

School of Government

MMPM 504

FINANCIAL MANAGEMENT IN THE PUBLIC SECTOR
(15 Points)

Trimester Two / 2011

COURSE OUTLINE

Names and Contact Details

Course Coordinator: **Rose Anne MacLeod**
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School Office Hours: 8.30am to 5.00pm, Monday to Friday

Trimester Dates

From Wednesday 6 July to Friday 4 November 2011

Withdrawal from Course

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.

1. Your fees will be refunded if you withdraw from this course on or before **Friday 22 July 2011**.
2. The standard last date for withdrawal from this course is **Friday 23 September 2011**. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an ‘*Application for Associate Dean’s Permission to Withdraw Late*’ including supporting documentation. The application form is available from either of the Faculty’s Student Customer Service Desks.

Class Times and Room Numbers

| | | |
|----------------------|---------------------------|-----------------|
| Module One: | Wednesday 6 July 2011 | 8.30am – 6.00pm |
| Module Two: | Wednesday 31 August 2011 | 8.30am – 6.00pm |
| Module Three: | Wednesday 19 October 2011 | 8.30am – 6.00pm |

Attendance is required at all three modular teaching days

Locations: Classes will be held on the Pipitea Campus of Victoria University in Wellington and you will be advised of your classroom one week prior to each module by email.

Course Learning Objectives

By the end of this course, students should be able to:

- ❖ Analyse 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? [*governance, capability & risk management*]
 - Are its activities being carried out in accordance with the law and expected standards of conduct and probity? [*authority and probity*]
- ❖ Understand the elements of the *integrated management cycle* – strategic planning; budgeting and resource allocation; operations and budget implementation; and monitoring and reporting (this involves integrating finance, human resources and organisational resources into the overall planning structure).
- ❖ Understand 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 critically assessing whether:
 - Public expenditure is better managed.
 - Resources are more effectively allocated.
 - There is too much emphasis on ‘accountability’ and not enough on ‘performance’:
 - Is the accountability to the right stakeholders?
 - Does a high level of accountability (reporting, monitoring, auditing, and the front page of the Dominion Post) bring about efficient and effective performance?

- Do public servants spend more effort ‘gaming’ accountability requirements than striving for performance?
 - What is the relationship between risk management and accountability?
 - Stakeholders are able to evaluate whether outcomes have been achieved and why.
 - Parliamentary scrutiny serves a useful purpose.
- ❖ Assess whether significant current developments (such as, the current focus on improved performance, outcomes, preparation of Statements of Intent, and emphasis on ‘risk’ and ‘capability’) answer the issues raised by recent critiques of the New Zealand financial management system; *or* are more about ‘political’ differentiation.
- ❖ Understand the implications of recent legislation affecting public sector financial management:
- The Public Finance Act 1989 (as amended in 2004)
 - 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.

Lecture Programme

| Module | Topic | Lecturer |
|---|--|-------------------|
| Module 1 Wednesday 6 July 2011 | 1. <i>Setting the Scene: the New Zealand Public Sector</i> <ul style="list-style-type: none"> • the public sector defined; • public and private sectors compared. | Rodney Dormer |
| | 2. <i>Public Sector Management – Theories, Ideas and Remaining Tensions</i> | Rodney Dormer |
| | 3. <i>The New Zealand Government’s Budget Process</i> | Rose Anne MacLeod |
| | 4. <i>Accounting Concepts</i> , including: <ul style="list-style-type: none"> • Cash Vs accrual accounting • Operating Vs capital expenditure • Depreciation • Cost allocation <p>[Students must either bring to this session your own organisation’s Annual Report OR Department of Corrections, Annual Report 2009/10]</p> | Rose Anne MacLeod |

| Module | Topic | Lecturer |
|---|--|------------------------------------|
| Module 2 Wednesday 31 August 2011 | 5. Accounting – Applying the Concepts – Case Study [Students must bring to this session a copy of the Case Study: The New Zealand Teachers Council’s First Year (A) and the New Zealand Teachers Council Annual Report 2002/3 which are included in your readings Students are to be prepared to answer the following question - If you were Ms Kouvelis would you ask the Minister for more money from the Government?] | Rose Anne MacLeod |
| | 6. Financial Reporting – Accountability to External Parties | Rose Anne MacLeod |
| | 7. Service Performance Reporting | Rodney Dormer |
| | 8. Accounting and Financial Management in the Public Sector | Rodney Dormer |
| Module 3 Wednesday 19 October 2011 | 9. Financial Management in Local government | TBC |
| | 10. The Role of Audit and the Auditor-General | TBC |
| | 11. A CFO’s View of Relationships with, and Information Needs of, Stakeholders | Rose Anne MacLeod |
| | 12. Class discussion of Key Issues that have emerged during the course. Some current issues: <ul style="list-style-type: none"> • Funding of non-government organisations • The capital charge regime • Class discussion – other issues arising during the course | Rodney Dormer Rose Anne MacLeod |

