

Swiss Comments to

Consultation Paper: Reporting Service Performance Information

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1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) has discussed the Consultation Paper *Reporting Service Performance Information* and comments as follows. The SRS-CSPCP was established in 2008 by the Swiss Federal Ministry of Finance together with the Ministers of Finance at the cantonal level. One of its aims is to provide the IPSAS Board with a consolidated statement for all the three Swiss levels of government (municipalities, cantons and Confederation).

2. Comments to Consultation Paper

2.1. General Remarks

The SRS-CSPCP believes that the relevance of Reporting Service Performance Information for the public sector is not disputed, because in view of the lack of profit orientation in the public sector additional information about the control of performance and effect are important. However, the SRS-CSPCP would like to make the following statement with the hope that the following points will be taken into consideration:

- The reporting on Service Performance is complementary to the financial reporting. However it is of different nature. It is even often not based on financial data.
- Because for the control of performance, financial accounting is not in the forefront, the question arises how the various information is to be linked in order that a narrative discussion of the achievement of objectives can be achieved and at the same time the claim to accountability and decision-making can be satisfied.
- The IPSAS Board must ensure without fail that harmonisation and standardisation with existing guidelines on this subject is realized, for example from the OECD and the IMF.
- The SRS-CSPCP has discussed in detail and controversially whether the IPSAS Board is legitimated to produce guidelines on this area. The IPSAS Board should therefore explain the reasons why it deals with this subject. This information is lacking in this Consultation Paper and would be of interest for all consultations that are not directly related to accounting.

2.2. Preliminary View 1

The SRS-CSPCP is of the opinion that, in order to meet the objectives of the *Conceptual Framework*, only absolutely key information for measuring performance must be included in the financial reporting. Detailed information about sub-entities should be included in specific reports. They represent a crucial basis for the interpretation of the figures by decision makers. In particular there should be a clearer distinction between the levels (corporate or reporting entity).

Detailed comment on Item 1.5: here the importance of the reporting should not be reduced to a narrower circle than under Item 4. Citizens (the public) and the legislative are just as important as the recipients of the services. On the other hand the resource providers are of more importance for internal reporting.

2.3. Preliminary View 2

The SRS-CSPCP welcomes a standard terminology for the reporting of service performance. For this purpose it is essential to link further work with the one of the OECD and IMF (cp. e.g. Glossary of Key Terms 2011 OECD Performance Budgeting Survey). In particular Table A on page 14 should be made more specific and revised. The seven terms appear sensible as a general framework. But it would be going too far if every level had to make statements on all these amounts.

2.4. Preliminary View 3

The SRS-CSPCP agrees in principle with the four components. On the other hand the comments thereon tend to go too far.

On Item 5.3: absolute formulation concerning lit. e) is not realisable (applies also to Item 5.8). In addition it should be specified under lit. b) what is adequate (e.g. legal basis).

On Item 5.19: taking Chapter 6 into account, it does not appear to make much sense to require that the indirect consequences, intended or unintended, must be described. Firstly this is likely to fail for time reasons and because of the lack of facts. In addition the presentation of indirect consequences can unsettle the decision makers, it is also probably difficult to decide where the limit is (causality).

Therefore, in reporting, the cost-benefit issue or materiality and proportionality must be properly assessed (see also Table B, page 27).

Details of the period to be compared are missing.

2.5. Preliminary View 4

The SRS-CSPCP supports the intention that the qualitative principles of the GPFs are also used for reporting on performance. But in the definitions the recipient view should be emphasised even more. On comparability, it is also to be noted that objectives and indicators can change over time. Performance reporting must be based on facts. Verifiability is regarded as important. The constraints are much welcomed, but are in part relativized by the cost-benefit issue of the previous chapter.

2.6. Specific Matter for Comment 1

Based on the current status of the work the SRS-CSPCP considers non-authoritative guidance, that is (a) to be correct for this reporting. The aim should certainly be (b), in order that a certain standardisation can be achieved. Authoritative guidance (c) is however rejected. In this connection it is again pointed out that harmonisation with existing guidelines (OECD, IMF), also for definitions of terms, must be ensured without fail.

2.7. Specific Matter for Comment 2

The SRS-CSPCP is also of the opinion that no specific indicators should be prescribed. Standard indicators for all states and public sector entities appear neither sensible nor realisable. A comparison is primarily possible over time, but not between public households. The prescription of types of indicators also does not appear desirable. Either they are a matter of course or make little sense.

2.8. Specific Matter for Comment 3

The SRS-CSPCP cannot answer the question with a clear yes or no. On the one hand it makes sense for the performance reporting to cover the same unit as the GPFs. On the other hand performance indicators are frequently defined for management purposes at a lower (sub-entity) level and therefore reporting at a higher level seems difficult. This CP also appears to be geared rather to the lower level. The reporting of the top or consolidated level must contain in summary form the most important, decision relevant information on performance measurement. In any event the accounting basis should be the same.

2.9. Specific Matter for Comment 4

The SRS-CSPCP considers the four dimensions to be sensible in principle. They should be appropriately considered in the reporting. However, what is lacking, is the reference framework for the indicators (controlling or only political monitoring). This should without fail be clarified and established in the reporting for each level. In addition the demands on the dimensions are too explicitly stated with *are necessary*. It is not realistic that the public households can determine and list all performance recipients. It is also not possible to set

out all the factors that have affected the result. In the spirit of materiality main factors should here suffice (e.g. volume dependent, strategic importance, dependent on effectiveness). In addition it should be specified what is understood by *over time* (how many years?). It also seems important that, in the comments in Section 4.11, *Outcome* is not reduced only to the quality of services. The effect often lies in a desired change of behaviour.

2.10. Specific Matter for Comment 5

The SRS-CSPCP believes that this question is irrelevant. It should be left to the reporting unit. Certainly the performance reporting should not be part of the GPFs. Conceivable would be e.g. a separate report, whereby the most important information would be taken up in the currently issued GPF.

Lausanne, February 23, 2012