

School of Government

PADM 507

FINANCIAL MANAGEMENT IN THE PUBLIC SECTOR
(24 Points)

Trimester Two 2008

COURSE OUTLINE

Names and Contact Details

- Course Coordinator:** **Rose Anne MacLeod**
Room RH 702, Level 7, Rutherford House, Pipitea Campus
Telephone: (04) 463 5044
Fax: (04) 463 6955
Email: roseanne.macleod@vuw.ac.nz
- Other Lecturers:** Guest presenters will be advised at the commencement of the course
- Administrator:** **Darren Morgan**
Room RH 821, Level 8, Rutherford House, Pipitea Campus
Telephone: (04) 463 5458
Fax: (04) 463 5454
Email: darren.morgan@vuw.ac.nz
- School of Government Office Hours:** 8.30am to 5.00pm, Monday to Friday

Trimester Dates

Monday 7 July to Saturday 8 November 2008

Class Times and Room Numbers

- Dates:** Tuesday 9 to Friday 12 September 2008 (inclusive)
- Time:** 9.00am to 5.00pm each day
- Location:** Room RWW 501, Level 5, Railway West Wing, Pipitea Campus, Victoria University, Wellington (in Wellington Railway Station).

Course Objectives

The objectives of this course are:

- ❖ To consider whether, and how, financial management in New Zealand answers the four questions that citizens want answers to regarding the operations of the Government:
 - Is it managing its financial affairs prudently? [*the money thing*]
 - Is it achieving what it set out to achieve? And is it doing so in a cost efficient and effective manner? [*efficiency Vs effectiveness*]
 - Is it looking after its assets (people, infrastructure, intellectual capital) so it can deliver results (outcomes, outputs) in the future? [*capability and risk management*]
 - Are its activities being carried out in accordance with the law and expected standards of conduct and probity? [*authority and probity*]

- ❖ To introduce you to financial management in the public sector – strategic planning, budgeting & resource allocation, operations & budget implementation, and monitoring and reporting. (This involves integrating finance, human resources and organisational resources into the overall planning structure.)

- ❖ To make you familiar with the nature, rationale, and historical development of the system of financial management in the New Zealand public sector (including Central Government, Crown Entities, State-owned Enterprises, and Local Government) as a means of assessing:
 - Is public expenditure better managed?
 - Are resources more effectively allocated?
 - Is there too much or too little accountability? And is the accountability to the right stakeholders?
 - How do we evaluate whether outcomes have been achieved and why?
 - Does accountability (reporting, monitoring, auditing, and the front page of the Dominion Post) bring about useful change?
 - Does Parliamentary scrutiny serve a useful purpose?

- ❖ To consider whether significant current developments (such as the current focus on outcomes and the preparation of Statements of Intent, and capability) answer the issues raised by recent critiques of the New Zealand financial management system.

- ❖ To consider the implications of recent legislation affecting public sector financial management:
 - The Public Finance Act 1989 (and amendments)
 - The Crown Entities Act 2004
 - The Local Government Act 2002

This course will not make you an accountant! It is intended for managers who wish to understand more about financial management, but who do not have a need for in-depth knowledge about, for example, alternative financial reporting treatments of a specific type of transaction.

Readings

The topic readings for the course are a mixture of official publications, text material and academic articles. They are intended to introduce basic material; to give an understanding of the New Zealand Government's financial management system, as well as that of local government; and to provide an academic perspective on some of the issues addressed.

Specific readings are set out under the Course Content on pages 9 to 25 of this Course Outline. ***Where there is a website reference, a copy of the material has not been included in the Course Booklet.***

There are no textbooks for the course, but the following six publications will be referred to reasonably often:

- **Scott, Graham**, *Public Management in New Zealand*, Centre for Law and Economics Australian National University Canberra, Melbourne, Wellington, April 2001
- **Norman, Richard**, *Obedient Servants? Management Freedoms and Accountabilities in the New Zealand Public Sector*, Victoria University Press, 2003
- **Dalziel, Paul & Lattimore, Ralph** – *The NZ Macroeconomy: Striving for Sustainable Growth with Equity*, Oxford University Press (5th edition 2004)
- **Boston, Jonathan et al**, *Public Management – The New Zealand Model*, Oxford University Press, 1996
- **The Treasury (1996)**, *Putting it Together - An Explanatory Guide to the New Zealand Public Sector Financial Management System* (Chapters 1 and 2) - available from the Treasury website <http://www.treasury.govt.nz/publications/guidance/publicfinance/pit>
[Please note that some of this publication is now out-of-date.]
- **The Treasury**, *A Guide to the Public Finance Act* (August 2005) - can be downloaded from <http://www.treasury.govt.nz/publications/guidance/publicfinance/pfaguide>

In addition, the course will refer to the following suite of accountability documents. An example of each of the types of accountability documents is provided for the **Department of Corrections**. Students are expected to familiarise themselves with what these documents contain prior to the course. Students should also read the accountability documents of their own department or local Government entity.

