



# Reporting Service Performance Information

## Project summary

The objective of this project is to develop a pronouncement that establishes the principles for not-for-profit entities to report information about their service performance in a cost-effective way.

The project will consider issues relevant to service performance reporting, including understanding user needs, costs, and benefits to determine the nature and the scope of any future service performance reporting requirements.

## Project contact

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**Project priority:** Medium

### Issued documents

- ED 270 *Reporting Service Performance Information*
- ITC 46 *AASB Agenda Consultation 2022-2026*

### AASB outreach

- Feedback from Education Sessions and Roundtables on ED 270
- Comment letters on ED 270
- Comment letters on ITC 46 *AASB Agenda Consultation 2022-2026*

### Project status

- Further research and planning following the reactivation after ITC 46

### Board deliberations

- AASB Action Alert Update, Minutes and Board Papers

### IPSASB

- [Link to IPSASB project page](#)

### AASB communications

- Media Release 'Financial information not enough for not-for-profit entities - closing the service performance gap' (24 August 2015)
- AASB Extra (October 2015)
- Feedback Statement - *AASB Agenda Consultation 2022-2026*

## Latest project news

Date	News
19 December 2022	December 2022 Action Alert
15 December 2016	December 2016 Action Alert
4 December 2015	December 2015 Action Alert

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

Last updated: **20 December 2022**

## Latest project news

9 July 2015	July 2015 Action Alert
16 April 2015	April 2015 Action Alert
19 December 2014	December 2014 Action Alert
24 October 2014	October 2014 Action Alert

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**December 2022** The Board considered an overview of the background to its reactivated project on service performance reporting and related local and international developments. No decisions were made.

The Board discussed aspects that could be considered further in assessing how to progress the project, including:

- (a) the needs of stakeholders who are interested in the performance of NFP entities and calls for greater transparency and consistency in reporting both financial and non-financial information;
- (b) the extent to which financial and non-financial information should be capable of assurance;
- (c) similarities and differences between current reporting requirements and practice in the not-for-profit public and private sectors; and
- (d) the timeframe for adoption if a mandatory pronouncement is to be developed.

In 2023, the Board plans first to consider the aspects noted above in addressing the appropriate baseline for restarting the detailed project work. A draft project plan will be considered later in the year.

[7.1](#) Staff Paper – Service Performance Reporting - Background and education session

[7.2](#) Exposure Draft ED 270 *Reporting of Service Performance Information*

[7.3](#) Staff Paper 13.1 Reporting Service Performance Information – Comments on ED 270 (December 2016)

**December 2016** The Board considered the feedback received on ED 270 *Reporting Service Performance Information* and noted constituents generally agreed with the objectives and principles of service performance reporting. However, constituents, raised concerns relating to:

- (e) the overlap between ED 270 and existing reporting frameworks and government reporting requirements;
- (f) the proposed mandatory status of the draft Standard; and
- (g) the costs of implementing the Standard potentially outweighing the benefits of the information provided, particularly for small and medium-sized entities.

The Board decided to continue the project, given the importance of reporting service performance information about the entity that is useful to users for evaluating accountability and for other decision-making purposes. However, the Board noted further work would be required in areas such as:

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	<ul style="list-style-type: none"> <li>(a) consultation with users, preparers and regulators of service performance reporting;</li> <li>(b) publishing any relevant academic research on user needs;</li> <li>(c) benchmarking existing frameworks and government reporting requirements;</li> <li>(d) field testing a number of large, not-for-profit entities already reporting service performance information; and</li> <li>(e) using simpler language and providing a more overarching framework for the preparation of such reporting.</li> </ul> <p><b><u>13.0</u></b> Cover Memo: Reporting Service Performance Information</p> <p><b><u>13.1</u></b> Staff Paper – Reporting Service Performance Information – Comments on ED 270</p> <p><b><u>13.2</u></b> Comment letters received on ED 270 <i>Reporting Service Performance Information</i></p>
<b>December 2015</b>	<p>The Board deferred the comment period on ED 270 from 12 February 2016 to 29 April 2016 to allow further consultation with the NFP private sector. The Board received a briefing of key points raised in the Education Sessions and Roundtable discussions on ED 270 <i>Reporting Service Performance Information</i> held during November 2015.</p> <p><b><u>6.1</u></b> Staff Paper – Reporting Service Performance Information – Feedback from Outreach Sessions</p>
<b>July 2015</b>	<p>The Board tentatively decided to extend the proposed comment period for the forthcoming service performance reporting ED from four months to six months, with comments due around the end of January 2016. As a result of this decision, the Board also tentatively decided that the proposed effective date for the proposals should be deferred by one year to 1 July 2018.</p>
<b>April 2015</b>	<p>The Board reviewed a draft ED on Reporting Service Performance Information. In developing the proposals, staff considered existing guidance in the International Public Sector Accounting Standards Board (IPSASB) Recommended Practice Guideline RPG 3 <i>Reporting Service Performance Information</i> as well as the current NZ Accounting Standards Board proposals. The Board tentatively decided:</p> <ul style="list-style-type: none"> <li>(a) the proposals would apply to whole of government and general government sector financial statements. However, it was noted that practical issues may exist where there is no ‘whole of government’ plan, accordingly comments will be specifically requested;</li> <li>(b) the ED will include a question as to whether the application of the ED should be expanded to include for-profit entities;</li> <li>(c) the final Standard should be mandatory but comments will be specifically requested on the pronouncement’s status;</li> <li>(d) the proposed application date is for periods beginning 1 July 2017;</li> <li>(e) not to define accountability; and</li> <li>(f) to include Application Guidance and Illustrative Examples in the ED, with some examples to be based on those in the recently issued IPSASB RPG 3.</li> </ul> <p>The Board also discussed a possible limited-scope project to revise the current AASB definition of a NFP entity but tentatively decided not to undertake such a project at this</p>

