

3.2

Departmental Reporting on “Closing the Gaps”

Departments were required to include specific information in their 1999-2000 annual reports on their contribution to improving outcomes for Maori and Pacific Island peoples. Within the relatively limited time given to them, departments made a creditable effort to meet the reporting requirements.

Future reporting could be improved with more preparation and by refinements to the specifications of what departments are required to report. Improved departmental reporting would assist in the preparation of an aggregate annual report on the subject.

Introduction

- 3.201 As part of its “Closing the Gaps” strategy (the Gaps strategy), in June 2000 the Government required all departments to provide specific information in their annual reports on their contribution to improving outcomes for Maori and Pacific Island peoples. Departments made their first attempt at such disclosures in their annual reports for 1999-2000.¹
- 3.202 The information contained in the annual reports was additional to the standard information required and, therefore, it was not subject to our annual audit. Nevertheless, we reviewed a selection of key departments’ approaches to their Gaps strategy reporting.
- 3.203 This article discusses our observations on that reporting and highlights some ways in which the reporting could be improved.

¹ The detailed reporting requirements were conveyed to departments by the Treasury in a circular dated 19 June 2000.

Information Required of Departments

3.204 Every department that incurred either departmental or non-departmental expenditure on improving outcomes for Maori was told that it should disclose in its annual report a breakdown of the expenditure, split into the following categories:

- Category 1:* Expenditure targeted solely at improving outcomes for Maori;
- Category 2:* Expenditure intended to improve outcomes for at-risk groups, but not targeted specifically at Maori; and
- Category 3:* Other expenditure on Maori not covered by Categories 1 and 2.

3.205 Departments were also required to include, as a minimum, the following additional information on the nature of expenditure on activities aimed at improving outcomes for both Maori and Pacific Island peoples (unless agreed with their responsible minister):

- Actual compared with budgeted expenses (departmental and non-departmental) on Maori within Categories 1, 2 and 3, and on Pacific Island peoples.
- The “intervention logic” for this expenditure – that is, the linkage between the expense and the intended outcome (how the expense is expected to influence the outcome), as well as plans to manage any risks associated with the intervention.
- Where available, evidence of effectiveness in achieving the desired outcomes from this expenditure. This information may include the results of an evaluation or pilot study undertaken, or other valid means of determining effectiveness.
- If information on effectiveness was not currently available, information on planned steps to obtain such information in the future, including when it would be available.

- 3.206 Departments were required to present the information in a section of their annual report addressing “Effectiveness in Closing the Gaps”.
- 3.207 We understand that an aim of having the information provided in the annual reports was to enable an aggregate annual report on such expenditure to be compiled. This aggregate report was to be used to assist the Government in its oversight of the Gaps strategy.

The Annual Reports We Reviewed

- 3.208 We reviewed the “Effectiveness in Closing the Gaps” section in the annual reports of the following departments:

Core “Gaps” Departments –

- Department of the Prime Minister and Cabinet (DPMC)
- Ministry of Pacific Island Affairs
- State Services Commission
- The Treasury
- Te Puni Kokiri

Sector and Service Departments with Key “Gaps” Strategy Roles –

- Department of Child, Youth and Family Services
- Department of Labour
- Department of Work and Income
- Ministry of Economic Development
- Ministry of Education
- Ministry of Health
- Ministry of Social Policy



Approaches to Reporting

- 3.209 Our review revealed a number of issues arising from the approaches to Gaps strategy reporting. These issues broadly relate to:
- the level of adherence to the reporting framework; and
 - the nature of the information provided in the annual reports.

Differences in How Departments Reported

- 3.210 Where differing sets of information are to be combined, it helps if the information is in a similar format. However, there were differences in how departments reported their Gaps strategy expenditure. Most departments provided the information in specific sections of the report that were consistent with the reporting requirements, but others did not. Figure 3.6 opposite outlines these differences in approach.
- 3.211 The Department of Labour was able to provide a breakdown of expenditure by category on improving outcomes for both Maori and Pacific Island peoples. The DPMC also indicated which category included Pacific Island peoples expenditure.
- 3.212 Both the Ministry of Pacific Island Affairs and Te Puni Kokiri noted that all their expenditure was targeted at Pacific Island peoples and Maori respectively, and did not provide a category breakdown.
- 3.213 The Treasury and the Ministry of Social Policy did not present their information in a manner consistent with the reporting requirements, but both provided information on policy, research, or other activities that they carry out that relate to Maori outcome improvement. Similarly, the State Services Commission discussed a number of activities that fell under Category 3, but did not specifically address the reporting requirements further.

3.214 Few reasons for non-compliance with the reporting framework were provided, and no non-complying department indicated whether its responsible minister had agreed to the departure from the reporting requirements.

