

Response to Exposure Draft NZASB 2016 – 6, Service Performance Reporting

By Dr. Rodney Dormer

**School of Accounting and Commercial Law, Victoria University of
Wellington**

My responses to the questions posed are as follows:

- 1) Yes. The suggestions are useful for general purpose financial (or more accurately and broadly, ‘accounting’) reports.

Paragraph 8

Although in terms of an entity’s ability to report on these dimensions recognition should also be provided to the differing nature of the various functions undertaken by public benefit entities. Thus, for example, the ability to identify and report the outputs and impacts of client facing functions such as those of Work and Income, will be quite different from that of its policy functions. Thus it is suggested that the second sentence of paragraph 8 could be reworded as follows:

For example, the nature of an entity’s accountability for service performance may be influenced by legislation, the nature of its functions, the extent to which an entity can influence outcomes, and the nature of agreements between funders and an entity or between an entity and other entities that it uses to deliver goods and services.

It should also be recognised that the nature and purpose of general purpose financial reports of public sector public benefit entities is different from those of for-profit entities. Thus the suggestion in paragraph 9 (b) of the introduction to the Exposure Draft that such reports “are intended to meet the needs of users that cannot demand the information they require” is not entirely appropriate given the role of the Official Information Act 1982.

- 2) Yes
- 3) Yes. While the practical and cost issues of information provision should be considered, so should the need to provide a comprehensive understanding of an entity’s operations.
- 4) Yes, although it should also be emphasised that, whenever possible, that information should include both financial and non-financial components and, in particular, volume information.

Thus any meaningful assessment of an agency’s efficiency requires information in respect of both the cost and quantity of the outputs produced. Similarly an assessment of cost effectiveness requires information in respect of both impacts (or outcomes) and the aggregated costs of related outputs.

- 5) Yes

- 6) (a) Yes, but despite the suggestion that “some public benefit entities such as government departments ... have been subject to some form of performance reporting requirement for a number of years”, a concern exists as to how loosely that requirement is now stated and whether or not it will therefore be seen as applicable.

Thus, as amended in 2014, section 45(2)(a) of the Public Finance Act 1989 currently simply requires “an assessment of the department’s operations” with no clear guidance as to whether than encompasses operational performance or just a broader description of what the entity has done.

Similarly, section 45(2)(b) requires “an assessment of the department’s progress in relation to its strategic intentions” that *might* include the impacts achieved but could imply any other dimension seen as appropriate by the relevant minister.

It is therefore suggested that, following the 2014 removal of the words ‘service performance’ from the Act, the requirement for central government agencies to provide service performance information is no longer clear.

- 6) (b) Yes - thus leaving the decision to Parliament.
- 6) (c) Yes.
- 7) Two years should be the maximum. I would expect most public sector public benefit entities to be able to comply much sooner.
- 8) Yes, although the retention of the word “financial” continues to imply just financial rather than also non-financial information. Would “Presentation of Accounting Reports” be more appropriate?
- 9) Service performance may be assessed against four criteria – economy, efficiency, effectiveness and equity. Useful guidance material would provide definitions, discussion and examples of performance indicators for each of these criteria.

Useful guidance could also be provided by a discussion of the performance measurement implications of the differing functions undertaken by public benefit entities. See, for example, the OECD Outputs Manual (2000).

- 10) *Paragraph 21* to be consistent with the language used elsewhere, the words “statement of service performance” should be replaced by “information in respect of service performance”

Paragraph 24 currently confuses outcomes and impacts. The definition should therefore be twofold as follows:

“Outcomes are a state or condition of society, the economy or the environment, or a change in that state or condition.”

“Impacts are the contribution to an outcome made by the outputs of one or more entities.”

Paragraphs 36 and 37 – While the provision of information in respect of the quality, timeframe and physical location of outputs may be a matter of pragmatic judgement

in the context of the qualitative characteristics, information in respect of output volume and cost should be mandatory.

Depending on the nature of the outputs concerned it may not always be possible to count the actual number of outputs delivered. However, it should then be possible to state volumes in terms of a capacity to deliver a given level of service; for example, the number of civil defence emergency response teams able to be deployed within a given timeframe.

Equally importantly, and given the high level at which most output class appropriations are stated, the provision of cost information at the level of outputs should not be a matter of choice.