



Project:	Service Performance Reporting	Meeting	December 2022 (M192)
Topic:	Background and education session	Agenda Item:	7.1
		Date:	28 November 2022
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		Decision-Making:	Low
		Project Status:	Project planning

Objective

1. The AASB's Service Performance Reporting project was last active in December 2016. The objective of this Paper is **to inform** the Board of the background to the reactivated project and related local and international developments that staff have identified to date. Staff intend to consider the background and subsequent developments when drafting:
 - (a) an Issues Paper on the appropriate starting point for the reactivation, with the aim of bringing the Issues Paper to the Board by Q2 2023; and
 - (b) a Project Plan, with the aim of bringing a draft Project Plan to the Board by Q3 2023.
2. This Paper is for **information/education purposes** and does not ask the Board to make any decisions. However, Board members' initial thoughts and reactions on any of the material in this Paper would be welcome. Although the Paper mentions some of the more controversial aspects of the project, it does not attempt to resolve them at this stage. The reactivation of the project provides an opportunity to reassess some previous Board decisions about service performance reporting in the context of the current environment and recent developments. Any questions or comments on the Paper by the Board will provide additional input for staff in drafting the Issues Paper and Project Plan contemplated in paragraph 1 (see Next Steps in paragraphs 28-30 below).

Structure

3. The remainder of this Paper is structured as follows:
 - (a) Introduction and background (paragraphs 4-5)
 - (b) Genesis of the AASB's Service Performance Reporting project (July 2009) (paragraphs 6-17)
 - (c) Development of AASB Exposure Draft ED 270 *Reporting of Service Performance Information* (issued August 2015) (paragraphs 18-20)
 - (d) Feedback received on ED 270 (paragraphs 21-22)
 - (e) AASB decisions based on the feedback on ED 270 (paragraphs 24-26)
 - (f) Relevant developments since ED 270 was issued (paragraph 27)
 - (g) Next steps (paragraphs 28-30)

- (h) Appendix A: Project Advisory Panel Members (December 2009)
- (i) APPENDIX B: List of the main agenda papers considered by the AASB in developing ED 270
- (j) Appendix C: List of respondents to ED 270

Attachments

Agenda Paper 7.2	Exposure Draft ED 270 <i>Reporting of Service Performance Information</i> [supporting documents folder]
Agenda Paper 7.3	Staff Paper 13.1 Reporting Service Performance Information – Comments on ED 270 (December 2016) [supporting documents folder]

Introduction and background

4. Commenced in July 2009, the AASB’s Service Performance Reporting project reached exposure draft stage ([ED 270 Reporting Service Performance Information](#)) in August 2015.
5. The feedback received on ED 270 was discussed at the December 2016 AASB meeting, mainly facilitated through [agenda paper 13.1](#).¹ Based on the mixed views reflected in that feedback (see paragraphs 22-23 below), and in light of the AASB’s limited staff resources and higher priorities at the time, the project was effectively put on hold. However, after discussing the feedback on the Invitation to Comment [ITC 46 AASB Agenda Consultation 2022-2026](#) (May 2022), mainly facilitated through the June 2022 [agenda paper 3.2](#), the AASB decided to reactivate the project (as noted in the [2022-2026 AASB Agenda Consultation Feedback Statement](#)).

Genesis of the AASB’s Service Performance Reporting project

6. Concerns were being expressed in the late 2000s that the AASB was not adequately addressing the needs of the not-for-profit (NFP) private sector.² For example, AASB Accounting Standards were criticised for not being ‘transaction-neutral’ enough and not adequately reflecting the language of the sector.
7. Around the same time, the [Report](#) by the Senate Standing Committee on Economics *Disclosure regimes for charities and not-for-profit organisations* (December 2008) recommended “a new disclosure regime contain elements of narrative and numeric reporting as well as financial, in acknowledgement that the stakeholders of the Sector want different information to that of shareholders in the Business Sector. The financial reporting should be transparent and facilitate comparison across charities” (recommendation 13). In addition, other reports, such as The Institute of Chartered Accountants in Australia’s document *Enhancing not-for-profit annual and financial reporting – Best practice reporting* (March 2009), also identified the need to consider financial reporting issues specific to private sector NFPs.
8. Furthermore, the topic ‘disclosures by charities’ was the subject of an application to the Australian Securities and Investments Commission’s (ASIC) Companies and Unclaimed Monies Special Account (CUMSA) for funding. Specifically, the application was to fund the AASB developing an Invitation to Comment or Exposure Draft relating to disclosures by charities. The Minister for Superannuation and Corporate Law subsequently approved funding for “The AASB

1 Agenda paper 13.1 (December 2016) provided the Board with a summary of the feedback received on ED 270 through formal written responses and roundtable discussions. For each matter for comment in ED 270, the agenda paper provided a staff analysis of the feedback, including identification of the feedback that supported specific proposals, other views expressed by constituents, and concerns and suggestions raised by constituents. Following discussion of the agenda paper, the AASB came to only high-level decisions (see paragraphs 24-25 below). Due to the uncertainty reflected in the comments received on ED 270 of how best to progress the project, the AASB did not delve into the detail to determine which specific suggestions for improving the proposals should be adopted.

