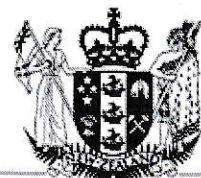


Treasury, 2017a

Year End Reporting: Departmental Annual Reports and End-of-Year Performance Information on Appropriations

Appendix 2
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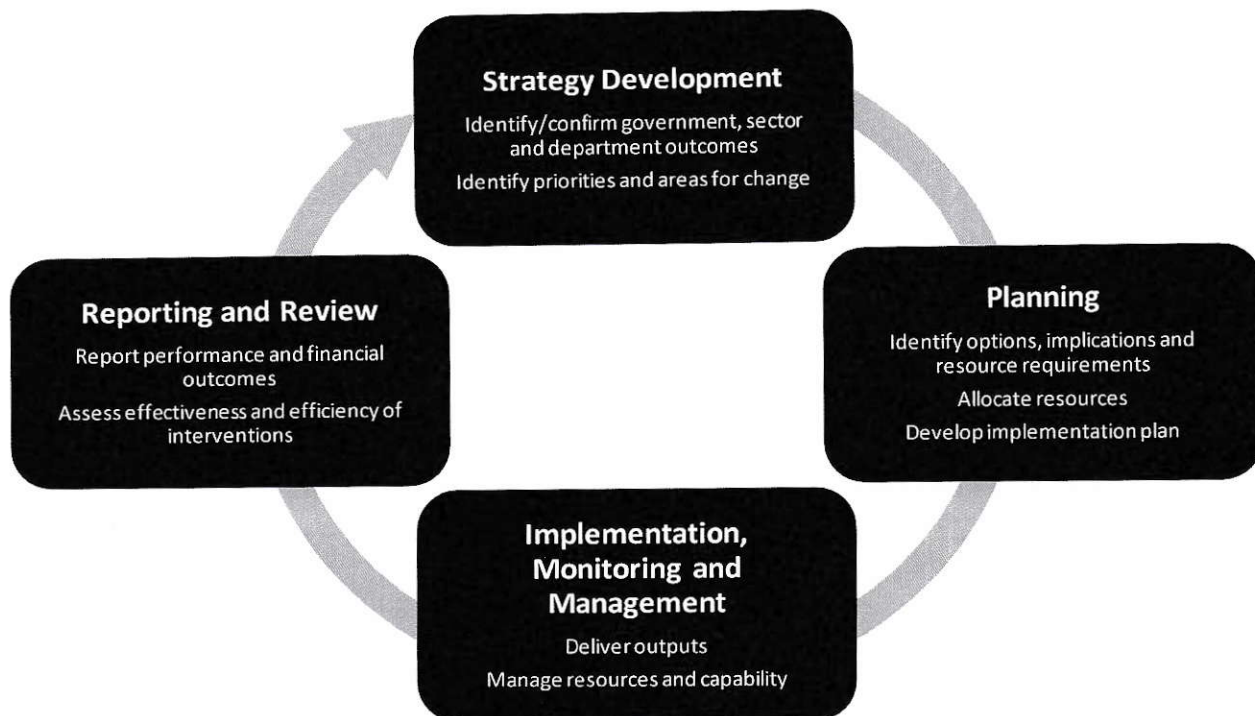
June 2017



THE TREASURY
Kaitohutohu Kaupapa Rawa

New Zealand Government

Accountability and performance management cycle



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Internet

The Treasury URL at June 2017 for this document is
<http://www.treasury.govt.nz/publications/guidance/reporting/yearend>

The PURL for this document is <http://purl.oclc.org/nzt/g-yr>

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What's new for 2017?

Cabinet Office Circular CO (15)5 includes requirements to report on asset performance. The requirements are set out in separate asset reporting guidance¹, and will be rolled-out in progressive steps. For the 2016/17 reporting period there is a change in reporting requirements compared with those signalled last year. For 2016/17 investment-intensive agencies² must again provide the required information directly to the Treasury. There is no requirement to publish such information in the 2016/17 annual reports (see section 3.6).

The General Election on 23 September 2017 affects when Departmental Annual Reports can be presented to the House. Departmental Annual Reports cannot be presented to the House after the 51st Parliament is dissolved, before the General Election, and the first meeting of the 52nd Parliament. Responsible Ministers must present Departmental Annual Reports as soon as possible after the first meeting of the new Parliament.

Departmental responsibility for publishing the Annual Report and end-of-year performance information on appropriations is also affected slightly by the dissolution of Parliament for the general election. A department must publish its Annual Report within 15 working days after the date of the audit report (if Parliament is not in session) (section 44(4)) (see section 1.5.3).

Chief Executives have committed to a shared vision for diversity and inclusion throughout the State sector through Better Public Services 2.0 (BPS2). Agencies are advised to incorporate a stand-alone section in their Annual Report which provides a coherent diversity and inclusion story (see section 3.10).

This document supersedes the following guidance:

Year End Reporting: Departmental Annual Reports and Reporting Against Appropriations released in June 2016.

What was new for 2014/15 and continues to apply?

This guidance incorporates key changes to year end reporting made in 2014/15:

- **End-of-year performance information on appropriations** – what is intended to be achieved, how performance will be assessed, who will report on the performance and where that information is reported is now specified, for each appropriation, in the Estimates (or Supplementary Estimates). Greater flexibility exists around what this information looks like, where it is to be reported and who reports it at year end. **Departments no longer produce a statement of service performance.** This was replaced by reporting end-of-year-performance information on appropriations for all appropriations unless they are exempt from this requirement (see section 4).
- **Statements of expenses and capital expenditure** were to be reported in the annual report separately from the annual financial statements. This was to distinguish more

¹ Annual Report Guidance for Departments – Asset Performance Indicators can be found: <http://www.treasury.govt.nz/statesector/investmentmanagement/review/assetperfreporting>

² List of investment-intensive agencies: <http://www.treasury.govt.nz/statesector/investment-intensive-agencies>

clearly between end-of-year performance information on appropriations and reporting on the financial statements of the entity. This covered each appropriation, and categories in an MCA, administered by the department and included details of the document in which end-of-year performance information for the appropriation for the previous financial year is presented to the House (see section 3.4).

- ***The statement of responsibility***, was updated to reflect the responsibilities of Chief Executives for end-of-year performance information on appropriations (see section 3.1).
- ***Changes to NZ GAAP*** – Departments were required to prepare their financial statements in accordance with Public Sector PBE accounting standards rather than NZ IFRS.

The following changes also first applied in 2014/15:

- The Chief Financial Officer no longer needed to counter-sign the statement of responsibility (see section 3.1).
- There was flexibility about whether several annual reports were presented in the same document and whether an annual report and the strategic intentions for a department were in the same document.
- The forecast financial statements section was updated to incorporate the supplementary forecast financial statement guidance released on 4 August 2014 (see section 3.7).

Intended audience for this guidance

Those involved in preparing a department's or a departmental agency's annual report, and the reports on what has been achieved with appropriations administered by a department, should read this guidance.

Chief executives and the senior leadership teams may benefit from reading the Overview section of the guidance.

Those working on the annual report should read all of the material to ensure they understand the requirements and the expected standards of reporting.

About this guidance

This guidance sets out what is expected and/or required of departments, Offices of Parliament and departmental agencies in preparing their annual reports and end-of-year performance information on appropriations in accordance with the Public Finance Act 1989 (PFA) and with other legislative or administrative requirements and expectations.

The annual report must comply with New Zealand generally accepted accounting practice (GAAP). The financial statements should comply with Public Sector PBE Accounting Standards (PBE Standards) as applicable.

For simplicity, the guidance often refers only to "departments". In most of the guidance, this should be read as including Offices of Parliament unless different requirements are explicitly identified. Specific differences for Intelligence and Security departments and Offices of Parliament are outlined in Annex 5.

The Crown Entities Act 2004 establishes separate but similar reporting requirements for statutory Crown entities. Annual report guidance for statutory Crown entities can be found at: <http://www.treasury.govt.nz/publications/guidance/reporting/annualreports-ce>

The requirements/guidance outlined in this document applies until this guidance is updated or replaced.

Persistent URLs

This guidance has frequent links to other guidance on the Treasury's website using persistent URLs (redirects maintained by OCLC for bibliographic purposes) to ensure that users of this guidance will be redirected to the current location of guidance if the location changes on the Treasury website.

Questions and feedback

You should use this guidance as your first point of call for questions on departmental annual reporting.

General enquiries about the information contained in this guidance can be directed to performanceinfo@treasury.govt.nz.

Agency-specific questions should be addressed to your Treasury Vote team.

Further information

This annual report guidance is available electronically from the Treasury website at:
<http://www.treasury.govt.nz/publications/guidance/reporting/annualreports>

Further planning and reporting guidance is available on the websites of the Treasury, the Office of the Auditor-General and the State Services Commission, including:

- Strategic Intentions
<http://www.treasury.govt.nz/publications/guidance/strategy>
- Estimates and Supplementary Estimates
<http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est>
- Treasury Instructions – generally specify what chief executives of the departments of the Crown must do <http://www.treasury.govt.nz/publications/guidance/instructions> (the link is to the front page not the instructions themselves as the Treasury Instructions are updated annually)
- Treasury Circulars - provide guidance and instructional information to departments, Crown entities and State-owned enterprises and request financial information from those agencies. The Treasury year end circular including guidance on updated accounting standards may be a useful resource when preparing your annual report (Treasury Circular 2017/06 for the 2016/17 financial year):
<http://www.treasury.govt.nz/publications/guidance/circulars>
- Public Sector PBE Accounting Standards compliant model financial statements are available on the Audit New Zealand website. <http://www.auditnz.govt.nz/publications-resources/public-sector-auditing/model-financial-statements/pbe-accounting-standards/govt-departments/index.htm>
- Performance Measurement: Advice and examples on how to develop effective frameworks <http://www.ssc.govt.nz/performance-measurement>
- Performance Expectations - “What Is Intended to Be Achieved” Treasury guidance <http://www.treasury.govt.nz/publications/guidance/planning/performanceexpectations-achieved>
- Performance Expectations – “How Performance Will be Assessed” Treasury guidance <http://www.treasury.govt.nz/publications/guidance/planning/performanceexpectations-assessed>

Requirements for tabling the annual report are set out in :

<https://www.parliament.nz/en/pb/papers-presented/presentation-of-papers/>

Overview

Purpose of year end reporting

Year end reporting consists of two main elements:

Annual reports of departments or departmental agencies – The purpose of these documents is to tell the financial and non-financial performance story of the department or departmental agency.

