users for decision-making purposes.
- AG12 When an entity reports its service performance information on a different reporting period to its financial statements it shall indicate to users which reporting period(s) contain(s) the relevant financial information. For example, if a service performance program runs for calendar year 20X1, the relevant financial information may be located in the 20X0/X1 and 20X1/X2 financial statements.
- AG13 Similarly, when an entity has a multi-year service performance objective the entity will need to direct users to the relevant financial statements.

Location of Service Performance Information

- AG14 This [draft] Standard is not prescriptive about the location of reported service performance information because an entity is best placed to determine a location that suits the needs of its users.
- AG15 However, there are a number of factors that an entity should consider when deciding on where to locate its service performance information. Factors an entity should consider include, but are not limited to:
- (a) the extent to which the service performance information needs to be read within the context of information in the financial statements, including information on budget-actual comparisons;

- (b) whether the needs of users are met and the qualitative characteristics are enhanced if the service performance information is included in the same report as the financial statements or in a separate report;
- (c) constraints on information, including whether the benefits of including the information in the same report as the financial statements justify the additional costs (if any) involved; and
- (d) any legislative or other regulatory requirements that specify reporting requirements for service performance information.

AG16 To enhance information for accountability and decision-making purposes service performance information should be used in conjunction with relevant financial information. Therefore, service performance information is required to be cross-referenced to information in the relevant financial statements. This is particularly important if the service performance information and financial statements are not for corresponding time-periods. Therefore, there needs to be sufficient information to allow users to find the relevant financial information from other reporting periods.

Principles for Reporting Service Performance Information

AG17 Service performance information should enable users to determine the extent to which an entity has achieved its service performance objectives and how efficiently and effectively these service performance objectives have been met.

AG18 When used in combination with the information in an entity's financial statements, service performance information should enable users to assess the entity's finances in the context of its achievement of service performance objectives and vice versa. Aggregation or disaggregation of service performance information should be at a level that meaningfully conveys the entity's service performance achievements. The level of aggregation should not be so high as to conceal or obscure performance, while the level of disaggregation should be not be so low as to result in detailed listings that also obscure performance and reduce understandability. Information should be sufficiently specific for users to hold the entity accountable for its service performance, particularly in respect to its service performance objectives.

Qualitative Characteristics

- AG19 The presentation of service performance information should meet the fundamental qualitative characteristics of relevance and faithful representation as identified in the *Framework for the Preparation and Presentation of Financial Statements* (Framework). The Framework also identifies enhancing qualitative characteristics of understandability, timeliness, comparability and verifiability, which should also be met when reporting service performance information.
- AG20 Relevance is a particularly important consideration in selecting and aggregating service performance information. As noted in paragraph 26 relevant information is capable of making a difference in the decision making by users. Information may be capable of making a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources. Relevant information assists users in assessing whether an entity has met its service delivery objectives. In presenting service performance information relevance and understandability should be considered together because both the amount of information and the level of detail presented can affect understandability.
- AG21 One aspect of relevance that is particularly important when reporting service performance information is materiality. Information is material if its omission or misstatement could influence users' decisions about a reporting entity. Therefore, materiality is an entity-specific aspect of relevance that is based on the nature or magnitude (or both) of the items to which the information relates in the context of an entity's reported service performance information. So as not to overwhelm users with irrelevant information, only material service performance information should be reported.
- AG22 To be useful to users, service performance information should be a faithful representation of the entity's service performance activities and achievements. Service performance information is faithfully represented when it is complete, neutral and free from material error. Complete information does not require an entity to provide every detail of its reported service performance achievements. Complete information includes all information necessary for a user to understand the phenomenon being depicted, including all necessary descriptions and explanations.
- AG23 Understandability is achieved if service performance information is communicated to users simply and clearly.

- AG24 Timeliness requires service performance information to be reported to users before it loses its capacity to be useful for accountability and decision-making purposes.
- AG25 Service performance information should be able to provide users with a basis and context to compare an entity's service performance over time, against planned performance and where appropriate to other entities. However, comparability to other entities can be difficult to achieve in the context of service performance information since diverse goods and/or services are provided. Even where two entities provide exactly the same service they may have different service performance objectives. Accordingly, they may need to report different, non-comparable performance indicators. Inter-entity comparability may need to be traded off against relevance, so that service performance objectives and their related performance indicators are chosen to be relevant to the service performance situation of the entity. Alternatively, the needs of users may indicate that performance indicators that are comparable with those of other entities delivering the same services are relevant to the entity, and the two qualitative characteristics of comparability and relevance are aligned.
- AG26 In order to meet the qualitative characteristic of verifiability the assumptions that underlie the service performance information reported, the methodologies adopted in compiling that information and the factors and circumstances that support any opinions expressed or disclosures made should be transparent. This will enable users to form judgements about the appropriateness of those assumptions and the method of compilation, measurement, representation and interpretation of the information.

Elements of Service Performance Information

Service Performance Objectives

- AG27 An entity's service performance objectives can focus on outputs or outcomes, or both. Service performance objectives can also be expressed in terms of relevant performance indicators. For example, an entity can express an output driven service performance objective as the number of goods and/or services it aims to deliver – ie to vaccinate 20,000 children against measles. An outcome driven service performance objective may be expressed as an aim to reduce the incidence of measles by 35%.
- AG28 However, a service performance objective shall not be expressed in terms of an input performance indicator alone because it will not

provide useful information. For example, a service performance objective expressed as “employ 20 workers for fundraising activities”, which focuses on inputs (the workers), will not provide a basis for users to assess how successful the entity was in raising funds. However, a service performance objective expressed as “employ 20 workers to raise CU100, 000 in two months” will provide a basis for users to assess whether the fundraising target was met within the specified time-frame.