- *Estimates for Vote Corrections in the New Zealand Government's Estimates of Appropriations for the year ended 30 June 2007*. Available from the Treasury website at: <http://www.treasury.govt.nz/budget/2006/estimates/est06corr.pdf>
- **Department of Corrections**, *Strategic Business Plan 2003 – 2008*. Available from the Corrections website at: www.corrections.govt.nz/public/pdf/publications/stratbusplan.pdf
- **Department of Corrections**, *Statement of Intent 2006/07*. Available from the Corrections website at <http://www.corrections.govt.nz/public/pdf/statementofintent/soi-2006.pdf>
- **Department of Corrections**, *Annual Report 2006/07*. Available from the Corrections website at: <http://www.corrections.govt.nz/public/pdf/annualreports/ar2007-complete.pdf>

Course Method

The course comprises readings, discussion, small group work, an essay, and an assignment. Prior to each module you are expected to:

- ❖ complete the readings;
- ❖ give some thought to the discussion questions; and
- ❖ be prepared to report on (and evaluate) the content of the readings.

Assessment Requirements

The purpose of assessment is three-fold:

- ❖ to ensure that you have met the standard of work required for the course;
- ❖ to give you feedback on your performance to assist you with your future study; and
- ❖ to provide the teaching staff with feedback on the progress of the class.

Formal assessment for the course will be as follows:

1. An *Essay*, to be submitted by **Monday 22 September 2008**, worth **50%**
2. An *Assignment*, to be submitted by **Monday 20 October 2008**, worth **50%**

Assignment One: Financial management and reporting in government departments

Due Date: Monday 22 September 2008

Max length: 3,000 words

Worth: 50%

Implementing the changes to the systems of financial management and financial reporting of government departments in New Zealand has been costly. Some commentators argue that these 'new public management' changes have added value and improved decisionmaking, while others consider the changes have increased the compliance burden with the focus of the change on accountability to external stakeholders rather than the use of financial information to improve decisionmaking within the organisation.

Required: [please provide a word count]

With reference to your own organisation, ***Critically discuss*** whether financial management reforms have added value or whether financial management is a compliance exercise. Include discussion of barriers, if any, to realising the expected benefits of the reforms.

Support your answer with brief examples where possible.

Assignment Two: Achieving reprioritisation in the budget process

Due Date: Monday 20 October 2008

Max length: 2,500 words

Worth: 50%

Frequently government organisations face fiscal pressures that do not allow significant new spending. This creates pressure on the organisation to reprioritise their spending, and seek to achieve greater effectiveness through the reallocation of resources to outputs that better achieve the organisation's outcomes.

Required: [please provide a word count]

In the context of a public sector organisation that you know well:

- ❖ *outline* the budget process, including key deadlines;
- ❖ *give examples* of areas where reprioritisation is possible;
- ❖ *describe* the main barriers to reprioritisation (either aspects of the budget process or wider issues such as management culture, organisational context, etc); and
- ❖ *suggest* ways to improve the organisation's ability to reprioritise.

Please submit ALL assignments IN HARD COPY to:

Post Experience Programmes,
School of Government,
Victoria University of Wellington,
Level 8 Reception,
Rutherford House,
23 Lambton Quay,
P.O. Box 600,
Wellington.

Assignments that are submitted in person should be placed in the secure box at School of Government reception (Level 8, Rutherford House) during office hours of 8.30am to 5.00pm, Monday to Friday. The assignment box is cleared daily, and assignments will be date stamped.

Students should keep a copy of all submitted work.

Penalties

The ability to plan for and meet deadlines is a core competency of both advanced study and public management. Failure to meet deadlines disrupts course planning and is unfair on students who do submit their work on time. It is expected therefore that you will complete and hand in assignments by the due date. Marks will be deducted at the rate of five for every working day by which the assignment is late (weekends and public holidays excluded) and no assignments will be accepted after five working days beyond the date they are due. For out of town students, two calendar days grace is given to allow for time in the post. Electronic versions of assignments may be submitted by email, but **MUST** be followed by a hard copy.

If ill-health, family bereavement or other personal emergencies prevent you from meeting the deadline for submitting your assignments, you can apply for, and may be granted, an extension to the due date. **Note that this applies only to extreme unforeseen circumstances and is not necessarily awarded.** You should let your course co-ordinator/lecturer know as soon as possible in advance of the deadline if you are seeking an extension.

Expected Workload

The learning objectives set for each course are demanding and, to achieve them, candidates must make a significant commitment in time and effort to reading, studying, thinking, and completion of assessment items outside of contact time. Courses vary in design but all require preparation and learning before the first day of contact. Intensive courses usually also require further study after the

contact period. Expressed in input terms, the time commitment required usually translates to 100-130 hours (excluding class contact time) per course.

Mandatory Course Requirements

To fulfil the mandatory course requirements for this course, you are required to:

1. Submit all assignments by the due date;
2. Attend all contact sessions of the course.

Communication of Additional Information

Additional information may be provided in class, by post, by email or via Blackboard.

Withdrawal Dates

Students giving notice of withdrawal from this course after **Wednesday 10 September 2008** will NOT receive a refund of fees.

Students giving notice of withdrawal from this course after **Tuesday 14 October 2008** are regarded as having failed the course, unless the Associate Dean subsequently gives approval to withdraw.