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	<p>stage.</p> <p>A revised draft ED will be discussed at the AASB May 2015 meeting. The Board is expecting to issue an ED on Reporting Service Performance Information in July 2015.</p> <p><a href="#">4.1</a> Memorandum from Joanna Spencer dated 2 April 2015 re: Reporting Service Performance Information</p> <p><a href="#">4.2</a> AASB Staff Issues Paper re: Reporting Service Performance Information</p> <p><a href="#">4.3</a> Draft AASB Exposure Draft re: Reporting Service Performance Information</p>
<b>December 2014</b>	<p>The Board discussed how the Service Performance Reporting project should be progressed and decided that the project should move directly to drafting an Exposure Draft (ED). In drafting the ED, the Board tentatively decided that:</p> <ul style="list-style-type: none"><li>(a) staff should have regard to the IPSASB project, but should work closely with New Zealand Accounting Standard Board (NZASB) staff to develop similar proposals;</li><li>(b) the scope of the ED should include public sector and private sector not-for-profit entities (consistent with the proposed scope of the NZASB projects; and</li><li>(c) the ED will be drafted as if it will be a mandatory accounting standard (consistent with the NZASB project), with a question in the ED as to whether this is appropriate.</li></ul> <p>The Board also had regard to the principles articulated in the IPSASB and NZASB's SPR projects as well as those proposed in previous AASB research papers. The Board tentatively decided that it is important for the principles for SPR to be expressed in such a way that they result in an entity providing appropriate information about the achievement of its stated objectives (outputs or outcomes). The Board noted for-profit entities considering integrated reporting may find this ED helpful.</p> <p>The ED is targeted for issue in June 2015.</p> <p><a href="#">14.1</a> Memorandum from Joanna Spencer dated 2 December 2014 re Service Performance Reporting</p> <p><a href="#">14.2</a> AASB staff issues paper - Service Performance Reporting – Principles for the reporting of service performance information</p> <p><a href="#">14.3</a> Memorandum from Joanna Spencer dated 2 December 2014 re Proposed alternative approach to the Service Performance Reporting Project</p>
<b>October 2014</b>	<p>The Board had regard to the objectives articulated in the IPSASB and New Zealand Accounting Standard Board's Service Performance Reporting (SPR) projects and tentatively decided that the objective of SPR should:</p> <ul style="list-style-type: none"><li>(a) not refer to internal management as a user;</li><li>(b) specifically mention the notion of accountability as a part of decision making;</li><li>(c) refer to the 'delivery of goods and/or services'; and</li><li>(d) refer to 'resources' rather than 'financial information'.</li></ul> <p>The Board decided that the wording of the objective of SPR would be finalised later in the project but that the tentative decisions provide sufficient direction for staff to continue developing a draft Exposure Draft (ED).</p>

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The Board also noted a high-level project plan that anticipates a SPR ED being issued in Q4 2015.