Performance Indicators

AG29 Inputs, outputs, outcomes, efficiency and effectiveness are all types of performance indicators. Paragraphs AG30 to AG35 provide further details on these types of performance indicators.

Inputs

AG30 Inputs are the resources used by an entity to produce outputs. Inputs are an important aspect of service performance information because when they are linked to either outputs or outcomes they enable users to evaluate how efficiently an entity has achieved its service performance objectives. For example, if an entity establishes a service performance objective of delivering 1,000 meals (the output) to elderly residents per week with 10 full-time staff (the input) but only manages the same delivery with 11 full-time staff (ie the input required was more than anticipated) then it has been approximately 90% efficient in achieving its objective.

Outputs

AG31 Outputs are the goods and/or services provided by an entity to recipients external to the entity. Outputs are delivered with an aim of achieving an entity’s service performance objectives. When reporting on outputs provided, an entity shall only report on outputs that are delivered externally. That is, any output used as part of an internal process shall not be deemed to be an output but it may be determined to be an input if there is a direct link between to the external output.

AG32 Outputs, when linked to a service performance objective, allow users to assess how effectively an entity has achieved that service performance objective. For example, if an entity’s service performance objective was to deliver 1,000 meals on wheels per week with 10 staff but it manages to deliver 1,100 meals (ie the output was more than anticipated) with the same amount of staff and at the same level of quality the entity has increased its effectiveness by 10%, (efficiency has also increased by 10%),

Outcomes

AG33 Outcomes are the impacts on society or segments of society, which occur as a result of, or are reasonably attributable to, the entity’s outputs. It is often difficult for an entity to assess what its influence has been on an outcome, as there may be other factors, which will contribute to or detract from the entity’s success. Therefore, when assessing the effect an entity has had the entity should only assess those effects that it is reasonably estimable were a result of its outputs.

Efficiency

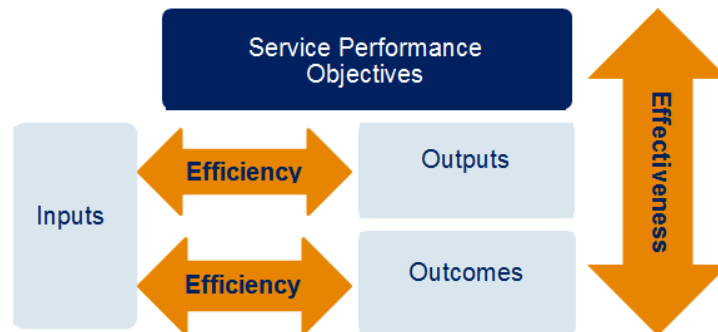
AG34 Efficiency is the relationship between inputs and outputs and/or inputs and outcomes. This is an important measure because it will allow users to assess how well an entity has used its resources to achieve its service performance objectives.

Effectiveness

AG35 Effectiveness is the relationship between outputs and service performance objectives and/or outcomes and service performance objectives. Similar to efficiency, effectiveness also allows users to assess an entity’s success in achieving its service performance objectives.

Relationship between performance indicators

AG36 The relationships between these performance indicators is shown in the figure below.



Selection of Service Performance Objectives and Performance Indicators

AG37 It is important when reporting service performance information that an entity only selects to report on those service performance objectives and the related performance indicators that will provide the most useful information to users for accountability and decision-making purposes.

Service Performance Objectives

AG38 A service performance objective should reflect the core purpose of the entity. For example, explaining its reason for existing and what it hopes to achieve.

AG39 An entity may need to address the issue of how to report changes to planned service performance objectives that occurred during the reporting period. This situation may arise, for example, when stakeholders or management revise their service performance expectations during the reporting period, resulting in an amendment to service performance objectives. Service performance objectives may also change as a result of combining entities. For example, where accountability for services is transferred from one entity to another, or the reporting is about services previously provided by two different entities and now provided by a single entity. In these situations, it may be possible for an entity to report against both the original and the revised service performance objectives. The reason for, and the impact of, these changes should be reported. This will enable users to have the information they need to help understand the reasons for variances between service performance objectives at the beginning of the reporting period and actual achievements, while also understanding the degree of actual achievement against the more up-to-date, revised service performance objectives.

Performance Indicators

AG40 Judgement is needed to determine the most suitable set of performance indicators to be reported. The overriding principle is that indicators should be selected on the basis of their importance to users and their usefulness in assessing the entity's achievements in terms of its service performance objectives. For performance indicators to be relevant they should link directly to one or more of the entity's service performance objectives. Alignment between the different indicators presented – for example, between input, output and/or outcome performance indicators – and the service performance objectives helps users to assess the relationship between resources

and results, and how resource availability may have influenced achievement of service performance objectives.

- AG41 When an entity has publicly reported planned performance indicators the actual performance indicators presented should usually be consistent with those previously made public.
- AG42 Ease of measurement is likely to be a consideration when selecting performance indicators, but it should be secondary to the needs of users. The performance indicators presented should not over-emphasise easily measured aspects of service performance.
- AG43 In some situations, a qualitative description (also called narrative information) should be presented as a performance indicator. This could be the case where service performance achievements cannot be reduced to a small set of quantitative or qualitative measures because the service:
- (a) is complex;
 - (b) involves interrelated factors; and
 - (c) involves a large number of different possible indicators of success or progress, all of which involve judgement as to their relative importance.
- AG44 Information reported on any particular service may include one or more different types of performance indicators; quantitative measures, qualitative measures and/or qualitative descriptions.
- AG45 The extended timeframe of multi-year service performance objectives should not be a deterrent to reporting multi-year objectives and disclosing progress towards their achievement, although an entity may need to develop a methodology to report on progress in a cost-effective manner. Alternative, or proxy, measures that indicate progress towards achievement of the service performance objective may be able to be presented in the short-term, until information on achievement of the multi-year service performance objective is available. For example, where an entity establishes both annual outputs and longer term, multi-year outcomes for one or more service area(s) there may be scope to treat annual reporting against outputs as indicative of progress towards achievement of the outcomes, with actual outcomes reported less frequently.