End-of-Year Performance Information on Appropriations – The purpose of end-of-year performance information on appropriations is to identify what was achieved with each appropriation compared to what the appropriation was intended to achieve, as communicated to Parliament in the Estimates or Supplementary Estimates.

A department's annual report is one of the most important ways the department is accountable to members of Parliament and the public they represent. This is a key resource for the department's responsible Minister, appropriation Ministers and for the annual review of the performance and current operations of each department conducted by select committees under the Standing Orders of the House of Representatives (the House).

A good annual report can be a powerful way to promote better understanding and debate about, how resources and powers were used, and how to improve future performance. End-of year performance information on appropriations allows comparison between what was intended to be achieved with each appropriation with what was actually achieved.

An annual report covers the department's operations, progress against its strategic intentions and its organisational health and capability. It also contains statements of expenses and capital expenditure, annual financial statements, end-of-year performance information on appropriations, and any other matters. It can create greater public trust and confidence in the work of the department and show alignment with Government priorities.

The "*What is Intended to be Achieved with this Appropriation*" and the "*How Performance will be Assessed*" supporting information, in the Estimates or Supplementary Estimates, provide the basis for end-of-year performance reporting on what was achieved with appropriations.

The table below summarises who reports on appropriations and the document that contains the end-of-year performance information on appropriations.

Appropriation Type	Reporter and Document
Departmental appropriations (including Departmental Capital Expenditure)	The appropriation administrator in their annual report
Non-Departmental appropriations	The appropriation Minister either in a report attached to the appropriation administrators annual report, or in a separate Vote xx Non-Departmental annual report or a Crown entity or other service provider in their annual report as long as it is tabled in the House
Multi Category Appropriations (MCAs) at the appropriation level and for each category	The appropriation administrator in their annual report

Year end reporting and the performance story

Year end reporting should give a clear picture of the overall performance story for the department. So, in addition to the financial statements, the 2016/17 annual report should report on progress against strategic intentions, including performance indicators, organisational health and capability any other information necessary to provide this overall performance story, including performance information on some or all of the appropriations administered by the department.

Year end reporting is part of a continuous management cycle that involves reviewing actual results against stated intentions, which then feeds back into the next cycle of direction-setting, planning, implementation and review.

Departments should focus most of their reporting effort in the annual report on the few critical aspects of departmental performance. The reader should get a clear sense of what matters most. The annual report should not include performance information (financial or non-financial) that the agency knows provide a misleading picture of the results achieved.

When deciding which aspects of performance to give most attention, departments may find the following criteria useful:

- value for money
- the significance of the economic, social, and environmental impact, and
- the importance to the overall success and future operational effectiveness of the department.

Departments should also consider the significance of achieving outcomes for different population groups in achieving their strategic intentions and, if so, how the annual report should specifically cover progress for different population groups.

Characteristics of good performance information

There are four qualitative characteristics of good performance information. They are:

- **Understandability** – The information must be understandable by users. Users are assumed to have a reasonable knowledge of the business and a willingness to study the information with reasonable diligence. Information about complex matters that should be included because of its relevance should not be excluded merely on the grounds that it may be too difficult for certain users to understand.
- **Relevance** – To be useful, information must also be relevant to the decision-making needs of the users. Information is relevant when it influences the users by helping them evaluate past, present or future events or confirms or corrects their past evaluations. In order to be relevant, information must also be timely. Materiality is also an important consideration as agencies need to avoid information overload. Information is material if its omission or misstatement could influence the decisions of users.
- **Reliability** – To be useful, information must also be reliable. Information is reliable when:
 - it represents what it purports to represent or could reasonably be expected to represent
 - it is presented in accordance with substance and reality and does not merely meet the legal requirements
 - it is neutral ie, free from bias
 - a degree of caution was exercised when judgements were needed in the face of uncertainty, and
 - it is complete, within the bounds of materiality.
- **Comparability** – To be useful, users should be able to compare performance through time and also with similar functions in other agencies.

Quality of non-financial performance information

Central agencies and the Auditor-General have for some years expressed concerns about the quality of non-financial performance information provided in annual reports. Departments are encouraged to think about the overall performance story that annual reports and end-of-year performance information on appropriations provide.

It is also helpful to understand what the Auditor-General looks for when forming an independent opinion on the reporting on what has been achieved with each appropriation. The Auditor-General assesses performance information to ensure the information complies with generally accepted accounting practice (GAAP), and fairly reflects the department's performance against appropriations. To do this the auditor forms a view about:

- Whether the concise explanations in the supporting information to the Estimates or Supplementary Estimates of what an appropriation is intended to achieve and how performance against the appropriation will be assessed provides an adequate framework for reporting what has been achieved with that appropriation.

- Whether the report on what has been achieved with the appropriation fairly reflects what has been achieved.

In this context what has been achieved with an appropriation is more complex than a simple achieved or not achieved judgement. It may reflect achievement of milestones or improvement of trends over time.

Among other things, this requires the auditor to:

- draw a conclusion on the appropriateness of the end-of-year performance information, and
- verify that content.

Flexibility to present reports in the same document

Departments can present and publish their annual report in a document containing other reports or information provided by the department or by others. This flexibility allows departments to present readers with a more complete picture of performance where multiple departments work towards the same outcomes. It also allows departments to present their annual reports along with their strategic intentions or other documents in a single document. When utilising this flexibility, departments must ensure that their intentions are signalled at latest in the Supplementary Estimates and **that all reports are separately identifiable both within the document and on its cover.**

What is the role of Minister?

Not later than 15 working days after the audit report is provided or if Parliament is not in session, as soon as possible after the commencement of the next session of Parliament:

- The department's responsible Minister³ must present a department's annual report to the House of Representatives.
- Where the reporter on what has been achieved with an appropriation is other than a Minister, the appropriation Minister must ensure that the report on what has been achieved with an appropriation and the audit report (if applicable) are presented to the House in the document most recently specified for that purpose in the Estimates or Supplementary Estimates.

Where an appropriation Minister is the reporter on what has been achieved with an appropriation, that Minister must ensure that the report on what has been achieved with that appropriation is presented to the House within 4 months after the end of the financial year in the document most recently specified for that purpose in the Estimates or Supplementary Estimates.

³ Or another Minister where the information is being presented in a document containing other reports or information

What are the roles and responsibilities of the Chief Executive?

The chief executive is responsible for ensuring their department has complied with the reporting requirements in the PFA and other Acts.

The chief executive signs a statement of responsibility detailing their responsibility for:

- the financial statements, forecast financial statements, statements of expenses and capital expenditure and the judgements used
- the accuracy of the end-of-year performance information on appropriations that has been prepared by their department
- ensuring that the end-of-year performance information on appropriations administered by their department is provided (this includes information in Crown entity annual reports)
- having in place a system of internal control for ensuring the integrity and reliability of the reporting, and
- the information fairly reflects the financial performance of the department.

What is the role of the CFO?

The Chief Financial Officer is responsible for providing the Chief Executive with the assurance needed to sign the statement of responsibility. The Chief Financial Officer is no longer required to counter-sign the statement of responsibility.

What is the role of the auditor?

The auditor provides an independent opinion about whether the financial statements, statement of expenses and capital expenditure and end-of-year performance information on appropriations present a fair reflection of the agency's performance. The auditor also considers other information in the annual report for reasonableness and consistency with the audited information (ie financial statements, statement of expenses and capital expenditure and end-of-year performance information on appropriations). The auditor may also highlight in the audit opinion significant legislative breaches related to the annual report's content.

What is the role of the Treasury?

The Treasury is responsible for issuing annual reporting guidance. The Treasury does not have a formal role in commenting on the annual report or end-of-year performance information on appropriations before they are published. Departments may still consult their vote team if they wish.

1 Year end reporting: planning to meet statutory requirements

1.1 Summary of year end reporting

Year end reporting consists of two main elements:

1. Annual reports of departments or departmental agencies
2. End-of-year performance information on appropriations

Annual reports

The responsibility for the annual report lies solely with the Chief Executive of the entity being reported on, and the timeframes for the provision of information to the auditors, receipt of the audit report, publishing and presentation to the House remain consistent with previous years. (see section 1.2)

The annual report must comply with New Zealand generally accepted accounting practice (GAAP). The financial statements should comply with Public Sector PBE Accounting Standards (PBE Standards) as applicable.

End-of-year performance information on appropriations

The Estimates or Supplementary Estimates set out, for each appropriation, where end-of-year performance information will be reported and who will report.

In general (and this is discussed in more detail below), the timeframe for the completion, audit (where applicable), publication and presentation of end-of-year performance information on appropriations will be either that for a department's annual report or that for a Crown entity's annual report, depending on **who** is doing the reporting and **where** the information is being reported.

