

ED NZASB 2016-6 Service Performance Reporting

This summary provides an overview of Exposure Draft NZASB 2016-6 *Service Performance Reporting*

Project objective:	The New Zealand Accounting Standards Board (NZASB) ¹ has published Exposure Draft NZASB 2016-6 <i>Service Performance Reporting</i> (the ED). The ED proposes requirements for Tier 1 and Tier 2 Public Benefit Entities (PBEs).
The project and stage:	The NZASB issued the ED in February 2016.
Next steps:	The NZASB is seeking feedback to guide it in developing the final standard.
Comment deadline:	The ED is open for comment until 29 July 2016.

¹ The NZASB is a sub-Board of the External Reporting Board (XRB Board), and is responsible for setting accounting standards.

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Reason for this Project

The NZASB's objective is to develop standards-level requirements that are appropriate for a wide range of PBEs

Primary objective of PBEs

PBEs have a primary objective of providing goods or services for community or social benefit. Reporting on performance in relation to this primary objective is therefore an important aspect of a PBE's general purpose financial reporting. In order to obtain a comprehensive picture of a PBE's performance, it is necessary to have both financial and non-financial information.

No PBE Standard

There is currently no PBE Standard that deals solely with service performance reporting. PBE IPSAS 1 *Presentation of Financial Statements* encourages service performance reporting and sets minimum requirements where a statement of service performance is presented. Appendix C of PBE IPSAS 1 includes non-integral guidance on service performance reporting. Appendix C was included as a short-term measure, with the intention of developing a separate standard on service performance reporting.

Scope

The NZASB has attempted to develop proposals that are appropriate for a wide range of PBEs. The proposed scope of the ED is consistent with the Tier 3 and 4 Simple Format Reporting Standards. The proposed scope is as follows:

- Tier 1 and Tier 2 public sector PBEs with existing legislative requirements to present service performance information would be required to comply with the proposed standard.
- Tier 1 and Tier 2 public sector PBEs without existing legislative requirements to present service performance information would be encouraged, but not required, to comply with the proposed standard.
- Tier 1 and Tier 2 not-for-profit PBEs would be required to comply with the proposed standard.

Principles

Service performance information should

- *be useful for accountability and decision making*
- *satisfies the qualitative characteristics (QCs)*
- *balances the pervasive constraints*

Accountability and decision making

Users rely on GPFR for information that is useful for accountability and decision making.

In making decisions about what to report and how to present information an entity should consider the main groups of users and their information needs.

The main users of service performance information are funders and service recipients.

The nature of accountability for service performance information depends on circumstances.

Qualitative characteristics

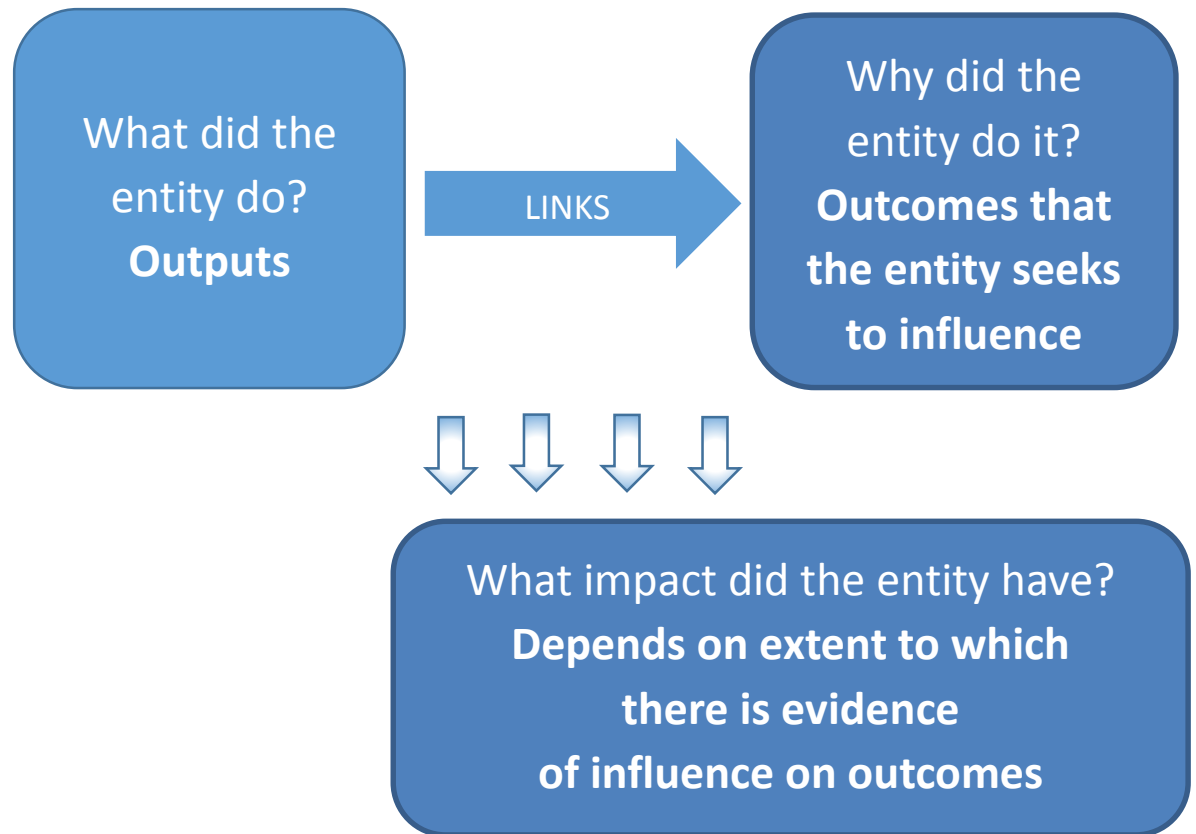
- Relevance
- Faithful representation
- Understandability
- Timeliness
- Comparability
- Verifiability