Service Performance Information to be Reported

- AG46 An entity shall disclose sufficient information on the basis of reported service performance information to enable users to evaluate whether the information on service performance objectives, performance indicators and total cost achieves the qualitative characteristics of financial reporting (see paragraphs 25 – 29 of this [draft] Standard).
- AG47 Paragraph 9 of this [draft] Standard explains that some entities may already be subject to service performance reporting requirements from another authority. In these circumstances, the entity should strive to use the same service performance information to meet those requirements as well as the requirements of this [draft] Standard. This will help to avoid overwhelming users with repeated service performance information.

Information to be Reported by All Entities

- AG48 The information required to be reported by all entities should enable an entity to tell their service performance story from their service performance objectives through to the achievement of those objectives and their efficiency and/or effectiveness of that achievement.
- AG49 In reporting service performance information an entity should provide:
- (a) an explanation of the service performance objectives, which describes:
 - (i) how the objectives have been established;
 - (ii) why those service performance objectives need to be achieved; and
 - (iii) and the relationship(s) between the service performance objectives; and
 - (A) the chosen performance indicators; and
 - (B) the entity's overall objectives;
 - (b) an explanation of the relationship(s) between related performance indicators (eg information on the extent of alignment between input, output and/or outcome indicators,

where the inputs and outputs contribute to achievement of a particular outcome); and

- (c) an explanation of the basis for information aggregation (or disaggregation), which addresses the level of detail reported.

AG50 To enhance the usefulness of service performance information to users, an entity should provide sufficient information for users to understand the risks involved in achieving an entity's service performance objective and the strategies used to mitigate those risks.

AG51 In presenting costs of outputs an entity should provide information on how the cost of outputs have been determined. For example:

- (a) its cost allocation policies;
- (b) the treatment of direct and indirect expenses; and
- (c) a reconciliation or a comparison between the cost of outputs and the total expenses presented in the financial statements.

AG52 Paragraph AG51(c) may only require the identification of any unallocated expenses in the financial statements.

AG53 When a controlling entity reports on services provided by its controlled entities, the controlling entity should disclose information that explains the respective roles and responsibilities for service performance within the economic entity.

Disclosures when the Service Performance Reporting Period is Different to the Financial Statements

AG54 This [draft] Standard allows service performance information to be reported for a different time-period to that of the financial statements and requires entities to disclose:

- (a) that the reporting periods are different;
- (b) why the reporting periods are different; and
- (c) the reporting periods of the financial statements that relate to the reported service performance information.

AG55 In some circumstances, an entity may have some service performance activities aligned with the financial statements and other service

performance activities, which are for a different reporting period. In this circumstance the entity should provide the following information:

- (a) the service affected;
- (b) the applicable reporting period(s); and
- (c) an explanation for the difference(s).

Disclosures when Service Performance Information is Reported Separately from the Financial Statements

AG56 This [draft] Standard does not require service performance information to be reported in the same report as the financial statements. However, when service performance information is reported separately from the financial statements an entity should ensure that the relevant financial statements are easily identified so that users can access them easily. This could be done with a cross-reference or via hyperlinks.

Reporting Against Planned Service Performance

AG57 When an entity has made its service performance plan public, an entity shall report its actual service performance against that plan. In this circumstance, entities should apply the principles in AASB 1055 *Budgetary Reporting*, which require reporting against original budgets. However, an entity may consider any revised service performance plan to help identify any variance(s) that may have occurred between the original planned service performance and its actual service performance.

APPENDIX C

ILLUSTRATIVE EXAMPLES

These illustrative examples accompany, but are not part of AASB 10XY

- IE1 The examples in this appendix portray hypothetical situations. Although some aspects of the examples may be present in actual situations, all facts and circumstances of a particular situation would need to be evaluated when applying [draft] Standard AASB 10XY. Where a cost is identified the amount is expressed in “currency units” (CU).
- IE2 The first part of this appendix lists examples of terms defined in the [draft] Standard. It is not intended to be an exhaustive list of examples for all defined terms. The examples illustrate the meaning of different terms usually through reference to an entity that provides health services. The examples focus on one service – the provision of vaccinations to infants in order to prevent measles. The entity uses a range of inputs to produce its outputs (measles vaccinations). Those outputs are then expected to cause (directly or indirectly) the desired outcome(s).

Example 1: Examples of Defined Terms

- **Service Performance Objectives (SPO):**

This [draft] Standard states that service performance objectives may be expressed using performance indicators of inputs, outputs, outcomes, efficiency, or effectiveness or through a combination of one or more of these performance indicators. The following are examples of service performance objectives that have these different forms of expression. The first example is of a service performance objective that has a focus on inputs and outputs, the second has a focus on outputs, the third has a focus on outcomes, the fourth example has a focus on efficiency and the fifth has a focus on effectiveness.

- To apply 1,200 full-time equivalent days of medical staff time to provide 20,000 vaccinations to infants.
- To provide 20,000 vaccinations to infants.
- To reduce the percentage of infants who contract measles annually from 65% to 2% within five years (ie by the end of 20XX).