2 Concerns were being expressed even earlier than the late 2000s but, due to resource constraints at the time, it was not until the late 2000s that the AASB was able to turn its full attention to the concerns.

developing an exposure draft for disclosures by private not-for-profit entities” (Treasury Executive Minute No. 09/0803 dated 2 April 2009).

9. Within that context, a broad project proposal: ‘Presentation and Disclosure by Private Sector Not-for-Profit Entities (including Charities)’ was considered at the July 2009 AASB meeting.
10. Based on the project proposal, the AASB decided to initiate an active ‘Disclosures by Private Sector Not-for-Profit Entities’ project, to be progressed in the following two consecutive stages:
 - (a) Stage 1: Disclosures not currently required by Standards but needed by users of general purpose financial statements (GPFs) – with an objective of ensuring the needs of users are better met in a cost-effective way; and
 - (b) Stage 2: Assessment of existing disclosures – with an objective of reducing the disclosure burden imposed by existing Standards,³ particularly in the light of any additional disclosure requirements that might arise from Stage 1.⁴
11. The AASB planned for Stage 1 to be progressed in an unspecified number of sequential parts, with only Part 1 (‘Service Performance Reporting’) explicitly identified as the highest priority. Although the focus was on Australian private sector NFPs, the intention was to consider any insights that might be provided by the related work of the International Public Sector Accounting Standards Board (IPSASB) and the then NZ Financial Reporting Standards Board (FRSB) on service performance reporting, and the International Accounting Standards Board (IASB) on management commentary.⁵
12. The aim was to progress the project in a prompt manner, without sacrificing the need to invest an appropriate amount of time to complete relevant comprehensive research in developing a sound basis for appropriate principles of service performance reporting. Although the project started out as an AASB-only project, the October 2009 joint AASB/FRSB meeting discussed the potential benefits and challenges of the two Boards working jointly, particularly in light of their different project scopes.⁶ In December 2009 the Boards decided to work on the project together, to the extent the issues to be addressed were common to both jurisdictions.
13. To maximise the potential for engagement with constituents, Part 1 of Stage 1 of the project was to be progressed through ongoing consultation with constituents rather than a series of consultation documents. To that end, a diverse Project Advisory Panel (PAP) was established (see Appendix A below for a list of members) to provide a sounding board for staff in developing papers for the Board’s consideration; and a joint AASB/FRSB subcommittee was subsequently formed to undertake a substantial amount of the review function and preliminary decision making.
14. The project progressed within a dynamic environment. At different times various external factors influenced its direction and rate of progress. Some of those factors included activities that were directly or indirectly related to service performance reporting matters being worked on by IPSASB, the NZ accounting standard setter, ACNC (established in 2011), and IASB. For example, in April 2014 the AASB decided to expand its project to include public sector NFPs in the light of IPSASB and NZ developments.⁷ Evolving developments in the AASB’s thinking on the Conceptual

3 The subsequent work done on reducing disclosure burdens was initially undertaken through the Reduced Disclosure Regime (RDR) project and subsequently through the development of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* – neither of which addressed disclosures relating to service performance.

4 The AASB’s original project plan also contemplated a possible Stage 3, which would look at presentation (as distinct from disclosure) for private sector NFP entities and determine if the current presentation requirements, such as the structure of the statement of comprehensive income, are adequate and relevant for private sector NFPs. The AASB noted that this stage would depend on the IASB’s work on financial statement presentation.

5 The AASB acknowledged early in the project that the findings of the project might also be applicable in a for-profit private sector and a public sector NFP context. However, at the time, the AASB decided that the project’s focus should remain on private sector NFPs, with a view to it being considered for public sector NFPs (and even for-profit private and public sector entities) in due course.

6 AASB was focused on private sector NFPs whereas FRSB had a broader scope of private and public sector NFPs.

7 The Board noted the progress being made on its Service Performance Reporting research project at its April 2014 meeting, and considered whether IPSASB Exposure Draft (ED) 54 *Reporting Service Performance Information*, which was the precursor to

Framework, changes in the AASB's competing priorities, project staff changes, and Board membership and Chair changes also affected the project.

15. Initial feedback from roundtable discussions indicated that some stakeholders disagreed with the idea of introducing service performance reporting requirements particularly for private sector NFPs. Stakeholders' concerns included those relating to meeting any compliance requirements, given that private sector NFPs are often dependent on well-meaning volunteers who do not necessarily have (nor do they have sufficient resources to acquire) the accounting and reporting skills needed to comply with significant new regulations.
16. Being cognisant of these factors, the AASB was ever mindful of possible implementation costs of any service performance reporting proposals. However, at the same time, the AASB noted the benefits that could accrue to not only individual charities and other NFP entities but the sector (and even the economy) as a whole if trust in the sector could be enhanced through improved accountability and for other decision-making purposes facilitated by improved⁸ service performance reporting. This was particularly so in the light of various scandals in the charities sector that arose, and continue to arise from time to time, and undermine trust in the sector.
17. It was within the above context that, initially and over a number of subsequent meetings, the AASB decided to adopt a range of relatively high-level working assumptions for the purposes of progressing the project. Some of the key working assumptions are listed in paragraph 18 immediately below.

