



CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

26 April 2016

Ms Kris Peach FCA
The Chair
Australian Accounting Standards Board
PO Box 204
Collins St West
Melbourne
Victoria 8007

By email: standard@asb.gov.au

Dear Kris

Submission on Exposure Draft ED 270: Reporting Service Performance Information

Thank you for the opportunity to comment on the Reporting Service Performance Information Exposure Draft ("the ED"). We support the aim of setting a best practice framework for reporting service performance information and agree such information can assist users of general purpose financial statements to assess an entity's performance. Feedback from members strongly supports a voluntary approach to the requirements in the ED.

In light of this approach our comments are directed towards the refinement of the framework so that it represents best practice.

Appendix A provides responses to the specific questions raised in the ED. Appendix B provides information about Chartered Accountants Australia and New Zealand. If you have any questions regarding this submission, please contact Dr Michael Fraser CA (Reporting Leader) via email; michael.fraser@charteredaccountantsanz.com.

Yours sincerely

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Appendix A: Responses to specific questions

Question 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?

We agree with the above principles and support the reporting of service performance information. We also consider that it may be useful to encourage entities to report on outputs and outcomes, as proposed in the international guidance statement (IPSASB RPG 3) and the New Zealand ED (ED 2016-6 *Service Performance Reporting*). Output and outcome terminology is commonly used within the sector, and may enable entities to report their performance using information that is already collated and well understood by the entity. We consider that use of the terms efficiency and effectiveness may be restrictive as not all entities use such measures to reflect their service potential.

In addition, it may be worth defining the term service performance “objectives” for the purposes of the ED to ensure a common meaning is used across Not-For-Profits (NFPs) entities. Many entities include their overall long term objectives in their constitution or other governing documents. Entities may also set strategic planning objectives covering a longer period.

We consider best practice would include reporting of achievement of both overall objectives and the current year plans/outputs. Such reporting should include measurable, quantified targets and reporting against those targets. We acknowledge that NFPs often set stretch targets and may be reluctant to report on whether they have achieved these more ambitious targets. We support the approach taken in the ED to require an entity to report actual service performance against its planned service performance only where planned service performance information has been published.

Question 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?

We consider the ED should be introduced as best practice guidance, rather than as a mandatory standard, for NFP entities in both the public and private sectors. We support encouraging NFP entities to report service performance information regardless of whether they are in the private or public sector.

Question 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?

Reporting service performance information should not be extended to the for-profit sector because adequate alternatives are available. The Integrated Reporting Framework could be the appropriate framework in respect of for-profit entities.

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?

No specific member comment was elicited on this point.

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?

We agree with this proposal as we consider that alignment will help entities in discharging their accountability.

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?

We agree that the location of the service performance information should not be specified, as this will allow entities with flexibility to determine the appropriate location for such reporting. In the interests of best practice we consider that service performance information should be made publicly available.

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?

We do not agree with this proposal. Service performance information should cover the same period as the financial statements in order to provide a more complete picture of the organisation's performance. This would be more useful to users. While staggered reporting deadlines help to reduce the burden on preparers and auditors, the disconnect with financial statements would detract from the usefulness, comparability and understandability of this information.

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?

We agree with the terms as defined.

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?

We consider that the draft standard should not be mandatory as doing so would impose further reporting requirements on the already resource challenged NFP sector. We consider releasing the ED as best practice guidance will greatly assist those entities that have the capacity to provide this reporting.

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?

We believe the ED should be non-mandatory so should be available for application as soon as it is finalised as best practice.

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?**

We do not agree that the draft standard should be mandatory as it would impose further reporting requirements on the already resource challenged NFP sector. If the ED is released as guidance it will greatly assist those which have the capacity to provide this reporting. Only as best practice non-mandatory guidance would the proposals be 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. Why or why not?

Our general comments about cost/benefit are included above.

Appendix B: About Us

Chartered Accountants Australia and New Zealand is a professional body comprised of over 115,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international capital markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.