- To reduce the total cost per vaccination from CU5 to CU4.
- To achieve 100% of the planned vaccinations to infants.
- **Input:** The number of full-time equivalent staff days used to provide vaccinations against measles.
- **Outputs:** The number of infants vaccinated against measles.
- **Outcome:** A reduction in the number of infants that contract measles. (The reduction could be expressed in absolute terms (5,000 fewer incidents of measles) or as a percentage reduction (a 35% reduction in infants contracting measles)).

This [draft] Standard states that outcomes could be impacts affecting society as a whole or impacts on particular groups or institutions within society. Outcomes could be relatively direct impacts on recipients of the entity's services. They could also be impacts on others that are not recipients of the entity's services but who benefit indirectly from those services.

This [draft] Standard also states that factors beyond the entity's control may intervene to either hinder or facilitate the entity's achievement of outcomes. The first example below illustrates an outcome that affects a particular group within society. The second and third examples illustrate a direct impact on service recipients and an indirect impact on non-recipients. The fourth example illustrates a situation where factors beyond the entity's control intervene to facilitate the entity's achievement of an outcome.

- A 35% reduction in the incidence of measles for infants within the lowest socio-economic decile.
- A reduction in the number of incidents of measles experienced by recipients of measles vaccinations provided by the entity is an example of a direct impact on the recipients of the entity's services.
- Children going to the same schools as those that vaccinated children attend but who have not received a vaccination will also be impacted indirectly by the entity's vaccination services, because their risk of contracting measles is reduced.
- An outbreak of measles in a nearby region leads to extensive media coverage of measles related health risks and an increased vaccination rate in that nearby region covered by another health services provider. These factors facilitate achievement of the

entity's outcome to reduce the incidence of measles in its own region. The factors evident in the other region (measles outbreak, media coverage and increased vaccination rate) are outside of the control of the entity.

- **Efficiency:**

This [draft] Standard states that efficiency is the relationship between (a) inputs and outputs, or (b) inputs and outcomes. The two examples in the first bullet point below illustrate efficiency expressed as the relationship between inputs and outputs. The example in the second bullet point illustrates efficiency expressed in terms of inputs and outcomes.

- "Cost per infant vaccinated" is an example of an efficiency indicator that relates outputs (vaccinations) to an input (cost). Efficiency may also be expressed in terms of other inputs such as, for example, number of staff or staff time. For example, 1,000 vaccinations annually per qualified medical staff member.
- "Cost per reduction in number of infants contracting measles compared to the base year" is an example of an efficiency indicator that relates an outcome (reduction in number of infants contracting measles) to an input (cost).

- **Effectiveness:**

This [draft] Standard states that effectiveness is the relationship between actual results and service performance objectives. Therefore, an assessment of effectiveness depends on the type of service performance objectives that the entity has presented. The examples below illustrate effectiveness for different service performance objectives. The first example illustrates effectiveness where the service performance objective was expressed in terms of outputs, and the second in terms of an outcome.

- The service performance objective was to provide 100,000 measles vaccinations to infants during the year ended 31 March 20XX. The actual result achieved was 99,000 vaccinations. Therefore, the entity's effectiveness in this area was 99%.
- The service performance objective was to reduce the number of infants that contract measles by 3,000 compared to the previous year. The actual result achieved was a 3,000 reduction in infants contracting measles. Therefore, the entity's effectiveness in this area was 100%.

- **Performance indicator—Qualitative Description:**

This [draft] Standard states that performance indicators are quantitative measures, qualitative measures, and/or qualitative descriptions of the nature and extent to which an entity is using resources, providing goods and/or services, and achieving its service performance objectives. The example below illustrates a performance indicator expressed as a qualitative description:

A government department (the Ministry) responsible for supporting the government's relationships with other nations, including trade relationships, uses the following qualitative description as one of its performance indicators:

Engagement with Latin America during this year is expected to include several successful ministerial-led business missions to national governments and ministerial engagement in two regional forums. The Ministry will provide host and other support for ministerial level visits from several countries in the region, and undertake bilateral foreign policy consultations. Consultations will include advocacy of free trade agreements. The diplomatic network in several Latin American countries will be expanded through additional consulates and honorary consuls.

Example 2: Presentation of Service Performance Information

This example draws on the information provided in Example 1 and illustrates how that information could be presented to fulfil the requirements of this [draft] Standard.

VAM
Vaccinate Against Measles

Report for 20X4-X5

Who are we?

VAM is a not-for-profit organisation that aims to relieve the suffering by children caused by contracting measles. VAM operates entirely within the central African region.

What do we do?

Measles is a virus that attacks the respiratory tract, it is highly contagious and sometimes fatal. Although preventable by vaccines, measles continues to afflict children worldwide. Complications from measles may result with surviving children being left with disabilities including blindness, deafness and/or brain damage.

Our ultimate aim is to eliminate the occurrence of measles by vaccinating all children in the region in which we operate. Each year there are an estimated 20,500 newborn infants within the central African region. Of these, approximately 13,500 contract measles.

Our long-term plan 20X1-X6

Our ultimate aim was to reduce the percentage of infants that contracted measles from 65% to 2% over the 5-year term of the program.

To work towards this aim, we intended to vaccinate 20,000 children each year with the MMR vaccine (this vaccinates against measles, mumps and rubella). Children ideally should receive two doses of MMR: the first dose at 12-15 months of age with the second dose at 4-6 years of age. We aim to deliver both doses to children in the region. We engaged a dedicated volunteer medical staff of one doctor and four registered nurses to undertake the vaccination program.

Their dedication to the project was displayed by their willingness to commit to the program for the entire five years with only a four-week rest period each year over December/January.