[17.1](#) Memorandum from Joanna Spencer dated 7 October 2014 re Service Performance Reporting

[17.2](#) AASB staff issues paper – Service Performance Reporting – Objective of Service Performance Reporting

[17.3](#) AASB staff issues paper – Service Performance Reporting – Overview of Board Decisions up to September 2014

[17.4](#) Memorandum from Joanna Spencer dated 17 October 2014 re Service Performance Reporting – Project Plan

**September 2014** The Board discussed a comparison of Service Performance Reporting projects of the AASB, the New Zealand Accounting Standards Board (NZASB) and the International Public Sector Accounting Standards Board (IPSASB). The Board also discussed the scope of the AASB's project, including the potential to adopt a 'phased' approach – private sector NFP entities addressed in an initial phase and public sector entities incorporated in a future phase.

The Board directed staff to prepare a paper articulating the objective of service performance reporting, a summary of previous decisions made by the Board and a high-level project plan for a phased approach for the project.

[13.1](#) Memorandum from Joanna Spencer dated 19 August 2014 re Service Performance Reporting

[13.3](#) Issues Paper – Service Performance Reporting – Summary of AASB research to date

[13.4](#) NZASB Extracts from draft of Exposure Draft PBE FRS 4[X] *Service Performance Reporting* (July 2014 NZASB Board paper 7.2)

[13.5](#) IPSASB 'At a Glance' Exposure Draft Summary – Recommended Practice Guideline *Reporting Service Performance Information*

[13.6](#) IPSASB ED 54 *Reporting Service Performance Information* [for information only]

### April 2014

The Board considered the key issues to raise in its submission on IPSASB Exposure Draft (ED) 54 *Reporting Service Performance Information*, which is a Proposed Recommended Practice Guideline (RPG) written in the context of the IPSASB's Conceptual Framework and its suite of pronouncements. Within that context, subject to consideration of any comments that might be forwarded to the Board from AASB constituents, the Board decided to express broad agreement with many of the specific proposals in the ED. However, it also decided to suggest a number of improvements, the more substantive of which include: Issue No:

- (a) the RPG should make clear that the service performance information an entity should provide should be driven by the entity's objectives. Therefore, if information about, for example, obtaining resources, achieving outcomes, disaggregation of costs, and progress towards long-term objectives is determined to be relevant to users for assessing an entity's achievement of its objectives, then that information should be disclosed (rather than merely encouraged to be disclosed). Consistent with this, the RPG should also better articulate principles for framing objectives in terms of outputs and outcomes;

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- (b) despite its non-mandatory status, the RPG should aim to strike a better balance between improvements to the quality of service performance reporting practices and the costs entities might incur to make such improvements. The Board decided to comment that, allowing entities to perform their own cost benefit assessments of information to be included and still claim compliance with the RPG would not be sufficiently robust; and
- (c) the RPG should aim to better articulate the principles for and the circumstances in which 'quantitative measures' or 'qualitative measures' or 'qualitative descriptions' about outputs and outcomes might be most suitable, individually or in combination.

The Board noted the progress being made on its own Service Performance Reporting research project, and considered whether IPSASB ED 54 provides a suitable basis for accelerating that project. The Board also noted that the NZASB is developing a standard on service performance reporting. The Board decided that IPSASB ED 54, in combination with the AASB staff's research to date and the NZASB's work, would provide a sound basis for reorienting its 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 not-for-profit entities.

**14.1** Memorandum from Joanna Spencer dated 24 March 2014 re IPSASB ED 54 *Reporting Service Performance Information* and AASB project of Service Performance Reporting

**14.2** Issues Paper on ED 54 *Reporting Service Performance Information*

**14.3** IPSASB 'At a Glance' document on ED 54 *Reporting Service Performance Information*

**14.4** IPSASB ED 54 *Reporting Service Performance Information*

**14.5** Issues paper on AASB Project on Service Performance Reporting

### April 2012

The Board had before it:

- (a) a memorandum from Mischa Ginns dated 2 April 2012 (Agenda Paper 7.1);
- (b) a staff paper: Defining or describing 'Service performance Reporting' (Agenda item 7.2); and
- (c) a staff paper: Users of service performance information and the purposes for which users require that information (Agenda Paper 7.3).

The Board considered the two staff papers, noting that they were designed to form a basis for developing principles for service performance reporting. The first paper addresses issues relating to a robust articulation of service performance reporting, such as whether that articulation should be in the form of a definition or a description. The second paper addresses users of service performance information and the purposes for which users require that information.

In relation to the first paper, the Board decided to initially describe service performance reporting as incorporating the following aspects:

- (a) the objectives of an entity;
- (b) obtaining and using resources;

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- (c) providing outputs;
- (d) achieving outcomes; and
- (e) an entity's ability to continue to provide intended goods and services (i.e. sustainability).

As the project progresses, the description could develop further and form the basis for a robust definition.