Notice of withdrawal must be in writing / emailed to the Masters Administrator. Ceasing to attend or verbally advising a member of staff will NOT be accepted as a notice of withdrawal.

Course Structure

The module placement may change depending of availability of external speakers.

Day	Topic
<p>Day One Tuesday 9 September 2008</p>	<ol style="list-style-type: none"> 1. <i>How Government works</i>: Introduction to the New Zealand Public Sector 2. <i>Framework for thinking about the reforms and setting the scene</i>: The NZ public sector financial management system <ul style="list-style-type: none"> • Concepts and the reform process 3. <i>Are we on the right track?</i> Public sector financial management in New Zealand <ul style="list-style-type: none"> • Is it providing the ‘right’ answers? • What could we do better? 4. The NZ Government’s budget process
<p>Day Two Wednesday 10 September 2008</p>	<ol style="list-style-type: none"> 5. Accounting concepts, including: <ul style="list-style-type: none"> • Accountants – scorers, measurers & interpreters, or agents of social change? • Cash vs accrual accounting • Operating vs capital expenditure • Is the public sector different? 6. <i>Accounting – Applying the concepts – Case Study</i> 7. Financial management & analysis <ul style="list-style-type: none"> • Crown • Departmental • Financial analysis 8. Financial reporting <ul style="list-style-type: none"> • Accountability to external parties • Financial reporting standards

<p>Day Three Thursday 11 September 2008</p>	<p>9. Service performance reporting 10. Financial Management in Local Government 11. The role of audit and the Auditor General 12. Governance</p>
<p>Day Four Friday 12 September 2008</p>	<p>13. The Role of the CFO 14. Ethics 15. Lessons Learned 16. Class discussion – key issues arising during the course</p>

Course Content

1. *How Government works: Introduction to the New Zealand Public Sector*

Topic Description

This section provides an introduction to the New Zealand public sector, answering questions such as:

- How is the country governed – do we have a written constitution?
- What are the relative roles of:
 - The Governor-General?
 - Parliament?
 - The Executive?
 - The Judiciary?
- What is policy? Who gives policy advice? Who makes policy decisions?
- Why is the public sector split into different types of entities?
- What is the difference between central and local government?
- What legislation affects the public sector?

Reading

Decisionmaker New Zealand: *Guidebook to Parliament for the Community*
www.decisionmaker.co.nz/guide2003/

Desired Learning Outcomes

This first lecture on civics (how New Zealand is governed and the rights and obligations of citizens and those who govern them) is critical to understanding the rest of the course material.

2. Framework for thinking about the reforms and setting the scene: the NZ public sector financial management system - concepts and the reform process.

Topic Description

This section will examine the ideas that underlie the financial management system operated by the New Zealand Government. The matters covered in this session include:

- The problems the system was seeking to address.
- The view taken of accountability relationships.
- The concepts of performance (including the output/outcome distinction, ownership and purchase, and the control distinction between the accountabilities of chief executives and of the Government as a whole).
- The Integrated Management Cycle (planning, budgeting, operating, reporting, audit and review) across the different reporting entities within government.

Readings

- PowerPoint presentation – *Concepts & Reforms, the Integrated Management Cycle*, **David Macdonald**
- PowerPoint presentation – *Processes, documents & terminology [jargon] used in the Integrated Management Cycle*, **David Macdonald**

Other references

- **The Treasury (1996)**, *Putting it Together - An Explanatory Guide to the New Zealand Public Sector Financial Management System* (Chapters 1 and 2) - available from the Treasury website <http://www.treasury.govt.nz/publications/guidance/publicfinance/pit>
- **The Treasury**, *A Guide to the Public Finance Act* (August 2005) - can be downloaded from <http://www.treasury.govt.nz/publications/guidance/publicfinance/pfaguide>

Desired Learning Outcomes

The first PowerPoint presentation describes the economic theories behind, and the rationale for, the system of financial management that has evolved in New Zealand over the last 20 years. The second PowerPoint presentation details the documents, processes and accountability mechanisms that are used in the Integrated Management Cycle.

The system of financial management is set out in a great deal more detail in the two Treasury Publications – “Putting it Together” [which is accurate in principle but some of the documentation has changed] and “A Guide to the Public Finance Act”.

This material will not be discussed in detail – if you want further clarification you should ask questions in class.

Questions to consider when undertaking background reading

- What are the key concepts underlying the New Zealand Government’s financial management system?
- What evaluative framework(s) could be used to judge the success (or lack of success) of NZ’s public sector financial reforms?
- Managing public expenditure and democratic government – who is accountable to whom and for what?

3. Are we on the right track? Public sector financial management in New Zealand – Is it providing the ‘right answers? What could we do better?’

Topic Description

Drawing on Session 2, this session will discuss the reform process and whether it is achieving what reformers set out to achieve.