Constraints

- Materiality
- Cost-benefit
- Balance between qualitative characteristics

Dimensions of Service Performance

The ED proposes that entities report on outputs, outcomes that the entity is seeking to influence and, where appropriate, the impacts it had



Information to be Reported

	Information required	What does this mean in practice?
<i>Outputs</i>	<ul style="list-style-type: none"> • Outputs and performance indicators for outputs • Outcomes that the entity is seeking to influence and the links between the entity’s outputs and those outcomes • A description of the impact that the entity has had on the outcomes that it is seeking to influence and performance indicators to support that description 	<p>The ED acknowledges the differences between entities and the difficulties they might face in providing the information required. The ED explains:</p> <ul style="list-style-type: none"> • An entity’s accountability will influence what it should report on • Focusing on intermediate outcomes can assist in establishing links between outputs and outcomes • An entity provides information on its impacts on outcomes based upon the extent to which the entity has evidence of its influence on those outcomes • Performance indicators for impacts on outcomes are provided where relevant • An entity that is unable to provide evidence of its impact on outcomes that satisfies the qualitative characteristics should state this fact
<i>Outcomes sought</i>		
<i>Impact</i>		
<i>One size does not fit all</i>		

Performance Indicators

Select the most appropriate and meaningful performance indicators

Provide an overall picture

Consider the QCs and constraints

Performance indicators

Performance indicators are the measures or descriptions used by an entity to communicate the achievement of service performance.

Performance indicators may be:

- quantitative measures
- qualitative descriptions
- qualitative measures

Quantitative measures

- Quantity of outputs produced
- Cost of outputs
- Time
- Numerical targets

Qualitative descriptions

- Participant observations
- Interviews
- Surveys

Qualitative measures

Compliance or non-compliance with a quality standard

Selecting performance indicators

Judgement is needed to determine the most appropriate and meaningful performance indicators to be reported.

Presentation and Comparatives

Service performance information is presented in a format that best meets the information needs of users

Format

The ED does not prescribe the format of service performance information.

Entities can select a format that best meets the information needs of their users.

Cross referencing

Cross referencing to the financial statements is required.

Some cross referencing to other sections of the general purpose financial report or other documents is permitted. The ED explains when this is permitted and establishes requirements.

Comparatives

Comparative information for the previous period is required for the first and subsequent periods the proposed ED is applied.

Comparisons with prospective information (planned service performance) is required only if an entity has published general purpose prospective service performance information.

Transitional provisions

There are no transitional provisions proposed in the ED.

PBE IPSAS 1 *Presentation of Financial Statements*

The ED proposes changes to PBE IPSAS 1 to refer to financial information and, where appropriate, service performance information

Current PBE IPSAS 1

The current standard focuses on financial statements. The section on service performance reporting is not integrated with the rest of the standard.

Proposed changes to PBE IPSAS 1

The ED proposes:

- a new title “PBE IPSAS 1 *Presentation of Financial Reports*”; and
- more references to service performance information.

Refer to Appendix A of the ED for these changes.

A marked up copy of PBE IPSAS 1 is also available.

Proposed changes to other PBE Standards

If PBE IPSAS 1 is changed, there will be a number of changes to other standards as well.

Why make the changes?

Service performance information is an integral component of a PBE’s general purpose financial report.

It would be consistent with the proposed PBE Conceptual Framework.

It would be easier for readers to understand how PBE IPSAS 1 applies to service performance information.

This approach allows for an audit opinion on the entire general purpose financial report.

Next Steps

The deadline for comments is 29 July 2016

During the comment period, XRB staff have organised a number of outreach activities to obtain feedback on the proposals

How can I comment?

The ED includes Questions for Respondents. The NZASB is seeking views on these questions.

Respondents may choose to answer all questions, some questions or provide a short response saying why they agree or disagree with the proposals. The NZASB welcomes comments on any other matters respondents consider to be important.

Respondents can provide formal or informal comment in an email or a letter. Comment letters and emails will generally be posted on the XRB website.

You can get further information on the ED from our website at www.xrb.govt.nz

After the consultation period ends, we will consider the submissions received, and subject to the comments in those submissions, we expect to finalise and issue the new PBE Standard.

Seminars and webinars

We are holding a series of seminars and a webinar during the comment period. See the XRB website for details.

Stay informed

You can stay up-to-date on the project and other information on the work of the XRB, by registering to receive our Communiqués on the XRB website.