In relation to the second paper, the Board decided:

- (a) the users of service performance information are the same users as those outlined in the AASB Conceptual Framework, which could be articulated using more inclusive terminology. For example, 'investors' could be described as 'resource providers'; and
- (b) the purposes for which users require service performance information are:
  - (i) to determine whether the entity is performing efficiently and effectively against its objectives and is meeting or is able to meet the needs of its service recipients;
  - (ii) to determine whether to commence or continue providing resources;
  - (iii) to determine the amount of resources to contribute to support the entity's objectives; and
  - (iv) to determine whether the entity will be able to continue to provide intended goods and services in future periods.

### February 2012

The Board had before it:

- (a) a memorandum from Mischa Ginns and Lydia Kilcullen re Service Performance Reporting (Agenda Paper 12.1);
- (b) Positioning Paper – Service Performance Reporting (Agenda Paper 12.2);
- (c) Context Paper – Service Performance Reporting Project (Agenda Paper 12.3); and
- (d) Working draft of a staff paper – *The identification of users and user needs in relation to service performance reporting* (provided as an illustration only) (Agenda Paper 12.4).

The Board considered Agenda Papers 12.2 and 12.3, which are high-level papers designed to establish a sound basis for progressing the project to its next stage – the identification of possible principles for service performance reporting.

The Board noted that the Positioning Paper explores the broad notion of performance and its relationship to performance information and service performance information within general purpose financial reporting (and therefore within the scope of the Conceptual Framework). The Board also noted in relation to the Positioning Paper, the difficulties in clearly distinguishing between performance information and performance information within general purpose financial reporting and acknowledging that users want holistic information. In the interest of providing pragmatic boundaries to the Board's future work on this topic within the context of general purpose financial reporting, the Board decided to proceed on the basis that:

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|  | <ul style="list-style-type: none"><li>(a) performance information (which includes service performance information) within general purpose financial reporting is bounded by parameters identified in the Conceptual Framework. Those parameters are:<ul style="list-style-type: none"><li>(i) the target of analysis (i.e. the entity); and</li><li>(ii) the objective of reporting (i.e. to provide information that meets the common information needs of users for making decisions about an entity that involve the allocation of scarce resources); and</li></ul></li><li>(b) a parameter for particularly constraining information about service performance within general purpose financial reporting is 'the information about the entity's performance in providing goods and services' that relates to an entity's performance against its specified objectives.</li></ul> |
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The Board noted that the Context Paper addresses fundamental issues pertinent to progressing the project. In relation to that paper, the Board decided to proceed on the basis that:

- (a) the scope of the project should remain limited to private sector NFP entities at this stage, to keep the project reasonably manageable;
- (b) the current AASB Conceptual Framework is suitable for private sector NFP entities and should be used as a basis for developing principles of service performance reporting, having regard to the IASB Conceptual Framework and the emerging IPSASB Conceptual Framework. Although the current AASB Conceptual Framework has an economic focus, the term 'economic' has a broad meaning that extends beyond the notion of profit as it also encompasses notions of scarce resources and inflows and consumptions of scarce resources. Furthermore, consistent with the objective of financial statements within the AASB Conceptual Framework, and to address concerns expressed by some about the relationship between decision making and accountability, the Board decided that economic decision making should be described as including accountability;
- (c) it is not the role of this project to distinguish financial and non-financial information – rather the principles should be developed with a focus on providing information that meets the common information needs of users;
- (d) not to wait for the IPSASB to progress its project on Reporting Service Performance Information. However, the Board requested the project team to continue to review IPSASB papers on the topic as they become available, and when appropriate continue to consider them when developing its thoughts and ideas;
- (e) the findings from the project team's research should be used as one of the benchmarks for the possible principles of service performance reporting that are being developed rather than aiming to codify current practice;
- (f) the project team should undertake further analyses in future principles papers to determine:
  - (i) whether service performance reporting should encompass reporting information on resources, inputs, outputs and outcomes (some Board members particularly noted that despite acknowledging that users might be interested in information about outcomes, such information might be