Readings

- *Is there now a ‘New Zealand Model’?* **Jeff Chapman & Grant Duncan**, Public Management Review, Vol 9, issue 1, 2007 1-25 (ISSN 1471-9037)
- *A Wolf in Sheep’s Clothing? Wider Consequences of the Financial Management System of the New Zealand Central Government*, **Susan Newberry & June Pallot** (Financial Accountability & Management, 21(3), August 2005, 0267-4424)
- *Modernising Government: The Synthesis*, **Alex Matheson** (2004)
- **State Services Commission**, Working Paper # 18, *Whither Accountability?* **Bruce Anderson & Lynne Dovey** (9/2003)
- *Managing for Outcomes: Accountability and Thrust*, **Karen Baehler** (Australian Journal of Public Administration, 2003)
- *Whither the New Zealand Experiment: Thermidorean Reaction or Rediscovering the importance of Capacity – Some views from New Zealand*, **the editors** (Australian Journal of Public Administration, 62(4):3-6, December 2003)
- **Treasury Working Paper 01/06**, *Review of Evidence on Broad Outcome of Public Sector Management Regime*, **Murray Petrie & David Webber**, 2001
- Lecture at the Treasury, *Reflections on the New Zealand Model*, **Professor Allen Schick**, August 2001
- *Report of the Advisory Group on the Review of the Centre – the Executive Summary*, November 2001

Additional readings

- *Obedient Servants? Management Freedoms and Accountabilities in the New Zealand Public Sector*, **Richard Norman**, Victoria University Press, 2003
- *Departmental Uptake of the Managing for Outcomes Initiative (8/2003)*, **Economic & Strategy Group** (ISBN 0-478-24436-3)
www.ssc.govt.nz/upload/downloadable_files/Dept_Uptake_MFO_Initiative.pdf
- *The Challenge of Evaluating Systemic Change: The Case of Public Management Reform*, **Jonathan Boston** (December 2000)

Desired Learning Outcomes

The readings have been chosen to provide a broad range of views and perspectives on the success (or otherwise) of the financial reforms in New Zealand over the past 20 years.

Questions to consider when undertaking background reading

- What are the results of new public management as practiced in New Zealand:
 - Are public expenditures better managed?
 - Are resources more effectively managed?
 - Is there too little or too much accountability?
 - Does accountability [reporting and monitoring] bring about change?
 - Does parliamentary scrutiny [select committee reviews] serve a useful purpose?
- Is it possible to find a balance between freedom to manage, accountability, and the interests of stakeholders?
- Efficiency Vs effectiveness – trade-off, or fundamental difference in approach?

- The *Review of the Centre* identified fragmentation, problems with providing integrated service delivery, and lack of innovation, as areas where central government needed to improve.
 - To what extent does the financial management system contribute to these problems?
 - Has the system changed to help address these problems?
- Has the social impact of the reforms been adequately evaluated?

4. The NZ Government's Budget Process

Topic Description

This session examines the rationale for, and behavioural aspects of, budgeting - and the nature of the budget process of the NZ Government. It also examines the documentation that is produced in the budget decision-making process.

Readings

- PowerPoint presentation – *Budgets, Appropriations and the Public Finance Act*
- **Marti, Caridad**, *Accrual Budgeting: Accounting treatment of Key Public Sector Items and Implications for Fiscal Policy*, Public Budgeting & Finance, Summer 2006
- **Jensen, Gwenda**, 'Zen and the Art of Budget Management: The New Zealand Treasury', publication in *Controlling Public Expenditure The Changing Roles of Central Budget Agencies – Better Guardians?* (Edward Elgar Publications)

On The Treasury Website

- **Working Paper 01/24**, *Budget Management That Counts: Recent Approaches to Budget and Fiscal Management in New Zealand*, **Angela Barnes & Steve Leith**
<http://www.treasury.govt.nz/publications/research-policy/wp/2001/01-24/twp01-24.pdf>
- *The New Zealand Fiscal Management Approach – An Explanation of Recent Changes (January 2003)*
<http://www.treasury.govt.nz/publications/guidance/budget/fmaproach/fmaproach.pdf>
- *Budget Process Guide*
<http://www.treasury.govt.nz/publications/guidance/budget/process/>
- *A Guide to the Public Finance Act* (Appropriations, pages 11-28)
<http://www.treasury.govt.nz/publications/guidance/publicfinance/pfaguide>
- **The New Zealand Government**, *2008 Budget Policy Statement*, which includes government goals for 2008 <http://www.treasury.govt.nz/budget/2008/bps/bps08.pdf>

Desired Learning Outcomes

You should understand:

- Why governments budget;
- Appropriations; and
- The main features of the legislation that determine the Government's budgeting process.

In preparation for your Assignment you also need to understand the different methods of going about the budgeting process – especially the concepts of 'zero-based' budgeting, 'incremental' budgeting and 'reprioritisation'.

The PowerPoint presentation is a series of lectures to undergraduates - PADM students should find this a basic primer on the subject.

Questions to consider when undertaking background reading

- What constitutes a good budget process?
- How good is the New Zealand Government's budget process in allocating resources efficiently and effectively? And how good is the budget process within your own organisation?
- Does the budget system make cooperation between departments more difficult?
- Are Supplementary Estimates and Imprest Supply subject to adequate review by Parliament?

5. Accounting Concepts

Topic Description

One of the distinguishing features of NZ's public sector financial management system is the use of accrual accounting concepts for appropriations, budgeting, and financial reporting.

