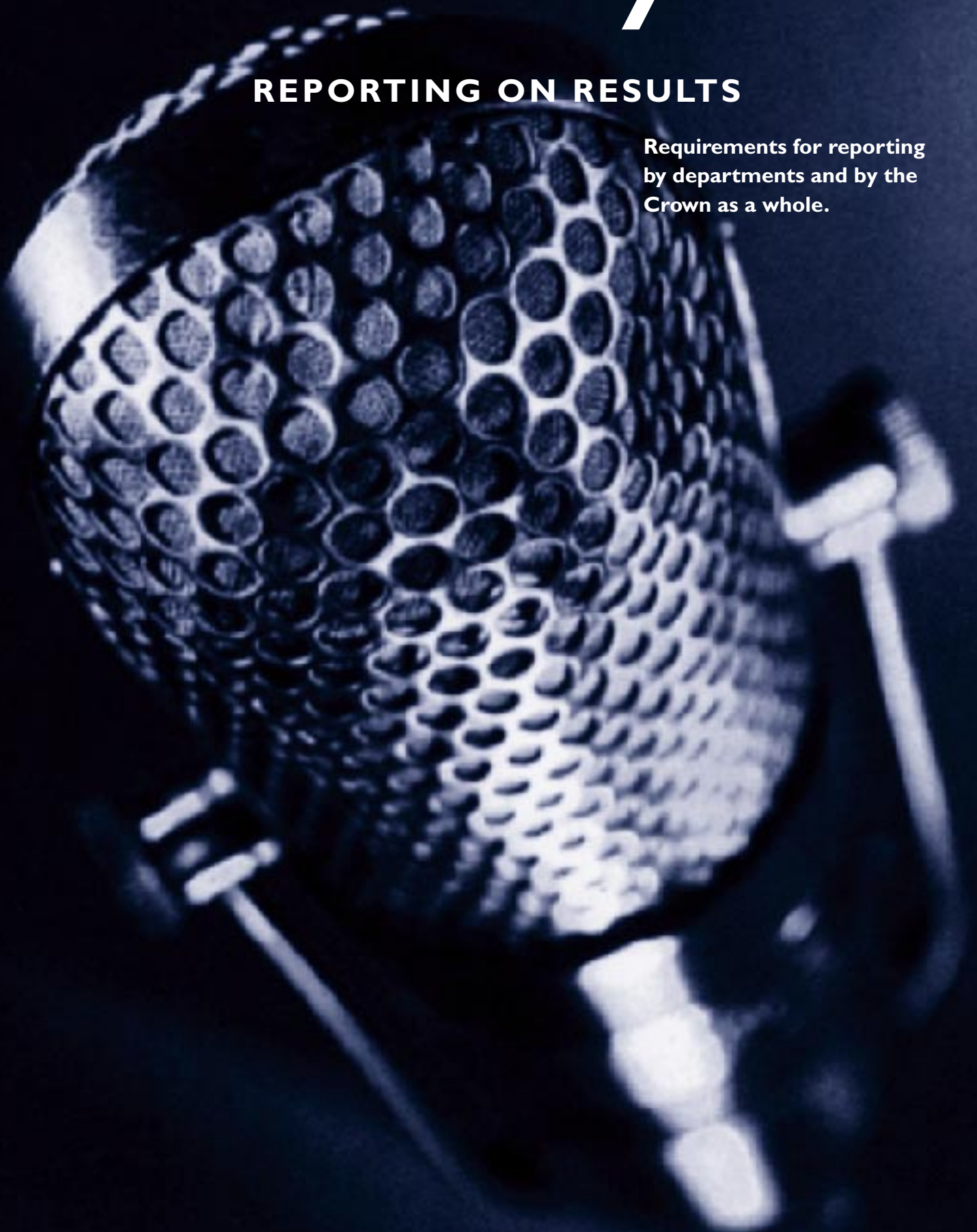


# 7

## REPORTING ON RESULTS

Requirements for reporting  
by departments and by the  
Crown as a whole.