The estimated cost per vaccine (including transportation and storage) in 20X1 was CU5.00 but with better relationships with vaccine manufacturers, we anticipated that this would have reduced to CU4.00 per vaccine by the end of the program in 20X6.

20X4-X5

How did we do?

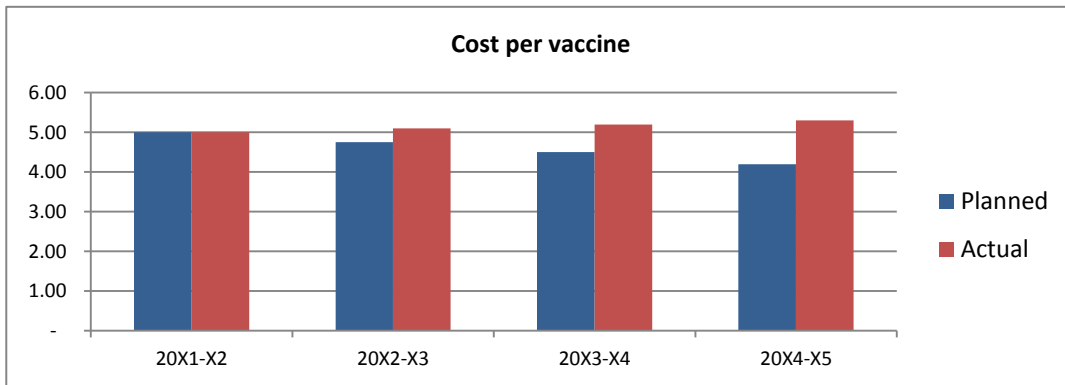
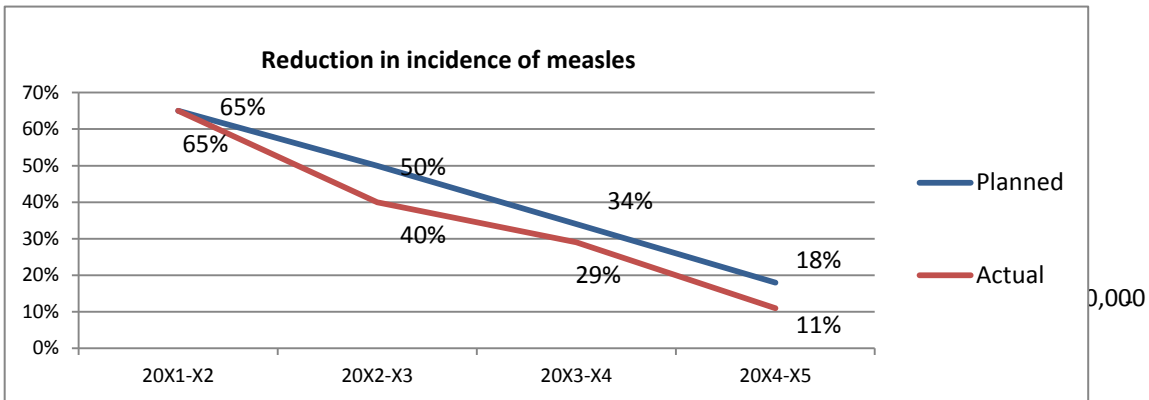
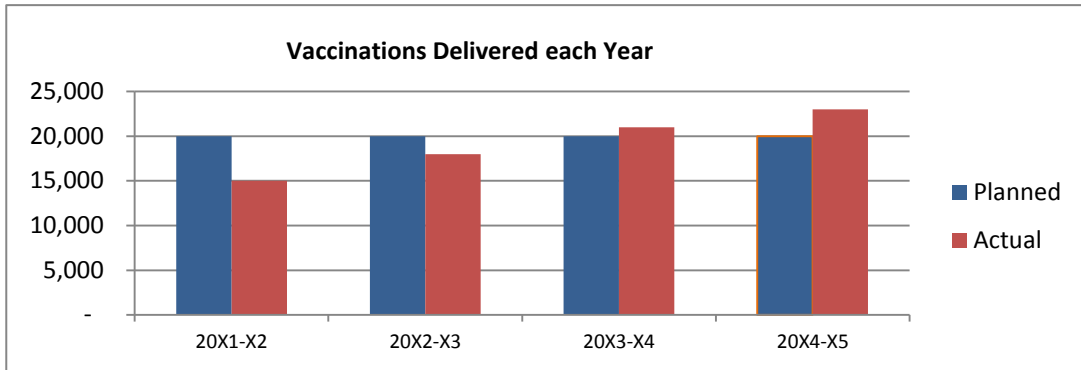
This year was a positive year for VAM's vaccination program. We vaccinated 23,000 newborn infants in the central African region. This number of vaccinations is above what was planned and has enabled us to make up the shortfall in vaccinations delivered in the first two years of the program.

The total cost of vaccines was CU 121,900, which unfortunately was greater than expected. This increase is due to the cost of vaccines rising to CU5.30 as a result of increased oil prices, which affects our transport and refrigeration costs.

The good news is that we have again seen a reduction in incidence of infants contracting measles with only 11% of newborns being infected with the virus. With this steady reduction in the incidence of infections we are on track to reach our ultimate goal of only 2% of infants contracting measles by 20X5-20X6.

The relevant financial information for the 20X4-X5 year of our vaccine program can be found in the financial statements for the same reporting period [add hyperlink to financial statements].

The program in pictures



Our total program scorecard 20X4-X5

Objective	Planned	Actual	Efficiency	Effectiveness	
No of vaccines	20,000	23,000		115%	😊
Cost of vaccines	4.20	5.30	79%		😞
Reduction in measles	34% to 18%	29% to 11%		112%	😊

BASIS FOR CONCLUSIONS

This Basis for Conclusions accompanies, but is not part of, AASB 10XY.

