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# Performance reporting for accountability purposes: lessons, issues, future

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**Abstract**

This article addresses the status and directions for performance reporting in the New Zealand public sector from the perspective of the Office of the Auditor General (OAG). It outlines the role of the Audit Office, provides definitions of accountability, and projects the dimensions of a new accountability. The authors assess challenges to performance reporting and accountability, the history of reporting performance accountability in New Zealand, an Audit Office perspective on accountability to Parliament, lessons learned from reform, some issues outstanding, and future development in terms of how the public sector in New Zealand should improve reporting on non-financial performance.


> *". . . the length of a politician's life is not long enough to wait for long run improvements in performance." (Jackson, 1990, 21)*

## 1. Introduction

The role of the Audit Office is to assist Parliament in strengthening, *inter alia*, the accountability of public sector organizations. Contributions to the debate on reporting non-financial performance of public entities were made by the Audit Office both for a decade prior to and in the years since the passing of the Public Finance Act 1989. As the debate

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continues and assessment is made of reporting under the current accountability and reporting arrangements, the Audit Office continues to identify weaknesses in, and to suggest improvements for, performance reporting.

This article reviews, first, the dimensions of accountability underlying performance reporting. The history of reporting non-financial performance for accountability purposes in New Zealand is covered in the next section. Audit Office reports made significant early criticisms of the financial management and control in government departments, and our recent reports are still raising criticisms of some aspects of executive accountability. The lessons learned from a decade of reporting non-financial performance, together with some issues outstanding, are then reviewed. Finally, future developments in reporting non-financial performance in the public sector from the Audit Office perspective are outlined.

## 2. Accountability

"Accountability" for actions taken implies an obligation both to report on those actions (and usually their consequences) and to accept responsibility for those actions and their consequences. Accountability has two applications in the context of reporting performance.

- Accountability determines the right to know (parliamentary accountability). Applied to reporting performance, it leads to reporting on one's actions to those who have a right to know about actions taken and their consequences.

In central government, this sense of accountability requires that ministers report to Parliament (as representative of the electorate). In local government, councils report to their electorate (ratepayers) directly. Accountability lies through elections and to some extent through public consultation mechanisms (such as local government requirements to consult on Annual Plans, and Select Committee enquiries to which the public may make submissions). Electorate stakeholders (or their representatives) have a right to know, which does not, however, carry any right to direct performance.

- Accountability also has a decision-making aspect (managerial accountability). This application of accountability is focused on reporting to stakeholders who have either an oversight of, or a participatory role in, actions taken.

Appropriate performance measures linked to decisions made and actions taken are required to achieve managerial accountability to stakeholders. Public sector changes that have been driven by agency theory, or new public management models, have focused on strengthening managerial accountability.

## 3. Dimensions of a new accountability

Barberis (1998) provides a basis for analyzing accountability relationships in a central government context. We have attempted to adapt his framework to reflect the context and language of New Zealand. Barberis indicates the approximate demarcations of accountability. He states, “The most important principles lie in the notion of disaggregating different dimensions of accountability and in the idea that [public] servants assume a direct, first line responsibility for certain of these dimensions.” (Barberis, 1998: 466)

The first dimension to elaborate is parliamentary accountability. A minister may give an account for decisions and other matters to a number of stakeholders and participants, and may be asked to account by specific entities, e.g., Select Committees. A second dimension deals with accountability that is mainly managerial. Mechanisms here relate to administration and reporting performance, often (although not always) in the context of specific contractual arrangements. In reporting public sector performance, parliamentary and managerial accountabilities overlap.

## 4. Performance reporting in accountability

Four aspects of accountability (Barberis, 1998) may occur within one relationship.

*Giving an explanation (giving an account)*: Letting primary stakeholders (Parliament, ratepayers) know what is going on. This is likely to include information about what is going on internally, what is being delivered by the entity, and the impact this is having on the outside world. Giving an account is a communication of what has been done or delivered.