Departmental Chief Executives are responsible for ensuring that that **all** end-of-year performance information on appropriations their department administers is provided in accordance with sections 19A to 19C of the PFA **regardless of who is responsible for preparing it and the document it is being presented in**. As the deadlines for the provision of information by Crown entities and Ministers falls **after** the date at which the departmental chief executive signs the statement of responsibility, chief executives will need to ensure they receive the assurance that they need prior to signing the statement of responsibility.

Planning considerations

Departments should consider the following when planning for year end reporting:

1. **Information ready on time:** Ensure that all end-of-year performance information on appropriations to be reported within or attached to the Department's annual report will be ready to be audited (if applicable), presented and published within the timeframes applicable to the department's annual report. This may require liaising with Crown entities, their auditors and any other information providers to ensure that all parties are aware of the deadlines and able to meet them.

2. **Departmental Chief Executives able to sign the statement of responsibility:** Ensure that departmental chief executives have the assurance they need at the time of signing the annual report, to attest to the fact that all end-of-year performance information for all appropriations they administer (regardless of where the information will be reported) will be provided in accordance with what has been indicated in the Estimates or Supplementary Estimates. After the financial year the appropriation administrator confirms with each Crown entity most recently identified in the Estimates or Supplementary Estimates as the end-of-year performance reporter for an appropriation that the Crown entity will provide performance information in accordance with sections 19A to 19C of the PFA in their annual report.
3. **Consultation with auditors:** Department's may need to work with their auditors to ensure that however end-of-year performance information for appropriations is provided, it can be audited and it is clear to the reader that the information has been audited.
4. **Ministers' reports:** Where a department plans to attach a Minister's report on a non-departmental appropriation to their annual report, they need to ensure that:
 - a. It is clear that the Minister's report is a separate report to the annual report – i.e. it is not a section or an appendix to the annual report but is merely **attached** to the annual report for the purposes of presenting the document to the House. The annual report and the Minister's report need separate shoulder numbers.
 - b. It is clear that the performance information contained in the Minister's report has not been audited.

1.2 Key dates

This table outlines the key dates that departments and Ministers need to meet.

Action/event	Deadline date
End of financial year	30 June
Departments provide to the Auditor-General annual financial statements, end-of-year performance information on appropriations, and anything else to be audited	Within two months of the end of the financial year (last date 31 August) (see section 1.3 below)
Departments provide a copy of their annual report to the Auditor-General	In a timely manner to enable the Auditor-General to review the report prior to providing the audit report within 3 months after the end of the financial year (see section 1.3 below)
Audit provide audit report to departments	Within three months of the end of the financial year (last date 30 September)
Responsible Minister presents annual report to the House of Representatives	Within 15 days of audit report being provided or, where Parliament is not in session, as soon as possible after the commencement of the next session of Parliament (see section 1.4 below)
Departments publish annual report	As soon as practicable after presentation to the House; but no later than 15 working days after receiving the audit report (see section 1.4 below)

Action/event	Deadline date
Appropriation Minister (where the reporter on what has been achieved with an appropriation is other than a Minister) must ensure that the report on what has been achieved with an appropriation and the audit report is presented to the House of Representatives and published	Within 15 days of audit report being provided. If Parliament is not in session, must be presented as soon as possible after the commencement of the next session of Parliament (see section 1.4 below).
Appropriation Minister (where the reporter on what has been achieved with an appropriation is a Minister) must ensure that the report on what has been achieved with an appropriation is presented to the House of Representatives and published	Within four months after the end of the financial year (last date 31 October). If Parliament is not in session, must be presented as soon as possible after the commencement of the next session of Parliament (see section 1.4 below).

1.3 Audit process

Statutory requirement: Section 45D of the PFA

- (1) A department must forward to the Auditor-General:
 - (a) its annual financial statements, statements of expenses and capital expenditure, and any other information that the Auditor-General has agreed, or is required, to audit within 2 months after the end of each financial year; and
 - (b) its annual report in a timely manner to enable the Auditor-General to review that report before providing the audit report required under subsection (2)(b).
- (1A) The department or departmental agency most recently identified in the supporting information for an Appropriation Act as providing end-of-year performance information on an appropriation for a financial year must, within 2 months after the end of that financial year, forward that information to the Auditor-General.
- (2) The Auditor-General must:
 - (a) audit the statements referred to in subsection (1)(a) and the information referred to in subsections (1)(a) and (1A); and
 - (b) provide an audit report on them to the department or departmental agency (as the case may be) within 3 months after the end of each financial year

A department must provide the Auditor-General (or the appointed auditor) the information noted above as being subject to audit no later than **31 August**.

The auditor must then audit those statements and information and provide an audit report on them by **30 September** for inclusion in the annual report. Disestablished departments may have some extra time (see Annex 4). The other information in the annual report provides valuable contextual information that assists the auditor in providing assurance over the information that is subject to audit.

Forecast financial statements and forecast non-financial information are not subject to audit.

The auditor forms an opinion about whether the financial statements, statements of expenses and capital expenditure, end-of-year performance information on appropriations and specified supplementary schedules comply with GAAP and presents fairly:

- the financial position of the reporting entity as at the balance date
- the results of the reporting entity's operations and cash flows for the year ended on that date
- the end-of-year performance information on appropriations for the year, and
- assets or liabilities managed by the department on behalf of the Crown.

The auditor plans and performs the audit to obtain reasonable assurance that the audited information does not contain material misstatements, whether caused by fraud or error. The auditor also forms an opinion about whether the department has complied with its legislative reporting requirements.⁴

The Auditor-General has issued an audit standard (AG-4 Audit of Performance Reports) which requires the auditor to attest to whether the end-of-year performance information on appropriations:

- complies with GAAP in New Zealand, and
- fairly reflects the public entity's service performance for the year.

Ministers' reports are **not audited**. However, if a department attaches a Minister's report to its annual report or another document containing audited information, the auditor is required to review the attached material as part of their audit process.

⁴ In accordance with the Auditor-General's auditing standards AG ISA (NZ) 250: Consideration of Laws and Regulations and AG-2: The Appropriation Audit and the Controller Function

1.4 Presenting and publishing end-of-year performance information on appropriations

Performance Reporter	Deadline for presentation to the House	Deadline for publication
Department/Departmental Agency	Not later than 15 working days after the audit report in respect of the information has been received (section19(A)(3)). If Parliament is not in session, the information must be presented as soon as practicable once Parliament commences	As soon as practicable after presentation to the House or within 15 working days of the audit report (if Parliament is not in session (section19A(5))
Crown entity	Not later than 15 working days after the audit report in respect of the information has been received (section19(A)(3)). If Parliament is not in session, the information must be presented as soon as practicable once Parliament commences	As soon as practicable after presentation to the House or within 15 working days of the audit report (if Parliament is not in session (section19A(5))
Appropriation Minister	Within four months after end of the financial year (section19(B)(2))	As soon as practicable after presentation to the House or within four months of the end of the financial year (if Parliament is not in session (section19B(4))

1.5 Presenting and publishing the annual report

1.5.1 Presenting the annual report

Statutory requirement: Section 44(1)–(3) of the PFA

- (1) A Responsible Minister must present to the House of Representatives –
 - (a) the annual report of a department for which he or she is the responsible Minister and any applicable audit report; and
 - (b) the annual report of any departmental agency hosted by a department for which he or she is the responsible Minister and any applicable audit report
- (2) The responsible Minister (or the Minister referred to in subsection (3)(b) if applicable) must comply with subsection (1) –
 - (a) not later than 15 working days after the audit date; or
 - (b) if Parliament is not in session, as soon as possible after the commencement of the next session of Parliament.
- (3) A Minister other than the responsible Minister may present an annual report and audit report (if any) to the House of Representatives if—
 - (a) those reports are presented in a document that includes another report or other information (see subsection (5)); and
 - (b) that other Minister is responsible for presenting that other report or information.

Responsible ministers⁵ must table the annual report in the House **no later than 15 working days** from the time the audit report is signed unless the House is dissolved, as occurs preceding a general election. Reports may be presented to the House on any working day, whether or not the House is sitting at the time. The only time when papers cannot be presented is between 25 December in any year and 15 January in the following year (inclusive) and if the House is not in session.

A department can present or publish its annual report in a document that includes any other report or information whether or not that other report or information relates to the department. This provides greater flexibility to present annual reports with other accountability documents such as the strategic intentions or other annual reports for their sector. When using this flexibility, departments must ensure that each report or set of information is separately identifiable – both within the document and on the cover (section 44(5) of the PFA).

Once annual reports of departments and Offices of Parliament have been presented to the House, they are treated as Parliamentary papers and ordered to be published by the House. Hence they must conform to the requirements of the Office of the Clerk for Parliamentary papers outlined in the circular “Presentation of Papers to the House” of 6 July 2016. The circular covers requirements such as the size, number of copies and delivery requirements for papers presented to the House, and can be found at New Zealand Parliament -

⁵ Or another Minister where the Department is presenting their Annual Report in another document and another Minister is responsible for presenting that document (Section 44(3) of the PFA)

Presentation of Papers to the House: <https://www.parliament.nz/en/pb/papers-presented/presentation-of-papers/>.

1.5.2 Publishing the annual report

Statutory requirement: Section 44(4) of the PFA

- (4) A department or departmental agency must publish its annual report and any applicable report –
- (a) as soon as practicable after the annual report has been presented to the House of Representatives, but, if subsection 2(b) applies, not later than 15 working days after the audit date; and
 - (b) in accordance with the manner (if any) –
 - (i) prescribed by regulations made under this Act; or
 - (ii) specified in instructions issued by the Minister under section 80A

The PFA requires the department to publish its annual report in a timely fashion.