Development of AASB Exposure Draft ED 270 *Reporting of Service Performance Information* (issued August 2015)

18. As documented in summary form in the [Reporting Service Performance Information Project Summary](#) posted on the AASB website, the working assumptions developed initially and as the project work progressed included:
 - (a) users of service performance information include resource providers (including taxpayers if the entity has tax deductible status), beneficiaries, and parties with a review/oversight/monitoring function;
 - (b) service performance information potentially falls within the scope of GPFs;⁹
 - (c) even if no Standard were to arise from the project, the Board could play a leadership/facilitation role and potentially identify other suitable parties that could develop an appropriate pronouncement;
 - (d) at least some mandatory requirements should be developed, but they should be in the nature of high-level principles, perhaps based on a 'through the eyes of management' approach;
 - (e) the emphasis should be on specifying principles that would result in service performance information that can be used by users as input to their analysis of an entity's service performance, rather than provide an analysis of service performance per se;
 - (f) service performance information to be reported might comprise both financial and non-financial information, whether quantitative or qualitative/narrative. Accordingly, the focus should be on "an entity's non-financial principal objectives and their financial implications" rather than simply 'non-financial information';

IPSASB Recommended Practice Guide (RPG) 3 of the same name, provided a suitable basis for accelerating the AASB's project. The Board also noted that the NZASB was developing a standard on service performance reporting. The AASB decided that IPSASB ED 54, in combination with the AASB staff's research to date and the NZ Accounting Standards Board's (NZASB) work, would provide a sound basis for reorienting the AASB's work from 'green fields' research to developing an AASB ED of a proposed Standard. The Board also decided that the project should include within its scope both public sector and private sector NFP entities.

8 From the outset the AASB acknowledged the existence of a diverse range of frameworks being adopted in practice by various individual and sub-groups of private sector (and public sector) NFPs.

9 The AASB regarded itself as being well placed to establish pronouncements on service performance reporting given the AASB's expertise in setting financial performance reporting standards within a robust conceptual framework that can be applied either directly or by analogy to service performance reporting. Despite this, the questions of whether service performance information falls within the scope of GPFs and the AASB's role in establishing service performance reporting requirements were to be assessed by the AASB later in the project.

- (g) the project should aim to identify current good reporting practices (and good existing frameworks), but not necessarily codify those practices. Current practice should provide a benchmark against which to develop potential requirements;
- (h) given the potential breadth of ‘service performance information’, a constraining principle along the lines of “service performance information that relates to an entity’s principal objectives” should be adopted. Accordingly, performance relating to other aspects of an entity’s objectives (such as environmental performance, legal compliance, and OH&S performance) should be excluded;
- (i) differential reporting issues for SME NFPs need to be considered in due course;
- (j) measurement issues might need to be considered; and
- (k) a wide range of matters should be considered in developing the principles of service performance reporting, including:¹⁰
 - (i) objectives;
 - (ii) application of qualitative characteristics;
 - (iii) core principles;
 - (iv) output and outcome dimensions – principles for selecting performance measures, including key performance indicators (KPIs);
 - (v) principles for selecting performance targets, including KPIs;
 - (vi) segment reporting/disaggregated information;
 - (vii) volunteer services and costs;
 - (viii) activity based costing;
 - (ix) sensitivity analysis;
 - (x) budgets and future oriented information;
 - (xi) variance reporting, including explanations of variances;
 - (xii) relationship to management commentary; and
 - (xiii) definitions.

19. The staff papers listed in Appendix B below were developed in consultation with the PAP and AASB/NZ accounting standard setter joint sub-committee to help inform the AASB in arriving at the above working assumptions, and ultimately the proposals in ED 270.¹¹ The Basis for Conclusions that accompanies [ED 270](#) articulates, on pages 50 to 60, the Board’s reasons for those proposals and are not repeated in this Paper, although are included in Agenda Paper 7.2 of this meeting.

20. A high-level summary of the feedback received on ED 270 is provided in paragraph 23 below, and a summary of the outcome of the AASB’s (limited) deliberations on that feedback is provided in paragraphs 24-25. Agenda Paper 7.3 for this meeting is the staff analysis of the feedback on ED 270 considered by the Board in December 2016.

Feedback received on ED 270

21. Issued in August 2015, ED 270 was initially open for comment until 12 February 2016. The comment period was subsequently extended to 29 April 2016 to allow further engagement with NFP private sector entities. As noted in paragraph 5 of this Paper, the AASB considered the feedback received on ED 270 at its December 2016 meeting.

22. The feedback received suggests there are a number of pervasive issues that could affect the direction and scope of the project, including:

- (a) whether AASB is a proper and preferred body to determine a service performance reporting pronouncement;
- (b) the types of entities that should be subject to a service performance reporting pronouncement (the proposals in ED 270 [see paragraph 5 of ED 270] were to apply to NFP entities in the private and public sectors);

¹⁰ As it transpired, some of these matters were either tweaked or not explicitly reflected in ED 270.

