



# Key performance indicators for the Board's technical activities

IFRS Advisory Council  
May 2020

Nili Shah, Executive Technical Director  
Ana Simpson, Technical Staff

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

# Overview of session

- Role of key performance indicators (KPIs)
- Applying the KPIs to the Board's technical activities\*
- Questions for discussion
- Appendix A - previous Advisory Council advice and staff progress

Objective is to obtain advice on:

- the areas of the Board's technical work that will benefit from the use of KPIs
- the types of KPIs to be used
- the use and interpretation of KPI data

*\* Focus is on the Board's technical activities. It excludes matters such as funding, financial and staff-related KPIs.*

# Why consider KPIs now?

Management	<ul style="list-style-type: none"><li>• Increased focus on:<ul style="list-style-type: none"><li>– Driving activity and tracking progress</li><li>– Evidence-based decision making</li><li>– Supporting performance evaluation</li></ul></li></ul>
Governance	<ul style="list-style-type: none"><li>• Recent governance requests – for example:<ul style="list-style-type: none"><li>– Trustees receive annual report from staff on whether consultative groups continue to serve their function and whether membership should remain the same. Trustees have suggested developing objective performance indicators.</li><li>– Monitoring Board’s Work Plan includes focus on development of evaluation metrics and KPIs.</li></ul></li></ul>
Business Process & Technology	<ul style="list-style-type: none"><li>• Multi-year programme seeks to modernise internal systems and processes</li><li>• Creates opportunities for better tracking and reporting of KPIs</li></ul>
Past advice	<ul style="list-style-type: none"><li>• Opportunity to build on past Advisory Council advice on KPIs</li><li>• See Appendix A for summary</li></ul>

# Role of KPIs

# Key performance indicators

---

- A KPI is a measurable value that demonstrates how effectively an organisation is achieving *key objectives*.
- Understanding organisational objectives is key to achieving them.
- KPIs are a form of communication.
- Succinct, clear and relevant information is much more likely to be understood and acted upon.
- Formulating KPIs should be an iterative process that involves feedback from different levels within the organisation.

# Types of KPIs

## Process KPIs

Measure the efficiency/productivity of a business process, eg time to complete a customer order

## Input KPIs

Measure assets and resources, eg funding for training

## Output KPIs

Measure the financial and non-financial results of business activities, eg net profit, number of new clients

## Leading KPIs

Measure activities that have a significant impact on future performance

## Lagging KPIs

Measure success/failure after an event

## Outcome KPIs

Measure benefits of performance as an outcome of a business activity, eg employee satisfaction rate

## Qualitative KPIs

Descriptive measure, eg an opinion

## Quantitative KPIs

Measures results in numbers, eg revenue per employee

# Applying KPIs to the Board's technical activities

# The Foundation's key objectives

---

- To develop, in the public interest, a single set of **high quality, understandable, enforceable** and **globally accepted** financial reporting standards based upon clearly articulated principles
- To promote the **use** and **rigorous application** of those standards
- To take account of, as appropriate, the **needs of a range** of sizes and types of **entities** in **diverse** economic settings
- To **promote** and **facilitate adoption** of the IFRS Standards



## Possible areas to monitor with KPIs

### Quality

- Relevance
- Benefits exceed costs
- Consistent adoption and application
- Understandability and accessibility
- Due process

### Timeliness

Stakeholder engagement

Other?

# Existing quality KPIs

- The quality of the Board’s work is difficult to measure.
- Nonetheless, the following indicators provide insights into the quality of the Board’s work:

Indicators	Explanation	Limitations <i>(see also slide 13)</i>
<b>Effect analyses</b> – what are the likely costs and benefits of a change in financial reporting?	The extent to which a change improves financial reporting, in relation to the anticipated costs, provides some indication of quality	Difficult to measure costs and benefits
<b>Post – implementation reviews (PIR)</b> – is a Standard working as intended?	Significant changes to a Standard after a PIR may suggest the new requirements are not working as intended.	Changes may be unrelated to quality (eg due to the changes in the environment or new information).
<b>Number of countries</b> adopting IFRS Standards	To be discussed in separate Advisory Council session	
Number of <b>IC questions, Transition Resource Group questions</b> and <b>narrow-scope amendments</b> by Standard	A large number of questions or maintenance projects on a Standard may indicate problems with the conceptual basis, understandability and/or operationality of a Standard.	Not all questions may be an indication of the quality of the Standard.