1.5.3 Impact of the dissolution of parliament for the general election on 23 September 2017

Papers, including Departmental Annual Reports, cannot be presented to the House between the day the 51st Parliament is dissolved (22 August 2017) and the first meeting of the 52nd Parliament. This must be “not later than 6 weeks after the day fixed for the return of the writs for that election” (section 19, Constitution Act 1986) so the new Parliament is likely to have its first meeting by mid to late November 2017. Responsible Ministers must present Departmental Annual Reports as soon as possible after the first meeting of the new Parliament.

Departmental responsibility for publishing the Annual Report and end-of-year performance information on appropriations is also affected slightly by the dissolution of Parliament for the general election. A department must publish its Annual Report within 15 working days after the date of the audit report (if Parliament is not in session) (section 44(4)). An end-of-year performance reporter (other than an appropriation Minister) must ensure the information is published not later than 15 working days after receiving the audit report (section 19A(5)). A Minister who is the end-of-year performance reporter on an appropriation must ensure that information is published not later than 4 months after the end of the 2016/17 financial year (section 19B(4)).

1.6 Style and format of accountability documents

Departments are encouraged to adopt a plain, concise and focused presentation style for their annual report and end-of-year performance information on appropriations and be mindful that the report’s audience is primarily parliamentary. Wherever possible glossy public relations style material, unnecessary photographs, graphics and biographical material should be avoided. The structure of the annual report does not need to follow the strategic intentions document or the Estimates – unless it is sensible for that agency. The annual report should be clearly structured so it is easy for the reader to find the financial statements,

statements of expenses and capital expenditure and end-of-year performance information on appropriations and distinguish these from the rest of the report.

1.6.1 Electronic and other copies

The PFA allows the Minister of Finance to specify minimum requirements⁶ for the publication of annual reports, but this power has not been exercised to date. However, the New Zealand Government Web Accessibility Standards and Web Usability Standard⁷ requires that all agencies publish on their websites any public documents required by statute (including annual reports) in HTML format. Making annual reports available in Adobe PDF format is optional.

Questions about New Zealand Government Web Standards should be directed to web.standards@dia.govt.nz.

1.6.2 Preparing for publication

As well as placing a copyright statement on their annual reports departments are also encouraged to insert a licence setting out the terms by which this copyright work can be re-used. Please refer to the New Zealand Government Open Access and Licensing framework (NZGOAL) which is government guidance approved by Cabinet (CAB Min (10) 24/5A refers) for agencies to follow when releasing copyright works and non-copyright material for re-use by others.

NZGOAL seeks to standardise the licensing of government copyright works for re-use using Creative Commons New Zealand law licences and recommends the use of 'no-known rights' statements for non-copyright material. Creative Commons licences are freely available copyright licences that enable the sharing of copyright works for re-use in a standardised way and in forms that are human, machine and lawyer readable.

Cabinet has:

- directed all Public Service departments, the New Zealand Police, the New Zealand Defence Force, the Parliamentary Counsel Office, and the New Zealand Security Intelligence Service
- strongly encouraged other State Services agencies (other than school boards of trustees, and
- invited school boards of trustees

to:

- familiarise themselves with NZGOAL, in its current form and as may be updated from time to time, and
- take NZGOAL into account when releasing copyright material and non-copyright material to the public for re-use.

Please contact opendata@linz.govt.nz for further information.

⁶ Section 80A(3) and Section 81(1)(ac)

⁷ <https://webtoolkit.govt.nz/standards/>

1.6.3 International standard serial numbers

An ISSN is a worldwide identification code for serial publications. There is no requirement for annual reports to have International Standard Serial Numbers (ISSN). If a department does not have an ISSN for their annual report, they are not required to obtain one.

If a department has an ISSN for its annual report, and wishes to continue to use this, it may do so. The ISSN for the annual report does not change between years. Where departments have already been assigned an ISSN number, this should be printed on the cover in the bottom left hand corner. Departments that do not have an ISSN number for their annual report, but wish to do so (there are a number of benefits to having an ISSN in terms of referencing and research), may obtain a number from the National Library of New Zealand within the Department of Internal Affairs.

2 Scope of the annual report

2.1 Organisational coverage

Extended meaning of department for purpose of Part 4 (Reporting by departments and departmental agencies) Section 33 of the PFA

In this Part, the following activities, bodies, and statutory offices must be taken to be part of a department:

- (a) any activities, other than activities performed by a natural person or separate legal entity, that are funded by way of appropriation administered by the department;
- (b) any bodies or statutory offices, other than natural persons or separate legal entities, that are funded by way of appropriation administered by the department.

The annual report for a department must include the activities of any bodies, statutory offices, advisory committees and anything else covered by the definition of “department” in section 33 of the PFA, whether or not they are directly accountable to the chief executive.

A departmental agency is required to report on its own operations, management of organisational health and capability and progress against its host agency's strategic intentions (as relevant to the departmental agency). Departments are therefore **not required** to include an assessment of any applicable departmental agencies' operations in their annual report. A departmental agency's activities are consolidated into the results of the host department in the annual financial statements and statements of expenses and capital expenditure.

Crown entities (and other separate legal entities) have their own annual reporting obligations. In general, a department's annual report should not duplicate the information reported to Parliament by the Crown entities or other separate legal entities for which the department has monitoring responsibilities. There may be exceptions to this, such as in the case of an MCA used primarily by a Crown entity (but where the appropriation administrator is required to report the performance information).

Nonetheless, as part of explaining a department's functions, objectives, strategies, and operational performance, it may be appropriate to include information in the annual report about the relevant Ministerial portfolio, sector, and the nature of the department's relationships with other entities contributing to the same objectives.

Where a department supports its Minister by monitoring the performance of a Crown entity or entities, or funding arrangements with NGOs or other bodies, the department's monitoring activities should be covered in the annual report.

2.2 Period covered

The annual report covers the operations of the department during the preceding financial year from 1 July to 30 June. Departments are also required to include forecast financial statements⁸ and are encouraged to include comparative (trend) information from earlier years to give a fuller picture of performance over time.

⁸ Sections 45(3) and 45BA of the PFA

There are occasions when the annual report may cover a longer or shorter period, such as when a new department is established within 4 months before the end of a financial year, or when a department is disestablished during a financial year. The reporting obligations and options for departments that have been created or disestablished during the financial year are discussed further in Annex 4.

2.3 General content of a departmental annual report

Statutory requirement: Section 45 of the PFA

- (1) The annual report of a department must provide the information that is necessary to enable an informed assessment to be made of the department's performance during the financial year, including how well the department is managing the resources it controls.
- (2) The annual report of a department must contain the following information in respect of the financial year to which it relates:
 - (a) an assessment of the department's **operations** (excluding operations on which any departmental agency hosted by the department is required to report under section 43A); and
 - (b) an assessment of the department's progress in relation to **its strategic intentions**; and
 - (c) information about the department's management of its **organisational health and capability**; and
 - (d) **statements of expenses and capital expenditure** for the department that comply with section 45A; and
 - (e) **annual financial statements** for the department that comply with section 45B; and
 - (f) **a statement of responsibility** that complies with section 45C; and
 - (g) **any other matters** that relate to or affect the department's operations that the department is required, has undertaken, or wishes to report on in its annual report.
- (3) The annual report of a department must also contain, in respect of the financial year after the financial year to which the annual report relates, **forecast financial statements for the department** that comply with section 45BA.
- (4) The annual report of a department must identify any departmental agencies hosted by the department.
- (5) The annual report must be dated and signed on behalf of the department by its chief executive.

Not all the information provided in the annual report requires an audit opinion, but the auditor will comment if the department has not met the legislative requirements⁹, or if the information provided elsewhere in the report is not consistent with the audited financial statements, statements of expenses and capital expenditure and end-of-year performance information on appropriations¹⁰.

It is important for the effectiveness of an annual report that readers can see the links between the financial statements, statement of expenses and capital expenditure and end-of-year performance information on appropriations and the other information provided on the department's operations and performance, as well as the links between the financial and non-financial information in the audited statements.

9 In accordance with the Auditor-General's auditing standards AG ISA (NZ) 250: Consideration of Laws and Regulations and AG-2: The Appropriation Audit and the Controller Function

10 In accordance with the External Reporting Board Auditing Standard ISA (NZ) 720: The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements

3 Annual report content

3.1 Statement of responsibility

Statutory requirement: Section 45C of the PFA

A statement of responsibility relating to the annual report of a **department** must include—

- (a) a statement of the responsibility of the department's chief executive for the preparation of the financial statements, and **statements of expenses and capital expenditure**, and for the judgements expressed in them; and
- (b) a statement of the responsibility of the department's chief executive for having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
- (c) **a statement of the responsibility of the department's chief executive for ensuring that end-of-year performance information on each appropriation administered by the department is provided in accordance with sections 19A to 19C, whether or not that information is included in the annual report; and**
- (d) **a statement of the responsibility of the department's chief executive for the accuracy of any end-of-year performance information prepared by the department (see section 19A), whether or not that information is included in the annual report; and**
- (e) a statement that, in the opinion of the department's chief executive,—
 - (i) the financial statements fairly reflect the financial position and operations of the department for the reporting period; and
 - (ii) the forecast financial statements fairly reflect the forecast financial position and operations of the department for the financial year to which the forecast financial statements relate.

(2) A statement of responsibility for the annual report of a **departmental agency** must include—

- (a) a statement that, in the opinion of the chief executive of the departmental agency, the annual report fairly reflects the operations, progress, and organisational health and capability of the departmental agency; and
- (b) a statement of the responsibility of the departmental agency's chief executive for the accuracy of any end-of-year performance information prepared by the departmental agency (see section 19A), whether or not that information is included in the annual report.