*Departmental forecast reports (DFRs) are presented to Parliament at the same time as the Budget. They describe what the departments intend to achieve in the coming financial year, how they will achieve it and how much it will cost.*

*Departments also produce regular financial and performance reports throughout the year ("in-year reports"). They provide valuable information for Ministers and the Treasury.*

## Introduction

This chapter outlines financial reporting requirements for departments, State-owned enterprises, Crown entities and the Government as a whole. All reports are prepared in accordance with generally accepted accounting practice (GAAP) and on an accrual basis. Period-end financial statements allow comparison of what the Government sought to do with what it achieved. Thus in financial reporting of past results, as in budgeting for the future, the emphasis remains on measuring performance.

## Departmental Forecast Reports (DFRs)

Departmental forecast reports (DFRs) establish expected performance as a basis for assessing actual performance. DFRs include:

- a statement of objectives, to specify:
  - performance criteria for each class of outputs, including information about the quantity, quality, delivery times and cost (as agreed with the Vote Minister)
  - expected revenue and costs for each class of outputs (as agreed with the Vote Minister)
  - the department's financial performance forecast to be achieved (as agreed with the Responsible Minister)
- forecast financial statements that parallel the year-end accounts to be presented in the annual report and include:
  - an estimated statement of financial position (balance sheet)
  - an estimated operating statement
  - an estimated cash flow statement
  - a statement of all significant accounting policies
- a statement of responsibility signed by the chief executive and chief financial officer.

Departmental forecast reports for all departments are presented by the Minister of Finance on behalf of other Responsible Ministers to the House of Representatives at the same time as the Budget.

*Departmental forecast reports (DFRs) establish expected performance as a basis for assessing actual performance.*

## Departmental In-Year Reporting

Performance during the year is monitored by regular reports produced from departmental information systems. Each department is accountable for its own financial management and is therefore responsible for developing and operating its own financial information system.

The types of outputs departments supply vary widely. Consequently, departmental information and costing systems also vary widely. For example, a department that uses a standard process to produce a stream of similar outputs is likely to use a standard-process management accounting system rather than a project-based accounting system.

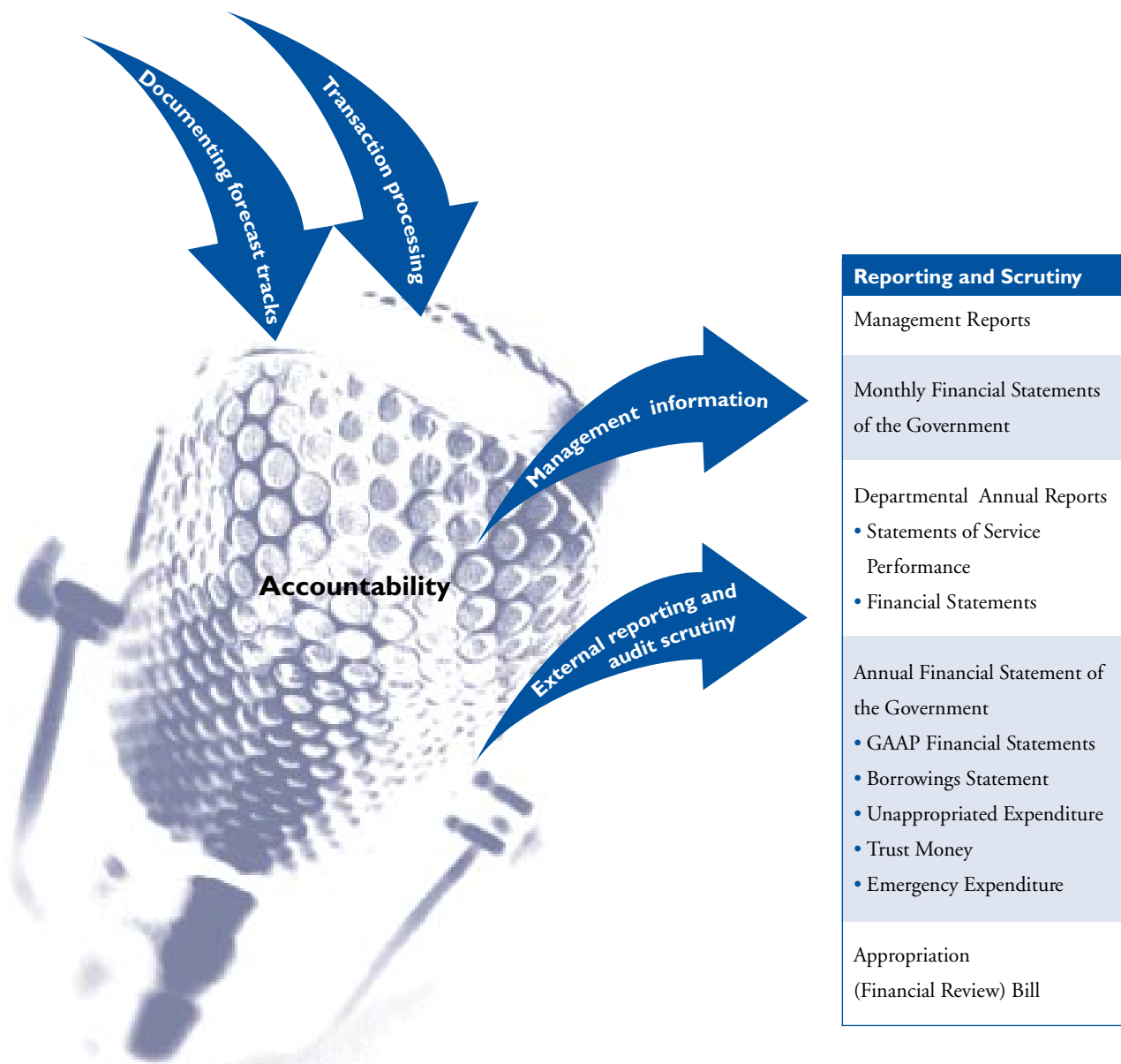
Because government departments must specify the quality, quantity, cost and delivery timeframes of their outputs in detail, there is an opportunity for management systems and in-year reports to integrate financial and non-financial information.