Background

- BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board's considerations in reaching the conclusions in the Exposure Draft (ED). Individual Board members gave greater weight to some factors than to others.
- BC2 The AASB's powers and functions are set out under Part 12 Section 227 of the *Australian Securities and Investments Commission Act 2001*. Section 227 (1)(c) allows the AASB to "formulate accounting standards for other purposes" and it is under this function that the AASB has the mandate to develop an Australian Accounting Standard for reporting service performance information.
- BC3 In 2009, the Board initiated a project on Service Performance Reporting (SPR) as part of its response to concerns expressed by constituents that the disclosures required of private sector not-for-profit (NFP) entities by existing Australian Accounting Standards are not sufficiently targeted to the needs of users.
- BC4 This project was initially funded with approved funding from The Minister for Superannuation and Corporate Law for "The AASB developing an exposure draft for disclosures by private not-for-profit entities" (Treasury Executive Minute No. 09/0803 dated 2 April 2009).
- BC5 The Board noted that the primary objective of a for-profit entity is to obtain a return on investment for investors. Therefore, to evaluate the entity's achievement of this objective, profit is frequently used as a measure of performance or as the basis for other measures, such as return on investment or earnings per share. Generally, this information can be gained from the financial statements.
- BC6 However, in the NFP sector, an entity's primary objective is not the generation of profit but rather the provision of goods and/or services for the community or social benefit. Therefore, to enable users to assess whether a NFP entity has met its objectives it is necessary for such entities to report on its service performance. The Board decided that reporting on service performance should not form part of an entity's financial statements but instead will be supplementary to those financial statements to assist users in evaluating how well an entity has achieved its service performance objectives.

- BC7 The Board agreed that initially the project should focus on additional disclosures to those set out in Australian Accounting Standards for private sector NFP entities, having regard to the information needs of users of general purpose financial statements. In the first instance, consideration should be given to work being undertaken by the International Public Sector Accounting Standards Board (IPSASB) and the New Zealand Financial Reporting Standards Board on service performance reporting. Consideration should also be given to the International Accounting Standards Board's (IASB's) work on management commentary.
- BC8 When setting the initial project brief, the Board expressed its desire not to increase the disclosure burden on NFP entities and decided the project should also consider whether there are any existing disclosure requirements in Australian Accounting Standards for which the information provided to users might not be justified from a cost/benefit perspective.
- BC9 The Board also agreed that the project should involve ongoing consultation with constituents rather than a series of consultation documents and accordingly a Service Performance Reporting Project Advisory Panel (PAP) was established. A working group of Board members was also established.
- BC10 In 2011, during the project's research phase, several staff papers, which were intended to form the basis of any principles the Board might develop for SPR, were prepared and sent to the PAP and the Board Working Group for comment. These papers considered:
- (a) Principles of service performance reporting – a working definition of service performance;
 - (b) Applicability of the current AASB and FRSB¹ Conceptual Frameworks to service performance reporting;
 - (c) Principles of service performance reporting – the objective of service performance reports; and
 - (d) The identification of users and user needs in relation to service performance reporting.
- BC11 Following the issuance of these papers, the Board considered another staff paper *Factors relevant to the future direction of the AASB's Service Performance Project*. The Board considered whether, and if

¹ The FRSB was the Financial Reporting Standards Board in New Zealand at that time.

so how, to progress its SPR project, particularly in light of the establishment of the Australian Charities and Not-for-profits Commission (ACNC), constituent feedback received on the project work to date and developments in relevant IPSASB and IASB projects.

- BC12 The Board decided to continue to progress the project and seek to work with the ACNC when appropriate, while also continuing to monitor the IPSASB and IASB projects.
- BC13 In April 2014, the Board considered whether the IPSASB Exposure Draft (ED) 54 *Reporting Service Performance Information* could provide a suitable basis for accelerating the AASB project. The Board also noted that the New Zealand Accounting Standards Board (NZASB) was developing a standard on service performance reporting. The Board decided that IPSASB ED 54, in combination with the AASB staff's research to date and the NZASB's work, would provide a sound basis for reorienting its work from 'green fields' research to developing an AASB ED of a proposed Standard. The Board also decided that the project should include within its scope both public sector and private sector NFP entities.
- BC14 In developing this ED, the AASB shared views with the NZASB, although jurisdictional differences meant that the projects of the two Boards were conducted as separate projects. However, the Boards have an objective of using similar principles to guide the development of requirements.
- BC15 In April 2015 the Board noted that the IPSASB had issued Recommended Practice Guideline (RPG) 3 *Reporting Service Performance Information* (as a result of ED 54) and reconfirmed that this [draft] Standard should continue to be drafted using the principles and requirements articulated in that RPG.
- BC16 The Board noted that because there was no single framework for reporting service performance information, this project would aid in providing a standard framework.

Significant Issues

Application

- BC17 Although the original project scope was to apply only to private sector NFP entities, the Board noted the developments in relation to performance reporting in the NFP public sector (eg the Public Management Reform Agenda for Commonwealth government

agencies) and decided that the application of the project should be expanded to include NFP entities from both the private and public sector. The Board also considered whether the scope of the project should be broadened to include for-profit entities, in light of its *Process for Modifying IFRSs for PBE/NFP*. The Board observed that the principal objectives of NFP entities and the needs of users in relation to those objectives are potentially different from the principal objectives of for-profit entities and their related users' needs. Accordingly, the Board decided that the current project should not include for-profit entities within its scope. However, the Board further decided to ask constituents for their views on this matter.