(3) **A statement of responsibility must be signed by the chief executive of the department or departmental agency (as applicable).**

The statement of responsibility accompanies the annual financial statements. It is an explicit and detailed statement of the chief executive's responsibility for information in the annual report.

The statement of responsibility was amended as the departmental chief executive is now responsible for preparing end-of-year performance reporting where the department has been **nominated as the performance reporter as well as ensuring that performance information is provided for every appropriation they administer**. The statement of responsibility was also amended because performance information provided by a department may be provided in another document.

3.2 Audit report

The Auditor-General, or his appointed auditor, is required to provide an audit report for inclusion in the department's annual report. The legislative timetable for the audit is explained in the previous section. The auditor will send a copy of their report to be included in the department's annual report.

3.3 Reporting on operations, on progress against strategic intentions and on organisational health and capability

Statutory requirement: Section 45(1) of the PFA

- (1) The annual report of a department must provide the information that is necessary to enable an informed assessment to be made of the department's performance during the financial year, including how well the department is managing the resources it controls.
- (2) The annual report of a department must contain the following information in respect of the financial year to which it relates:
 - (a) **an assessment of the department's operations** (excluding operations on which any departmental agency hosted by the department is required to report under section 43A); and
 - (b) **an assessment of the department's progress in relation to its strategic intentions; and**
 - (c) **information about the department's management of its organisational health and capability**

There is no prescribed format for reporting on the department's operations and performance. Departments should determine a format that suits their particular organisation and that they believe will best promote understanding by Members of Parliament (and other users) of the department's operations and performance.

The annual report of a department must include an assessment of the department's progress against its strategic intentions. This assessment must report against performance indicators included in the strategic intentions. It is now optional to include performance information in a department's strategic intentions. Although there is no prescribed format for end-of-year performance information on appropriations, this content is covered by the audit opinion and must therefore be reported in a manner that is auditable.

3.4 Statements of expenses and capital expenditure

Statutory requirement: Section 45A of the PFA –

A department's annual report must include—

- (a) a statement of the budgeted and actual expenses and capital expenditure incurred against—
 - (i) each appropriation administered by the department; and
 - (ii) each category of expenses or non-departmental capital expenditure included in a multi-category appropriation administered by the department; and
- (b) for each appropriation administered by the department, details of the document in which the end-of-year performance information for the appropriation for the previous financial year (if required) is presented to the House of Representatives; and**
- (c) a statement of expenses and capital expenditure incurred without appropriation or other authority, or in excess of an existing appropriation or other authority, in relation to the activities of, or appropriations administered by, the department, together with an explanation of the reasons for the unappropriated expenses and capital expenditure; and
- (d) a statement of the amount of any capital injection authorised, under an Appropriation Act, to be made to the department compared with the actual amount of any capital injection made to the department; and
- (e) a statement of any capital injection made to the department without authority, or in excess of an existing authority, under an Appropriation Act, together with an explanation of the reasons for the unauthorised capital injection.

These statements are separate from a department's annual financial statements and replaced the statement of appropriations and statement of unappropriated expenditure which were part of a department's annual financial statements. The statement of budgeted and actual expenses and capital expenditure must provide, for each appropriation administered by the department; the details of the document in which the end-of-year performance information for each appropriation is found. To meet this requirement this statement has been designed to act like a 'road sign' for those wanting to refer to the non-financial performance information for a particular appropriation. (see Annex 6 for an example).

Where expenses in the statement differ to those reported in the statement of comprehensive revenue and expenses, a reconciliation should be provided. For example, this may arise where there is a re-measurement (a foreign exchange loss) that did not need a departmental appropriation.

The PFA requires departments to report actual expenses and capital expenditure against each individual appropriation administered by the department. This includes expenditure authorised by permanent legislative authority (PLA), such as departmental capital expenditure (authorised by section 24(1) of the PFA), and most borrowing expenses. Expenditure under PLAs should be separately disclosed. This requirement also relates to each category of a multi category appropriation.

When providing appropriation budgets for comparison, the department should include the appropriation figures from the last **Supplementary Estimates**, updated for any transfers *between output expense appropriations made by Order in Council* under section 26A of the PFA.

Where a Crown entity is identified as providing end-of-year performance information on an appropriation the Crown entity and the appropriation administrator need to confirm the amount of expenditure to ensure that it is the same in the Crown entity annual report as the amount in the statement of expenses and capital expenditure.

3.4.1 Unappropriated expenses or capital expenditure

The statement should also identify all instances of unappropriated expenses or capital expenditure, the appropriation type, the Minister responsible for the expenditure, and the Vote to which it relates.

The explanation in the annual report should outline the nature and reason for, the unappropriated expenses or capital expenditure, including why it was not addressed in the Supplementary Estimates. It should include information about whether the unappropriated expenditure was approved under section 26B of the PFA or requires validation under section 26C and, if the latter, whether prior approval to the expenditure was obtained either under Imprest Supply or under other authority.

3.5 Annual financial statements

Annual financial statements are required for departments – the financial statements of departmental agencies are consolidated into the financial statements of the host department.

3.5.1 Statements required by GAAP

Statutory requirement: Section 45B(1) of the PFA

A department's annual financial statements must be prepared in accordance with generally accepted accounting practice.

The annual financial statements required under the PFA must be prepared in accordance with generally accepted accounting practice (GAAP), which is a defined term in the PFA. This will typically require a department to report:

- a statement of comprehensive revenue and expense, either:
 - (i) in a single statement, with the surplus/deficit section presented first followed by the other comprehensive revenue and expense section, or
 - (ii) in two statements: a statement of financial performance displaying the components of surplus/deficit and then a statement of comprehensive revenue and expense beginning with surplus/deficit and then displaying components of other comprehensive revenue and expense
- a statement of financial position
- a statement of changes in taxpayers' funds

- a statement of cash flows
- a reconciliation of net cash flows from operating activities to the net surplus/(deficit) in the statement of comprehensive revenue and expense, and
- notes, comprising a summary of significant accounting policies and other explanatory information.

NZ GAAP for departments now requires compliance with Public Sector PBE Accounting Standards as applicable to each department. Refer to the XRB¹¹ or Treasury's guidance¹² for more information about the standards.

Departments should refer to the Public Sector PBE Accounting Standards compliant model financial statements prepared by Audit New Zealand when preparing financial statements. The model financial statements should be used for guidance about information that should be disclosed. These are available at: <http://www.auditnz.govt.nz/publications-resources/public-sector-auditing/model-financial-statements/pbe-accounting-standards>.

3.5.2 Regulations and Treasury instructions

Statutory requirement: Section 81(1) of the PFA –

The Governor-General may from time to time make regulations for all or any of the following purposes:

- (b) prescribing particular accounting policies and financial statement representations that Ministers, departments, Offices of Parliament, Crown entities, Schedule 4 organisations, or Schedule 4A companies must apply in their financial reporting:

and Statutory requirement: Section 80(1) of the PFA –

. Subject to the provisions of this Act and of any regulations made under this Act, the Treasury may—

- (b) issue instructions to departments for all or any of the purposes specified insection 81(1)(b).....
- (2) A chief executive of a department or departmental agency must comply with any instructions issued under this section to the extent that the instructions apply to that department or departmental agency.

In addition to the statements required by GAAP, the annual report must include any other financial statements or disclosures required by any regulations made, or instructions issued, under the PFA. At 31 May 2017 no such regulations existed, but Treasury Instructions do impose some additional financial reporting obligations on departments.¹³ Treasury Instructions include principles for the development of departmental accounting policies and accounting policy parameters for external financial reporting as well as additional departmental financial statements to include:

¹¹ http://xrb.govt.nz/Site/Accounting_Standards/Current_Standards/Standards_for_Public_Sector_PBEs/StdS_for_PS_PBEs_T1-4.aspx

¹² <http://www.treasury.govt.nz/publications/guidance/reporting/ipsas>

¹³ Treasury Instructions can be found at: <http://www.treasury.govt.nz/publications/guidance/instructions>

- a statement of commitments
- a statement of contingent liabilities and contingent assets, and
- a statement of cost accounting policies.

Non-departmental activity

Treasury Instructions also require departments to disclose non-departmental activities they administer on behalf of the Crown in the form of schedules (Treasury Instruction in section 6.2.1.2). Departments may have up to six separate sets of schedules for assets, liabilities, revenues, expenses, contingencies and commitments (if these are not fully disclosed in the end-of-year performance information on appropriations).

As these schedules are not financial statements for the purposes of the PFA, departments are not required to provide forecast results for the following financial year. If a department wishes to include forecast results for non-departmental activity, they need to follow the guidance set out below in section 3.7.

Departments must also provide a statement of the accounting policies used in preparing the schedules. Although not required, it is good practice for departments to provide a statement of trust monies for any trusts they have been appointed to manage¹⁴.

3.5.3 Financial statement comparisons

GAAP requires departments to include comparative figures from the prior period for all items in the financial statements.

In previous years, the majority of departments chose to present a comparative column within the financial statements displaying the numbers submitted to the Treasury for the Supplementary Estimates exercise. This column has always been optional. When choosing whether to include an additional column, department's should consider the usefulness and relevance to the reader of the information in the additional column.

3.5.4 Related party disclosures

The Treasury runs a central process to collect Ministers' related party transactions which may be disclosed under *NZ PBE IPSAS 20: Related Party Disclosures*. The Treasury will ask Ministers to complete a Ministerial Certificate about transactions which may have to be disclosed as related party transactions in the department's financial statements.

The Treasury will advise departments by 31 July each year of any related party transactions for the year.