*Providing information (being asked to account)*: The parliamentary aspect of accountability carries the implication that those who are accountable to Parliament and ratepayers may be *asked to account*. This is accountability to provide information (for example, to Select Committees or in response to ratepayer questions at local authority open council meetings) on the state of the world or on performance, where this information goes beyond or is not readily obtained in accounts already given.

We may note that the Audit Office is one means (along with, for example, the Ombudsmen, the Parliamentary Commissioner for the Environment, the Health and Disability Services Commissioner, the Privacy Commissioner, etc.) by which stakeholders who lack any other mechanism can request that an entity be *asked to account*. The Audit Office, once it chooses to exercise its discretionary powers of investigation, is taking to itself the holding of an entity to account, within an accountability relationship where a stakeholder is not otherwise able to do so.

Parliamentary accountability is mostly confined to the above two accountabilities, whereas all four are part of managerial accountability.

*Reviewing or revising (holding out to account)*: The holding out to account is what one holds out to perform for the other. Holding out to account incorporates both prior acknowledgment of managerial accountability (clearly identified participants and decision-making) and subsequent accounting for delivery against that accountability. In cases where a formal contract exists in the accountability relationship, then holding out to account will be embodied in this contract document.

*Granting redress or imposing sanction (being actually held to account)*: If the mechanism to impose sanctions exists, the stakeholders ask for an account; based on the evidence produced, the enforcement of their rights in the accountability relationship occurs in the weighing of the evidence and the implementation of sanction clauses.

Performance measurement is a collection of activities, and performance reporting draws from the collection to deliver against accountabilities. The annual report, as a measurement and reporting process, is a regular, cyclic means of parliamentary accountability, but performance measurement includes, for example, surveys or special projects, which may collect complex data. Managerial accountability needs to draw on a wide range of techniques to report against accountabilities.

## 5. History of reporting performance accountability in New Zealand

Between 1988–1991 the New Zealand public sector moved towards reporting performance in ways that better met accountability requirements. The public sector experienced the wider introduction of accrual accounting, outputs-based budgeting and performance-based employment contracts (State Sector Act 1988, Public Finance Act 1989). In 1992, the first complete government accrual-based financial statements were published. These developments variously strengthened accountability mechanisms, primarily managerial.

At the time the Public Finance Bill (1989) was being considered, the Controller and Auditor-General expressed concern that there was no provision made in the Bill for ministerial reporting on outcomes. He considered this, " . . . a significant omission in an otherwise well structured set of accountability and reporting provisions." (Report of the Finance and Expenditure Committee, 1989, paragraph 5.4) We may note that the recent Invitation to Comment issued by the Institute of Chartered Accountants of New Zealand, "The Reporting of Purchase Performance," (ICANZ, 1999) discusses reporting arrangements that would result in reporting by ministers.

There was growing criticism of the emphasis on outputs by the mid-1990s, and concern that the public sector was losing sight of outcomes and moving to a focus on the short-term. The Logan Report in 1992 commented that there had been improvements in public sector performance, but a loss of government-wide strategy coordination and an adverse effect on the collective interest of government.

The 1996 Schick Report commented that accountability is not only more precise specification of results but also needs to take account of values, judgment and leadership. Accountability arrangements in place were modelled on commercial buyer-seller arrangements, but for the majority of government outputs, the market was not contestable and there was no arm's-length relationship between buyer and seller. The report outlined a number of areas where further development work could be considered in the state sector, including more attention to capacity. In general, the state sector was identified as geared for the short-term rather than the medium or long terms. Subsequent developments have included strategic and key result areas (in 1995) and work such as the Foresight project (adaptive capacity strategic thinking, scenario based, ongoing and evolving) (Pallot, 1999).