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	<p>beyond the scope of the type of information about which the Board is intending to develop principles);</p> <p>(ii) the relationship between service performance reporting and the financial statements and how this project will link to management commentary; and</p> <p>(iii) the nature of the guidance and the types of entities that might be required to comply with the principles and whether a 'through-the-eyes-of-management' approach may be appropriate (this should include consideration of the rationale for such an approach in the context of AASB 8 <i>Operating Segments</i> and whether that same rationale is relevant in the context of Service Performance Reporting); and</p> <p>(g) there is a presumption that the Board's role is to develop service performance reporting principles – and a challenge is to determine the scope of those principles.</p> <p>Board members were asked to provide any specific comments they have on Agenda Paper 12.4 to the project team out-of-session.</p> <p>The Board decided to invite the Australian Charities and Not-for-profits Commission (ACNC) to nominate a member for the Board's Service Performance Reporting project Sub-committee.</p>
<b>October 2011</b>	<p>The Board had before it:</p> <p>(a) a memorandum from Mischa Ginns and Lydia Kilcullen dated 11 October 2011 re: Service Performance Reporting (Agenda Paper 7.1); and</p> <p>(b) a Staff Paper – <i>Factors relevant to the future direction of the AASB's Service Performance Reporting project</i> (Agenda Paper 7.2).</p> <p>The Board considered whether, and if so how, to progress its Service Performance Reporting project, particularly in light of the recent establishment of the Australian Charities and Not-for-profits Commission (ACNC), constituent feedback received on the project work to date and developments in relevant IPSASB and IASB projects.</p> <p>The Board decided to continue to progress the project while seeking to work with the ACNC when appropriate, and continuing to monitor IPSASB and IASB developments.</p> <p>The project will consider ways in which to address concerns expressed by some constituents about the potential for the costs of implementing any reporting requirements that might arise from the project to exceed the benefits to users of not-for-profit (NFP) private sector reporting entities' general purpose financial statements.</p>
<b>March 2011</b>	<p>The Board had before it a memorandum from Huy Pham and Robert Keys dated 2 March 2011 (Agenda Paper J6.1).</p> <p>The Board received an update on the progress being made on its Service Performance Reporting (SPR) project. In particular, the Board noted the following:</p> <p>(a) the project team has prepared working drafts of the following four papers intended to form the basis of any principles the Board might develop for SPR:</p> <p>(i) <i>Principles of service performance reporting – a working definition of service performance reporting</i> (October 2010 Agenda Paper 7.8.1);</p>

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|     | <ul style="list-style-type: none"><li>(ii) <i>Applicability of the current AASB and FRSB Conceptual Frameworks to service performance reporting</i> (October 2010 Agenda Paper 7.8.2);</li><li>(iii) <i>Principles of service performance reporting – the objective of service performance reports</i> (October 2010 Agenda Paper 7.8.2A); and</li><li>(iv) <i>The identification of users and user needs in relation to service performance reporting</i> (October 2010 Agenda Paper 7.6).</li></ul>  |
| (b) | these papers have been sent to Project Advisory Panel and Working Group members, any comments from whom will be considered for inclusion in the next draft of the papers, to be sent to the sub-committee for comment;   |
| (c) | reflecting that the project is not a conceptual-level project, the papers express tentative views of the project team that the principles of SPR can and should be based on the current AASB Conceptual Framework; and   |
| (d) | later stages of the project will consider the issues of how SPR relates to financial reporting and the IFRS Practice Statement <i>Management Commentary</i> , and also whether the outcomes of the project should result in voluntary or mandatory pronouncements. The Board commented that the project should also consider the implications of its findings for the scope of general purpose financial reporting, noting that ‘usefulness’ is not an adequate basis for determining whether and what information about service performance should be included within the scope of financial reports. |

The Board observed that the findings of the project might also be applicable in a for-profit private sector context. However, for now, the project’s focus should remain on private sector NFP entities, with a view to it being considered for the public sector in due course.

### February 2011

The Board received an update on the progress being made on its major domestic public sector/NFP projects. The Board particularly noted that, in relation to:

- (a) GAAP/GFS Harmonisation for Entities within the GGS: staff anticipate bringing any sweep issues to the Board’s March 2011 meeting, with the possibility of finalising the ED for issue around mid-April 2011 with a four-month comment period; and
- (b) Service Performance Reporting: staff have documented a significant amount of empirical research on current practice. The documented research incorporates comments from the Project Advisory Panel and the AASB/FRSB Sub-Committee. Staff are now aiming to distribute, around the end of February 2011, further papers for Project Advisory Panel members’ comment. These papers relate to the framework for, objective of, users of, users’ needs for, and the definition of service performance reporting.