Figure 3.6
Differences in Reporting Approach

Department	Expenditure by Category	Actual/Budget	Intervention Logic	Evidence of Effectiveness	Plans to Obtain Effectiveness Information
DPMC	✓	✓	✓	✓	✓
Child, Youth and Family Services	✓	✓	✓	✓	✓
Labour	✓	✓	✓	✓	✓
Health	✓	✓	✓	✓	✓
Te Puni Kokiri	+	✓	✓	✓	✓
Pacific Island Affairs	+	✓	✓	✓	✗
Economic Development	✓	✓	✗	✓	✓
Work and Income	✓	✓	✗	✓	✗
Education	✓	✓	✗	✓	✗
State Services Commission	✓	✗	✗	✗	✗
Treasury	✗	✗	✗	✗	✗
Social Policy	✗	✗	✗	✗	✗

Key:

- ✓ The annual report included this information in a specific section.
 - ✗ The annual report did not include this information in a specific section.
 - +
- Not applicable – all expenditure was targeted at improving Maori or Pacific Island peoples outcomes.

Nature of the Information Reported

3.215 The nature of information reported on under each component of the framework varied substantially.

Actual Compared with Budgeted Expenditure on Maori and Pacific Island Peoples

3.216 Reporting on planned and actual expenditure in Category 1 (expenditure targeted solely at Maori) appears to have been relatively straightforward. However, the treatment of reporting on Categories 2 and 3 expenditure was variable. In most cases, departments assessed budgeted and actual expenditure on Maori as 15% of total budgeted and actual expenditure (based on Maori making up 15% of the general population).

3.217 Assigning a simple proportion in that way may provide an indication of both the funding a department could expect to apply to Maori outcome improvement and the likely costs a department could expect to incur. But such assessments may not be of practical benefit, given that the levels of Maori use of services may be disproportionate to the Maori percentage of the general population (either nationally or locally).

3.218 Most policy departments attempted to provide a category breakdown for policy advice functions. Exceptions were the Treasury, DPMC, and the Ministry of Social Policy.

3.219 It was expected that the expenditure information would be provided at the programme or activity level. Again, we observed some variability. For example:

- The Department of Labour provided vote, output class and activity information, as did the Ministry of Economic Development.
- The Ministry of Health reported on specific policy projects targeting Maori and Pacific Island peoples, and provided associated expenditure information. However, the majority of expenditure in the health sector on Maori outcomes is incurred through Non-departmental Output Classes, which was reported at an output class level and not at a programme level.

- 3.220 Departments explain in the statement of accounting policies the manner in which GST is reflected in the financial statements included in the annual report. But for some departments it is unclear how the reported expenditure on Maori and Pacific Island peoples reflects GST. For example:
- DPMC, the Department of Labour, and the Ministry of Economic Development specify whether GST is included or excluded in the expenditure reported; but
 - the Ministry of Pacific Island Affairs and Te Puni Kokiri do not make clear whether GST is included or excluded.

Intervention Logic

- 3.221 Intervention logic was another area where adherence to the reporting requirements was variable. Of the six departments that did not have specific sections addressing intervention logic, the Ministry of Economic Development provided explanations of the expenditure in each category, and the Ministry of Education provided an explanation of how the “expense influences the desired outcome”.
- 3.222 The Ministry of Health, while commenting on the intervention logic of policy projects, did not provide information on the intervention logic for Non-departmental Output Class expenditure.

Evidence of Effectiveness, and Plans to Obtain Effectiveness Information

- 3.223 The quality of reporting on the effectiveness of programmes and activities, and on plans to obtain programme/activity effectiveness information, was mixed.



- 3.224 Departments were required to report evidence of the effectiveness of programmes in achieving outcomes. Nevertheless:
- some departments (e.g. the Ministry of Education, the Department of Work and Income, and the Ministry of Economic Development) reported on the effectiveness of achievement of outputs and participation of Maori and Pacific Island peoples in programmes, rather than providing evidence of effectiveness in “closing the gaps”; and
 - the Ministry of Health, while discussing monitoring the effectiveness of specific policy projects, did not provide information about the effectiveness of Non-departmental Output Class expenditure.
- 3.225 Generally, policy departments did not provide information on either the effectiveness of policy advice provided or the planned steps to obtain such information.

Our Observations

- 3.226 In general, we believe that departments made a creditable effort to report the information required on the Gaps strategy. Obviously, as this was the first time such an exercise had been carried out, teething problems were to be expected.
- 3.227 As mentioned in paragraph 3.207 on page 39, we understand that the aim of having the information provided in the annual reports was to enable an aggregate annual report on Gaps strategy expenditure to be compiled. The variability of adherence to the reporting requirements by the departments we looked at would appear to make achievement of that aim very difficult. In addition, the variability in the nature, extent and format of the information provided by departments would make it very difficult to draw accurate conclusions from such a report.

3.228 In our view, future reporting could be improved by:

- a consistent approach among departments;
- clarification of the extent to which policy departments should attempt to comply with the reporting requirements;
- departments being more specific at the start of the year about their planned expenditure – particularly in Categories 2 and 3 – against which actual expenditure could be better assessed;
- a clear statement of the nature of the effectiveness reporting sought;
- appropriate and consistent treatment of GST; and
- stating whether the minister’s agreement had been obtained to departing from the reporting requirements (when that happens).

3.229 Overall, the reporting requirement is a positive step in increasing the transparency of the Gaps strategy and departmental contributions to it. We understand that the Government will be seeking to improve the quality of future Gaps strategy expenditure reporting. We support such improvement and suggest that the Government consider making any future aggregate annual report publicly available.