Local government had a different timeline of change from that of central government. In 1988, local government reform moves enforced amalgamations of smaller local territorial authorities. The 1989 Local Government Amendment Act No. 2 implemented accrual accounting, preparation of an annual plan with detailed information for the financial year and general information for the following two financial years and the requirement to report non-financial performance. The Annual Plan, prepared in consultation with the public, is reviewed as part of the attest audit for the Annual Report. The Annual Report includes financial statements and " . . . performance targets and other measures by which performance may be judged in relation to the objectives, *outputs and outcomes*" [emphasis added].

The 1996 Local Government Amendment Act No. 3 implemented further machinery to ensure accountability through transparency—the preparation of a long term financial strategy (at least ten years ahead and updated at least every three years), and preparation of funding, borrowing and investment policies. The Act requires local authorities to demonstrate prudent, effective and efficient financial management.

## 6. Audit Office perspective on accountability to Parliament

The Report of the Controller and Auditor-General (1978) on financial management and control in government departments made significant early criticisms of accountability. The Report concluded (paragraph 2.5) that accountability to Parliament was inadequate, with insufficient information in the Estimates and departmental reports on programme objectives, achievements and full costs. Among suggestions in the Report were the development of quantitative measures of the achievement of government departments (paragraph 4.1), an emphasis in the Estimates on activities rather than items (paragraph 9.7) and the structuring of annual departmental reports to Parliament in terms of programmes and activities (paragraph 9.9). A decade later, the Public Finance and State Sector Acts incorporated most of these suggestions.

The Public Finance Act 1989 establishes specific requirements on public sector entities to report non-financial performance in statements of service performance, that are required to be audited. At the time of enactment, there were no explicit guidelines available for the preparation of statements of service performance or for the audit of non-financial performance. By 1990, the Audit Office developed criteria to provide guidance on the audit of service performance reports. (Report of the Controller and Auditor-General, 1990) The guidelines developed the dimensions of quantity, quality, timeliness, location and cost in establishing measures for output classes. The Report also suggested that only critical performance measures should be reported, namely those which, if omitted, would result in an unbalanced or incomplete picture of department performance.

Non-financial performance reporting has been driven by the standards in the Audit Office guidelines for a decade. In 1994, the Institute of Chartered Accountants of New Zealand (ICANZ) published work on a financial reporting standard covering the presentation of financial reports. Financial Reporting Standard FRS-2 includes a section on the presentation of non-financial statements and incorporates the disclosure standards of output quantity, quality, timeliness, location, and cost.

Audit Office guidelines assist in determining the *desirable characteristics* and *appropriateness* of performance measures. Desirable characteristics of non-financial performance measures are that they should be:

- consistent with the agreement between the entity and its stakeholders, and tailored to the needs of other users through consultation.
- generally accepted by a professional group, or among similar reporting organizations, as relevant and reliable.
- comparable over time and with other entities.
- be sufficient (not so detailed as to swamp the reader)
- timely in relation to decision making processes
- economical, so that the cost of collection is less than the benefits of providing the information
- linked to objectives (with sufficient cause and effect relationship)
- controllable by the entity (to some degree).

Audit Office guidelines also consider it important that the entity reports on the impact (influence) entity activities have had on the area they are seeking to influence. As a minimum, the entity should report which outcomes its outputs are designed to contribute to, and the degree of control it has over the outcome. There should be a link between the long-term goals of the entity and the annual targets demonstrating how the annual targets contribute towards the end goal.

Auditing statements of service performance requires the auditor to form an opinion on the appropriateness of performance measures. Appropriateness is defined as having the characteristics of:

- relevance (meets the information needs of the stakeholders, and reflect objectives agreed between the entity and stakeholders)
- completeness (covers all significant activities being undertaken by the entity and the important dimensions of those activities), and
- understandability (presentation, content and format are clear and the targets are supported by recognized standards or traceable to agreements).

In 1999, the Third Report of the Controller and Auditor-General on executive accountability identified a number of ways in which executive government accountability to Parliament could be improved. These included the interests of the Crown as owner and purchaser, comments on outcomes, outputs and capability, and the management of risk.