¹¹ Staff can provide a copy of past staff papers upon request to current Board members if required.

- (c) whether a pronouncement should be mandatory or voluntary (the proposals in ED 270 [see paragraph 8 of ED 270] were to be mandatory);
- (d) whether differential reporting principles/simplified disclosure requirements for SME NFPs need to be applied (ED 270 did not contemplate differential service performance reporting requirements);
- (e) whether information disclosed about service performance falls within the scope of GPFS and what audit/assurance implications there might be;
- (f) the relationship of the Service Performance Reporting project to the Sustainability Reporting project;
- (g) the relationship of the Service Performance Reporting project to the Management Commentary project; and
- (h) the relationship of the Service Performance Reporting project to the NFP Financial Reporting Framework project and the NFP Conceptual Framework project.

It would be expected that the approach to addressing some of these pervasive issues would be dependent on the interaction between them and the overall approach to specifying service performance reporting principles.

23. The [minutes](#) to agenda item 13 of the December 2016 AASB meeting note that, based mainly on responses to Specific Matter for Comment 1 (which asked whether respondents agreed with the proposed principles for reporting service performance information), respondents generally agreed with the objectives and principles as proposed.¹² The minutes also record that, more broadly, concerns were raised about:

- (a) the overlap between ED 270 and existing reporting frameworks and government reporting requirements (as mainly evident from responses to Specific Matter for Comment 2 on whether the proposals should apply to both public and private sector NFPs);
- (b) the proposed mandatory status of the draft Standard (as evident from responses to Specific Matter for Comment 9 on whether the proposals should be mandatory); and
- (c) the costs of implementation potentially outweighing the benefits, particularly for small and medium-sized entities (as mainly evident from responses to General Matter for Comment 12 on the costs and benefits of the proposals).

AASB decisions based on the feedback on ED 270

24. Whilst acknowledging the concerns expressed by respondents to ED 270, the AASB decided to “continue the project, given the importance of reporting service performance information in providing information about the entity that is useful to users for evaluating accountability and for other decision-making purposes” ([minutes](#) for agenda item 13, December 2016). However, during the December 2016 meeting, as noted in footnotes 1 and 12 above, the AASB did not make decisions on whether or not to proceed with any of the proposals in ED 270, including the proposals that were the subject of the following matters for comment:

- (a) 2 - whether the proposals should apply to both private and public sector NFPs;
- (b) 3 - whether the proposals should apply to for-profit entities at a future date;
- (c) 4 - whether the proposals should apply at a consolidation level;
- (d) 5 - whether the reporting entity for which service performance information is reported should be the same as that used for the financial statements;
- (e) 6 - whether the Standard should not specify the location of service performance information;
- (f) 7 - whether service performance information should be allowed to be reported for a different period to that of the financial statements;
- (g) 8 - whether the defined terms and their definitions are appropriate;
- (h) 9 - whether the proposals should be mandatory;
- (i) 10 - the proposed application date;

¹² However, as noted in footnote 1 above, the AASB did not go on to assess what amendments should be made to the articulation of those principles based on suggestions made by respondents.

- (j) 11 - any other issues; and
- (k) 12 - cost/benefit issues.

25. Rather, before making decisions on those and other issues, the AASB noted further work would be required in areas such as:
- (a) further consultation with users, preparers and regulators;
 - (b) publishing any relevant academic research on user needs;
 - (c) benchmarking existing frameworks and government reporting requirements;
 - (d) field testing a number of large NFP entities already reporting service performance information; and
 - (e) using simpler language and providing a more overarching framework for the preparation of service performance reporting.
26. Since the AASB noted the further work required, there have been a number of local and international developments. Those developments identified by staff to date as being relevant to a reactivated project are summarised in paragraph 27 immediately below.

Relevant developments since ED 270 was issued

27. Since ED 270 was issued, the following significant developments have occurred in various potentially relevant areas:¹³
- (a) the responses to ED 270: as noted earlier in this Paper, a number of respondents (see agenda paper 13.2 of the AASB December 2016 meeting, being a copy of written responses to ED 270) made both specific and general suggestions on how the proposals in ED 270 could be improved, including how the proposed requirements could be made more cost effective;¹⁴
 - (b) the development of NZ Public Benefit Entity Financial Reporting Standard 48 *Service Performance Reporting* ([PBE FRS 48](#)) and the signing of the Trans-Tasman [Protocol for co-operation](#): PBE FRS 48 was issued in November 2017 and contains amendments to 31 August 2020. The Protocol was signed in November 2019. In accordance with paragraph 3 of PBE FRS 48, the Standard applies to Tier 1 and Tier 2 not-for-profit public benefit entities and Tier 1 and Tier 2 public sector public benefit entities required by legislation to provide information in respect of service performance in accordance with generally accepted accounting practice. As noted earlier in this Paper, ED 270 had regard to the NZ Accounting Standards Board's (NZASB) progress in developing PBE FRS 48 at the time, including the work undertaken on invitation to comment [ED NZASB 2016-6 Service Performance Reporting](#) (issued February 2016) that was the precursor to PBE FRS 48. When converting its ED to PBE FRS 48, NZASB addressed issues raised by respondents to its 2016 ED that were also raised with the AASB in response to ED 270;¹⁵
 - (c) implementation experience with NZ PBE FRS 48: although it might be premature to expect to see full implementation experience, it is reasonable to expect there to be a number of NZ entities preparing to adopt the Standard, given its 1 January 2022 application date.¹⁶ A Monash University research team is currently undertaking research into the NZ implementation experience to date;

¹³ The following dot point list is presented in no particular order.