Course Content

1. Setting the Scene: the New Zealand Public Sector

Topic Description

This section will establish the context within which public sector financial management occurs. As such this represents an introduction to the formal, or official, system of public sector management. We will explore what is meant by the term ‘management’ and the extent to which management in the public sector is in any way different from management in the private sector. Questions to be considered will include:

- what are the functions of government?
- what makes up the public sector?
- what are the different forms of public entity?
- how is New Zealand governed?

- what do we mean by ‘management’?
- can public sector performance be improved by applying private sector management disciplines?

Desired Learning Outcomes

You should gain a clear understanding of how New Zealand’s public sector is structured, the various organisations that it encompasses, and the accountability relationships between them.

In exploring the relationship between the public and private sectors, you should be able to compare and contrast their differing accountability relationships and management objectives.

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”. That material will not be discussed in detail.

Readings

- Gill, D. *et al* (2011), *The Iron Cage Recreated*. Wellington: Victoria University, Institute of Policy Studies. (pp 37-140)
- 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 www.treasury.govt.nz/publications/guidance/publicfinance/pit
- The Treasury (2005), *A Guide to the Public Finance Act* - can be downloaded from www.treasury.govt.nz/publications/guidance/publicfinance/pfaguide
- Boston, J., Martin, J., Pallot, J. & Walsh, P (1996). *Public Management: the New Zealand Model*. Auckland: Oxford University Press. Pages 42 – 53
- Information on the structure and functions of New Zealand’s parliament can be found at www.parliament.nz/en-NZ/AboutParl/HowPWorks/FactSheets
- See also Decisionmaker New Zealand: *Guidebook to Parliament for the Community* can be found at www.decisionmaker.co.nz/guide2003/
- Rainey, H. G. and Young Han Chun (2005). Public and Private Management Compared. In E. Ferlie, L E Lynn Jr. and C Pollitt (Eds.), *The Oxford Handbook of Public Management*, pp. 72-102. Oxford: Oxford University Press
- Alford, J. (1993). Towards a New Public Management Model: Beyond “Managerialism” and its Critics. *Australian Journal of Public Administration*, 52 (2), 135-148.
- Mintzberg, H. (1996). Governing management. *Harvard Business Review*, May-June 1996, pp. 75 -83.

Questions to consider when reading the background material [refer Course Objectives on page 2 of the Course Outline]

- 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?
- Does good accountability mean effective performance?

2. Public Sector Management – Theories, Ideas and Remaining Tensions

Topic Description

This session will explore what is meant by the term ‘performance’ and the criteria by which the performance of public sector organisations may be defined and directed. We will also review the theories and ideas that have previously shaped, and continue to influence, the New Zealand model of public sector management.

- 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.

This session, session 1, and session 7 on Service Performance Reporting are an important resource for your essay. A great deal has been written about the reform process and your problem is to filter all this information and write an interesting and coherent essay which incorporates your own views and experiences. You should appreciate that in order to carry out an effective evaluation process you need to have a set of criteria to evaluate against. You should also consider the Course Objectives set out on page 2 of the Course Outline

Desired Learning Outcomes

This session should enable you to explain the different criteria by which the performance of public sector organisations is defined and directed.

You should gain an understanding of the economic theories and management concepts that underlie the changes to public sector management over the last twenty five years.

You should also be able to discuss the tensions that are inherent within New Zealand’s model of public sector management.