- BC18 The Board also considered whether this [draft] Standard should have mandatory or voluntary status and decided that application should be a mandatory requirement for NFP entities as it will produce useful information for users in regard to a NFP entity's performance against its service performance objectives, which may not otherwise be available. However, the Board also decided that constituents would be asked to comment on the status of the [draft] Standard.
- BC19 Although the Board decided that this [draft] Standard should have a mandatory status, because reporting on service performance information does not form part of an entity's financial statements, but rather is intended to supplement those financial statements, this [draft] Standard does not require reported service performance information to be audited. The Board noted that this is a matter for an entity's regulator.

Scope

- BC20 The Board decided that the scope of this [draft] Standard should be limited only to include information reported in regard to an entity's service performance because this was of particular importance to users of NFP entity reporting in assessing their achievement of service performance objectives. Accordingly, the Board decided that the project should not be extended to include information on other performance information, (eg sustainability and environmental issues) as this type of performance assessment is not unique to NFP entities.

Reporting Entity

- BC21 The Board discussed what the appropriate boundary for the entity reporting service performance information should be and decided that the reporting entity should be the same as that for the entity that prepared general purpose financial statements. The Board noted that

this will allow users to assess service performance information and financial information on a consistent basis.

- BC22 The Board also discussed whether entities that prepare consolidated financial statements, particularly whole-of-government and general government sector financial statements, should be excluded from reporting service performance information on the basis that controlled entities may already be reporting service performance information and that the information reported by the controlling entity as a group may not link directly to the controlled entities own service performance objective.
- BC23 However, the Board noted that, in some instances, a controlled entity may not be required to report its own service performance information. Therefore, if the controlling entity was exempt, this information would not be reported. Further, it was noted that some governments prepare a 'whole of government' plan, which should be reported against. The Board noted that this was consistent with the IPSASB's RPG 3, and therefore, the Board tentatively decided not to exclude entities that prepare consolidated financial statements from reporting service performance information for the group but rather comments regarding this issue would be specifically sought from constituents.

Reporting Period

- BC24 The Board discussed whether the reporting period for service performance information should be the same as for the financial statements of the entity. The Board decided that whilst having the periods aligned was preferable there may be circumstances when an entity will conduct a service program on a different time period to that of the financial statements and that this [draft] Standard should allow entities to report on differing time periods if it provides more useful information to users.

Location of Service Performance Information

- BC25 The Board discussed whether this [draft] Standard should specify where service performance information should be presented. One approach, under consideration in the NZASB project, would be to require entities to present service performance information in the same report as the general purpose financial statements unless legislation requires otherwise. The AASB decided not to be prescriptive of where service performance information should be reported but rather allow entities to determine a location that best suits user needs.

BC26 The Board also noted that many NFP entities are already providing information that would satisfy the requirements of this [draft] Standard therefore allowing flexibility as to where an entity should report service performance information will ensure that those entities can continue to provide this information in the same manner.

Principles for Reporting Service Performance Information

BC27 When developing the principles to be applied to service performance information the Board agreed that consideration should be given to the IPSASB's and NZASB's service performance reporting projects as well as the principles articulated in previous AASB research papers. It was also agreed that it was important for these principles to be expressed in such a way that they result in an entity providing appropriate information about the achievement of its service performance objectives. Accordingly, the overriding principle for reporting service performance information is that the information should be useful for accountability and decision-making purposes.

BC28 The Board also discussed whether the [draft] Standard should require entities to report both positive and negative information in regard to its service performance and decided that, to enable a balanced report of an entity's service performance activities, both aspects should be reported.

BC29 The Board also decided that because this [draft] Standard is intended to provide a framework for reporting service performance information it was important that it contained high-level principles. Therefore, the Board decided that one key principle should be that service performance information should all meet the qualitative characteristics (QCs) of useful financial information as articulated in the *Framework for the Preparation and Presentation of Financial Statements*. One Board member expressed concern that the 'complete' aspect of faithful representation may be misunderstood and result in entities providing voluminous information that could detract from the usefulness of the information. Therefore, the Board decided that this issue should be addressed in the application guidance.

Elements of Service Performance Information

BC30 The Board agreed that the key elements of service performance information were an entity's service performance objectives and how the achievement of those objectives are measured. These two elements enable an entity to tell its story about what it aims to achieve and how well it has or has not achieved its aims.

- BC31 An entity may have many service performance objectives, and so as not to overwhelm users, the Board decided that entities should only report on those service performance objectives that will provide the most useful information for users.
- BC32 In relation to performance indicators, the Board decided that inputs, outputs, outcomes, efficiency and effectiveness are all types of performance indicators that are capable of providing relevant information and, therefore, an entity should be required to report on these indicators in relation to the entity's service performance objectives.
- BC33 The Board also decided that in regard to entities that hold themselves out to be accountable for outcomes, additional information should be reported to assist users' understanding of the outcomes they are seeking to achieve.

Service Performance Information to be Reported

- BC34 Aside from reporting on service performance objectives and performance indicators, the Board decided that the [draft] Standard should not be excessively prescriptive in regard to what service performance information an entity should report, but rather allow entities to determine what information would be useful for accountability and decision-making purposes.

Reporting against Planned Service Performance

- BC35 This [draft] Standard does not require entities to make public forward looking service performance plans but the Board decided that when an entity has done so, the entity should report its achievements against that plan, as this will enhance the users understanding of the service performance information reported. The Board also discussed whether an entity should report against an original plan or a revised plan and decided that entities should follow the principles in AASB 1055 *Budgetary Reporting*, which only allows reporting against original plans. However, the Board noted that an entity could look to its revised plan to determine how to report on any variance from planned to actual service performance.