¹⁴ If an updated analysis of responses to ED 270 were to be initiated, a starting point could be agenda paper 13.1 of the December 2016 AASB meeting (which only presented a summary of the feedback received on ED 270). The submissions received on ED 270 can be accessed in 'archived documents' at <https://aasb.gov.au/archive/archived-work-in-progress-documents/>.

¹⁵ It is also relevant to note that NZ Tier 3 and 4 simple reporting standards include service performance reporting requirements that have been in place since 2013 and were applied for five years. In 2020, the NZASB reviewed these requirements as part of a post-implementation review and, in 2022, proposed amendments to remove the language around 'outcomes' and 'outputs', but to retain the requirement for entities to report on what they are seeking to achieve over the medium to long term (i.e. their 'objectives') and the significant activities undertaken during the reporting period to advance these objectives. Adoption of the [proposed amendments](#) would bring the service performance reporting requirements in Tier 3 and Tier 4 Standards more in line with those in the Tier 2 PBE FRS 48. The consultation period closed 30 September 2022.

¹⁶ Early adoption allowed. Depending on when the AASB undertakes its work on the Service Performance Reporting project, there might be more NZ implementation experience available for consideration.

- (d) implementation experience with IPSASB Recommended Practice Guide 3 *Reporting Service Performance Information* ([RPG 3](#)): as noted above, IPSASB RPG 3 (published in March 2015) was comprehensively considered in the development of ED 270.¹⁷ There might be implementation experience with RPG 3, or national domestic pronouncements based on RPG 3. A Monash University research team is currently undertaking research into implementation experience, if any, with IPSASB RPG 3 or related pronouncements;
- (e) ACNC’s relatively recent changes to requirements for service-performance-related information to be included in Annual Information Statements submitted by charities:¹⁸ in its submission on ITC 46, ACNC noted “Charities already report information about their charitable programs to the ACNC and many charities choose to provide additional information about their activities, effectiveness and outcomes in their annual reports.”¹⁹;
- (f) the International Financial Reporting for Non-Profit Organisations (IFR4NPO) initiative: this initiative has included the publication of a [Consultation Paper](#) by The Chartered Institute of Public Finance and Accountancy (CIPFA) in January 2021. Issue 10 of Part 2 of the Consultation Paper focused on ‘narrative reporting’, and is a subject included in proposed Guidance (referred to as [INPAG ED1](#)), which was issued on 20 November 2022 and is open for comment until 31 March 2023;
- (g) IASB’s work on the Management Commentary Practice Statement: since the issue of ED 270, the IASB has progressed its work on the Management Commentary Practice Statement. The focus is on private sector for-profit entities and the scope is broader than ‘service performance’ commentary;²⁰
- (h) AASB and other research, including:
 - (i) [AASB Research Report 14 Literature Review: Service Performance Reporting for Not-for-Profits](#) (February 2020), which contains recommendations and conclusions;
 - (ii) a Monash University research team aiming to test different ways of expressing service performance reporting principles, and presenting related information, with a range of stakeholders (including preparers and users, particularly in the medium-sized category);
 - (iii) the recent and current work of other academics, such as Professor Wai Fong Chua at the University of Sydney Business School (e.g., Professor Chua co-authored *Accounting and passionate interests: The case of a Swedish football club*)²¹; and
 - (iv) the AASB staff work to date in the context of narrative reporting, including a comparison of Australian current narrative reporting requirements with requirements in NFP private and public sectors of selected jurisdictions (noted in the staff paper [13.1 Management Commentary project plan](#) of the November 2019 Board meeting) and the feedback received on the Invitation to Comment [ITC 46](#) as noted in paragraph 5 above;
- (i) the AASB’s NFP Financial Reporting Framework project: the project has included:
 - (i) AASB [Discussion Paper – Development of Simplified Accounting Requirements \(Tier 3 Not-for-Profit Private Sector Entities\)](#) – published in 2022 and open for comment until 31 March 2023. Paragraphs 1.9 to 1.11 of the Discussion Paper

17 The copyright notice to ED 270 notes that ED 270 is based on RPG 3. Paragraphs BC41-BC52 of ED 270’s Basis for Conclusions provide a comparison of ED 270 with IPSASB [RPG 3](#).

18 See [ACNC News 31 July 2020 Enhancements to the Charity Register to Benefit Donors and Charities](#); and [AIS Program Previewer](#) (a tool to preview the section of the Annual Information Statements that asks for information about a charity’s programs).

19 In making this comment, ACNC goes on to say “However, the information voluntarily provided by charities is often inconsistent, so a framework for service performance reporting, for example along the lines of the New Zealand model, could result in more consistent and comparable information about service performance for charity stakeholders.”