The Board also noted the concern of some constituents if the draft proposed relief from adopting the latest version of the ABS GFS Manual is not incorporated into AASB 1049 *Whole of Government and General Government Sector Financial Reporting* before 30 June 2011 – particularly due to the implications of the latest version of the Manual for the measurement of defence weapons platforms. In acknowledgment of this concern, the Board decided that an Exposure Draft proposing all the amendments arising from the post-implementation review of AASB 1049 should be issued as soon as possible, and allow:

- (a) a 30-day comment period for the proposals relating to the relief from adopting the

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	<p>latest version of the ABS GFS Manual; and</p> <p>(b) a 90-day comment period for the other proposals.</p> <p>The Board noted this approach should enable it to issue an Amending Standard focused solely on the relief before 30 June 2011.</p>
<b>October 2010</b>	<p>The Boards had before them:</p> <p>(a) a memorandum from Joanne Scott and Jessica Lion dated 11 October 2010 (Agenda Paper B10.1); and</p> <p>(b) an updated joint project plan (as at 27 September 2010) on Service Performance Reporting (Agenda Paper B10.2)</p> <p>The Boards noted the updated project plan, which outlines the research and steps needed to produce an exposure draft in 2011. The Boards reaffirmed the importance and high priority of this project and requested that the project be accelerated if possible.</p>
<b>December 2009</b>	<p>The Board had before it:</p> <p>(a) a memorandum from Robert Keys, Joanne Scott, Jessica Lion, Daping Gao and Maybelle Chia dated 25 November 2009 (Agenda Paper 12.1);</p> <p>(b) Paper 4: A constraining principle for service performance reporting (Agenda Paper 12.2);</p> <p>(c) Paper 5: Applying the AASB/FRSB <i>Process for Modifying IFRSs for PBE/NFP</i> to Service Performance Reporting by Private Sector Not-for-profit Entities (Agenda Paper 12.3);</p> <p>(d) Draft AASB/FRSB joint project plan: service performance reporting (Agenda Paper 12.4); and</p> <p>(e) A list of Project Advisory Panel members (Agenda Paper 12.5).</p> <p>The Board considered Agenda Paper 12.2 together with comments made by the Project Advisory Panel members on an earlier draft of that paper. For the purpose of progressing the project, the Board decided to:</p> <p>(a) continue its work on service performance reporting even though the Conceptual Framework project has not yet addressed the broader questions of the scope of general purpose financial statements and financial reporting. However, this project will monitor developments in the Conceptual Framework project; and</p> <p>(b) adopt a principle for constraining the type of information that the Board would consider requiring in service performance reports as: 'service performance information that relates to an entity's principal objectives'. The Board decided:</p> <p>(i) that it will not prescribe whether the information to be disclosed is to be constrained based on being financial or non-financial, but the information could be constrained by the non-financial principal objectives and their financial implications; and</p> <p>(ii) at a future meeting, it will consider the implications of that principle for matters such as the measurability and auditability of information that might be included in service performance reports, and the suitability of alternative</p>

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approaches (including through-the-eyes-of-management; whatever is externally reported ex ante; or information based on an entity's constituting documents) to identify such information.

The Board noted that the effectiveness of it adopting such a constraining principle compared with other possible constraining principles will become apparent as work proceeds and examples of SPR under such principles are considered. The Board also noted that the overall objective of SPR might impact on the effectiveness of the constraining principle. For example, if the objective is for better practice, a wider constraining principle might be warranted compared with an objective of including SPR information in financial statements.

The Board also considered Agenda Paper 12.3 on whether the scope of the project should be broadened to include for-profit entities, in light of its *Process for Modifying IFRSs for PBE/NFP*. The Board observed that the principal objectives of not-for-profit entities and the needs of users in relation to those objectives are potentially different from the principal objectives of for-profit entities and their related users' needs. Accordingly, the Board decided that the current project should not include for-profit entities within its scope. Consistent with the *Process*, in developing any requirements, regard will be had to the Conceptual Framework, other national standard setters' work and Australian/New Zealand practice. The Board noted its October 2009 decision to, at this stage, focus on private sector not-for-profit entities, with a view to developing principles that can be considered in due course for the not-for-profit public sector.

The Board then proceeded to consider a draft FRSB/AASB joint project plan in Agenda Paper 12.4 and agreed that work should be undertaken jointly. The Board:

- (a) noted that the implications of its Differential Reporting project would need to be considered for service performance reports;
- (b) decided to consider issues relating to Key Performance Indicators, budgets and future oriented information, explanations of variances, volunteer services and costs, activity based costing and sensitivity analysis under section 7.7 'Principles of service performance reporting' in addition to the principles listed;
- (c) decided that consideration should be given to the extent to which measurement issues need to be addressed as part of this project; and
- (d) decided to form a joint subcommittee that will undertake a substantial amount of the review function and preliminary decision making, with the Boards being kept informed of progress throughout. The joint subcommittee will comprise three members from each Board. The AASB members are Mr Stevenson, Mr Appleyard and Mr McPhee and, at this stage, Ms Perry for the FRSB.