### *6.1. The crown as owner and purchaser*

The Government's interests in Crown-owned organizations have generally been viewed from two perspectives—its interests as their owner and its interests as a purchaser of their services. Parliament currently receives little information on Crown ownership interests, and needs good information on the effect of the Government's spending decisions on organizational capability. The purpose of expenditure would be clearer if it was classified broadly as either current expenditure (operational spending to buy services or pay for transfers such as benefits) or capability expenditure (spending to establish or extend organizational ability to produce outputs).

### 6.2. Outcomes

The Public Finance Act does not say how outcomes are to be specified or measured, nor does it require any indication of their strategic priority. Additionally, there is no requirement to report what outcomes have occurred, with an explanation of how they compared with the intended outcomes (see also Report of the Controller and Auditor-General, forthcoming). Parliament needs to know whether these outcomes are actually being achieved and whether the spending is effective. More useful information about outcomes would be made available by:

- requiring governments to present a more prioritized set of outcome statements as part of the Estimates
- requiring outcome statements to be underpinned by statements that set out how the outcomes will be measured, and
- requiring that outcomes actually be measured, and the impact of the outputs purchased by the Crown be evaluated.

### 6.3. Outputs

The Government can only purchase the classes of outputs for which Parliament makes appropriations as described in the Estimates. Most purchases are described in purchase agreements between the Minister and the supplying agency. However, the contents of purchase agreements are not regulated by the Public Finance Act and can be changed at the discretion of the Minister. If the descriptions of outputs in formal documents are too vague, Parliament loses its ability to exercise effective oversight over expenditure. Outputs should be specified in at least enough detail in the legally binding descriptions of appropriations for Parliament to have sufficient oversight, and descriptions in purchase agreements should be well-aligned with Estimates and Departmental Forecast Report descriptions.

### 6.4. Capability

Parliament needs to be able to judge in advance whether a Crown-owned organization has the capability to produce planned outputs. In instances of non-delivery of agreed outputs, it is difficult to establish accountability if it is unclear whether the organization had the resources to do the job. Measuring capability is not easy, but it would be possible to give Parliament some useful information on at least four aspects of capability: balance sheet assets, human resources, output production methods, and information and control systems.

### 6.5. Accountability for Risk

Parliament generally does not receive any information about what risks have been identified by Crown-owned organizations and how those risks are managed, and thus cannot be certain about organizational capability to perform as expected and to manage risk. Parliament, as well as Ministers, needs information from chief executives about the risks faced by their organizations, the steps needed to mitigate those risks and any implications this may have for resources and capability. Parliament then has the opportunity to raise a challenge if it considers the level of risk unacceptable.

## 7. Lessons learned

A number of criticisms of central government accountability mechanisms have been made. For example, the State Services Commission's (1999a: 21) concerns include, first, that central government accountability mechanisms are unwieldy and not necessarily reporting the right things. Second, information is missing from some accountability documents. Third, there is a short-term focus for ministers and an emphasis on compliance for chief executives. In addition, (1999a: 25) there is increasing clarity about and detailed control over what chief executives do, and relatively few incentives to ensure that ministers clarify *ex-ante* what outcomes they are expecting.

Clarification of outcomes requires formulation of both long- and medium-term statements. Long-term statements have been formulated under various labels from strategic priorities to key government goals. These are grand scale outcomes needing translation at least into intermediate programme outcomes for what is to be accomplished. However, accountability cycles are annual (in appropriation and annual plan terms) and outcome evaluation cycles are of varying lengths in terms of the impacts they seek to establish. A disincentive for specification about outcomes is the relatively short electoral cycles of local and central government.

The Second Report of the Controller and Auditor-General for 1998, *The Information Needs of the Children, Young Persons and their Families Service (CYPFS)*, stated expectations for performance measures and performance standards. The quote below summarizes some of the expectations the OAG has of performance reporting (not as a criticism of the CYPFS).