20 At this stage (November 2022), progress on the project has slowed whilst the relationship between the Management Commentary project and the Sustainability Reporting project is clarified. To date, the IASB has received comments on its Exposure Draft (which was incorporated into [AASB ED 311 Management Commentary](#) (July 2021)), but has not yet resolved how to address those comments and therefore how to progress the project.

21 Baxter, J., Carlsson-Wall, M., Chua, W.F. and Kraus, K., 2019. Accounting and passionate interests: The case of a Swedish football club. *Accounting, Organizations and Society*, 74, pp.21-40.

- make it clear that the Board does not intend to develop proposals for reporting service performance information as part of its Tier 3 project;
- (ii) AASB [Discussion Paper – Improving Financial Reporting for Australian Charities](#) (November 2017). The feedback received on this Discussion Paper is provided in February 2021 agenda paper 5.1, which is available at: https://aasb.gov.au/admin/file/content102/c3/5.4_SP_SPRNFPRF_M179_PP.pdf; and
 - (iii) other Board agenda papers:
 - 1) September 2020 agenda paper https://www.aasb.gov.au/admin/file/content102/c3/5.1_SP_NFPFRF_M177_PP.pdf, which provides a summary of initial targeted consultations with stakeholders and key matters identified; and
 - 2) October 2020 agenda paper (key matter 6) https://www.aasb.gov.au/admin/file/content102/c3/3.1_SP_NFPFRF_M178_PP.pdf, which notes further feedback received since the September 2020 Board meeting;
 - (j) developments in relation to sustainability reporting: these include work of the Global Impact Investing Network (GIIN) with its Integrated Reports & Information System (IRIS) – see <https://iris.thegiin.org/metrics>;
 - (k) developments in other relevant frameworks: these include public and private sector ‘non-financial’ reporting frameworks (e.g. the Productivity Commission’s Report on Government Services (RoGS) and the [Independent Review into the operation of the Public Governance, Performance and Accountability Act 2013 and Rule](#) (September 2018);²² and other broader frameworks, including ASIC Regulatory Guide [RG 247 Effective disclosure in an operating and financial review](#) (August 2019)). In relation to the public sector, AASB staff together with a UNSW undergraduate program, is currently developing a summary of current service performance reporting requirements in the public sector;
 - (l) developments in thinking about conceptual framework issues: in particular, the AASB’s (and IPSASB’s and IASB’s) evolving views on conceptual framework issues, including those in relation to private sector NFPs and, for example, the scope of GPFS (for example, [comparison of AASB and IPSASB Conceptual Frameworks in staff paper 10.2](#) of the September 2020 AASB meeting);²³ and
 - (m) developments in best practice: since ED 270 was issued, entities have had time to develop their voluntary service performance reporting practices.²⁴ It is also notable that, in its submission on ITC 46, ACAG suggests “... the AASB consider the reviews conducted by Australian Auditors-General of performance reporting in the public sector as the AASB

22 Recommendation 9 of the Independent Review states: “The Department of Finance should encourage the Australian Accounting Standards Board to develop a standard for performance reporting to assist Commonwealth entities and audit committees to develop and review performance reporting. We also support the Auditing and Assurance Standards Board developing an auditing standard for performance reporting to assist auditors with auditing performance reporting.” Within that context, it is notable that AASB staff have been working on a comparison of narrative reporting requirements of NFP public sector entities (as noted in paragraph 27(h)(iv) above), which includes a consideration of the key similarities and differences between the PGPA Framework and the draft disclosure objectives included in the IASB’s proposals to revise IFRS Practice Statement 1 *Management Commentary*.

23 The paper noted that if the AASB were to identify service performance reporting as a necessary component of general purpose financial reporting by some, or all, NFP entities (as part of another project) staff recommend that in Stage 1 the NFP Revised Conceptual Framework acknowledges explicitly the relevance of information about service performance to users of general purpose financial reports of NFP entities and the reasons why it is relevant.

24 For example, an innovative approach is adopted by an organisation called GiveDirectly, which is “... a nonprofit that lets donors ... send money directly to the world’s poorest households. We believe people living in poverty deserve the dignity to choose for themselves how best to improve their lives — cash enables that choice.” (<https://www.givedirectly.org>). GiveDirectly took on the challenge of conveying its performance in a meaningful and understandable way (in the face of the volume and diversity of its activities) and in a trustworthy way (in the face of the natural cynicism of users when reading moderated and carefully curated ‘success’ stories). To meet that challenge, the entity reports performance each week on its website by providing stories and photos of its beneficiaries, selected at random. The stories are written by a field officer conducting an interview with a recipient, and the field officer’s notes are published verbatim, warts and all. A by-product of this unmoderated and random approach to what performance information is reported is that it is thought to give confidence in all types of information reported by the entity. (This anecdote is reported in a book *Algorithms to Live By: The Computer Science of Human Decisions* by Brian Christian and Tom Griffiths (Ebook edition April 2016), in Chapter 9).

Literature Review focused on academic publications and had little material covering the public sector.”