Readings

- Dormer, R. (2010). How am I doing? *Chartered Accountants Journal*, April 2010, Vol. 89 Issue 3, p. 34-35.
- Lodge, D and D Gill (2011). Toward a New Era of Administrative Reform? The Myth of Post-NPM in New Zealand. *Governance*, Vol. 24, No. 1
- Whitehead, J. (2009). *Public Sector Performance*. Speech to the Public Sector Performance Conference, Michael Fowler Centre, Wellington, 20 July 2009. Wellington: The Treasury.
- Chapman J. & G. Duncan (2007). Is there now a ‘New Zealand Model’? *Public Management Review*, Vol. 9, (1), pp. 1-25
- Newberry, S. and J. Pallot (2005). A Wolf in Sheep’s Clothing? Wider Consequences of the Financial Management System of the New Zealand Central Government. *Financial Accountability & Management*, 21(3), pp. 263-277
- Anderson, B. and L. Dovey (2003). *Working Paper No. 18, Whither Accountability?* Wellington: State Services Commission.
- Baehler, K. (2003). Managing for Outcomes: Accountability and Thrust. *Australian Journal of Public Administration*, 62(4), pp. 23-34.

Additional readings

- Petrie, M. and D. Webber (2001). *Working Paper 01/06, Review of Evidence on Broad Outcome of Public Sector Management Regime*, Wellington: The Treasury.
www.treasury.govt.nz/publications/research-policy/wp/2001/01-06/twp01-06.pdf
- Norman, R. (2003). *Obedient Servants? Management Freedoms and Accountabilities in the New Zealand Public Sector*, **Richard Norman**, Victoria University Press, 2003

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 much emphasis on ‘accountability’ and not enough on ‘performance’?
 - Is the accountability to the right stakeholders?
 - Does a high level of accountability (reporting, monitoring, auditing, and the front page of the Dominion Post) bring about efficient and effective performance?
 - Do public servants spend more time ‘gaming’ accountability requirements than striving for performance?
 - What is the relationship between risk management and accountability?
 - 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?
- Has the social impact of the reforms been adequately evaluated?
- How much has the reform process been affected by political differentiation?

3. *The New Zealand 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.

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 –including the concepts of ‘zero-based’ budgeting, ‘incremental’ budgeting and ‘reprioritisation’.

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

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

- Barnes, A. and S. Leith. *Working Paper 01/24, Budget Management That Counts: Recent Approaches to Budget and Fiscal Management in New Zealand*.
www.treasury.govt.nz/publications/research-policy/wp/2001/01-24/twp01-24.pdf
- Treasury (2010). *Budget 2011. Process and Technical Guide for Departments*. Available at: www.treasury.govt.nz/publications/guidance/planning/budgetprocess/proctech
- Treasury (2005). *A Guide to the Public Finance Act* (Appropriations, pages 11-28)
www.treasury.govt.nz/publications/guidance/publicfinance/pfaguide
- The New Zealand Government, *2011 Budget Policy Statement*. Available at: www.treasury.govt.nz/budget/2011/bps
- The Treasury (2008). *Demonstrating Performance, A Primer for Expenditure Reviews*.
www.treasury.govt.nz/publications/guidance/performance/demonstrating
- The Treasury (2011). *Budget 2011 Process and Technical Guide for Departments*, November 2010, available at: www.treasury.govt.nz/publications/guidance/planning/budgetprocess/proctech

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?

4. 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 the “art of accounting” and covers the context and concepts of accounting in the public sector. It looks at the underlying incentives in financial reporting and looks at some of the principles underpinning such reporting. The session covers topics such as cash accounting, accrual accounting, the distinction between capital and operating expenditure, depreciation and cost allocation and covers what is contained in the financial statements.

[NOTE: Students must either bring to this session **your own organisation’s Annual Report OR Department of Corrections, Annual Report 2008/09**. See reference below]

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’.

Readings

- PowerPoint presentation – *Financial reporting: New Zealand Government & Departments*
- **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)

Annual Reports

- **Your own organisation’s Annual Report OR Department of Corrections, Annual Report 2010/2011.**
www.corrections.govt.nz/news-and-publications/statutory-reports/annual-reports.html

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?

5. Accounting – Applying the Concepts – Case Study

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 (and bring the case study to class). **Students are to be prepared to answer the following question: If you were Ms Kouvelis, would you ask the Minister for more money from the Government?**

- Case Study: The New Zealand Teachers Council's First Year (A) and the New Zealand Teachers Council Annual Report 2002/3

Desired Learning Outcomes

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

Readings

- Case Study: The New Zealand Teachers Council's First Year (A) and the New Zealand Teachers Council Annual Report 2002/03
- **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

Annual reports

- **The New Zealand Teachers Council**, 2008/09 financial statements.
www.teacherscouncil.govt.nz/pubres/corporatepubs/

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 are the main differences between the financial analysis of public sector entities and financial analysis of private sector for-profit entities?
- What is public equity?

