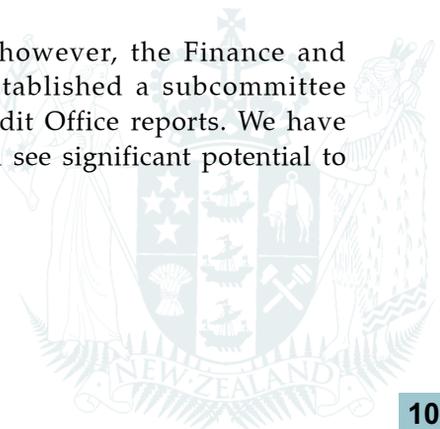


- 6.1 The Audit Office produces reports on a broad range of topics and issues across the public sector. Parliament is our primary audience for these reports. By their nature, however, these reports are usually focused on the Executive. This focus may be on:
- single agencies; or
 - multiple agencies; and/or
 - central agencies (the Treasury, the State Services Commission, and the Department of the Prime Minister and Cabinet).
- 6.2 For formal consideration of our reports by the House, we have been reliant until recently on relevant subject committees taking the opportunity to consider the reports and deciding whether they want to ask for a Government response.
- 6.3 The Officials Policy Committee (comprising the chief executives of the three central agencies – see above) has also considered the need for a Government response to our reports.
- 6.4 Both of these mechanisms have been informal. Nevertheless, they formed a basis to complete the “accountability loop” between:
- Audit Office reports;
 - parliamentary scrutiny of our reports; and
 - Government responses.
- 6.5 Towards the end of 2000, however, the Finance and Expenditure Committee established a subcommittee specifically to deal with Audit Office reports. We have welcomed this initiative and see significant potential to work with this subcommittee.



- 6.6 Under current committee arrangements, we see the ideal process for dealing with our reports being as follows:
- Audit Office reports are presented to the House;
 - relevant subject select committees receive a briefing from us and consider the reports;
 - select committees are also briefed by affected agencies;
 - Government responses are developed and actioned;
 - the Finance and Expenditure subcommittee maintains an oversight of this process to ensure that our reports receive select committee consideration, and Government responses where relevant; and
 - We provide six-monthly status reports on where Audit Office reports are in this process.
- 6.7 The following pages give a brief analysis of our reports for the last three years. We have not included our reports on local government issues, or on once-only inquiries of the moment, except where there is a remaining parliamentary interest.



Title of Report

New Zealand Defence Force: Deployment to East Timor

Date Presented

15 November 2001

Brief Description

Our report describes and assesses the systems used by the NZDF to:

- plan for a military operation;
- prepare a joint force; and
- deploy that force to East Timor.

We also examined the systems by which the NZDF has reviewed its military practice and processes in the light of the East Timor experience; and we assessed the extent to which the NZDF has identified lessons for future contingencies and implemented necessary changes.

Select Committee Scrutiny

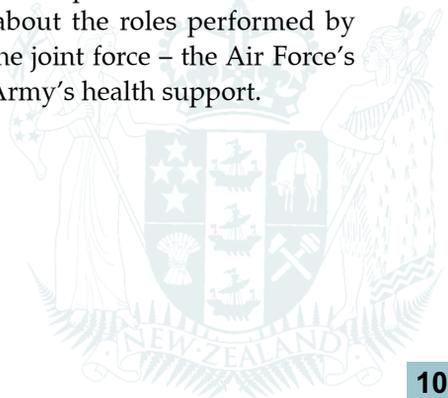
The Foreign Affairs, Defence and Trade Committee has considered this report.

Government Response

Not required.

Issues Outstanding

We will be presenting a second report on the East Timor deployment, which will be about the roles performed by two specific components of the joint force – the Air Force's Iroquois helicopters and the Army's health support.



Title of Report

The Police: Dealing with Dwelling Burglary

Date Presented

13 September 2001

Brief Description

The purpose of this report is to provide Parliament with information on what the Police are doing about dwelling burglaries, including how the Police measure their performance.

Key Findings

- The process for investigating burglary is broadly similar throughout the Police, but we found variations in practice at a local level. The reasons for these variations are not always clearly stated or argued.
- There is potential for the Police to:
 - evaluate new and alternative approaches and share good practice in crime prevention between areas;
 - make greater and better use of science and information technology; and
 - improve their measuring and monitoring of performance in relation to dwelling burglary.