In addition to Ministerial disclosures, departments need to identify transactions with government related entities (entities that are controlled, jointly controlled, or significantly influenced by the Crown) that are required to be disclosed in their individual annual reports.

¹⁴ Refer to Audit New Zealand's model financial statements for departments
<http://www.auditnz.govt.nz/publications-resources/mfs-under-new-pbe-standards/govt-dept/index.htm>

3.5.5 Memorandum accounts

Mandatory: Treasury Instructions in section (6.3.7) state that:

Except where prior approval for alternative arrangements has been obtained from the Treasury, departments must use memorandum accounts to record the accumulated balance of surpluses and deficits incurred in the provision of third-party fully cost-recovered outputs.

Memorandum accounts must be presented in the information supporting the Estimates of Appropriations and annual reports. This disclosure should include a summary of movements in each memorandum account, opening and closing accumulated balances and comparative information.

Memorandum accounts are required in annual reports to provide information to fee-payers. They record the accumulated balance of surpluses and deficits incurred in the provision of third-party fully cost-recovered outputs to ensure transparency about the recovery of fees, and to ensure that fees are appropriate in the longer-term.

3.5.6 Other financial information

Statutory requirement: Section 45B(2)(a) of the PFA –

a department's annual financial statements must include any other information or explanations needed to fairly reflect the department's financial operations and financial position.

This may include more specific disclosures like explanations of significant variances from forecast or a breakdown of consultant costs.

3.6 Asset performance indicators

Mandatory: Cabinet Office Circular CO (15)5:

Expectations relating to reporting on investment performance by agencies.

Paragraph 61: Agencies must report on relevant asset performance indicators in their Annual Reports.

Expectations relating to asset management.

Paragraph 62: Agencies must capture and use in internal management and decision-making processes, relevant indicators of past and projected asset performance, such as asset utilisation, condition and fitness for purpose.

Cabinet Office Circular CO (15)5 includes requirements to report on asset performance. The Treasury is working with agencies and the Office of the Auditor-General to roll-out this policy in several steps over time. Reporting requirements are set out in Treasury's separate asset

reporting guidance¹⁵. For the **2016/17** reporting period, **investment-intensive agencies**¹⁶ must report the required information to the Treasury by 1 September 2017. The Investment Management and Asset Performance (IMAP) team will publish it in the Treasury's *Investing for New Zealand* annual report¹⁷. This means for the 2016/17 reporting period, investment-intensive agencies are not required to publish the asset performance indicators in their own annual reports.

At this stage, agencies should plan to meet the Cabinet requirements by publishing the required asset performance information in their **2017/18** annual reports.

3.7 Forecast financial statements

Statutory requirement: Section 45BA of the PFA

- (1) A department's forecast financial statements must be prepared in accordance with generally accepted accounting practice.
- (2) In addition to what is required by generally accepted accounting practice, a department's forecast financial statements must include—
 - (a) a statement of all significant assumptions underlying the forecast financial statements; and
 - (b) any other information or explanations needed to fairly reflect the forecast financial operations and financial position of the department.

Forecast financial statements to be presented in a department's annual report should be those submitted to the Treasury for the purposes of consolidation into the Budget Economic and Fiscal Update (BEFU: exercise 561, OY1). The numbers should represent the forecast for the period, as distinct from the appropriation (upper limit) numbers. This approach reconciles the requirements of section 45BA of the PFA, which requires forecasts to be produced, with the requirements of section 45B(2)(a) of the PFA, which requires reporting against forecasts prepared at the start of the financial year.

The date the forecast financial statements are "authorised for issue" is the date the statement of responsibility to the Treasury on the forecast financial statements was signed (or a later date if any late changes were made to the final numbers used for BEFU). The "authorised for issue" date is synonymous with the date the statements were "prepared" under PBE FRS 42. PBE FRS-42 requires this date to be disclosed, which is different from the date the annual financial statements themselves are authorised for issue.

Departments must include in the annual report any other information or explanations needed to fairly reflect the forecast financial operations and financial position of the department (consistent with section 45BA(2)(b) and other disclosures required by PBE FRS 42, for example, that post-BEFU accounting adjustments to the actual balances as at 30 June 2017

15 Annual Report Guidance for Departments – Asset Performance Indicators can be found: <http://www.treasury.govt.nz/statesector/investmentmanagement/review/assetperfreporting>

16 List of investment-intensive agencies: <http://www.treasury.govt.nz/statesector/investment-intensive-agencies>

17 For the Treasury's Investment Management and Asset Performance, please see *Investing for New Zealand: Insights from 2015/16*: <http://www.treasury.govt.nz/statesector/investmentmanagement/publications/ipannualreport/2015-16>

(eg, year-end revaluations) have not been incorporated into these forecasts. These disclosures/other information are likely to be met through either:

- explaining significant events/changes (e.g. a narrative of significant year-end adjustments/significant accounting policy changes/major changes in approved funding/major changes in planned level of activity) that have a material impact on the BEFU forecast, or
- stating there are no significant changes that have a material impact on the BEFU forecast.

Departments are encouraged to focus on the needs of readers (eg, select committees). These needs are likely to be met by high level explanations of significant impacts since BEFU, rather than providing a further set of forecasts in addition to those for BEFU.

The legislative requirement for forecast financial statements applies only to departmental financial statements (not non-departmental activity or non-financial performance reporting). If departments choose to include forecasts for non-departmental activity or non-financial performance, they should similarly consider the points above. For example, it must be clear when these forecast financial statements were authorised for issue, the basis for their preparation, that they are unaudited and any significant events/changes since BEFU that materially impact on these forecasts should be explained.

Presentation of the forecast financial statements

It is for departments to determine how to best present the forecast financial statements and supporting information in their annual report. This is subject to the following caveats:

- The presentation must not be misleading.
- Regardless of location, the BEFU forecast must be clearly identified as being unaudited.
- If departments choose to present their BEFU forecasts within their financial statements as an additional column they must include a footnote stating the BEFU numbers are not audited and are encouraged to include “unaudited” in the column heading.

3.8 Other matters

Statutory requirement: Section 45(1)(g) of the PFA

A department's annual report must contain in respect of the financial year to which it relates any other matters that relate to or affect the department's operations that the department is required, has undertaken, or wishes to report on in its annual report.

Departments sometimes make voluntary commitments to the government or other stakeholders to provide specific information in their annual report. Some departments, for example, are committed to reporting on a triple bottom-line basis.

In addition, a department may have further specific reporting obligations imposed by other legislation or government requirements.

3.8.1 Performance Improvement Framework (PIF)

If a department has had a PIF review in the year to which the annual report relates, the outcomes of that report and the measures being taken to address any concerns may be included in the annual report.

3.9 Equal employment opportunities (EEO)

Statutory requirement: Section 56(1) of the State Sector Act 1988 –

The chief executive of a Department must –

- (a) operate a personnel policy that complies with the principle of being a good employer; and
- and
- (c) ensure its compliance with that policy (including its equal employment opportunities programme) and report in its annual report on the extent of its compliance.

Under Section 58 of the State Sector Act 1988,

- (3) For the purposes of section 56, an **equal employment opportunities** programme means a programme that is aimed at the identification and elimination of all aspects of policies, procedures, and other institutional barriers that cause or perpetuate, or tend to cause or perpetuate, inequality in respect to the employment of any persons or group of persons.

Public service departments are required to report in their annual report on their compliance with their personnel policy (including their equal employment opportunities programme).

From the SSC website, the policy statement to support the requirements outlined in section 56 and 58 of the State Sector Act –

'We will base appointments on merit, while recognising the employment aspirations of Māori, ethnic and minority groups, women, and people with disabilities. We will ensure fairness in employment for all persons and groups of persons. The integration of equality and diversity throughout the Public Service will be a key aspect of strategic planning and performance, and chief executives will provide the lead in working towards this. Equality and diversity in the Public Service, as required by the State Sector Act 1988, will enable the best service to the government of the day and to New Zealanders.'

Departments should contact the SSC if they have any questions about their EEO responsibilities.

3.10 Diversity and inclusion

Chief Executives (State Services Leadership Team) have committed to a shared vision for diversity and inclusion throughout the State sector through Better Public Services 2.0 (BPS2):

The shared vision means:

- Our State Services reflect, understand and value the diversity of the communities we serve
- We use best practice to identify what works and drive change across the system to create an inclusive culture across the public service
- We deliver to New Zealand's diverse communities and people.

As part of addressing this, Chief Executives have agreed to a set of commitments and priorities to be achieved in 2017/18 that include:

	Commitment	Priorities to be achieved in 2017/18
Agency Profile	<p>A commitment to diverse and balanced agencies and leadership teams so that our State Services reflect New Zealand. Chief Executives will use data to:</p> <ul style="list-style-type: none"> Identify the diversity profile appropriate to their agency's workforce and set their own challenges to achieve it Set agency specific targets and decide where to put the weight of effort given their own context and challenge. 	<p>All Chief Executives can explain what diversity they need (and their targets and expectations) to meet their strategic objectives and the needs of the customers (people, communities, demographics, etc.) that their agency serves.</p>
Reporting	<p>Statements of Intents and Four-year Plans will outline diversity and inclusion goals, and Annual Reports will report on progress towards these.</p>	<p>All agencies will report on the diversity and inclusion goals and measures in their 2017/18 Statements of Intents and Four-year Plan. Annual Reports to be tabled in October 2017 will describe what they have been or will be doing to grow and embed a culture of diversity and inclusion so far.</p>

Long-term co-ordinated action at system and agency level is needed to address barriers to diversity. These will be addressed through the BPS2 diversity and inclusion work stream and through work within agencies. Initial BPS2 priorities include addressing the gender pay gap, improving the use of data and measurement, and increasing workplace flexibility.