6. Financial Reporting – Accountability to External Parties

Topic Description

A key component of the financial management system is the use of accrual accounting. This session will look at what get included in financial statements, who sets the standards and issues in public sector financial and non-financial reporting.

Desired Learning Outcomes

This session is designed to understand the accountability and financial reporting requirements in the public sector.

Readings

- The Treasury (2005). *A Guide to the Public Finance Act*
www.treasury.govt.nz/publications/guidance/publicfinance/pfaguide

- The Treasury, *Treasury Instructions 2010*. Available at: www.treasury.govt.nz/publications/guidance/instructions/2010/trsy-instruc-10.pdf
- The New Zealand Government, *2011 Budget Policy Statement*. Available at: www.treasury.govt.nz/budget/2011/bps
- The Treasury, *Budget 2011 Process and Technical Guide for Departments*, November 2010, available at: www.treasury.govt.nz/publications/guidance/planning/budgetprocess/proctech
- Newberry, S. and J. Pallot (2004). Freedom or Coercion? NPM Incentives in New Zealand Central Government Departments. *Management Accounting Research* 15, 247-266
- Brady, K (2007) *Do NZ IFRS meet the Public Sector's Needs?* Chartered Accountants Journal, Nov 2007, p19-20
- Perry, J & K Crook (2007) *Financial Reporting Standards for Public Sector Entities* Chartered Accountants Journal , Nov 2007, p22-23

Further Reading

- The Treasury (1996). *Putting it Together - An Explanatory Guide to the New Zealand Public Sector Financial Management System*. Wellington: The Treasury. www.treasury.govt.nz/publications/guidance/publicfinance/pit
[Please note that some of this book is out-of-date]
- The Treasury (2005). *A Guide to the Public Finance Act*. Wellington: The Treasury. www.treasury.govt.nz/publications/guidance/publicfinance/pfaguide
- New Zealand Institute of Chartered Accountants (NZICA). *Framework for Differential Reporting Under NZ IFRSs*. Wellington: New Zealand Institute of Chartered Accountants.
- **Governmental Accounting Standards Board**, *Why Governmental Accounting and Financial Reporting is – and should be – Different*. www.gasb.org/white_paper_full.pdf (Note: underscoring is needed between words)

Annual Reports

- Treasury (2010). *Financial Statements of the Government of New Zealand for the year ended 30 June 2010*. Available at www.treasury.govt.nz/government/financialstatements/yearend/jun10/fsgnz-year-jun10.pdf

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?

7. Service Performance Reporting

Topic Description

This session discusses service performance reporting, focusing on a number of documents that address this issue. We will also consider the use and challenges of non-financial performance information.

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 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. *These readings will also be useful for your Essay.*

Much of the session will be in the form of group discussion so that you can network with other students and learn how other public sector organizations are coping with the current major emphasis on performance measures and performance reporting. The discussion questions on the next page are framed to provide a range of topics for you to discuss.

Desired Learning Outcomes

You should gain an understanding of the requirements of legislation and generally accepted accounting practice to provide financial and non-financial performance information on both an *ex ante* and *ex post* basis.

You should also be able to provide a critical analysis of the performance measures and targets used by public sector organisations.

Readings

- The Public Finance Act 1989, sections 38 to 45
- State Services Commission (2008). *Performance Measurement. Advice and examples on how to develop effective frameworks.* Wellington: State Services Commission
- Meekings, A., S. Briault and A. Neely (2011). *How to Avoid the Problems of Target Setting.* In press.
- Caulkin, S. (2009). This isn't an abstract problem. Targets can kill. *The Observer*, 22 March, 2009.
- Adams, S. (2011). Sickest patients are being neglected. *The Telegraph*, 6 April, 2011.
- Scott, G. (2001). *Public Management in New Zealand. Lessons and Challenges.* Wellington: New Zealand Business Roundtable. Chapter 7, Setting & Monitoring Performance Specifications.
- Hood, C. (2007). Public Service Management by Numbers: Why does it Vary? Where has it Come From? What are the Gaps and the Puzzles? *Public Money & Management*. April 2007, pp. 95-102.
- Controller and Auditor-General (2008). *The Auditor-General's observations on the quality of performance reporting* [6/08]
www.oag.govt.nz/2008/performance-reporting/docs/performance-reporting.pdf