Next steps

28. In relation to the project’s scope, broad approach and overall direction, a key matter will be the baseline for re-starting the project. That is, whether the project should, for example:

- (a) build on the existing work completed as part of ED 270;
- (b) build on the developments subsequent to the publication of ED 270 (e.g. NZ PBE FRS 48, in light of the Trans-Tasman [Protocol for co-operation](#));²⁵ or
- (c) apply a ‘green fields’ approach, i.e. starting from first principles.

As noted in paragraph 1 above, before proceeding to draft a Project Plan, staff intend considering the relative merits of alternative baselines for reactivating the project, with the aim of bringing an **Issues Paper on the matter to the Board by Q2 2023**. The Board’s decision on the baseline would provide the foundation for staff to then proceed to draft the Project Plan.

29. In addition to reflecting the Board’s baseline decision, to assist in informing the development of the draft Project Plan, staff will continue to consider:

- (a) the key developments since the issuance of ED 270, identified in paragraph 27; and
- (b) the pervasive issues identified in paragraph 22. Staff will also consider the interactions across those pervasive issues, and their relationship to the overall approach to specifying principles for service performance reporting.

30. Staff will develop a **draft Project Plan** that reflects the considerations noted in paragraphs 28-29 to be brought to the Board, as noted in paragraph 1, **for deliberation by Q3 2023**.

Questions for Board members

1. Do Board members have any questions or comments about the information provided in this Paper?
2. Do Board members have any initial thoughts on issues for staff to consider in the baseline Issues Paper contemplated in paragraph 28?
3. Are Board members aware of any relevant developments not listed in paragraph 27, or pervasive issues not listed in paragraph 22, that staff should also take into account when analysing alternative baselines in drafting the Project Plan?

25 The difference between (a) and (b) may not be substantive if starting the reactivated project from ED 270 would involve consideration of NZ PBE FRS 48; and if starting from for example NZ PBE FRS 48 would involve consideration of the learnings from ED 270 (and subsequent developments) in considering whether it is necessary to modify NZ PBE FRS 48 for Australian circumstances.

Appendix A: Project Advisory Panel Members (December 2009)

The following table is extracted from agenda paper 12.5 of the December 2009 AASB meeting.

No	Name	Organisation	Position
1	Alicia Toohey	Australian Council for International Development	Compliance Officer
2	Allan North	Moorestone Group Pty Ltd	Senior Associate
3	Amar Nathwani	MGI Perth	Director
4	Andrew Mitchell	CBC Partners Pty Limited	Director
5	Angela Gregory		
6	Anthony T. Baker	Sunrise Health Service	Finance Manager
7	Ben Coull	WHK Group Limited	Partner, Audit
8	Chris O'Neill	Salvation Army	Financial Controller
9	Christopher Shelly	YMCA Australia	Finance Manager
10	Darryn Rundell	Deloitte Touche Tohmatsu	Partner
11	David Gibbs	Mutual Trust Pty Ltd	Director – Family Office
12	David Greenall	Chartered Accountant	Principal
13	David Solomon	Australian Jesuits	CFO
14	David Thompson	Jobs Australia Ltd	CEO
15	Denis Tamplin	UnitingCare NSW	Corporate Finance Manager
16	Dione O'Donnell	Life Without Barriers	CFO
17	Don Smith	Marie Stopes International Australia	Head of Finance, Australian and Asia Pacific Programs
18	Dr Mark Shying	CPA Australia Ltd	Senior Policy Adviser, CPA
19	Dr Ted Flack	St Vincent de Paul Society Queensland	State Director Communications and Fundraising
20	Francine Bell	Royal Automobile Club of WA	Group Corporate Accountant
21	Geoff Turner	University of Nicosia, Cyprus	Associate Professor of Accounting
22	Gina Anderson	Philanthropy Australia	CEO
23	Graeme Macmillan	The International Accounting & Auditing Institute	Principal
24	Graeme Rodda	MHM	Director
25	Grant David Allsopp	Walker Wayland	Partner
26	Greg Wilkinson	Bates Cosgrave	Manager
27	Ian Southwood	World Vision Australia	Head of Finance
28	Janine Muir	Centre for Enterprise Performance, Swinburne University of Technology	Lecturer, Accounting
29	Jason Wilk	Blue Zoo	Director
30	Jean Maree Stone	Not For Profit Consultancy Services	Public Accountant
31	Jenni Allan	ADSSI Limited	Finance Administration Manager
32	Joe Costanzo	TVET Australia Ltd	Manager Finance and Budget
33	John Church		
34	Justine Felton	PricewaterhouseCoopers	National Corporate Responsibility Manager
35	Kathy Ostin	KPMG, Not-for-Profit sector	Lead Partner
36	Ken Crofts	Charles Sturt University, Bathurst	Lecturer, Accounting
37	Kerry Hicks	Institute of Chartered Accountants in Australia	Head of Reporting
38	Kevin Gray	Council for Christian Education in Schools	CFO
39	Kimberly Smith	Kimberly Smith Partners	Principal
40	Ronita Ram	Department of Finance and Treasury	Corporations and Financial Services Division
41	Lydia Kilcullen	Business School, University of Western Australia	Assistant Professor
42	Lyn Grigg	School of Business, UNSW	Accounting Lecturer
43	Martin Power	Bentleys (Qld) Pty Ltd	Director
44	Mary Anne Stephens	Children's Cancer Institute Australia for Medical Research	COO
45	Michael Sadhu	Moore's Legal, NFP group	Lawyer
46	Mike Blake	Auditor-General, Tasmania	Auditor, Regional Chair ICAA
47	Nicholas Andrew Calder	Mack & Co	Partner
48	Peter Lucas	Foodbank NSW Limited	Non-Executive Director
49	Prof. David Gilchrist	University of Notre Dame Australia	Adjunct Professor of Not-for-profit Leadership
50	Prof. Myles McGregor-Lowndes	Centre of Philanthropy and Nonprofit Studies, Queensland University of Technology	Director