This session covers accounting issues, such as cash accounting, accrual accounting, capital expenditure, and operating expenditure. And considers whether public sector accounting is different from private sector accounting – does it need a separate set of standards?

Readings

- **Deegan, Craig & Samkin, Grant** extracts from *NZ Financial Accounting* (2nd Edition) Chapter 2 – An overview of theories of accounting
- **Norman, Richard**, *Accounting for Government*, published by Victoria University of Wellington through Victoria Link Ltd, (1997)
- *Fooling the People*, **David Farrar** (March 2005)
- *ABCs of Finance*, **National Association for the Self-employed** (2005)
- *Words to live by*, **National Federation of International Business** (2003)
- *Introduction to accrual accounting & IFRSs in Australia* (2005)

Other references

- Accounting Terms – financial & management accounting
- **Department of Corrections**, *Annual Report 2006/07*.
<http://www.corrections.govt.nz/public/pdf/annualreports/ar2007-complete.pdf>

Desired Learning Outcomes

As stated in the Course Objectives, this course will not make you an accountant. However, it is useful to understand that accounting is an “art” not a “science” and there is often more than one way of recording an economic event. In addition, to quote Deegan & Samkin, “At present there is no universal agreement on the objective, role and scope of accounting and, consistent with this, there is no single accounting theory that is universally accepted.”

Some of you may find Chapter 2 from *New Zealand Financial Accounting* quite fascinating, others will probably find it rather impenetrable and boring and be grateful that you did not graduate in accounting! You should skim enough of this chapter to understand the difference between ‘positive’ and ‘normative’ theories and the application of ‘critical theory’ to accounting.

A further concept that you need to understand is the difference between ‘cash accounting’ and ‘accrual accounting’.

Questions to consider when undertaking background reading

- Do you agree that “accounting is an art not a science”?
If it's an art doesn't that lead to ‘creative accounting’?
- Are accounting standards too important to be designed by accountants?
- Is accrual accounting more useful than cash accounting?
 - Are there any drawbacks?
- How often does your organisation monitor its Statement of Financial Position (Balance Sheet) against its budget?

6. Accounting -- Case Study – The New Zealand Teacher’s Council

Topic Description

Accounting information has implications for management action. The module highlights issues surrounding accounting, ethics, incentive alignment et al and forms an interesting context on which to look at accounting and financial management. This module looks and discusses the issues.

Students are required to read the following case study prior to this module.

- Case Study: The New Zealand Teachers Council’s First Year (A) and the New Zealand Teachers Council Annual Report

7. Financial Management and Analysis

Topic Description

Introduces:

- Concepts for understanding financial information
- The fiscal responsibility principles and requirements now embodied in the Public Finance Act.
- The rationale for and workings of the capital charge for Departments.

Introduces the basic techniques of financial analysis and its relevance to government organisations.

Readings

- PowerPoint presentation – *Crown Financial Management & Fiscal Responsibility*
- PowerPoint presentation – *Financial Analysis*
- *Freedom or Coercion? NPM Incentives in New Zealand Central Government Departments*, Susan Newberry & June Pallot, (Management Accounting Research 15, 2004, 247-266)
- Tutorial 3 – *Analysing the Crown's level of debt*
- **Tregilgas, Alan** – *Conveying Good performance: A Creditor Perspective on Public Sector Reporting Requirements* (1992 Public Sector Convention)
- **The Treasury** (1999):
 - *Monthly Financial Monitoring of Departments*
 - *Introduction to Financial Analysis*
 - *Example of Financial Ratio Analysis – Ministry of Justice*
- **Standard & Poor's** (1998) *Sovereign Credit Rating: A Primer* December 1998
- **Scott, J** – *The impact of the capital charge on Government Departments*, Nelson Polytechnic (1997)

Annual reports

- **Wellington City Council**, 2006/07 financial statements.
<http://www.wellington.govt.nz/plans/annualreport/0607/pdfs/0607annualreport.pdf>
- **Department of Corrections**, Annual Report 2006/07.
<http://www.corrections.govt.nz/public/pdf/annualreports/ar2007-complete.pdf>

Desired Learning Outcomes

The learning outcome is to gain an understanding of accounting principles and be able to understand and apply them.

Questions to consider when undertaking background reading

- How do you know whether or not your organisation is doing well?
- What aspects of your organisation's financial performance can you control? How and by whom is the financial performance of your organisation monitored?
- What does a vote analyst look at when analysing a department's finances?
- What are the main differences between the financial analysis of public sector entities and financial analysis of private sector for-profit entities?
- How well is the capital charge working in your organization in determining whether to lease or purchase equipment?

8. Financial Reporting – Accountability to External Parties and IFRSs

Topic Description

A key component of the financial management system is the use of accrual accounting. This session will address the process for establishing rules for external reporting, as well as some current issues in financial reporting that are relevant to the public sector.