Additional readings

- **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*
www.ssc.govt.nz/display/document.asp?docid=3507

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? [Managers? Control Agencies? Ministers? Stakeholders? Parliament? Citizens?]
 - Does the benefit of producing the information exceed the cost? Or, is it just the price of accountability within our democratic government?
 - Is the information captured and reported “appropriate”? [i.e. Does it provide a good basis for judging the ‘success’ of your organisation?]
 - Does this information help you to manage your organisation?
- Do you believe that there is a correlation between good performance reporting and good performance?
- 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?
- In your organisation, is there a conflict between:
 - ‘Risk management’ and ‘accountability’?
 - ‘Performance’ and ‘accountability’?
- Does your organisation set out to ‘game’ accountability requirements?
- How is your organisation going to measure, and get audited, the ‘triple bottom line’?

8. Accounting and Financial Management in the Public Sector

Topic Description

Much of the literature on public sector management is concerned with management *of* the public sector as a whole. This section will explore the requirements and challenges of financial management *within* individual public sector organisations.

To understand the issues associated with accounting and financial management within public sector organisations, we will first consider how those organisations differ and the implications of that for performance measurement and management.

We will then review strategic financial management within a public sector context and how that links to operational planning processes.

Finally you will be asked to decide to what degree it is possible to trace ‘a golden thread’ from the priorities of the Government of the day to organisational strategies and the performance management practices of managers within individual organisational settings.

Desired Learning Outcomes

You should gain an insight into the challenges of managing performance within individual public sector organisations. This will require an understanding of how those organisations differ.

You should then be able to discuss what and how managers manage within individual organisational settings.

Readings

- Scott, G. (2001). *Public Management in New Zealand. Lessons and Challenges*. Wellington: New Zealand Business Roundtable. Chapter 7, Setting & Monitoring Performance Specifications
- Wilson, J. Q., (1989). *Bureaucracy: what government agencies do and why they do it?* New York: Basic Books. pp. 158-177
- Gregory, R. (1995). The Peculiar Task of Public Management: toward Conceptual Discrimination. *Australian Journal of Public Administration*, 54 (2), 171-183.
- OECD (2000). *The OECD Outputs Manual*. PUMA/SBO (2007). Paris: Organisation for Economic Co-operation and Development.

9. 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.

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.

Readings

- *The Local Government Act 2002: An Overview*, **Local Government New Zealand**
- Mindmap, ‘What’s different about local government?’, **David Macdonald**
- *Local government – stakeholder “wicked issues”*, **David Macdonald**
- *Local Government – Looking Back and Looking Forward*, **Auditor-General**, May 2002. www.oag.govt.nz/2002/looking-back/docs/looking-back.pdf
- *Local Government: Results of the 2007-08 Audits*, **Auditor-General**, June 2009 <http://oag.govt.nz/local-govt/2007-08/docs/local-government.pdf>

- **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

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?

10. *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.

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 2001. 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?”

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*
www.oag.govt.nz/about-us/frequently-asked-questions/controller-and-auditor-general.pdf

- *Report on the Efficiency & Effectiveness of the Auditor-General by an International Peer Review Team*, March 2008
www.oag.govt.nz/2008/peer-review/docs/peer-review-report.pdf
- *Annual Plan 2008-09*
www.oag.govt.nz/annual-plan/2008-09/docs/oag-annual-plan-2008-09.pdf
- *Annual Report 2008-09*
<http://oag.govt.nz/annual-report/2008-09/docs/annual-report.pdf>
- *Central Government: Results of the 2008-09 Audits*
<http://oag.govt.nz/central-govt/2008-09/>
- *Public Audit Act 2001* and a number of accompanying policy papers
www.oag.govt.nz/about-us/governing-legislation

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?
- Given that the Auditor-General performs a mini performance audit (i.e. the audit of SSPs) on most public sector entities, is there any value in him carrying out discretionary performance audits?
- 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!”

11. *A CFO's View of Relationships with, and Information Needs of, Stakeholders*

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.