"We expected that . . . performance measures and performance standards would:

- be derived from the planning process;
- reflect both strategic and short-term goals;
- enable the performance achieved to be compared validly and reliably with the planned performance;
- address all significant activities;
- be used actively as a tool of operations managements; and
- include measures that address the attributes of quantity, quality, timeliness, location and cost [of outputs]." (CYPFS, 1998: 99–100)

Subsequent reports of the Controller and Auditor-General (CAG) have continued to provide lessons learned in the public sector as performance reporting has developed, and to summarize CAG expectations of reporting non-financial performance. There are continued problems in getting performance reporting right. The CAG has reported on problems in the completeness of performance measures and the inadequacies of reporting both forecast performance and actual performance against forecast.

The reporting of non-financial performance needs to be linked in to long-term effectiveness of activities. This comprises both the outcomes achieved from activities over a long period of time (annually reporting on the progress in the current period towards those eventual outcomes) and the capability to continue to deliver over the needed time period to achieve those goals (annually reporting on maintenance of capability). Reports of the Controller and Auditor-General on this issue have included Crown entities with respect to reporting against their statements of corporate intent, as well as government departments and local government.

Comparability is needed between the information contained in different accountability documents, but the number and variety of accountability documents is only the first part of this issue. Reporting all accountability information in one document would be streamlined, but not all accountabilities may be capable of being satisfied by the shape of information within a limited number of reports. Alternate solutions to the question of how many documents (and how much information) to report will emerge from single data sources being used to give multiple views of organization performance. Electronic availability of information will eventually do away with the question of the number of documents, through development of search and reporting capabilities to access a single store of data (a data warehouse).

A second factor is that non-financial performance information will always have limitations, but this should not prevent its reporting. General purpose financial reporting also has limitations. Not the least of these are multiple measurement bases, artificial reporting periods and sometimes debatable reporting entities, as well as unresolved debates about recognition of certain events and transactions, liabilities of different legal enforceability, and assets with different assumptions about nature, use and life. Nonetheless, general purpose financial information is reported.

As well as the number of reporting documents and the limitations of data, the recipient audiences are a third factor. Reporting non-financial performance to multiple audiences with varied information needs is a problem. Readers vary in their capability to extract needed information from reports. Although developments in reporting, such as data warehousing and *ad hoc* search capability will assist, documents remain a primary source of performance information at the moment, with the associated issues discussed above.

Finally, there is the question of cost of disclosure. Managerial accountability should always prefer more information to less (more accountability documents rather than fewer), given a cost-usefulness constraint. Parliamentary accountability contains an implication that disclosure may be required at some times without considerations of cost, and that the discipline of disclosure and the provision of public information override considerations of cost.

## 8. Some issues outstanding

A number of issues remain outstanding with the current reporting of non-financial performance.

### *8.1. Bounds and constraints on reporting*

There are few incentives for chief executives to report more than they are required to. The disincentives to report more non-financial information than required by statute include aversion to generating reactions (e.g., media, political) to bad news, uncertainty whether additional information is appropriate, and uncertainty as to the use to be made of extra information, or its fitness for use. Incentives may lie in the degree of clarity about organizational objectives, or the chief executive's vision as to organizational direction. Multiagency activities require choice about which agency's outcomes are to be those against which performance is reported. Increased reporting of activities that operate across agencies requires publicizing the decisions or trade-offs that have been made between agencies.

Enforcement mechanisms may not operate to endorse innovative reporting nor to penalize minimally compliant reporting. The Public Finance Act 1989 constrains reporting as a code of minimum compliance. Statutory compliance requires the reporting of outputs, but the Act is silent on outcomes and capability. Compliance with the Act will suffice. Pressures exist in some public sector organizations to measure and report performance primarily as a compliance exercise. These include resource shortages (insufficient people or system capacity), lack of ability (insufficient know-how) and changes in structures or technology (insufficient data).

