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External Reporting Board  
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28 July 2016

Dear Warren

**Auckland Council submission to ED NZASB 2016-6 Service Performance Reporting**

Thank you for the opportunity to comment on the exposure draft in relation to Service Performance Reporting.

Auckland Council is Australasia's largest local government entity and is made up of the Council and six substantive council controlled organisations. We invest heavily in infrastructure and many of our decisions will have a fiscal impact on Auckland's future generations.

We have given our responses to the specific questions for the respondents as an attachment to this letter along with our additional comments for the XRB's consideration.

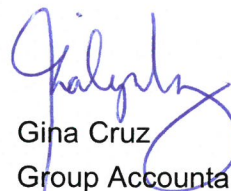
The responses in this letter were also reviewed and agreed with Auckland Transport, one of the council controlled organisations.

Once again, thank you for the opportunity to comment.

Yours sincerely



Kevin Ramsay  
General Manager Corporate Finance  
and Property  
**AUCKLAND COUNCIL**



Gina Cruz  
Group Accountant – Policies & Standards  
**AUCKLAND COUNCIL**

## **Attachment – Auckland Council’s Responses to Specific Matters for Comment requested for Exposure Draft NZASB 2016-6 Service Performance Reporting**

1. Do you agree that the dimensions of service performance in the ED are a useful way of identifying the information to be reported by public benefit entities? If not, why not?

### Auckland Council’s response:

Auckland Council Group, a local government, is required to include information in its annual report based on the Local Government Act 2002 (LGA 2002). The LGA 2002 outlines information to be included in the annual reports (Part 3 of Schedule 10). The information required is more onerous and detailed when compared to the requirements of the proposed “Service Performance Reporting” standard.

The LGA 2002 uses terminology such as community outcomes, groups of activities and statement of service provision that requires performance measures for groups of activities. The LGA 2002 states that the performance measures will enable the public to assess the level of service for major aspects of groups of activities. The proposed new standard is highlighting different terminology such as three dimensions (outputs, outcomes and impacts). We propose to the XRB that guidance be prepared to link the terminology of the various applicable legislations with this ED, which can come in a form of a table as a separate guidance or part of this proposed standard.

We also propose that the XRB work with the Office of the Auditor-General (OAG) in preparing the guidance to link the different terminologies. The OAG has an auditing standard for service performance reports which provides a list of commonly used terminologies with the corresponding definition which can be used as a starting point.

2. Do you agree that the application of the qualitative characteristics and appropriate balancing of the pervasive constraints on information will result in appropriate and meaningful service performance information? If not, please explain why not and identify any alternative proposals.

### Auckland Council’s response:

We agree that the qualitative characteristics and pervasive constraints should be applied. In describing what an appropriate and meaningful service performance information is, consider adding the following characteristics:

- 1) Influenceable, so we are not measuring metrics that we cannot shift.
- 2) Appropriate for the audience, so that we don’t, for example, report a detailed output metric to a group interested in impacts and outcomes.

3. Do you agree with the use of the term “appropriate and meaningful”? If not, please explain why not and identify any alternative proposals.

### Auckland Council’s response:

We support the use of the term “appropriate and meaningful”. However, we note that an “appropriate and meaningful” report does not always show direct links between the three dimensions (output, outcomes and impact).

4. Do you agree with the proposed information to be reported? If not, please explain why not and identify any alternative proposals.

Auckland Council's response:

As discussed in our response to question 1, the legislation requires more specific and detailed information for a public sector entity's annual report. We found that the requirements of the proposed standard are more principle based which are already addressed by the detailed requirements of the legislation. It will be more helpful for public sector entities with existing legislative requirements if there is a guidance that aligns the terminologies used in the legislations to that of the proposed PBE standard (the three dimensions namely; output, outcomes and impacts).

5. Do you agree that cross referencing to information outside of the service performance section of the general purpose financial reports should be permitted? If not, why not?