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.
- **MacLeod, R. A.**, *'The CFO in Government departments'* Chartered Accountants Journal, November 2008. Vol. 87, Iss. 10; p. 55
- **Carson, C.**, *'Right hand man'* Chartered Accountants Journal, November 2009. Vol. 88, Iss. 10; p. 36

- **The Treasury**, *Public Sector Financial Capability Executive Summary Report [August 2008]* Released Aug 2009. For full report see: www.treasury.govt.nz/publications/informationreleases/surveypsfmcapability

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?
- Are accountants scorers, measurers and interpreters? Or, are they agents of maintaining the status quo or achieving social change?
- What is the role of the CFO in a public sector entity?
- What are the information needs of stakeholders and how can they be met?

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

Topic Description

This final section of the course will consider two issues currently facing financial managers in the public sector, namely;

- the capital; charge regime, and
- contracting and funding arrangements with non-government organisations.

A discussion session will then be used as a “wrap-up”, identifying and discussing other 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.

We intend to:

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

If there is any subject you would like discussed in this time slot, please let Rose Anne or Rodney know before the day!

Desired Learning Outcomes

You should understand the objectives and issues associated with New Zealand’s capital charge regime.

You should be able to discuss the benefits and challenges associated with managing funding provided to non-government organisations.

Reading

- Treasury, December 2001. Treasury Circular 2001/16: Capital Charge – formula and rates for 2002/2003.
- MacLeod R. A. (2010). Charge Down. Chartered Accountants Journal, August 2010, Vol. 89 Issue 7, p. 39-41
- Cameron, D. (2011). How we will release the grip of state control. *The Telegraph*, 21 February, 2011
- Hope, C. (2011). David Cameron promises public sector revolution. *The Telegraph*, 21 February, 2011-06-10.

- Treasury (2009). *Guidelines for Contracting with Non-Government Organisations for Services Sought by the Crown*.
- Controller and Auditor-General (2008). *Public sector purchases, grants and gifts: managing funding arrangements with external parties*.
- Forrer, J., J. E. Kee and K. E. Boyer (2010). Public Private Partnerships and the Public Accountability Question. *Public Administration Review*, May/June, 2010.

Course Delivery

This course is delivered in a modular format, which includes a minimum of 24 hours contact. The 24 hours are broken up into three separate days of eight hours each (a ‘module’). There are three modules in the course with approximately seven weeks between each module. **Attendance is required at all three modular teaching days (8.30am – 6.00pm).**

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.

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 module. Regular learning is necessary between modules (students who leave everything to the last moment rarely achieve at a high level).

Expressed in input terms, on average, the time commitment required usually translates to approximately 150 hours for a 15-point course.

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 Course Content above and are either provided on Blackboard or found on the internet.

Blackboard is Victoria University’s online environment that supports teaching and learning by making course information, materials and other learning activities available via the internet through the myVictoria student web portal.

To access the Blackboard site for this course:

1. Open a web browser and go to www.myvictoria.ac.nz .
2. Log into myVictoria using your ITS Username (on your Confirmation of Study) and password (if you've never used the Victoria University computer facilities before, your initial password is your student ID number, on your Confirmation of Study, Fees Assessment or student ID card – you may be asked to change it when you log in for the first time).
3. Once you've logged into myVictoria, select Blackboard (from the options along the top of the page) to go to your Blackboard homepage.
4. The "My Courses" section displays the courses you have access to – select the appropriate link to access the course-specific Blackboard site. Please note that only courses that are actually using Blackboard and have been made available to students by their respective course coordinator will be displayed.

You are recommended to ensure that your computer access to Victoria University's computer facilities, such as myVictoria and Blackboard, is working BEFORE your course starts. If you have any problems, you should contact the ITS Helpdesk on (04) 463 5050 or its-service@vuw.ac.nz , or visit the Helpdesk on level 2 of the Railway West Wing, Pipitea Campus. See www.victoria.ac.nz/its/student-services/ for more information.

