



20th GOVERNING BOARD MEETING

28 February – 1 March, 2019

Grand Mercure Hotel, Auckland, New Zealand

Agenda item no.: 7b

Title of paper: Action Plan on developing of Statement of Service Performance

Purpose of the paper

To provide an action plan on developing PASAI Statement of Service Performance in order to meet new reporting requirements.

Strategic Plan reference: SP1 - 5

Background:

The Board in its meeting in August 2018 requested for the Chief Executive to prepare an action plan on developing a statement of service performance for future annual reports, for discussion at the February 2019 board meeting. The decision of the board was in response to the audit recommendation on the audit of the PASAI 2016-17 accounts. It stated (bracket added):

‘While, the preparation of statement of service performance is currently not mandatory for entities complying with Tier 2 PBE accounting standards, we encourage PASAI to consider including the statement of service performance in its annual report next year (2017-18)’

The audit management letter of the 2017-18 account reported that the above recommendation has not been implemented.

It was noted that PASAI operates a comprehensive MER framework agreed with development partners for reporting on outcomes. In the past, it was considered that it may be effective to trial the auditing of the measures and to transition to full auditing of this framework over a number of years. Also it was noted the importance to manage the cost and benefits of moving to an audited performance statement.

It is important to note that although completing service performance reporting and having it audited in order to lead by example and achieve good practice in New Zealand has been discussed by the Board over a number of year this is now a more urgent consideration because of changes to accounting standards.

In 2017 the New Zealand External Reporting Board issued a new accounting standard applicable to non-profit entities such as PASAI. *PBE FRS 48 Service Performance Reporting* is effective for periods beginning on or after 1 January 2021 but early adoption is permitted. This means that PASAI must produce an auditable statement of service performance for inclusion in its audited annual report for the year ended 30 June 2021. However, the standard requires the reporting to include current year and prior year comparative information therefore PASAI needed to have systems and processes in place for the year ending 30 June 2020 to capture auditable service performance information.

Therefore it is no longer an option to address this matter as failing to comply with this standard would likely lead to a qualified audit opinion for non-compliance with accounting standards.

Action plan

The operational plan and financial forecast prepared every year included all programs planned to be implemented during that period. The PASAI MER is used to measure the performance. However, as stated in the *agenda item 14* paper that the MER has faced significant challenges, since its inception, in providing meaningful data to measure the impact of PASAI's deliverables in the context of its long-term strategic plan. Most reporting has occurred at the output and not the outcome level. The paper identified two reasons for that: i) PASAI is largely dependent on external data sources to track the impact of its activities; and ii) the Indicators and targets developed for the first iteration of the PASAI MER were 'not fit for purpose'.

A PASAI web-based database has been developed and work is currently undertaken to populate it with relevant data. Further, the Board is to note the revised MER results-based program logic model on the paper under *agenda item 14*.

The audited Statement of Service Performance does not need to cover all the elements that are monitored through the MER. The accounting standard requires that the service performance information presented provides a reasonable summary of the performance of the organisation. An exercise is required to identify whether all or a subset of the MER framework measures are able to be supported by auditable information and therefore which should be included in the audited annual report.

The audit of the statement of service performance will result in a scope change to our audit. The audit fee will increase as a result. Discussion with the auditor on costs have yet to take place and will be impacted by the size/number of measures presented.

In view of the above the following is the action plan for developing PASAI Statement of Service Performance to include in future PASAI annual reports.

Proposed action	Timeframe	Responsible
2019		
1. Action plan endorsed	February	Board
2. Revised MER results-based program logic model noted	February	Board
3. PASAI to share MER with development partners for comments	March	Secretariat
4. Continue populating PASAI database	Ongoing	Secretariat
5. Identify MER measures to be included in Statement of Service Performance reporting (whole set or subset of full framework), include a Performance forecast in the Operational Plan 2019-20 – 2023-24	March - May	Secretariat/
6. Draft Operational Plan 2019-20 – 2023-24, Financial Forecast 2019-20, and	May - June	Secretariat/ Board

Performance forecast 2019-20 is prepared, submitted and approved		
2020		
7. Report on service performance to the Board on a monthly basis	July 2019 – June 2020	Secretariat
8. Prepare a Statement of Service Performance for the 30 June 2020 annual report and have it audited as a trial prior to the accounting standard becoming compulsory.	May-July 2020	Secretariat/Auditors
9. Address any issues with the auditability of the Statement of Service Performance	July-December 2020	Secretariat
10. Prepare annual report including Statement of Service Performance in compliance with new standard for year ended 30 June 2021, with comparative results for 2020 year.	May-July 2021	Secretariat

There is a need for PASAI to improve its monitoring and reporting. This has been a concern for staff and for development partners for some time. Lack of resources has impacted the development of MER systems to desirable standards. In combination with findings from the mid-point review, the goals of the Secretariat team and also this impending change in accounting standards this area now must receive additional focus. The work required to achieve these goals requires contribution by all PASAI staff but the oversight of the capture of information in order to improve reporting fits within the role of the currently vacant Director of Advocacy, Engagement and Financing.

While this role remains vacant the action plan set out above will be led by the Chief Executive.

Recommendations:

The Governing Board is invited to :

1. **approve** the action plan on developing PASAI Statement of Service Performance.
2. **consider** the impacts of the action plan on resourcing and audit costs.

Submitted by: Tiofilusi Tiueti

Date submitted: 14 February 2019