

13 April 2016

Ms Kris Peach  
The Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West VIC 8007

Online submission via [aasb.gov.au](http://aasb.gov.au)

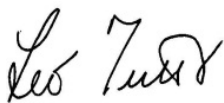
Dear Ms Peach

**AASB ED 270 Reporting Service Performance Information**

William Buck would like to provide you with our comments on AASB ED 270 *Reporting Service Performance Information* as our client base includes many not-for-profit entities (NFPs) that would be impacted by the proposals in the ED. The majority of NFPs we represent are small private NFPs registered under the Australian Charities and Not-for-profit Commission (ACNC) and include associations and co-operatives throughout Australia.

Due to our extensive experience working with NFPs, we consider ourselves to be the voice of the smaller NFP space and our comments in the attached appendix reflect their concerns with the proposals. Whilst we agree with the proposals overall, we consider that the regulator of each sector should decide whether the proposals are mandatory. If you wish to discuss our comments further, please contact Anna Adamidis at [anna.adamidis@williambuck.com](mailto:anna.adamidis@williambuck.com).

Yours faithfully  
**William Buck**  
ABN 16 021 300 521

A handwritten signature in black ink, appearing to read 'L.E. Tutt'.

**L.E. Tutt**  
Director

**CHARTERED ACCOUNTANTS  
& ADVISORS**

**Sydney Office**  
Level 29, 66 Goulburn Street  
Sydney NSW 2000  
Telephone: +61 2 8263 4000

---

**Parramatta Office**  
Level 7, 3 Horwood Place  
Parramatta NSW 2150  
PO Box 19  
Parramatta NSW 2124  
Telephone: +61 2 8836 1500  
[williambuck.com](http://williambuck.com)

## APPENDIX

### Specific Matters for Comment

*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 these principles however we consider that part (d) should be guidance and not a requirement because it is not appropriate for users to pass judgement on how well an entity has performed. As such, we also do not agree that paragraph 64 should be a requirement. These requirements create the expectation that these entities need to continuously become more efficient and effective when the reality often is that they have limited resources to do so. Therefore our recommendation would be to have these as guidance instead of requirements.

*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?*

Given that the public sector are already required to provide service performance information under legislation, the standard should only apply to the private sector.

*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?*

This Standard should not apply to for-profit entities because their objectives are completely different, as noted in paragraph BC 17 of ED 270.

*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?*

We do not agree that this standard should apply to public sector NFP entities that prepare WoG reports because in our experience, this is nothing more than a consolidation tool to present the State or Territory's financial statements. Therefore, it would be irrelevant to report on service performance information at this level, especially given the vastly different objectives the entities within this have.

*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.

*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?*

Since the information is not subject to audit (under the current proposals), we think that it should be presented in a separate report in order to avoid any confusion. Otherwise, if it is included in the entity's financial report, there will be an expectation from users that the information has been audited. Also, ASA 720 *The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report* requires an auditor to read other information included in the financial report to identify material inconsistencies with the audited financial report; whilst this is not an audit of the information, there will still be extra work required by the auditor to do this, which will ultimately result in additional costs.

*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 agree with this proposal.

*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 these terms.

*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?*

Whilst we think that the standard should be mandatory because it will provide useful information, we are concerned about the increased burden on smaller entities in preparing these disclosures. We are also concerned about how the application and implementation of such a standard would be monitored if the AASB mandated it. Therefore, we consider that it should be the regulator of each sector to decide whether such a standard is mandatory, as they have the authority to monitor the application and implementation of the standard.

*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 do not agree with the proposed application date because if it becomes a mandatory standard for all NFPs, smaller NFPs with limited resources will require more time to implement it. Therefore we propose that it be deferred so that there is a three year gap between issuance as a final standard and application.

## **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?*

As noted in our response to question 10, we think that the proposals would be useful to users however it should be up to the regulator to determine if it should be mandatory and to which entities it should apply to given the increased burden to comply with the proposals.

*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.*

Refer to our responses to questions 6 and 11 in relation to increased costs.

## **Other comments**

There has been some discussion amongst constituents as to whether or not the information disclosed under these proposals should be audited. Although the ED notes that it should be up the regulator's decision as to whether an audit is required, we would like to state that our view on this matter is that it is inappropriate for such information to be audited as it is too subjective and will therefore be an additional cost burden to NFPs.