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

- Gill, D. *et al* (2011), *The Iron Cage Recreated*. Wellington: Victoria University, Institute of Policy Studies.
- Norman, R (2003), *Obedient Servants? Management Freedoms and Accountabilities in the New Zealand Public Sector*, Victoria University Press.
- Scott, G. (2001), *Public Management in New Zealand*, Centre for Law and Economics Australian National University Canberra, Melbourne, Wellington, April 2001 (Textbook for MMPM 501)
- Boston, J. *et al* (1996), *Public Management – The New Zealand Model*, Oxford University Press, 1996
- Dalziel, P & R. Lattimore, (2004) – *The NZ Macroeconomy: Striving for Sustainable Growth with Equity*, Oxford University Press (5th edition 2004)
- The Treasury (1996), *Putting it Together - An Explanatory Guide to the New Zealand Public Sector Financial Management System* - available from the Treasury website www.treasury.govt.nz/publications/guidance/publicfinance/pit [**Please note that some of this publication is now out-of-date**]
- The Treasury (2005), *A Guide to the Public Finance Act* (August 2005) - can be downloaded from www.treasury.govt.nz/publications/guidance/publicfinance/pfaguide

In addition, throughout the course reference will be made to the following accountability documents for the **Department of Corrections**:

- *Estimates for Vote Corrections in the New Zealand Government's Estimates of Appropriations for the year ended 30 June 2012*. Available from the Treasury website at: www.treasury.govt.nz/budget/2011/estimates/est11corr.pdf

- *Information Supporting the Estimates for Vote Corrections in the New Zealand Government's Information supporting the Estimates of Appropriations for the year ended 30 June 2012.* Available from the Treasury website at:
www.treasury.govt.nz/budget/2011/ise/v7/ise11-v7-pia-corr.pdf
- **Department of Corrections, Strategic Business Plan 2011 – 2015.** Available from the Corrections website at:
www.corrections.govt.nz/_data/assets/pdf_file/0005/529043/Strategy_Plan.pdf
- **Department of Corrections, Statement of Intent 2011/14.** Available from the Corrections website at:
www.corrections.govt.nz/_data/assets/pdf_file/0009/527193/soi-corrections-2011-14.pdf
- **Department of Corrections, Annual Report 2010/11.** Available from the Corrections website at:
www.corrections.govt.nz/news-and-publications/statutory-reports/annual-reports.html

Assessment Requirements

The purpose of assessment is three-fold:

1. to ensure that you have met the standard of work required for the course;
2. to give you feedback on your performance to assist you with your future study; and
3. 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 5.00pm on the **Friday 12 August 2011**, worth **50%**
2. An **Assignment**, to be submitted by 5.00pm on the **Friday 4 November 2011**, worth **50%**

Essay: Financial management and reporting in government departments

Due Date: Friday 12 August 2011

Max length: 3,000 words

Worth: 50%

Over the last quarter of a century in New Zealand, as in a number of other countries, the system of public sector management has been the subject of a series of changes in emphasis and an ongoing process of refinement. However, despite, or perhaps because of, that ongoing change process a number of what Pallot (2001) referred to as “perennial tensions” remain.

Critically discuss those tensions and their implications for the systems of financial management and reporting by **central government departments** in New Zealand. Wherever possible you should utilize your own experience and that of the organisation you work for to illustrate your discussion.

Required: please provide a word count

Assignment: Reporting the ‘performance story’

Due Date: Friday 4 November 2011

Max length: 2,500 words

Worth: 50%

Given the complexities of planning for and reporting performance in the context of the public sector, public sector organisations are being asked to provide a comprehensive and meaningful ‘performance story’.

With reference to a public sector organisation that you know well, describe the necessary elements of a good performance story. Provide a critical analysis of the extent to which you believe that organisation has provided those elements.

Required: please provide a word count

Note: If you do not work for a public sector organisation, or you are a foreign student, you will need to talk to the Course Coordinator [Rose Anne MacLeod] to arrange modified Essay and Assignment topics.

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 6140.

Assignments submitted by post are given two days grace to allow for delivery time, while assignments that are submitted in person should be placed in the secure box at School of Government reception (Level 8, Rutherford House, Pipitea Campus, office hours = 8.30am to 5.00pm, Monday to Friday) by the due date/time. The assignment box is cleared daily, and assignments will be date stamped.

Quality Assurance Note

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

Students should keep a copy of all submitted work.

Class Attendance

Attendance is required at all three modular teaching days.

If, before enrolment for a course, you are aware that you will not be able to attend a module, you must notify the Director of Master's Programmes when you enrol explaining why you will not be able to attend. The Director of Master's Programmes will consult with the relevant course coordinator. In such circumstances, you may be declined entry into a course.

If you become aware after a course starts that you will be unable to attend a module or a significant part of a module (i.e. more than two hours in any given day), you must advise the course coordinator before the module explaining why you will be unable to attend. The course coordinator may excuse you from attendance and may also require you to complete compensatory work relating to the course content covered during your absence.