Auckland Council's response

We support cross referencing to information between reports if links are direct, meaningful and value adding. Cross-referencing allows links to interrelated information within the financial reports which is useful to avoid duplication of information. We also suggest to the XRB to consider encouraging the inclusion of links to other information that, while useful, is not included in the financial report to avoid duplicate and immaterial information being included while allowing interested parties to dig deeper without cluttering the financial report.

6. Do you agree with the proposed scope in relation to:
- (a) public sector public benefit entities with existing legislative requirements to report service performance information;
  - (b) public sector public benefit entities currently without existing legislative requirements to report service performance information; and,
  - (c) not-for-profit public benefit entities?

The NZASB would welcome information on the costs and benefits of the proposals in relation to specific types of entities. If you do not agree with the proposed scope, please explain why not and your views on what the scope should be.

Auckland Council's response

We agree with the proposed scope of the ED. Auckland Council and its council-controlled organisations fall under public sector public benefit entities with existing legislative requirements. Currently, Auckland Council has a dedicated Financial Control team who is responsible for the financial statements and Corporate Performance and Reporting team who is responsible for the service performance reporting and/or other requirements of the LGA 2002 in the preparation of annual report. We are expecting costs for initial implementation e.g. costs to determine that our current service performance report aligns with the requirements of the proposed standard, will be absorbed within existing budgets. As we already have service performance reporting requirements, we don't expect further benefits to our stakeholders, except if guidance is included to align the terminologies which will help the preparers of the financial reports to appropriately address both the legislative and the proposed standard requirements.

We also support that the scope include public sectors with no existing legislative requirements and not-for-profit public benefit entities to improve service performance framework within these entities' reports and generally promote improved transparency and accountability of PBEs. We appreciate that the NZASB acknowledge in the exposure draft that the high-level principles-based approach adopted by them is intended to provide flexibility for entities to "tell their story" in a way that is meaningful for them and their users, without being too prescriptive.

We support that Tier-3 and Tier 4 public benefit entities, those who have chosen to apply accrual and cash basis of accounting, are exempt from applying this standard due to their size. Auckland Council has legacy council controlled organisations that are exempt from preparing reports required by the LGA 2002 since these entities are not material in size. The time associated with the auditing of service performance reports can be prohibitive for these entities given the quality and complexity of the reporting system these entities is required to maintain in order to accurately record, collate and report service performance information.

7. Do you agree that a two year implementation period would be appropriate?

Auckland Council's response

We propose a longer than two-year period for implementation or at least three-year period. This is beneficial for those public benefit entities that currently don't have existing legislative service performance reporting requirements. This will allow these entities to set-up auditable systems to record, collate and report the information that are required for service performance reporting. The budgeting period is normally three years for these entities. Allowing a three-year implementation period for this proposed standard will allow the PBEs to prepare for the requirements and align with their budgeting period.

8. Do you agree with the proposal to change the title of PBE IPSAS 1 *Presentation of Financial Statements* to *Presentation of Financial Reports* and the proposed amendments to that Standard? If not, please explain why not and indicate your preferred alternative approach.

Auckland Council's response

The proposed changes to PBE IPSAS 1 are reasonable.

9. What type of guidance should the NZASB develop to support entities preparing service performance information in accordance with the proposed standard?

Auckland Council's response

For all PBEs, providing guidance to link the terminologies used in legislation with the proposed dimensions of this ED will promote clarity for the users in addressing the requirements of both legislation and this proposed standard.

We also suggest to the XRB that the guidance on how to link the three dimensions should include some practical examples. We noted that the Auditor-General has mentioned in the past how the "effects on the community" section of the annual report, which may be equivalent to "impact", was not done well by many local government councils. There is plenty of literature trying to address this aspect but no clear guidance coming from legislators or standard setters.

10. Do you have any other comments on ED NZASB 2016-6?

Auckland Council's response

None