This year, we are looking to start improving the quality of reporting on diversity and inclusion in departments. This will help explain how diversity and inclusion is integrated into strategic contexts and identify the range of approaches being used in the State Sector.

To achieve this, departments are advised to **incorporate a stand-alone section in their Annual Reports which provides a coherent diversity and inclusion story.** It should cover activities contributing to diversity and inclusion goals and measures. There should also be a focus on performance against any goals and measures identified in Four-year Plans and strategic objectives

The information below provides suggestions for the types of information that agencies might want to incorporate and, where possible, this could be cross-referenced to what is contained in agencies' Four-year Plans as they relate to strategic intentions.

	Content
1.	Explain how diversity and inclusion is connected to the context and strategic intentions of the agency – why does diversity and inclusion matter to your agency and how does it contribute to achieving business objectives.
2.	Outline your key diversity and inclusion goals, objectives and targets. These might relate to, but are not limited to: <ul style="list-style-type: none"> ○ Achieving the agency's desired diversity profile ○ Addressing gender and ethnic pay gaps ○ Increasing workplace flexibility ○ Lifting cultural competency ○ Incorporating diversity and inclusion into HR policies and practices ○ Building inclusive leadership capability
3.	Highlight significant activities that been undertaken in the past financial year to achieve the goals, objectives and targets, and foreshadow significant activities planned in the next financial year.
4.	Outline performance against key measures/metrics and provide a qualitative description of the impact of the activities on achieving the goals

It is recognised that 2017 is a developmental year and not all departments will have developed diversity and inclusion goals and measures that they can report against. If this is the case, the report should highlight what has been done to date and indicate the future direction.

Diversity and inclusion can also be referenced in other relevant sections of the Annual Report as appropriate.

If no goals, targets or objectives exist within the agency, then this could be an opportunity to signal work that the agency hopes to achieve

3.11 Legislative requirements for specific departments

Some departments are required by legislation to include additional content in their annual report. For example, section 101 of the Policing Act 2008 requires the annual report for the Police:

- must include an account of the performance of the Police and its operations during the period under review
- must include any information required under any other enactment and
- may include any other matters affecting the Police or policing that the Commissioner thinks fit.

4 End-of-year performance information on appropriations

Statutory requirement: Section 19C of the PFA –

The end-of-year performance information for an appropriation must include the following:

- (a) an assessment of **what has been achieved with the appropriation** in the financial year; and
 - (b) a comparison of the **actual expenses or capital expenditure incurred** in relation to the appropriation in the financial year with **the expenses or capital expenditure that were appropriated** or forecast to be incurred.
- (2) In the case of a multi-category appropriation, subsection (1)(a) and (b) must be read as if the references in those paragraphs to an appropriation included a reference to each category of expenses or capital expenditure within that appropriation.
- (3) The end-of-year performance information for an appropriation must be prepared in accordance with generally accepted accounting practice, to the extent that the information is of a form or nature for which provision is made in financial reporting standards that form part of generally accepted accounting practice.

4.1 Scope and content of end-of-year performance information on appropriations

The statement of service performance was replaced by a general requirement for reporting end-of-year performance information on appropriations.

The end-of-year performance information for an appropriation must include a comparison of the actual expenses or capital expenditure incurred for the appropriation in the financial year with the expenses or capital expenditure that were appropriated or forecast to be incurred.

The “*What is Intended to be Achieved with this Appropriation*” and “*How Performance will be Assessed*” supporting information, in the Estimates or updated in the Supplementary Estimates, provide the basis for end-of-year performance reporting on what was achieved with appropriations.

The Estimates of Appropriations (or Supplementary Estimates) must contain, for each appropriation (or category of a multi-category appropriation).¹⁸

1. What is intended to be achieved with an appropriation.¹⁹
2. How performance will be assessed (not required for exempt appropriations).²⁰

¹⁸ For more information on exemptions and the estimates process, refer to <http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est>

¹⁹ <http://www.treasury.govt.nz/publications/guidance/planning/performanceexpectations-achieved>

²⁰ <http://www.treasury.govt.nz/publications/guidance/planning/performanceexpectations-assessed>

3. Who will report on performance for the appropriation and the document this information will be presented to the House (not required for exempt appropriations).

The appropriation administrator is required to record the details of the document in which end-of-year performance information can be found in the statement of expenses and capital expenditure in their annual report (refer section 3.4 for more details).

Forecast information is not required in end-of-year reporting of performance against appropriations. If departments choose to include this information, they need to consider the guidance provided in section 3.7.

4.2 Performance information provided by departments or departmental agencies

Where a department or departmental agency has been identified as the performance reporter, it needs to ensure that the information specified above is:

- prepared as soon as practicable after the end of the financial year (section 19A(2)) of the PFA, and
- provided to the auditor general no later than 31 August (section 45D(1A)) of the PFA.

Once an audit report in respect of the above information has been received by the department (which shall occur no later than **30 September**), the following must be completed within **15 working days** (section 19A(3)):

- a) the performance reporter must, unless the performance reporter is the appropriation administrator, provide the information and the audit report to the appropriation administrator
- b) the appropriation administrator must provide the information and the audit report to the appropriation Minister and
- c) the appropriation Minister must ensure that the information and the audit report are presented to the House of Representatives in the document most recently specified for that purpose in the supporting information for an Appropriation Act (either the Estimates or Supplementary Estimates).

Departments are also encouraged to link appropriation performance information to their progress against their strategic intentions and the achievement of outcomes.

Performance information provided by a department or departmental agency for appropriations (both financial and non-financial) is audited and this must be clear to the reader.

4.3 Performance information provided by ministers

Unlike performance information prepared by departments and Crown entities, Ministers' reports are **not audited**.

Where an appropriation Minister has been nominated as the performance reporter, that Minister must prepare the information required by section 19C and ensure that the information is presented to the House by **31 October** in the document specified for this

purpose in the Estimates or Supplementary Estimates (section 19B(2))²¹. The information must be published as soon as practicable following presentation (section 19B(3)).

If an appropriation administrator has decided to present a Minister's report with the annual report of a department or a Crown entity, or with another report containing performance information prepared by a department or Crown entity, the Minister's information needs to be prepared earlier than the 31 October due date to ensure that the timeframes applying to the accompanying reports are met.

Ministers' reports are presented to the House by the relevant appropriation Minister as identified in the Estimates or Supplementary Estimates.

4.3.1 Shoulder numbers

Ministers' reports are required to be separately identifiable and to have their own shoulder number.

When presenting Ministers' reports with other documents, it may be appropriate to include a covering contents page setting out the documents contained and the shoulder numbers of each document.

The Bills Office has confirmed that the correct shoulder number for Minister's reports is B.14 (Vote XX). This is consistent with the shoulder numbers used for previous non-departmental reports required under the former section 32A of the PFA.

4.3.2 Banner

Ministers' reports are presented to the House of Representatives pursuant to section 19B of the Public Finance Act 1989. If this is a separate report the cover of the Ministers' report should state this at the bottom of the page. If the Minister's report is attached to a department's annual report then the statement should be on the cover of the department's annual report.

²¹ If the House is not in session, the information is required to be published by 31 October and presented as soon as practicable once the House resumes

Annex 1: Checklist

Not all of the items on the checklist will be applicable for all departments. Consult the relevant reference to the section in the guidance for more details.

Annual Report

General content

- Statement of responsibility – signed by CEO (section 3.1)
- Audit report (section 3.2)
- An assessment of the department's operations (section 3.3)
- An assessment of a department's progress in relation to its' strategic intentions (section 3.3)
- Information about the department's management of organisational health and capability (section 3.3)
- Any other performance information (section 3.8)
- Reporting on EEO (section 3.9)
- Reporting on Diversity and Inclusion (section 3.10)

Audited information

- Financial Statements required under GAAP (section 3.5.1)
- Statement of commitments (section 3.5.2)
- Statement of contingent liabilities and contingent assets (section 3.5.2)
- Statement of cost accounting policies (section 3.5.2)
- Non-departmental schedules (section 3.5.2)
- Actual figures from the previous year for comparison (section 3.5.3)
- Forecast financial statements for the following financial year (section 3.7)
- Statements of Expenses and Capital Expenditure (section 3.4)
- Any other information needed to reflect financial operations or fiscal position (section 3.5.6)
- Memorandum Account disclosure (section 3.5.5)
- End-of-year performance information on appropriations, where required to be included in the annual report (section 4)

Process requirements

- Presented to Parliament within the correct timeframes (section 1.4 to 1.5)
- Published within the correct timeframes (section 1.4 to 1.5)
- Consistent with presentational requirements (section 1.6)

Annex 2: Glossary and acronyms

Capability	What an organisation needs in terms of access to leadership, skills, people, culture, relationships, processes and technology, physical assets, and structures to efficiently deliver the goods and services required to achieve the results sought by the entity - whether those results are set by reference to Government policy or by statute.
Capital expenditure	This is defined in the PFA as the cost of assets acquired or developed (including tangible, intangible, or financial assets and any ownership interests in entities, but excluding inventories).
Intervention	Interventions include legislation, policies, transfers, programmes and service delivery arrangements.
Standard	An intended level of performance within a stated timeframe.
Outputs	Outputs are final goods and services – that is, they are supplied to someone outside the entity. They should not be confused with goods and services produced entirely for consumption within the department. Output classes are groups of similar outputs.

Annex 3: Disclosure for appropriations

Section 45A of the PFA requires departmental annual reports to include a statement of expenses and capital expenditure incurred against each appropriation and each category of a multi-category appropriation.