The project plan amended for the above decisions, should be treated as a working document, to be amended, if necessary, as the project progresses.

### October 2009

The Boards had before them a memorandum from Robert Keys and Joanne Scott dated 14 October 2009 (Agenda Paper 9.1).

The Boards noted their respective project work on Service Performance Reporting and the range of entities that would be potentially affected.

The AASB's project 'Disclosures by Private Sector Not-for-Profit Entities' focuses on private

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sector not-for-profit (NFP) entities. Phase 1 of the AASB project includes consideration of service performance reporting.

The FRSB's project encompasses the review of existing requirements and guidance within NZ GAAP relating to service performance reporting. Although the current requirements and guidance in NZ GAAP apply to any entity preparing a statement of service performance, legislative requirements mean that it is predominantly public sector entities that prepare such statements.

The Boards discussed the potential benefits and challenges of working jointly, particularly in light of the different scopes. Consideration was given to whether the scope of the AASB project should be broadened to encompass public sector NFP entities. The AASB decided that this would not be appropriate for a number of reasons including:

- (a) the AASB's commitment to specifically consider the needs of users of general purpose financial statements prepared by private sector NFP entities;
- (b) the impact of a broader scope on the duration of the project, and the AASB's desire to undertake the service performance reporting part of its project within a 12-month timeframe;
- (c) there would need to be clarification about the role the Board might play relative to the range of organisations with a mandate to establish service performance reporting requirements for public sector NFP entities in Australia; and
- (d) the differing performance models used in the state jurisdictions.

The Boards observed that if the focus of the work were on developing general principles, the different scopes should not be an impediment to a joint project. The Boards noted that such an approach would not preclude the AASB from addressing issues which do not fall within the scope of the FRSB project. Those issues might include distinguishing between financial and non-financial information and identifying a constraining principle for the information included in service performance reports.

The Boards agreed that staff should prepare a joint project plan, including a time line, for consideration by the Boards. The plan will consider ways to ensure the project is progressed efficiently and in a timely manner, and will include consideration of how the Boards can work together, including how a joint sub-committee might be utilised. In the meantime, work will continue to proceed through the Boards' project staff liaising closely.

The Chairman of the IPSASB commented that the work of the AASB and FRSB on service performance reporting could help inform the IPSASB's project on Reporting of Service Performance Information.

The AASB noted the high level of interest expressed by constituents in participating in its Project Advisory Panel and intends to consult with the Panel extensively as work progresses

### September 2009

The Board had before it:

- (a) a memorandum from Robert Keys, Christina Ng and Maybelle Chia dated 7 September 2009 (Agenda Paper 7.1);
- (b) Paper 3: *Threshold issues pertinent to service performance reporting by private sector not-for-profit entities* (Agenda Paper 7.2);
- (c) Paper 1: Status report on IPSASB and NZ FRSB work on service performance

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reporting (as at 7 September 2009, to be updated as IPSASB and NZ FRSB make progress) (Agenda Paper 7.3);

- (d) Paper 2: WORK IN PROGRESS - Report on staff research into domestic and international requirements and practices relating to service performance reporting (Agenda Paper 7.4);
- (e) Paper 2A:WORK IN PROGRESS - Examples of statements of service performance (Agenda Paper 7.4A);
- (f) AASB Project Outline: Disclosures by Private Sector Not-for-Profit Entities (August 2009) (Agenda Paper 7.5); and
- (g) List of members of the AASB Private Sector Not-for-Profit Project Advisory Panel (as at 9 September 2009) (Agenda Paper 7.6).

Staff reminded the Board of the views it had previously expressed on issues relating to service performance reporting in its:

- (a) draft *Process for Modifying IFRSs for PBE/NFP*, in particular paragraph 15 (see Agenda Paper 4.1.2 of this meeting); and
- (b) submission to the IPSASB on Consultation Paper *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*, in response to preliminary view 5, relating to the scope of financial reporting.