Defined Terms

- BC36 The Board decided that for the most part this [draft] Standard would use the defined terms as used in RPG 3, but would add or alter defined terms as deemed necessary.

- BC37 Accordingly, the Board discussed whether the term ‘accountability’ (a term not defined in RPG 3) should be defined because there was no current definition in the AASB suite of Accounting Standards. However, the Board noted that ‘accountability’ was already used in a number of other Australian Accounting Standards and therefore considered that its meaning was understood and did not need defining in this [draft] Standard.
- BC38 The Board decided that because performance reporting has a broader scope than service performance, a definition of ‘service performance’ should be included in the [draft] Standard to narrow the type of information that should be reported.
- BC39 In regard to the definition of ‘service performance objective’ the Board altered the RPG 3 definition to only define what such an objective was and therefore removed how such an objective could be expressed (inputs, outputs, outcomes and efficiency), which forms part of the RPG 3 definition. The Board decided that expressing an objective in terms of inputs, outputs, outcomes and efficiency, was more akin to how a service performance objective was to be achieved rather than what that service performance objective was.
- BC40 The Board also altered the IPSASB’s definition of ‘effectiveness’ to express more clearly the relationship between service performance objectives and outputs and/or outcomes rather than use the term ‘actual results’ as defined in RPG 3.

Comparison with IPSASB RPG 3 Recommended Practice Guideline

- BC41 This [draft] Standard incorporates the key requirements of IPSASB RPG 3 with the main differences detailed in the paragraphs below.

Status

- BC42 RPG 3 is not a mandatory requirement for those jurisdictions required to use International Public Sector Accounting Standards (IPSASs). It is proposed that this [draft] Standard will be mandatory because it provides information for users to assess the performance of NFP entities in achieving their objectives. Therefore, this information is useful for accountability and decision-making purposes.

Scope

- BC43 This [draft] Standard applies to all NFP entities and is wider than the scope of RPG 3, which applies to all public sector entities other than

Government Business Enterprises. The IPSASB only makes pronouncements for the public sector; however, the AASB considered that the requirements of this [draft] Standard are as equally suited to the NFP private sector as the NFP public sector.

Qualitative Characteristics

BC44 This [draft] Standard requires information provided to meet the QCs of the AASB's *Framework for the Preparation and Presentation of Financial Statements* that is based on the International Accounting Standards Board's *Conceptual Framework*. This differs from RPG 3, which states that information presented should achieve the QCs of financial reporting as set out in the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* issued by the IPSASB.

BC45 This [draft] Standard and RPG 3 require information to meet the QCs of different conceptual frameworks. However, these QCs are substantially the same although they may have different rankings. That is, the AASB's Framework ranks 'relevance' and 'faithful representation' as fundamental QCs with 'materiality' as an aspect of relevance. 'Comparability', 'verifiability', 'timeliness' and 'understandability' are ranked as enhancing QCs. In contrast, the IPSASB's Framework does not rank 'relevance', 'faithful representation', 'understandability', 'timeliness', 'comparability' and 'verifiability'. 'Materiality' and 'cost-benefit' are ranked as constraints on information.

Service Performance Objectives

BC46 RPG 3 states that a service performance objective can be expressed in terms of the performance indicators of inputs, outputs, outcomes and efficiency. The Board agreed that outputs, outcomes and efficiency may be relevant when an entity describes its service performance objectives. However, it did not agree that a service performance objective could be expressed in terms of inputs alone as this would not provide useful information. Accordingly this [draft] Standard requires inputs be used in combination with another performance indicator when expressing a service performance objective.

BC47 RPG 3 does not consider that a service performance objective can be expressed in terms of effectiveness. However, the Board considered effectiveness to be a relevant performance indicator that an entity could use to express what service performance objective it aimed to achieve.

BC48 RPG 3 states that service performance objectives should generally be specific, measureable, achievable, realistic and time-bound. However, the Board considered that some service performance objectives may be expressed at a very high level and therefore may not meet all these criteria. Consequently, this [draft] Standard does not include these requirements.

Reporting against Planned Service Performance

BC49 RPG 3 requires that with respect to performance indicators and the total cost of services an entity should display its planned information for the reporting period. This [draft] Standard only requires planned information if that information has previously been published; however, the [draft] Standard suggests that providing planned information enhances the meaningfulness of information about an entity's actual service performance.

Comparative Information and Consistency of Reporting

BC50 This [draft] Standard allows entities to report against previous period's service performance if it provides relevant and useful information. RPG 3 is silent on whether entities may report against prior period's service performance.

BC51 This [draft] Standard requires material errors to be corrected in the first service performance information reported after the discovery of the error. Further, if an entity elects to report service performance against prior period's service performance, comparative service performance information is required to be restated. RPG 3 does not require correction or restatement of service performance information reported.

Defined Terms

BC52 This [draft] Standard modifies some of the defined terms of RPG 3. This [draft] Standard:

- (a) replaces 'actual results' with 'outputs' and 'outcomes' in the definition of 'effectiveness' to express more clearly the relationship between service performance objectives and output and/or outcomes;
- (b) replaces 'services' with 'goods and/or services' in the definitions of 'outputs' and 'performance indicators' to clearly articulate that an entity may provide either goods or services (or both) to achieve its service performance objectives;

- (c) includes a definition of ‘service performance’ to indicate that service performance reporting was narrower than performance reporting; and
- (d) altered the definition of ‘service performance objective’ so that it did not state how a service performance objective should be expressed. The definition in RPG 3 states that a service performance objective should be expressed in the terms of inputs, outputs, outcomes or efficiency. The Board decided that how a service performance objective was expressed was not relevant.