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 per cent for every day by which the assignment is late and no assignments will be accepted after five working days beyond the date they are due. For example, if you get 65% for an assignment, but you handed it in on Monday when it was due the previous Friday, you will get a mark of 50%.

If ill-health, family bereavement or other personal circumstances beyond your control prevent you from meeting the deadline for submitting a piece of written work or from attending class to make a presentation, you can apply for and may be granted an extension to the due date. You should let your course coordinator know as soon as possible in advance of the deadline (if circumstances permit) if you are seeking an extension. Where an extension is sought, evidence, by way of a medical certificate or similar, may be required by the course coordinator.

Mandatory Course Requirements

Submit or participate in all pieces of assessment required for this course.

Communication of Additional Information

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

NOTE: Information emailed to you via Blackboard can only be sent to your @myvuw.ac.nz email address (the free email address created for you when you enrol and accessed via the myVictoria student web portal). If you want to receive these emails at your preferred email address (e.g. your home or work email address), it is **essential** that you activate your @myvuw.ac.nz email address before the start of the course and you modify the settings so all emails sent to it are automatically forwarded to your preferred email address. Please go to www.victoria.ac.nz/its/student-services/FAQs.aspx#Email_Forward for more information.

You are recommended to ensure that your computer access to Victoria University’s computer facilities, such as myVictoria, Blackboard and email, is working BEFORE your course starts. If you have any problems, you should contact the ITS Helpdesk on (04) 463 5050 or its-service@vuw.ac.nz , or visit the Helpdesk on level 2 of the Railway West Wing, Pipitea Campus. See www.victoria.ac.nz/its/student-services/ for more information.

Academic Integrity, Plagiarism, and the Use of Turnitin

Plagiarism is presenting someone else’s work as if it were your own, whether you mean to or not.

‘Someone else’s work’ means anything that is not your own idea. Even if it is presented in your own style, you must still acknowledge your sources fully and appropriately. This includes:

- material from books, journals or any other printed source
- the work of other students or staff
- information from the Internet
- software programs and other electronic material
- designs and ideas
- the organisation or structuring of any such material.

Acknowledgement is required for all material in any work submitted for assessment unless it is a ‘fact’ that is well-known in the context (such as “Wellington is the capital of New Zealand”) or your own ideas in your own words. Everything else that derives from one of the sources above and ends up in your work – whether it is directly quoted, paraphrased, or put into a table or figure, needs to be acknowledged with a reference that is sufficient for your reader to locate the original source.

Plagiarism undermines academic integrity simply because it is a form of lying, stealing and mistreating others. Plagiarism involves stealing other people’s intellectual property and lying about whose work it is. This is why plagiarism is prohibited at Victoria.

If you are found guilty of plagiarism, you may be penalised under the Statute on Student Conduct. You should be aware of your obligations under the Statute, which can be downloaded from the policy website (www.victoria.ac.nz/home/about/policy/students.aspx). You could fail your course or even be suspended from the University.

Plagiarism is easy to detect. The University has systems in place to identify it.

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 compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin. 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.

There is guidance available to students on how to avoid plagiarism by way of sound study skills and the proper and consistent use of a recognised referencing system. This guidance may be found at the following website: www.victoria.ac.nz/home/study/plagiarism.aspx .

If in doubt, seek the advice of your course coordinator.

Plagiarism is simply not worth the risk.

For the following important information, follow the links provided

Academic Integrity and Plagiarism

www.victoria.ac.nz/home/study/plagiarism.aspx

General University Policies and Statutes

Find key dates, explanations of grades and other useful information at

www.victoria.ac.nz/home/study

Find out about academic progress and restricted enrolment at

www.victoria.ac.nz/home/study/academic-progress.aspx

The University's statutes and policies are available at www.victoria.ac.nz/home/about/policy, except qualification statutes, which are available via the Calendar webpage at

www.victoria.ac.nz/home/study/calendar.aspx (See Section C).

Further information about the University's academic processes can be found on the website of the Assistant Vice-Chancellor (Academic) at

www.victoria.ac.nz/home/about_victoria/avcacademic/default.aspx

AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support

www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx

Faculty of Commerce and Administration Offices

www.victoria.ac.nz/fca/studenthelp/

Te Pūtahi Atawhai

Maori and Pacific Mentoring Programme

www.victoria.ac.nz/st_services/tpa/index.aspx