The Board proceeded to discuss the threshold issues pertinent to service performance reporting, discussed in Agenda Paper 7.2, for the purpose of identifying working assumptions upon which the staff should base its ongoing work. In particular, the Board tentatively decided:

- (a) it has an interest in the form and content of service performance reports, irrespective of whether service performance information falls within the scope of general purpose financial statements. In that regard, the Board would be reluctant to take on a project that would not include a mandatory element falling within general purpose financial statements. The Board:
  - (i) adopted a working assumption that it will develop at least some mandatory requirements, expected to be in the nature of high-level principles, whilst acknowledging the challenges it might face in developing such principles. One principle to be considered is a 'through the eyes of management' approach (whereby the performance indicators reported are those used by the entity's management to monitor the entity's performance) as a means of identifying appropriate indicators of an entity's service efficiency, effectiveness and quality. The Board noted this approach might be effective because it would not require the Board to be a subject matter expert on non-financial matters;
  - (ii) decided that the focus should be on providing information that can be used by users as input to their analysis, rather than providing an analysis. However, this should not preclude analysed information that an entity's management might regard as pertinent to reporting service performance from being included in a service performance report; and
  - (iii) considered there might be merit in developing an illustrative example of the

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form and content of a service performance report once the Board has clarified its views on service performance reporting;

- (b) service performance information might comprise both financial and non-financial information of a quantitative or qualitative nature, including disaggregated/program financial information, which is pertinent to the entity's principal objective and assessment of service performance. What constitutes non-financial information within a general purpose financial statements framework is to be considered;
- (c) it is premature for it to conclude whether users of general purpose financial statements of not-for-profit entities need financial information that differs from the financial information needed by users of for-profit entities, but tentatively decided that a reasonable working hypothesis is not-for-profit user disclosures needs may extend beyond for-profit user needs. The Board noted that the presentation of the conventional financial statements is outside the scope of this part of the project;
- (d) in noting the concern of some that a significant amount of service performance information is too subjective/qualitative to go into general purpose financial statements, consideration on whether service performance information falls within or outside the general purpose financial statements should be revisited when the project has been developed further. The Board noted that the audit implications might influence the view of some if service performance information were to be included in general purpose financial statements. The Board also noted that if service performance information were to be subject to audit, that might add rigour to the quality of the information provided;
- (e) consideration should be given to identifying a constraining principle for the information the AASB might decide should be included in service performance reports. The Board directed staff to develop a draft paper on this issue for discussion at a future Board meeting. The paper should include consideration of at least the following possible constraints:
  - (i) information that explains amounts recognised in the financial statements; and
  - (ii) information that is directly related to the principal, not-for-profit, objective of the entity;
- (f) staff should include in their ongoing research examples in practice of good service performance reporting by not-for-profit and for-profit entities in the private and public sectors; and
- (g) consideration should be given to the implications for service performance reporting if an entity has a multi-year plan or vision.

The Board also considered the range of entities that might be affected by this project and decided to:

- (a) formally consider the project in the light of its Process for Modifying IFRSs for PBE/NFP, before determining whether the project should have implications for for-profit entities. In the meantime, the focus will continue to be on not-for-profit entities; and

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- (b) reconsider whether the project should have implications for public sector entities after it has discussed the project with the New Zealand Financial Reporting Standards Board (FRSB). The AASB noted that the FRSB's project on service performance reporting has a scope of both private and public sector not-for-profit entities. The extent to which the respective projects might be progressed jointly will be discussed at the forthcoming joint AASB/FRSB meeting in October 2009.

The Board also noted that the information relating to Queensland regulations, included in Agenda Paper 7.4, was out of date and Ms Highland offered to provide staff with the updated materials.

### July 2009

The Board had before it:

- (a) a memorandum from Robert Keys, Christina Ng and Maybelle Chia dated 15 July 2009 (Agenda Paper 9.1); and
- (b) a project proposal on presentation and disclosures by private sector not-for-profit entities (including charities) (Agenda Paper 9.2).

The Board considered the Agenda Papers and decided to initiate an active project 'Disclosures by Private Sector Not-for-Profit Entities'.

Initially, the project should focus on disclosures Australian Accounting Standards do not currently require private sector not-for-profit entities that should be required; having regard to the information needs of user of general purpose financial statements. In the first instance, consideration should be given to work being undertaken by the International Public Sector Accounting Standards Board and the New Zealand Financial Reporting Standards Board on service performance reporting (in particular, Technical Practice Aid TPA-9 *Service Performance Reporting*). Consideration should also be given to the IASB's work on Management Commentary. The intention is that this aspect of the project has a 12-month timeframe.

The Board expressed its desire to not increase the disclosure burden on not-for-profit entities and decided the project should also consider whether there are any existing disclosure requirements in Australian Accounting Standards for which the information provided to users might not be justifiable from a cost/benefit perspective.

The project should involve ongoing consultation with constituents rather than a series of consultation documents.

In addition, the Board noted that its work on this project might lead to it undertaking further work on the presentation of financial statements, such as the structure of the statement of comprehensive income.