Readings

- Mindmap, *Financial Reporting to Stakeholders*, **David Macdonald**
- PowerPoint presentation – *Financial reporting: New Zealand Government*
- **Deegan, Craig & Samkin, Grant** – extracts from *NZ Financial Accounting (2nd Edition)* Chapter 8 – Accounting for Heritage Assets
- *NZ Equivalents to International Financial Reporting Standards [IFRSs]*
- **Jensen, Gwenda** (2002), *Financial Reporting Developments and Their Impact on Central Government Entities*, IIR Master Course

Further Reading

- **The Treasury**, *Putting it Together - An Explanatory Guide to the New Zealand Public Sector Financial Management System*
<http://www.treasury.govt.nz/publications/guidance/publicfinance/pit>
Please note that some of this book is out-of-date and has been replaced by the following:
- **The Treasury**, *A Guide to the Public Finance Act* (August 2005)
<http://www.treasury.govt.nz/publications/guidance/publicfinance/pfaguide>
- **Institute of Chartered Accountants of New Zealand (ICANZ)**, *Framework for Differential Reporting* (1997)

Annual Reports

- **Wellington City Council**, *2006/07 Annual Report*
<http://www.wellington.govt.nz/plans/annualreport/0607/pdfs/0607annualreport.pdf>
- **Department of Corrections**, *Annual Report 2006/07*
<http://www.corrections.govt.nz/public/pdf/annualreports/ar2007-complete.pdf>

Desired Learning Outcomes

This session is designed to understand financial reports in the public sector.

Questions to consider when undertaking background reading

- Public sector entities are generally involved in reporting performance.
 - Do financial indicators have any relevance?
 - What's the significance of a government department making a surplus – is this 'good' news or 'bad' news?
- Describe two current financial reporting issues for government entities and the GAAP applicable to those issues.
- Does financial reporting give adequate emphasis to inter-generational equity issues?
- Why have accounting standards in the public sector? Who should set them – Treasury, an independent standard setter in NZ, or a world body [the IASC]?

- What are the arguments for and against applying exactly the same accounting and financial reporting rules (so called, sector neutral standards) to public sector entities as those applied to private sector entities?

9. Service Performance Reporting

Topic Description

This session discusses service performance reporting, focusing on a number of documents that address this issue.

Readings

- PowerPoint presentation – *Service Performance Reporting in NZ Public Sector*, **David Macdonald**
- PowerPoint presentation – *Current Issues in Service Performance Reporting*, **David Macdonald**
- **The Treasury & State Services Commission (in consultation with the Auditor-General)**, *Performance Information Measures and Standards in the SOI and Annual Report*
- *Public Service Management by Numbers: Why does it Vary? Where has it Come From? What are the Gaps and the Puzzles?* **Christopher Hood** (Public Money & Management, April 2007)
- **NZ Herald leader** [3/7/06] – “Unhealthy obsession with paper”
- *Reporting Public Sector Performance* [Summary Report], **Controller and Auditor-General**, 2001
- **Neale, Ann & Anderson, Bruce (March 2000)**, ‘Performance Reporting for Accountability Purposes – Lessons, Issues, Future’, International Public Management Workshop
- Worksheet entitled, ‘Constraints on the current reporting of non-financial performance’
- Worksheet entitled, ‘Where should the public sector go with the reporting of non-financial performance?’

Additional readings

- **Scott, Graham (2001)** - ‘Chapter 7 Setting and Monitoring Performance Specifications: Outputs and Outcomes’, *Public Management in New Zealand* pp 169-204
- **Review of the Centre Advisory Group (2001)**, *Executive Summary, Report of the Advisory Group on the Review of the Centre*, November 2001
- **Steering Group Managing for Outcomes Roll-out 2003/04 (2002)**, *Managing for Outcomes Output Plans Guidance for Departments*, December 2002
- *Key Government Goals to guide the public sector in achieving sustainable development*, **DPMC**
- **State Services Commission in conjunction with the Treasury, September 2003. ISBN 0-478-24438-X. Doing the Right Things and Doing Them Right - Improving Evaluative Activity in the New Zealand State Sector** <http://www.ssc.govt.nz/display/document.asp?docid=3507>

Desired Learning Outcomes

Service performance reporting is a critical part of the accountability process in the public sector, but is there too much emphasis on accountability and not enough emphasis on developing performance indicators that help managers manage their organizations more effectively and efficiently?

The readings are designed to provide you with a wide range of views on reporting public sector performance, including the current emphasis on reporting outcomes and the linkages between outcomes and inputs.

Questions to consider when undertaking background reading

- Why does your organisation capture information and report in the way that it does?
 - Who is the information useful to?
 - Is it appropriate? [i.e. Does it provide a good basis for judging the ‘success’ of your organization?]

- Does this information help you to manage your organization?
- Has the increased focus on outcomes caused any problems for your organisation?
 - Are you happy to be judged on your achievement of outcomes rather than outputs?
 - Are you able to find a satisfactory link between outputs and outcomes?
 - Are the Government's 'Key Goals' useful in providing a strategic direction for your organisation?
- Is your organisation reporting on risk management and capability? Is this useful information for stakeholders?

10. Financial Management in Local Government

Topic Description

This session will provide an introduction to local government financial management - it highlights the similarities and differences with central government financial management.

