

Submission on ED270 Reporting service performance information

Dear Sir,

I am an academic in the School of Accountancy at Queensland University of Technology. I have lectured in financial accounting for approximately 10 years, and my research is in the area of third sector organisations, including social performance reporting.

In response to Exposure Draft 270, I have the following comments.

1. I agree that succinct, comparable reporting is an important development required in service (or social) performance reporting. Further, there is scope for this reporting to apply across all sectors.

Current reporting approaches such as GRI adopted by private sector organisations, case studies and Social return on investment calculations commonly promoted in the third sector, are often presented as extensive documents which fail to provide a complete and concise overview of performance. Further, the extent of detail provided typically limits understandability (clear and concise presentation), and thus comparability.

2. Fundamental financial reporting principles should be acknowledged as relevant to social reporting.

Specifically acknowledging relevance and faithful representation, together with comparability (through structured, consistent presentation of reports) and understandability (through clear and concise presentation) as central to both financial and social reporting is important. Further, while measurement has been acknowledged as a challenge, it should not prevent social reporting. Expressing measures in the most relevant context (e.g. qualitative v. quantitative, monetary v. non-monetary), and detailed only where they can be measured reliably, should be central to social reporting.

3. However, it is important to have a clear structure or framework to promote comparability (irrespective of inherent differences in individual organisations' social pursuits).

A succinct, concise report based on realised costs (inputs) and benefits (outputs, outcomes) is an important foundation for comparability and allows outputs and outcomes to be evaluated in terms of inputs. A Statement of Social Performance is attached as Appendix A, which has been developed based on a review of social reporting literature and accepted for publication in an accounting journal (Luke, 2016a). Without a structured framework there is a risk that comparability will be lost as organisations apply their own interpretation of reporting in this context.

It should be noted that adoption of the framework does not prevent additional detail being disclosed (e.g. case studies, other information). However the intention of the framework is to:

- provide a succinct account of social performance
- disclose financial performance and inputs to allow outputs and outcomes to be assessed relative to profits and inputs
- express outputs and outcomes in relevant terms (e.g. qualitative v quantitative, monetary v non-monetary), but focus on actual rather than relative details (such as percentage improvement)
- identify outputs and outcomes without measurement, where it is not relevant or reliable

4. A framework which can, and is required to be applied across a range of third sector organisations and across sectors will also enhance decision-usefulness.

Based on discussions with resource constrained third sector organisations (social enterprises, not-for-profits), it is clear that a relatively simple framework is required to report on social performance, which will have benefit for both internal and external decision-makers. Further, development of a framework which can be applied across sectors (i.e. private sector and public sector organisations also) will also enhance decision-usefulness and comparability.

In discussions with third sector organisations, they are often unsure what and how to report. Further, for some hybrid organisations such as social enterprises, it seems they are reluctant to report publicly until 'satisfactory' performance has been achieved (Luke, 2016b). Accordingly, it is important that succinct reporting via a framework such as the Statement of Social Performance is required of these organisations, rather than left to individual organisations' discretion.

While significant research has been undertaken on social reporting, progress has been limited with respect to both theory and practice. Developments such as ED270 are important steps forward. However to make constructive progress, it is important that structure, and faithful representation through a complete yet concise account are prioritised.

Please let me know if you have any queries or require additional information.

Regards
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References

- Luke, B. (2016a), From numbers and narratives to a useful reporting framework for social enterprises, *Social and Environmental Accountability Journal*.
- Luke, B. (2016b), Statement of Social Performance: Opportunities and barriers to adoption, Paper submitted to the *Accounting and Finance Association of Australia and New Zealand Conference*, 3-5 July 2016

Appendix A

Figure 1 Statement of Social Performance

Organisation X

Mission:

Statement of Social Performance Year ended 30 June 20..

Income	\$
Grants/donations (monetary)	
Earned income (e.g. sales)	
Interest	
Other	—
<i>Total income</i>	<i>a</i>
Expenses	
General administration expenses	
Social expenses	
Other	—
<i>Total expenses</i>	<i>b</i>
Net profit/loss from operations	<u><i>(a-b)</i></u>
Inputs	
Cash	\$x
Program costs	
Volunteer time	x hrs
Other (e.g. non-monetary donations)	...
Social contribution: Outputs and outcomes	
Employment provided	x jobs
Employment training	x people
Welfare savings	\$x
Other	...