

Introduction

The subjects dealt with in this report cover some of the more diverse parts of the Audit Office's interest in how public money is spent. Four of the articles touch (directly or indirectly) on some of the largest areas of annual Government spending – health, education, and information technology. The fifth article – on “impact evaluation” – potentially touches all areas of Government spending.

Health Sector

As we foreshadowed in our *Fourth Report for 1999*,¹ this report contains articles on:

- A further review of the financial condition of Hospital and Health Services (HHSs) (pages 9-24). On the whole, the financial condition of HHSs improved markedly in 1998-99.
- Capital purchasing by HHSs (pages 25-42). Generally, the practices and procedures applied to the selection of purchases that we examined were of a good standard. However, we observed room for improvement in some areas.
- The project to change from a manual to an electronic system of processing claims for pharmaceutical service subsidies and dispensing fees (pages 43-68). The original aim to have full electronic claiming in place by 30 June 1999 was not achieved, and is still to be achieved. The new system was to be run from a single processing centre in Wellington, but the Government has just announced that the Wanganui processing centre is to remain in operation.

Large Information Technology Projects

The fourth article (on pages 69-78) is a summary of the key messages from a detailed report that we will publish shortly on the subject of *Governance and Oversight of Large Information Technology Projects*. As has been widely publicised, some recent IT projects have involved spending large amounts

¹ Parliamentary paper B.29[99d], page 7.

of public money without producing a successful outcome. It is time to take a look at ways of minimising history's propensity to repeat itself.

Education Sector

The fifth article (on pages 79-98) discusses what we see as difficulties – for both school boards of trustees (school boards) and the Audit Office – with the accountability requirements of the Public Finance Act 1989 and the Education Act 1989 and suggests some changes.

School boards are the most numerous type of Crown entity. The number fluctuates as schools open or close or private schools integrate into the State system. At 31 December 1998 there were 2,669, and by 30 June 1999 there were 2,664.

Collectively, school boards spend a significant proportion of the money voted annually by Parliament for education. Thus it is appropriate that, as Crown entities, school boards are subject to the accountability requirements specified by Part V of the Public Finance Act. However, other (not necessarily consistent) accountability requirements are imposed by the Education Act.

Impact Evaluation

The sixth article (on pages 99-140) deals with a subject that is (or, if it is not, should be) at the heart of any serious consideration of the worth of public spending:

- Is proposed spending on new policies likely to produce the results expected?
- Is spending on existing policies producing the results expected?
- Is spending on existing policies producing any unexpected or undesired results?

Of course, the subject is considerably more complex than may be perceived from those three simple questions. Nevertheless, we believe that it is a matter that both the Government and Parliament should address in the interests of ensuring that public money is spent on policies whose real effects are known (at least with a reasonable degree of certainty).