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Committee Secretariat
Finance and Expenditure Committee
Parliament Buildings
Wellington
New Zealand
Via email: fe@parliament.govt.nz

Inquiry into performance reporting and public accountability – Interim report

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of more than 175,000 members working in over 100 jurisdictions and regions around the world, working in diverse roles across public practice, commerce, industry, government and academia throughout Australia, New Zealand and internationally. We welcome the opportunity to provide feedback to the Interim Report from the Inquiry into performance reporting and public accountability. We make this submission on behalf of our members and in the public interest.

CPA Australia consulted with members and stakeholders and this submission reflects the feedback received through our outreach activities. We generally agree with the interim report's findings that while New Zealand's financial reporting is strong, performance reporting remains complex, voluminous and focused on outputs rather than outcomes. We highlight the following key areas identified for potential improvement:

- **Simplicity and consistency in communications:** A framework for performance reporting should enshrine principles of simplicity and consistency. Performance reports that may include a large volume of information and data that is technical in nature should lend itself to simplification and communication in an understandable manner and format to end users
- **Capability and culture:** Building technical capability in performance analytics combined with fostering a culture that values transparency, learning, and continuous improvement will go a long way in improving public sector performance reporting
- **Enhanced asset management reporting and transparency**: Stronger asset management reporting is needed to reflect asset condition, maintenance needs, and long-term sustainability. Improved disclosure of infrastructure performance would help ensure public assets are managed responsibly and funding decisions are based on accurate lifecycle information
- **Intra-governmental coordination needed on common goals:** Establishing coordinated, whole-of-government reporting and sector-wide performance summaries, with clear ministerial responsibility for shared outcomes, would strengthen coherence, reduce overlap, and provide Parliament with a more integrated view of government performance and collective impact
- **Shift from outputs to outcomes**: Performance reporting should focus on outcomes achieved against clearly defined targets, not just activities delivered. We note that outcomes will not always be positive, and transparent reporting of shortfalls or challenges, combined with reporting of actions to be taken to address these is essential to support accountability, learning, and continuous improvement.

Attachment A sets out CPA Australia's detailed comments in response to the questions for submitters raised in the Interim Report. Should you have any questions or wish to discuss further, please contact Ram Subramanian, Financial Reporting Lead at ram.subramanian@cpaaustralia.com.au.

Yours sincerely

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CPA Australia

Attachment A: CPA Australia's response

1. Have we have missed or mischaracterised any strengths or weaknesses of the current system?

Summary

Feedback received broadly aligns with the interim report's assessment of the current performance reporting and public accountability system. Stakeholders agreed that financial reporting in New Zealand's public sector is strong, underpinned by international standards and robust audit processes. However, performance reporting remains fragmented, overly focused on outputs, and disconnected from government priorities and long-term outcomes. The current framework produces large volumes of technical information with limited usefulness to Parliament or the public.

Additional feedback emphasised some areas that may also need to be considered as part of this Inquiry:

- We understand consideration is being given to the structure of the New Zealand public sector through a potential consolidation that could reduce the number of departments, ministries and agencies. A structural change of this nature could have an impact on how performance reporting and accountability is operationalised.
- The need for clearer outcome mapping to demonstrate causal links between resources, outputs, and results.
- Lack of consolidation and coordination mechanisms for cross-cutting outcomes across public sector entities.

Strengths of the Current System

Robust and Flexible Financial Reporting Framework

A key strength of the current system lies in the robustness of New Zealand's financial reporting, which is comprehensive, accrual-based, and aligned with international public sector accounting standards. Regular audit scrutiny and parliamentary oversight ensure transparency and accountability for public expenditure. At the same time, the framework provides departments and Crown entities with flexibility to report on matters most relevant to their operations, allowing for contextual relevance and responsiveness to specific mandates.

However, while technically sound, the information is often inaccessible to non-specialist readers, which could lead to inconsistency in quality and comparability across entities. Simplifying presentation, enhancing narrative explanations, and providing context could improve coherence, readability, and the overall usefulness of reports for Parliament and the public.