Readings

- PowerPoint presentation, *Local Government - Governance & Accountability*, **David Macdonald**
- *The Local Government Act 2002: An Overview*, **Local Government New Zealand**
- Mindmap, 'Local Government Act 2002 - What's different?', **David Macdonald**
- Mindmap, 'What's different about local government?', **David Macdonald**
- *Local Government – Looking Back and Looking Forward*, **Auditor-General**, May 2002.
<http://www.oag.govt.nz/2002/looking-back/docs/looking-back.pdf>
- *Local government – stakeholder “wicked issues”*, **David Macdonald**
- **Dominion Post Leader** [10/7/06] – “Lessening the rates weight”
- **Pallot, June** (2001), 'Transparency in local government: antipodean initiatives', *The European Accounting Review* 2001 10:3. pp 645-660

Desired Learning Outcomes

Local government is a very important area of economic activity in New Zealand, although not always recognized as such in Wellington circles. This is a good opportunity to learn more about how they operate.

The PowerPoint presentation and mind maps show how local government accounting and accountability issues have often foreshadowed changes in central government. The Local Government Act 2002 has put a huge emphasis on long term strategic planning and reporting on a 'quadruple bottom line' basis (economic, social, environmental, and cultural outcomes). The Act also provides the opportunity for local communities to make 'local choices' even when these choices might be out of sync with central government initiatives.

Questions to consider when undertaking background reading

- Describe the main ways in which the local government reforms resemble the central government reforms.
- Should/ could central government adopt the “power of general competence”?
- Compared to central government organisations, how free are local authorities to borrow, tax, spend and invest?
- What factors act to ensure that local authorities manage their finances well?
- Local Government Act 2002
 - Has the Act moved too far on outcomes?
 - Much of the effectiveness of the Act depends on consultation – what are the pitfalls?
 - How are TLAs going to prepare, and how is the Auditor-General going to audit, a “quadruple bottom line” SSP?

11. The Role of Audit and the Auditor-General

Topic Description

This section of the course will examine the role of the Auditor-General, both as an integral part of the integrated financial management cycle and as a reporter to parliament on *accountability* and *improvement* issues.

Readings

- PowerPoint presentation, *The Role of Audit & the Auditor-General*, **David Macdonald**
- Mindmap, *What's different about a public sector audit?* **David Macdonald**
- *Service Delivery: The Audit Dimension*, **Pallot, June** (Australian Journal of Public Administration, 58(3): 43-49, September 1999)
- **Jacobs, Kerry**, *Value for Money Auditing in New Zealand: Competing for Control in the Public Sector* (British Accounting Review, 1998)
- **Buchanan, Robert and Simpkins, Kevin** (2001), *A New Age for Public Auditing*, (Chartered Accountants Journal of New Zealand, July 2001, pp 8-11)

Auditor-General's website

- *Frequently Asked Questions* <http://www.oag.govt.nz/about-us/answers#why>
- *Report on the Efficiency & Effectiveness of the Auditor-General by an International Peer Review Team*, March 2008
<http://www.oag.govt.nz/2008/peer-review/docs/peer-review-report.pdf>
- *Annual Plan 2006-07* <http://www.oag.govt.nz/annual-plan/2006-07/docs/annual-plan.pdf>
- *Annual Report 2006-07*
<http://www.oag.govt.nz/annual-report/2006-07/docs/oag-annual-report.pdf>
- *Central Government: Results of the 2005-06 Audits*
<http://www.oag.govt.nz/central-govt/2005-06/docs/central-govt.pdf>
- *Public Audit Act 2001* and a number of accompanying policy papers
<http://www.oag.govt.nz/about-us/governing-legislation>

Desired Learning Outcomes

The Auditor-General plays an important role in public sector accountability and in improving public sector management.

This session explains the role of the Auditor-General and gives an insight into some of the 'vigorous' debate leading up to the passing of the Public Audit Act 2002.

It also explores how a public sector audit differs from a private sector audit, with particular reference to performance auditing. And, it answers the often asked question "who audits the auditor?"

Questions to consider when undertaking background reading

- What gives an audit value?
- How does the Auditor-General's 'legislative audit model' vary from a private sector audit?
- How does a performance audit vary from a financial audit?
- Critically discuss the following statement –
"The new legislation [the Public Audit Act 2002] has increased the Auditor-General's independence, but his accountability to Parliament has remained weak!"

12. Governance

Topic Description

This session will focus on what governance model (the processes by which organisations are directed, controlled and held to account) works best for New Zealand public sector entities. Comparisons will be made with governance models in overseas public sector entities, and with private sector governance models.

Readings

- *Continuous Improvement charts* (2)
- *Governance models elsewhere*, paper prepared for **NSW Government** (1998)
- *Overview of governance models*, **Institute on Governance** (2005)
- *Governance models: what's right for your board*, **Nathan Garber & Associates** (1997)
- *The Business Risk Radar*, **Marsh** (insurance brokers)
- **Barrados, Maria & Mayne, John** – *Can Public Sector Organisations Learn?* (OECD Journal on Budgeting – Volume 3, No. 3)
- **State Services Commission**, *Working Paper # 17, "Post-NPM Themes in Public Sector Governance*, **Gambhir Bhatta** (9/2003)
http://www.ssc.govt.nz/upload/downloadable_files/Post-NPM_Themes_In_Public_Sector_Governance.pdf

Desired Learning Objectives

Public sector organisations are looking for “continuous improvement” in their processes and financial management techniques. In addition, a great deal of emphasis has been placed recently on ‘capability’ and risk management - and private sector governance techniques and benchmarking practices are frequently cited as exemplars for the public sector.

