

# Do we have to write a statement of service performance yet?

***Question:** We would be considered a medium to large registered charity. We are aware of the changes in financial reporting requirements taking effect this year but are confused regarding these new statements of service performance. Do we have to prepare one this year? Help!!!*

## Short Answer

No.

If you are a registered charity that falls into Tier 1 or Tier 2 then you **don't** have to prepare a statement of service performance this year.

The threshold for Tier 2 is operating expenditure exceeding \$2m per annum.

However, if your annual operating expenditure is smaller than that and hence qualifies for Tier 3 or Tier 4 reporting standards then you are required to prepare a SSP for your 2016 financial statements.

Also just because the law doesn't yet require medium and large charities to present a statement of service performance many may choose to voluntarily, if they are not already doing so, as these statements are generally well appreciated by stakeholders.

## Background

Service performance reporting is seen as an important feature of Public Benefit Entity (PBE) reporting going forward in New Zealand. Conceptually this type of reporting significantly assists readers gain a much more holistic view of the performance of a charitable entity. They can significantly assist in providing context to the financial statements and hence enable a better understanding of the charity's operations and performance.

For that reason, the financial reporting standard setter, the External Reporting Board (XRB) has decided that all PBEs should in future be required to present one of these, of appropriate complexity to the size and nature of the entity.

As the reporting standards for smaller entities were being written in New Zealand from scratch the requirement for service performance reporting was able to be easily written into the Tier 3 & 4 reporting standards. As such this requirement is effective and mandatory for smaller charities in 2016.

However, for larger charities the XRB has based its new reporting standards on an international standard set, International Public Sector Accounting Standards (IPSAS) so that we are, and are seen to be adopting global best practice. This makes good sense. As regards SSPs though the IPSAS suite of standards does not yet include a service performance reporting standard. Hence the XRB are busy developing one in NZ.

New Zealand is being closely watched internationally in this leading edge reporting development. We believe it is quite likely that we may see the international standard setters adopt a new international standard based on New Zealand's in a few years' time. Remember you read it here first!

## A current Exposure Draft and your chance to comment

Exposure Draft ED NZASB 2016-6 *Service Performance Reporting* was released in early 2016 and confirms the XRB's intention to require that not-for-profit entities reporting under either Tier 1 or Tier 2 financial reporting frameworks to have a mandatory service performance reporting requirement. We note

that the XRB consider a two-year implementation period appropriate at this stage, however are seeking feedback in that respect.

The ED can be found on the XRB's website [www.xrb.govt.nz](http://www.xrb.govt.nz) and the closing date for submissions on the ED is 29 July 2016.

Once implemented into a mandatory standard, this will require reporting on:

- Outputs and performance indicators for outputs;
- Outcomes that the entity is seeking to influence and the links between the entity's outputs and those outcomes; and
- A description of the impact that the entity has had on the outcomes that it is seeking to influence and performance indicators to support that description.

Importantly, for entities with an audit requirement, the statement of service performance forms part of their general purpose financial report – and thus will be required to be audited.

For the 2016 year-ends this requirement will not be in effect, so there is time to first bed in the changes to your financial reporting framework.

However, this will likely entail some systems and process development to ensure that your reporting on such non-financial measures will be able to be efficiently compiled and effectively audited in future. Accordingly, we recommend early consideration is given your development of your service performance reporting, to the specific types of information that you will report in future, and to any information capture systems that may be required.

For more information, please visit our website [www.rsmnz.co.nz](http://www.rsmnz.co.nz) and search "service performance". In addition, we would be happy to further discuss this requirement with you if of value.

## About the Authors



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