Weaknesses of the Current System

Financial reporting versus management accounting

Feedback we received indicates that whilst financial reporting is robust there is scope for improvement in management accounting and reporting for internal purposes. There was also a call for better alignment between management reporting and financial reporting.

Entity structure and reporting purpose

Some consideration could be given to how the New Zealand public sector is organised in delivering its services to the population. As noted above, there is consideration currently being given by the Government and the Public Service Commission to the structures under which the public sector operates. This consideration could also extend to how state-owned enterprises are organised as part of the public sector. Where an entity's focus should be

service delivery rather than profitability, a shift from a commercial model to a departmental or agency structure could assist with more accurately reflecting the policy intent of such entities.

Limitations in performance reporting and insufficient long-term focus

Feedback indicates that performance reporting across the public sector remains underdeveloped and overly focused on short-term outputs rather than long-term outcomes. Current reporting does not clearly explain how public resources and activities contribute to strategic objectives or address intergenerational challenges such as climate change, equity, useful of digital technologies, infrastructure sustainability, and demographic change.

Although some stewardship reports are produced, they are not well integrated into policy planning or performance evaluation. Many agencies also lack clear outcome maps or frameworks that illustrate causal links between inputs, activities, and results. Establishing outcome mapping—supported by visual logic models—and incorporating long-term indicators into annual reporting would improve clarity, demonstrate progress toward enduring goals, and enhance transparency over how government manages long-term risks and opportunities.

On a strategic note, linking public sector performance goals to the United Nationals Sustainable Development Goals was suggested as a suitable basis upon which to build the performance reporting and accountability of public sector entities.

Fragmentation and Lack of Cross-Government Coordination

Feedback notes that the current performance reporting framework has evolved through incremental changes over several decades, resulting in fragmented requirements and inconsistent practices across agencies. The absence of a unified framework makes it difficult to consolidate or compare performance information, particularly for cross-cutting issues such as regional disadvantage or social wellbeing. Non-financial data often remain siloed due to differing mandates and metrics, while overlapping priorities among departments leads to duplication and unclear accountability. Establishing coordinated, whole-of-government reporting and sector-wide performance summaries, with clear ministerial responsibility for shared outcomes, would strengthen coherence, reduce overlap, and provide Parliament with a more integrated view of government performance and collective impact.

Overburdened System with Limited Value

Feedback agreed with the interim report that the current reporting system imposes significant administrative effort relative to its value. Agencies expend substantial resources producing detailed reports that are not always aligned with the information needs of Parliament or the public. Simplifying reporting obligations, focusing on performance information that supports accountability and learning, and eliminating redundant requirements were viewed as essential steps to improving system efficiency and overall usefulness.

2. What are the biggest barriers, challenges, and opportunities to improving the current system? How could the barriers be overcome?

Asset Management and Infrastructure Reporting

Feedback identified weaknesses in asset management and infrastructure reporting as a major barrier to improving the performance reporting system. Participants noted that asset condition and their maintenance and renewal needs are often under-represented in financial and performance reports in New Zealand. It is possible that some entities are delaying maintenance or replacement of assets, without these impacts not necessarily reflected clearly in reported information. This results in a lack of transparency about the long-term sustainability of public infrastructure and the adequacy of funding for asset replacement.

Improved asset management and associated reporting were viewed as essential opportunities for reform. Incorporating asset condition, lifecycle costs, and maintenance requirements into performance reporting would provide a clearer picture of service sustainability and fiscal pressures. Strengthening asset management frameworks, supported by standardised disclosure requirements and integration with long-term plans, would enhance accountability for how effectively physical assets are managed to deliver public outcomes.