This session explores possible governance models in the public sector and gives you the opportunity to discuss with other students practices and models that have worked for your organisation.

Questions to consider when undertaking background reading

- Has the introduction of private sector governance institutions – e.g. internal audit, audit committees, advisory boards, etc – been useful, or has it just provided another level of compliance costs?
- What use can be made of private sector financial management techniques?
 - Risk management
 - Asset management
 - Public finance initiatives
 - Benchmarking
- What aspects of public sector governance would not be appropriate in the private sector?
- Does your organisation have policies for:
 - Controlling sensitive expenditure?
 - Minimizing the likelihood of fraud?
- Do you contract with NGOs on the same basis as with other organisations

13. The Role of the CFO

Topic Description

This section of the course will look at the role of the CFO, key relationships and the information needs of stakeholders.

Desired Learning Outcomes

The Chief Financial Officer also plays an important role in public sector accountability and in improving public sector management with a Government department. Responsibility for the signoff of the Annual Financial Statements falls to the CEO and CFO which arguably places a higher responsibility on the CFO than in the private sector where the CFO does not have this responsibility.

This session looks at the role of the CFO and gives insights as to how it can add value and what stakeholders should expect.

Further Reading

- Deloitte Touche Tohmatsu, *The Finance Revolution. Insights and issues facing New Zealand Public Sector CFOs* (2002)
- Biddlecombe, Dene, *The Public Sector and Financial Expertise*; Chartered Accountants Journal; October 2006, pg.4.

Questions to consider when undertaking background reading

- How does the role differ to that of a CFO in a private sector, should the roles and therefore skill sets required be the same or should they differ?

14. Ethics

Topic Description

This section of the course will examine ethics in the public sector.

Further Reading

- Plant, Raymond, *A Public Service Ethic and Political Accountability*. Parliamentary Affairs; Oct 1, 2003; 56, 4; Academic Research Library, pg. 560.

Desired Learning Outcomes

Ethics is an often debated issue and ethical issues often arise in the financial management arena in setting and interpreting policy. Issues of appropriateness of expenditure of taxpayer funding is a subject likely to hit media headlines if there is any perceived view of impropriety.

This session looks at ethical issues and examines a framework for appropriate management action.

Questions to consider when undertaking background reading

- Should departments set different sensitive expenditure policies or should there be centralisation of policy in this area?
- What are appropriate questions to be asked when determining a course of action when faced with ethical issues?

15. Lessons Learned

Topic Description

This discussion session will host a guest speaker reflecting on the public sector reforms.

16. Class discussion of Key Issues that have emerged during the course

Topic Description

This discussion session will be a “wrap-up”, identifying and discussing issues that have emerged during the course, and trying to reach some conclusions about the New Zealand public sector management system and, in particular, the financial management arrangements.

The intention is to:

- consolidate the material covered during the course;
- consider any other issues currently facing public sector managers.

Faculty of Commerce and Administration Offices

Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours, call the Student and Academic Services Office on (04) 463 5376.

Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building on the ground floor (EA 005). This counter is the first point of contact for:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

To check for opening hours, call the Student and Academic Services Office on (04) 463 5376.

Use of Turnitin

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine www.turnitin.com. Turnitin is an on-line plagiarism prevention tool which identifies material that may have been copied from other sources, including the Internet, books, journals, periodicals or the work of other students. Turnitin is used to assist academic staff in detecting misreferencing, misquotation, and the inclusion of unattributed material, which may be forms of cheating or plagiarism. At the discretion of the School, handwritten work may be copy typed by the School and subject to checking by Turnitin. You are strongly advised to check with your tutor or the course coordinator if you are uncertain about how to use and cite material from other sources. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied. See the Victoria University Calendar or go to www.victoria.ac.nz/home/about/policy/students.aspx

For information on the following topics, go to the Faculty's website www.victoria.ac.nz/fca, under Important Information for Students:

- Academic Grievances
- Student and Staff Conduct

- Meeting the Needs of Students with Impairments
- Student Support

Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means *no cheating*. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. The University defines plagiarism as follows:

The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other students or staff.

It is still plagiarism even if you re-structure the material or present it in your own style or words.

Note: including the work of others will not be considered plagiarism as long as the work is acknowledged by appropriate referencing.

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalised severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- cancellation of your mark for an assessment or a fail grade for the course
- suspension from the course or the University.

Find out more about plagiarism, and how to avoid it, on the University's website:

www.victoria.ac.nz/home/studying/plagiarism.html

Manaaki Pihipihinga Programme

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, email manaaki-pihipihinga-programme@vuw.ac.nz or telephone (04) 463 6015. To contact the Pacific Support Coordinator, email pacific-support-coord@vuw.ac.nz or telephone (04) 463 5842.