Chief executives provide regular information on their financial performance to Responsible Ministers. These reports may be tailored to individual Minister’s needs but should:

- warn Ministers in advance of any significant issues
- be consistent with a Responsible Minister’s ownership priorities
- contain an appropriate level of detail
- be forward-looking, identifying areas where Ministers may need to make decisions for remedial action
- focus on areas where performance has departed or is expected to depart from agreed performance measures.

The regular performance reports to Ministers are copied to the State Services Commissioner and are available to be used in chief executives’ performance assessments.

Throughout the year, departments provide financial information to the Treasury. These reports explain differences between forecast and actual cost and revenue figures. The Treasury uses this information to analyse differences between forecast and budgeted performance and to monitor the financial performance of departments. The information is also useful for the Supplementary Estimates process outlined in Chapter Three.





*Monthly financial statements show how the government is tracking financially through the year compared with forecasts.*

*Each government department, State-owned enterprise and Crown entity is required to produce an annual report.*



Departments/Chief Executives usually report:

- monthly to their Responsible Ministers on financial performance
- monthly to the Treasury on financial performance via the Crown Financial Information System
- quarterly to their Vote Ministers against departmental purchase agreements (copied to the State Services Commission)
- half-yearly to their Responsible Ministers against chief executive performance agreements (copied to the State Services Commission).

The monthly information provided to Treasury is consolidated into the monthly financial statements of the Government. (Treasury combines the financial statements of departments and other entities with Crown information into aggregate Crown financial statements.) These monthly statements are published and let Ministers, Members of Parliament, the financial markets and the public see how the Government is tracking financially during the year compared with its forecasts.

### **Annual Reporting**

Each government department, State-owned enterprise and Crown entity is required to produce an annual report containing GAAP-based and audited financial statements.

These financial reports are the above organisations' main accountability document and are used by select committees to scrutinise performance. The reports also provide a range of information to a diverse group of users including staff, the media, financial markets and academic researchers.

Departmental annual financial statements for the year ended 30 June must be completed and forwarded to the Audit Office by the end of August.