Capability, Culture, and Assurance Environment

It has been noted that some of the challenges to improve performance reporting stem from both capability constraints and cultural factors within the public sector. A significant barrier is the uneven understanding and application of outcomes-based measurement across agencies, combined with limited analytical capability to design, evaluate, and interpret performance data. A lack of incentives to report candidly on performance outcomes also contributes to the problem. Entities can be reluctant to adopt ambitious or innovative performance measures because of the risk of having to report negative performance measures, which may then lead to negative comments in performance audit engagements. This has created a culture of risk aversion that prioritises compliance over meaningful insight. A culture that recognises ambitious goals backed by plans to achieve such goals should be fostered. Even if there are shortfalls in achieving such goals, the culture should allow for transparent reporting of such information, backed up by the reasons for the shortfalls and any remedial actions being taken to address them.

Addressing these issues requires a dual approach: building technical capability in performance analytics and fostering a culture that values transparency, learning, and continuous improvement. Developing a more proportional assurance framework, where contextual and explanatory information can be presented, would encourage innovation while maintaining reliability and public confidence in reported results.

Complexity, Fragmentation, and Accessibility of Reporting

The complexity and fragmentation of the current reporting system present ongoing barriers to improvement. The existing framework produces lengthy, technical reports that obscure key insights. Feedback observed that excessive detail and inconsistent presentation make it difficult for users to identify the most important information about public sector performance. These challenges are compounded by structural fragmentation across agencies as noted in response to Q1 above, which prevents consolidation of data and inhibits whole-of-government analysis.

Simplifying and modernising the reporting framework represents a significant opportunity. Focusing on developing a suite of measurable, meaningful outcome indicators and presenting information in a concise, accessible manner would improve transparency and engagement. Streamlined templates and improved guidance could reduce duplication and administrative effort, enabling public sector entities to dedicate more time to analysing and improving performance rather than producing overly detailed reports.

3. What are the key lessons we can learn from previous reforms and what is necessary for successful implementation this time around?

Enduring Outcomes, Political Continuity, and Accountability

A key lesson from past reforms is the need for stability and endurance in performance frameworks. Changes in government priorities can limit comparability and undermine long-term accountability. While full cross-party consensus may be unrealistic, governments can improve continuity by clearly defining measurable outcomes for their term and reporting progress transparently. A consistent overarching framework which focuses on service

delivery, wellbeing, sustainability, and fiscal resilience would support accountability across political cycles while allowing flexibility for policy adjustments.

Simplicity, Standardisation, and Transparency in Reporting

As noted in our response to Q2 above, previous reforms have resulted in an overly complex and compliance-driven reporting. Future reforms should focus on simpler, standardised frameworks that promote comparability and clarity. Encouraging candid reporting of shortfalls, supported by clear explanations, would foster a learning culture and improve public confidence. A focus on meaningful, outcome-relevant indicators rather than volume of data is critical for success.

Strengthening Evaluation and Learning Capacity

Prioritisation of measurement over evaluation, can result in limited visibility around policy effectiveness. Evaluation capabilities within the public sector could be improved, to support and underpin the evidence base for decision-making by ministers and parliamentarians. Strengthening evaluation alongside performance reporting would ensure a deeper focus on outcomes and continuous improvement. Integrating evaluation teams within agencies and building analytical capacity would help link reported results to real impacts and promote evidence-based policy refinement and development.

International Lessons on Asset Sustainability and Depreciation Management

International experience highlights the long-term risks of neglecting asset renewal. In many jurisdictions, such as Australia, ongoing funding of asset maintenance and replacement creates challenges because of a perception that depreciation is a non-expense. Over time this leads to deteriorating infrastructure and creates fiscal pressures. Embedding asset sustainability into performance reporting, through asset-condition indicators, recognition of depreciation as a genuine cost, and funding mechanisms such as renewal reserves, would strengthen better asset management, transparency and long-term accountability.

4. Are there any key improvements that are missing from our vision for reform and improvements?

Transition from Output to Outcome Reporting

Feedback emphasised that the current public sector reporting framework remains heavily output-focused. To align with international modernised practice, performance reporting should shift toward outcomes that demonstrate real impact and public value. This issue has also been highlighted in our responses to Q1 and Q2, noting output-based performance reporting as a key weakness of the current system.