# Existing timeliness KPIs

- The timeliness of the Board’s work may be easier to measure, but the significance and meaning of the data may be limited.
- Nonetheless, the following indicators provide insights into the timeliness of the Board’s work:

Indicators	Explanation	Limitations <i>(see also slide 13)</i>
Overall progress on <b>work plan</b>	The Board establishes its priorities through its five-yearly agenda consultation.	Work plan priorities may take more than five years, so meaning may be limited.
Research and standard-setting	<ul style="list-style-type: none"> <li>• <b>Achieving deadlines</b> – cumulative months without a missed external deadline overall, frequency of changes to a timetable and reasons by project (in process)</li> <li>• <b>Progress</b> – Variances from benchmark timetable and reasons by project (in process)</li> </ul>	Timetables can be uncertain and not comparable due to size, nature and complexity of the project; available expertise and competing priorities. Timelines can significantly change as we respond to feedback.
Interpretations Committee	The <b>number</b> of submissions, <b>backlog</b> , percentage of questions on which a <b>decision was taken at the first meeting</b> and <b>time</b> to address a submission.	Submissions are standard-specific and comparisons across submissions are difficult.

# Existing stakeholder engagement KPIs

- Stakeholder engagement may be easier to measure, but the significance and meaning of the data may be limited
- Nonetheless, the following indicators provide insights into the Board’s stakeholder engagement:

Indicators	Explanation	Limitations <i>(see also slide 13)</i>
<p><b>Consultative group effectiveness</b></p>	<p>Consideration of objective in relation to organisational needs, number of meetings held, feedback sought, member attendance and participation, survey results</p>	<ul style="list-style-type: none"> <li>• Difficult to measure</li> <li>• Data may not be objective</li> </ul>
<p><b>Stakeholder engagement</b></p>	<p>In process of improving systems to capture stakeholder engagement by <b>jurisdiction</b>, <b>stakeholder type</b> (eg investor, preparer, auditor, regulator, national standard-setter), <b>purpose</b> (eg relationship building, outreach, support of consistent application), <b>manner</b> (eg in person meeting, webcast) and <b>level of interaction</b> (one-way, two-way)</p>	<ul style="list-style-type: none"> <li>• Difficult to ensure completeness of data</li> <li>• Difficult to capture and report</li> </ul>

# General limitations to our KPIs

Gathering quality data for KPIs can be time-consuming. Do the benefits outweigh the costs?

KPIs can be developed for most areas, but what do they mean? How should they be used?

What is 'good'? Possible benchmarks include the following:

- Performance of similar standard-setting or regulatory organisations – challenge of comparability and availability of data
- Our own past performance (trends) – challenge of comparability in work from one period to the next
- Internal targets – challenge of comparability of projects, subjectivity of targets

# Questions for discussion

## Questions for discussion

---

- 1. Which areas of the Board's technical work do you think should be monitored with KPIs?**
  - Standard-setting quality
  - Timeliness
  - Stakeholder engagement
  - Other?
- 2. Which KPIs should be used to monitor these areas?**
- 3. How should those KPIs be used and interpreted?**
  - What does each KPI mean?
  - What is the benchmark? What is 'good'?
  - What are the limitations of each KPI? How can those limitations be mitigated?

# Appendix A – previous Advisory Council advice and staff progress



# Takeaways from previous AC discussion of KPIs – October / November 2016

Advisory Council Advice Excerpts from AC Chair's Report	IFRS Foundation Activities
<p>The IFRS Foundation should focus on the quality of the standard setting process and outreach</p>	<ul style="list-style-type: none"><li>• Effects analysis process improved</li><li>• IC process more active and more timely</li></ul>
<p>Stakeholder surveys would be a valuable tool for assessing trends in external perceptions of the Foundation's work</p>	<ul style="list-style-type: none"><li>• Reputation survey performed in 2017</li><li>• Plans to introduce a Brand Health Index for the Foundation</li><li>• Tracking of stakeholder engagement enhanced</li></ul>
<p>Important to keep the key performance indicators simple and focused</p>	<ul style="list-style-type: none"><li>• Consultative group surveys of meeting satisfaction (AC, CMAC, GPF and ASAF)</li></ul>