Where reporting is made within audited material (such as within Statements of Service Performance), the OAG requires information to pass audit evidence standards, i.e., to be appropriate, relevant and reliable. Meeting these standards is a constraint on audited sections of reports. However, material reported in unaudited management commentary sections of annual reports can include any other information management wishes to report, given accuracy and consistency with audited information.

### *8.2. Tension between parliamentary and managerial accountability—the uses of reported information*

Accountabilities for managerial control by government differ from the accountabilities for oversight by Parliament. Accountability arrangements may provide a disincentive to reporting performance in innovative ways. Taking risks in reporting is made difficult by tension between accountability requirements. Managerial accountability requires reports that are operationally useful, and which assist through experimenting with the gathering, analysis and reporting of information. Learning from reported information, and feeding that learning back into policy and delivery development and the management of change usually incorporates trial and error. Parliamentary accountability applies pressure for public sector organizations to measure and report performance because it is a statutory requirement. Reporting mechanisms measure public results against publicized intentions.

The priorities for information to be useful internally are, first, that it is of good quality; second, that it is timely; and third, that the cost of producing the information is less than the benefit from the use of the information. However, for reporting non-financial performance to meet parliamentary accountability, information requirements are along the lines of first, providing sufficient overview and meeting statutory requirements to enable Parliamentary oversight; and second, where required at a Parliamentary level, to provide detailed information for specific issues.

The Audit Office is focused primarily on parliamentary accountability, and their role is to give assurance in this area. In auditing non-financial performance information, one question for auditors is whether such information meets auditability requirements for reporting under parliamentary accountability. Managerial accountability is a secondary focus, where the Office is alert to providing advice for improvement.

### *8.3. Outcomes*

The public sector wants to move further on outcomes, partly to provide a qualitative description of what is being produced (better parliamentary accountability), and partly to allow better management decisions (e.g., about priorities, allocation of responsibilities, methods to be used, etc.). Output reporting in financial terms is well established, although some entities still have some way to go in allocation methods for costing outputs. However, non-financial performance reporting on outputs is still variable. Translation of overall vision/mission statements into identifiable outcomes and, in turn, linkage to service provision (level and funding) decisions is, in general, not advanced but is appearing—often more in local rather than central government. Managerial interest lies in outcomes and processes as well as the output, but reporting is required to be on the output. Output/outcome linkages are easier to develop where there is a relatively direct relationship between outputs and outcomes, relatively closed systems, and experience with, or literature around, cause and effect that assists with investment choices. Some ways forward include:

- recognition that a hierarchy of outcomes usually exists, e.g., hierarchically higher decision makers have overviews of outcomes and middle level decision makers have lower level outcomes;
- focus on key outputs in relation to particularly desirable outcomes—as opposed to an attempt to establish comprehensive linkages among different types of outputs and outcomes; and
- using expert judgments or the views of groups of people. Even with quantitative measures it will still be necessary to use qualitative judgments and to tell a story.

### *8.4. Imbalance among the emphasis on outputs, outcomes and capability*

The Public Finance Act is not balanced in terms of requiring reporting on outputs, outcomes and capability. We still need outputs. PFA reporting provides the security of knowing what you are expected to deliver and when. However, public (and parliamentary) interest may be on inputs and systems as well, namely other factors that influence outcomes.

Fitting the reporting of outputs, outcomes and capability into an annual cycle is difficult. For example, social policy and delivery departments, involving complex interactions and the need to view a whole picture, must make long-term investment decisions towards the achievement of even the most identifiable outcomes. Reporting on progress towards a distant goal within the annual budget and annual reporting cycle may reveal positive progress, intermittent progress, unintended consequences, or worsening of results. Some ways forward include:

- Long term outcomes (10 or 50 years) need steps built along the way. Annual reporting can be against identifiable intermediate steps towards outcomes.