Within 30 days of receiving the financial statements, the Audit Office must issue an audit opinion. Within six sitting days of their return from the Audit Office the financial statements, statement of responsibility and audit opinion must be presented to the House by the Responsible Minister as part of the department's annual report. If the House does not sit during the three weeks after the audit opinion has been signed, the Responsible Minister is required to ensure an annual report is published.

Annual reports, including audited financial statements, are also required from Crown entities and State-owned enterprises. These reports are required to be audited within four months from the end of the financial year and presented to the House (see Chapter Six).

Government departments, and those Crown entities from which the Government purchases a significant quantity of goods and services, are required to include audited statements of objectives and statements of service performance with their financial statements. These statements report, through a set of appropriate and reliable performance measures, whether the organisation has met its service objectives for the year.

Parliament has also extended the requirements for service performance reporting to ensure that it receives adequate information on appropriations for classes of outputs purchased from entities not already tabling statements of service performance in the House. Where outputs purchased are significant, a Minister is required to present a statement of service performance on the outputs within three months of the end of the financial year. For example, the Minister of Social Welfare reports on safe refuge services provided mainly by church and community-based voluntary organisations.

*Government departments, and those Crown entities from which the Government purchases a significant quantity of goods and services, are required to include audited statements of objectives and statements of service performance with their financial statements. These statements report whether the organisation has met its service objectives for the year.*

### **Crown Financial Statements**

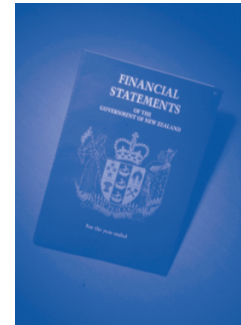
The Crown financial statements are prepared for the Government as a whole. They are a combination of more detailed information from sub-entities as well as items relating to the Crown.

#### **Crown reporting entity**

Crown financial statements are prepared for the Crown reporting entity specified in the Public Finance Act 1989. The Crown reporting entity comprises:

- Ministers of the Crown
- Departments
- Offices of Parliament
- State-owned enterprises
- Crown entities
- Reserve Bank of New Zealand.

The Crown financial statements must be completed and forwarded to the Audit Office by the end of August and an audit opinion obtained within 30 days of delivery to the Audit Office. The Minister of Finance is required to present the Crown financial statements in the House within six sitting days of the audit opinion being signed. If the House does not sit during the three weeks after the audit opinion has been signed, the Minister must ensure the Crown financial statements are published.



*The Crown financial statements give a complete picture of the whole Government's financial results and position.*

The Crown financial statements are prepared in accordance with GAAP and include:

- a statement of financial performance (operating statement)
- a statement of financial position (balance sheet)
- a statement of cash flows
- a statement of borrowings
- a statement of commitments
- a statement of contingent liabilities
- a statement of unappropriated expenditure, expenses or liabilities
- a statement of emergency expenditure
- a statement of trust money held by the Crown
- a statement of accounting policies.

The year-end statements are also accompanied by a statement of responsibility signed by the Minister of Finance and the Secretary to the Treasury.

The following statements are public-sector specific:

- the statement of borrowings provides detailed information on the net public debt
- the statement of unappropriated expenditure, expenses or liabilities reports to Parliament any expenditure, expenses or liabilities incurred in excess of or without the authority of Parliament. Parliament scrutinises these items before validating them through an Appropriation (Financial Review) Act passed in the following year
- the Public Finance Act allows emergency expenditure to be approved by the Minister of Finance where a state of national emergency or state of civil defence emergency has been declared or where a situation occurs that affects the public health or safety of New Zealand. The statement of emergency expenditure reports any such approvals
- the statement of trust money reports on the Government's stewardship of money the Crown holds in trust for a third party.

*The Crown financial statements are prepared in accordance with generally accepted accounting practice.*

After they are presented to the House, the Crown financial statements stand referred to the FEC for examination and report back to the House. The FEC's report is debated in the second reading debate on the Appropriation (Financial Review) Bill.

### Conclusion

As this book has shown, parliamentary scrutiny of forecasts, appropriation and performance reporting are all key features of the public sector financial management system. Some specific parliamentary controls are explained in Chapter Eight.