Achieving this transition requires some careful thought and effort in developing a framework that incorporates concepts and principles for the recognition, measurement and disclosure of outcomes.

Challenges, Methodologies, and Assurance in Outcomes Measurement

Measuring outcomes presents inherent complexity, particularly for broad objectives such as wellbeing or education. Often outcomes have to be identified from those in the community who benefit from a public sector entity's activities, which can make it particularly challenging as this is often outside the entity's scope of measurement. Also, separating outcomes that have arisen as a direct result of a public sector entity's activities compared to outcomes arising from other factors can be a challenge.

Feedback noted that existing standards and assurance frameworks can be improved to address these challenges, encouraging more agencies to take up outcome-based reporting. Examples from sectors like education illustrate how linking performance to contextual factors, such as student intake and attendance can contribute to improving literacy, providing richer and more meaningful insights. Applying similar methodologies across government, supported by clear logic models or outcome maps, would strengthen consistency and comparability.

To succeed, reforms must also develop proportionate assurance approaches that recognise the uncertainty in outcome measurement while maintaining credibility and public confidence. Challenges with obtaining appropriate and sufficient audit evidence, especially from third parties outside the audited entity need to be addressed. Providing agencies with standardised methodologies, definitions, and guidance would help ensure outcome reporting is both practical and auditable.

5. **What do you consider to be the most—and least—important information for:**
    - **holding the Executive to account?**
    - **enabling the Executive to learn and improve?**
    - **supporting trust and confidence in the Executive?**

Although no specific feedback was received in response to this question, the comments we have provided in response to previous questions 1-4 are also relevant to this question.

6. **What options for change should we explore in the next phase of our inquiry?**

Several practical directions for reform were noted that could contribute to the next phase of the inquiry. A key opportunity lies in establishing a centralised, standardised performance framework to promote coherence across government.

Simplification and clarity should also guide the next stage of reform. Excessive data and overly technical reporting can hinder understanding and usefulness. Future design should focus on succinct, audience-appropriate reporting that highlights insights rather than volume, allowing Parliament, decision-makers, and the public to interpret results more effectively.

Incorporating the United Nations Sustainable Development Goals into the performance reporting framework may be of value. In this context, embedding equity and value-for-money considerations into performance frameworks would be useful. Assessing how policies and services affect different population groups, and whether resources are being used efficiently, would provide a more balanced and transparent view of government effectiveness.

Finally, the inquiry should distinguish between design principles (such as effectiveness, equity, and connectedness) and reporting principles (such as simplicity, succinctness, and clarity). Clear articulation of both sets of principles would provide a practical foundation for improving the design and presentation of performance information across the public sector.

7. **Do you have any views on how the way that the Executive's reports on its performance should reflect the obligations that Te Tiriti / the Treaty places on it?**

Feedback emphasised that equity and Treaty obligations should be embedded as core principles within the performance reporting framework. Performance measures should capture how outcomes differ across population groups—including Māori, Pacific, Asian, and other communities—and whether government actions are advancing equitable results. Integrating these measures into mainstream reporting, rather than treating them as separate or optional, would ensure that equity and Treaty considerations are reflected systematically in public accountability measures.

It was also noted that the Executive should clearly articulate and regularly report on outcomes related to Treaty commitments, treating these with the same importance as sectoral or fiscal outcomes. Transparent reporting on progress against these obligations would strengthen trust and demonstrate respect for Te Tiriti / the Treaty as a foundational element of public governance.

Given the potential for variability in how successive governments interpret and prioritise Treaty obligations, feedback suggested developing a consistent reporting framework that accommodates political differences while maintaining continuity of consistent performance reporting. Embedding these obligations in the overall performance framework would ensure that Treaty principles—partnership, protection, and participation—remain visible, measurable, and enduring across political cycles.