No	Name	Organisation	Position
51	Professor Chris Ryan	Queensland University of Technology	Head of School of Accountancy
52	Ric West	Central Desert Native Title Services Ltd	Business Services Manager
53	Richard Nearn	Pathways Rehabilitation & Support Services Limited	Finance Officer
54	Rob Mackay	Moore Stephens	Head of Technical Accounting Services
55	Robert Forbes	Bentleys (Qld) Pty Ltd	Director
56	Rod Wallbridge	Sole practitioner	
57	Sally Highducheck	Holdsworth Community Centre	Board member
58	Sam Naidu	Burwood RSL Club Ltd	Financial Controller
59	Steven Bradby	Lawler Draper Dillon Chartered Accountants	Partner
60	Stewart Douglas	Bentleys (Qld) Pty Ltd	Associate Director
61	Tom Ravlic	National Institute of Accountants	
62	Tracy Chee	Bentleys (Qld) Pty Ltd	Client Services Manager
63	Victor Borg	Monash University	
64	Vittoria Borazio	Youth Off The Streets Limited	CFO/COO
65	Warick Angelini	OCTEC Incorporated	Manager Corporate Services
66	Wayne Basford	BDO Kendalls	Head of Technical Dept & Chair of BDO International's IFRS working party
67	William H Hardman	RSL New South Wales RSL LifeCare Limited	State Councillor Director

Appendix B: List of the main agenda papers considered by the AASB in developing ED 270

Agenda paper number (AASB meeting)	Title of paper
7.3 (September 2009)	Paper 1: Status report on IPSASB and NZ FRSB work on service performance reporting
7.4 (September 2009)	Paper 2 (work in progress): Report on staff research into domestic and international requirements and practices relating to service performance reporting
7.4A (September 2009)	Paper 2A (work in progress): Examples of statements of service performance
7.2 (September 2009)	Paper 3: Threshold issues pertinent to service performance reporting by private sector not-for-profit entities
12.2 (December 2009)	Paper 4: A constraining principle for service performance reporting
12.3 (December 2009)	Paper 5: Applying the AASB/FRSB Process for Modifying IFRSs for PBE/NFP to Service Performance Reporting by Private Sector Not-for-profit Entities
12.2 (February 2012)	Positioning Paper – Service Performance Reporting (exploring the broad notion of performance and its relationship to performance information and service performance information within GPFs [and therefore within the scope of the Conceptual Framework])
12.3 (February 2012)	Context Paper – Service Performance Reporting Project (addressing fundamental issues pertinent to progressing the project)
7.2 (April 2012)	Defining or describing ‘Service performance Reporting’
7.3 (April 2012)	Users of service performance information and the purposes for which users require that information
17.2 (October 2014)	Service Performance Reporting – Objective of Service Performance Reporting
14.2 (December 2014)	Service Performance Reporting – Principles for the reporting of service performance information

Appendix C: List of respondents to ED 270

S1 Vision Australia
S2 Queensland University of Technology (QUT)
S3 William Buck
S4 Nexia Australia
S5 Mark Schiliro and Associates (MNSA)
S6 Chartered Accountants Australia and New Zealand (CAANZ)
S7 Australian Council for International Development (ACID)
S8 Australian Charities and Not-for-profits Commission (ACNC)
S9 John Church
S10 Australasian Council of Auditors-General (ACAG)
S11 National Disability Services (NDS)
S12 Keith Reilly
S13 Confidential
S14 Community Council for Australia
S15 NSW Treasury
S16 Heads of Treasuries Accounting and Reporting Advisory Committee (HOTARAC)
S17 Australian Catholic Bishops Conference
S18 KPMG
S19 Australian Institute of Company Directors (AICD)
S20 Ernst & Young Australia (EY)
S21 Saward Dawson
S22 YWCA Australia (YWCA)
S23 Council of Rural Research and Development Corporations (CRRDC)
S24 Justice Connect
S25 Local Government Finance Professionals Queensland (LGFPQ)
S26 CPA Australia (CPAA)
S27 PricewaterhouseCoopers (PwC)
S28 Institute of Public Accountants (IPA)
S29 PKF
S30 CORE Community Services
S31 Queensland Department of the Premier and Cabinet (Qld DPC)
S32 Queensland Treasury

A list of roundtable participants is not included in this appendix due to privacy reasons.