- a better strategic focus for government decision making, with departments thinking explicitly about the extent to which their services contribute to government goals
- models of management and reporting that bring in factors affecting outcomes (such as human resources and information systems capabilities).

It is useful to think about key differences between the current New Zealand accountability and reporting framework and various "quality" improvement models. The components of the two frameworks may be compared on a number of elements. Overall, quality improvement models incorporate broader perspectives and generally foster managerial measures of non-financial performance.

### *8.5. Preparer capture*

Parliamentary accountability relies on the preparers of information and the public exposure of information, some in advance (Estimates, Annual Plans) and some in arrears. However, recipients of this information do not always have a good grasp of how to assess performance, whether in advance or arrears. There is also a sense of having overwhelmed the general reader with too much information, giving rise to a trend for concise overview reporting, through newsletters or stakeholder forums.

Preparers also make the decisions affecting the maintenance of data archives. Statutory requirements exist for the archiving of financial data, but performance data may be not maintained, may be lost through structural change, or maintained only as a snapshot rather than recorded over time. In addition, performance measures change as managers develop their recording systems and measures. The useful aspects of change are better measures, more understanding and better reporting of causes and effects. The negative effects of changed non-financial performance measures are an inability to track performance over time. As change is a constant feature of the public sector, conscious preparer effort would be required to ensure useable data archives survive.

Consultation is one way to bridge the gap between preparer and user. Special interest groups with conflicting goals may dominate consultation processes, and those consulted tend to have varied understanding of the language used (outputs, outcomes, significant activity, etc.). However, there is increasing experience, and the development of a body of knowledge, in the public sector about consultation. Well-managed consultation is an appropriate management technique for improved representation, informed decision-making and better results (Report of the Controller and Auditor-General, 1998b).

## 9. Future development: where should the public sector go with the reporting of non-financial performance?

The Audit Office is not alone in raising discussion on directions for further development of accountability reporting. The State Services Commission currently is considering the mechanisms of accountability documents and the incentives needed for changing public sector behavior (SSC, 1999b). Directions that may lead to solutions are discussed in the OAG Third Report (1999). To paraphrase, these include:

- requiring governments to present a more complete, prioritized set of outcome statements as part of the Estimates;
- requiring outcomes statements to be underpinned by statements that set out how the outcomes will be measured;
- requiring that outcomes actually be measured and the impact of outputs purchased by the Crown be evaluated;
- specifying outputs in sufficient detail, and aligning descriptions of outputs in the Estimates, departmental purchase agreements and forecast reports;
- reporting to Parliament useful information on capability, in areas such as human resources, output production methods and information systems; and
- reporting to Parliament about the risks faced by government entities, the steps needed to mitigate those risks and any implications this may have for resources and capability.

Under its legislation, local government must now pay attention to the long-term implications of expenditure decisions and agreed service levels, but measurement and reporting on this information is still developing. Capacity issues are being brought to the fore with the emphasis on asset management planning and identifying the long-term effects of current decisions as to service levels and expenditure. Similar developments in central government reporting would provide a long-term focus to performance reporting.

Generally accepted practice on the reporting of non-financial performance information is likely to develop over the next decade. Recently, the Institute of Chartered Accountants of New Zealand (ICANZ) issued a discussion document on the reporting of purchase performance (ICANZ, 1999). While not attempting to provide a comprehensive framework of all aspects of non-financial reporting, it focuses on the reporting of performance by purchase agents (such as Ministers) and discusses reporting of the rationale behind purchase decisions.

## 10. Conclusions

By its nature the Audit Office (OAG) is primarily focused on parliamentary accountability and the adequacy of reporting mechanisms to report to representatives of the public. A fundamental requirement of parliamentary accountability is that of giving an account of performance, and public sector reporting developments have contributed to enhancement of the process of giving an account. Ways in which executive accountability to Parliament could be improved remain to be addressed, and recent OAG reports have focused on presentation of solutions to some of the outstanding problems.

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