Multi-category appropriations (MCA)

MCAs can be used to provide increased financial flexibility across a number of categories of expenses and non-departmental capital expenditure that all contribute to a single overarching purpose, while preserving transparency about what is achieved with each category of an MCA.

The following reporting on each MCA must be provided by the appropriation Administrator:

- actual expenses incurred on, and what was achieved with, the MCA as a whole
- actual expenses incurred on, and what was achieved with, each category of the MCA.

Multi-year appropriation (MYA)

Multi-year appropriations give departments flexibility to manage expenses over a number of years. Departments should report the following information:

- amount of total appropriation
- actual expenses or expenditure incurred over the period covered by the annual report
- expenses or expenditure forecast for the period covered by the annual report
- total actual expenses or expenditure incurred from the start of the MYA to the end of the period covered by the annual report, and
- the period of the MYA.

Expenses restricted by revenue

Departments are required to report actual expenses against forecast levels of expenditure. Because the amount for this appropriation type is limited by the amount of revenue earned, departments must also report the level of revenue earned for that particular output expense as part of the disclosure in the annual report.

Annex 4: Information for new, disestablished or restructured agencies

Newly established entities [section 45I of the PFA]

The Minister of Finance may exempt an entity that is established within four months of the end of the financial year from the obligation to provide an annual report for that financial year. However, if this occurs:

- if the entity administers an appropriation it must, as soon as practical after the end of the financial year provide the following as if they were an annual report
 - a statement of expenses and capital expenditure (see section 3.4)
 - an audit report on those statements
- the entity must, as soon as practicable after the end of the next financial year, provide an annual report that covers the period from the date on which it was established until the end of that next financial year.

Final annual report for disestablished entities [section 45J of the PFA]

A department that is disestablished prior to the end of a financial year must, as soon as practicable after the date on which it is disestablished, provide a final report (as if the final report were an annual report) for the period up until that date.

The Minister of Finance may approve the transfer of some or all of the responsibility for completing a final report to another party. If this occurs, the party who assumes responsibility must sign the statement of responsibility.

The report must be prepared as if it were an annual report and be provided not later than 3 months after the disestablishment date.

Transferred operations [section 45L of the PFA]

The Minister of Finance may exempt a department being disestablished, and whose operations are transferred to another department during the financial year, from the requirement to include a statement of performance and a full report on its operations in its final report. If granted, the information for the period up to the point of transfer must instead be included in the annual report of the department the operations were transferred to.

Departments that might wish to seek an exemption or transfer of responsibility under any of these sections are advised to contact their Treasury vote team or performanceinfo@treasury.govt.nz.

Annex 5: Information for intelligence and security departments and offices of parliament

The following describes the annual reporting requirements for Offices of Parliament and intelligence and security departments.

Offices of Parliament

Offices of Parliament are required to prepare and publish information on future operating intentions and annual reports in much the same way as departments. The modified reporting requirements applying to Offices of Parliament are set out in section 45F of the PFA, and generally reflect the fact that Offices of Parliament are primarily accountable to the House of Representatives, not the Government.

Intelligence and security departments

Intelligence and security departments (currently the NZSIS and the GCSB) are also required to prepare and present annual reports. These annual report obligations are governed by each department's enabling legislation²² and differ via section 45E of the PFA, in a number of ways from standard departmental annual reporting requirements. In particular, the legislation provides that:

- an annual report may not contain all the financial statements required by GAAP (if the Minister is satisfied that they still fairly reflect the department's financial operations and financial position), but otherwise conforms with the content requirements of the PFA
- performance information is not required for appropriations
- the Minister immediately forward this annual report to members of the Intelligence and Security Committee established under legislation for the purpose, and
- the Minister present a copy of the annual report to the House within 30 sitting days of receiving it, but with the Minister able to direct the removal of sensitive information prior to presentation, as well as the departments financial statements (other than total expenditure against the department's appropriation).

The legislation for both departments also requires specific annual report disclosures relating to powers exercised by the relevant department.

²² Respectively s.4J of the NZSIS Act 1969, and s.12 of the GCSB Act 2003.

Annex 6: The Treasury statement of expenses and capital expenditure for 2014/15

Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred Against Appropriations

for the year ended 30 June 2015

The Statement of Departmental and Non-departmental Expenses and Capital Expenditure Against Appropriations details expenditure against appropriations. Total Departmental Output Classes Expenditure and Appropriations equal total expenses in the Statement of Comprehensive Revenue and Expenses on page 48. Total Non-departmental Output Classes Expenditure and Appropriations equal total expenses in the Schedule of Expenses on page 59. If these do not equal, a reconciliation should be provided.

2014 Actual \$000	Note	2015 Actual \$000	2015 Supp. Estimates \$000	Location of end-of- year performance information
	Vote Finance			
	<i>Departmental output expenses</i>			
322	Administration of Guarantees and indemnities given by the Crown PLA	34	110	The Treasury's Annual Report
-	Administration of Crown Borrowing and Investment PLA	7,593	7,982	
448	Crown Company Monitoring Advice to the Minister for Science and Innovation and the Minister for Economic Development	380	432	
5,154	Crown Company Monitoring Advice to the Minister for State-Owned Enterprises and Other Responsible Ministers	4,606	5,295	
31,892	Policy Advice – Finance	34,582	34,954	
31,078	Provision of Financial Operations Services and Operational Advice	29,198	31,231	
154	Provision of Financial Services to the New Zealand Local Government Funding Agency Revenue-dependent Appropriation	149	165	
7,430	Shared Support Services	10,676	11,730	
76,478	Total departmental output expenses	87,218	91,899	
	<i>Departmental capital expenditure</i>			
5,350	Total departmental capital expenditure	4,434	9,505	
	<i>Non-departmental output expenses</i>			
201	Management of New Zealand House, London	253	1,700	Exempt
106	Management of Crown's Obligations for Geothermal Wells	24	340	
351	Management of the New Zealand Superannuation Fund	326	528	The Guardians of the NZSF Annual Report
5,688	Total non-departmental output classes	603	2,568	
	<i>Non-departmental borrowing expenses</i>			
3,549,500	Debt servicing ²³	3,619,582	3,604,001	N/A
3,549,500	Total non-departmental borrowing expenses	3,619,582	3,604,001	
	<i>Non-departmental other expenses</i>			
12,066	New Zealand House, London	10,207	12,734	Exempt
49	Crown Residual Liabilities	60	86	

²³ These expenses or capital expenditures have permanent legislative authority.

2014 Actual \$000	Note	2015 Actual \$000	2015 Supp. Estimates \$000	Location of end-of- year performance information
-	Geothermal Wells Fund	-	1,000	
2	Government Superannuation Appeals Board	-	50	
28,758	Government Superannuation Fund Authority (GSFA) – Crown's Share of Expenses ²⁴	27,932	29,000	GSFA Annual Report
613,744	Government Superannuation Fund Unfunded Liability ²⁴	684,125	691,030	
261	Impairment of Loans to Taitokerau Forests Limited	-	6,891	
-	Impairment of Southern Response Earthquake Services Ltd (SRESL) Uncalled Capital	5 333,000	500,000	Exempt
-	Stadium Southland	2,000	2,000	
557	Landcorp Protected Land Agreement – Operating	-	1,500	
32,778	Direct Sale Costs for Implementing the Mixed Ownership Model Multi-year Appropriation (MYA)	635	2,103	N/A
27,408	National Provident Fund Schemes – Liability Crown Under Crown Guarantee ²⁴	32,865	35,000	
-	Local Government Risk Authority	-	230	Reported in the same document as the Treasury's Annual Report
187	Renegotiation of New Zealand House Lease	190	1,000	
1,412	Payments in respect of NZECO Guarantees and Indemnities ²⁴	5,402	3,500	
-	Solid Energy New Zealand Limited Environmental Rehabilitation Indemnity ²⁴	107,731	107,000	
-	Taitokerau Forests Limited Grant	697	1,000	
98	Unclaimed Money ²⁴	8	250	Exempt
-	Unclaimed Trust Money ²⁴	-	250	
8,514	Unwind of Discount Rate used in the Present Value Calculation of Payment under Crown Deed of Support with AMI Insurance Ltd	5 15,857	24,091	
725,834	Total non-departmental other expenses	1,220,709	1,418,715	
	<i>Non-departmental capital expenditure</i>			
-	SRES Uncalled Capital	5 333,000	500,000	
25,310	International Financial Institutions ²⁴	1 34,103	247,819	
1,622	Landcorp Protected Land Agreement – Capital	1,178	4,000	
-	New Zealand House, London – Capital	-	1,500	
-	Solid Energy New Zealand Limited Loan Facility	6 -	87,000	
1,200	Taitokerau Forests	1,000	1,800	
-	Loan Facility for Tamaki Redevelopment Company MYA	-	50,000	Tamaki Redevelopment Company Annual Report
61,191	Total non-departmental capital expenditure	369,281	892,119	
	Multi-category expenses and capital expenditure			
5,030	<i>Inquiries and Research into Productivity-related Matters</i>	5,030	5,030	
	Non-departmental output expenses			
4,527	Inquiries into Productivity-related Matters	4,401	4,401	
503	Research into and Promotion of Productivity-related Matters	629	629	The Treasury's Annual Report
-	<i>Social Housing Reform (MCA)</i>	1,915	5,500	
	Departmental output expenses			
-	Implementation of the Social Housing Reform	1,915	4,500	
	<i>Non-departmental output expenses</i>			
-	Direct Costs of Social Housing Programme	-	1,000	The Treasury's Annual Report
1,200	Total multi-category expenses and capital expenditure	6,945	10,530	
4,423,407	Total non-departmental expenditure and appropriations	5,308,772	6,092,337	