Select Committee Scrutiny

The Law and Order Committee considered this report as part of its 2000-01 Financial Review of the Police.

Government Response

None as yet.

Issues Outstanding

Awaiting a Government response if applicable.

Title of Report

Providing and Caring for School Property

Date Presented

5 September 2001

Brief Description

This report assesses the Ministry of Education's performance in managing the school property portfolio. We concentrated on:

- the management arrangements in place between the Ministry and School Boards of Trustees; and
- systems and processes for managing (including funding) the provision and maintenance of school property.

Key Findings

Capital Works

We conclude that the Ministry is:

- taking positive steps with respect to planning and funding capital works which aim to meet the needs of schools and students; and
- ensuring that the provision of property is well planned and appropriate.

These steps represent a substantial improvement on what was found in previous reviews.

Maintenance

We are less satisfied with the arrangements for maintenance. The Ministry is responsible for ensuring that School Boards of Trustees meet their responsibility to ensure that schools are properly maintained.

In our view, the Ministry needs to significantly improve the information it has about the maintenance that Boards are undertaking and the condition of the school estate. We suggest that better information can be obtained through enhancement to the current property management framework.

Select Committee Scrutiny

Awaiting consideration by the Education and Science Committee.

Government Response

None as yet.

Issues Outstanding

Awaiting Select Committee scrutiny and a Government response if applicable.

Title of Report

Ministry of Defence: Acquisition of Light Armoured Vehicles and Light Operating Vehicles

Date Presented

22 August 2001

Brief Description

This report is about the acquisition of two types of new vehicle for the New Zealand Army:

- light armoured vehicles; and
- light operating vehicles.

Key Findings

Our views on the light armoured vehicle (LAVIII) acquisition:

- from the start, the project was poorly defined;
- the changing project definition also led to lack of clarity on the number of vehicles required;
- the approach to research of the market for this purchase was, in our view, deficient;
- use of essential criteria restricted the scope of competition;
- there was no strategic management of the project;

- in at least two instances the Ministry of Defence (MoD) failed to consult appropriately;
- relationships between MoD and the New Zealand Defence Force (NZDF) and the Army were dysfunctional;
- pursuit of the project diverged considerably from Cabinet approvals in a number of respects;
- the longer the acquisition was delayed, the more expensive it became;
- there was insufficient documentation of some key decisions; and
- the significant capability requirements associated with acquisition of 105 LAVIII were inadequately assessed before the decision to acquire the vehicles.

Our views on the light operating vehicle acquisition:

- the use of essential criteria restricted scope for competition;
- the approach to research of the market for this purchase was, in our view, deficient;
- there was no strategic management of the project; and
- relationships between MoD, NZDF and Army were dysfunctional.

Select Committee Scrutiny

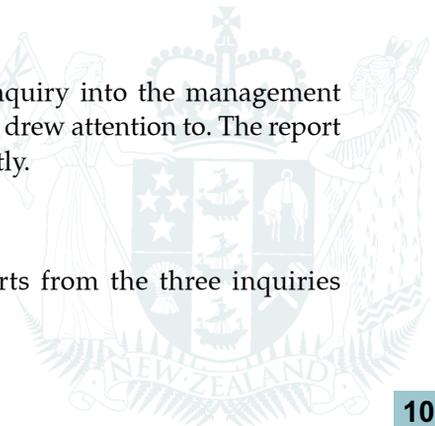
Both the Foreign Affairs, Defence and Trade Committee and the Finance and Expenditure Committee have received briefings on this report.

Government Response

The Government set up an inquiry into the management and relationship issues that we drew attention to. The report of the inquiry is expected shortly.

Issues Outstanding

We will wait to see the reports from the three inquiries mentioned above.



Title of Report

Parliamentary Salaries, Allowances and Other Entitlements: Final Report

Date Presented

24 July 2001

Brief Description

This report sets out our detailed review of the regime for setting and administering salaries, allowances and other entitlements for MPs and Ministers. As a result of our review, we now believe that the current arrangements are inadequate and are in need of change.

Key Findings

In our view, there needs to be a more coherent, principled regime to ensure that:

- the policies, systems and procedures applying to this expenditure are soundly based, transparent, effective and efficient; and
- they are clearly seen to be so by the public.

We advocate five guiding principles in order to improve the overall regime, as follows:

- there needs to be a clear distinction between remuneration and expense reimbursement;
- an independent body should determine all remuneration and expenses to be reimbursed;
- designated agencies should be responsible for paying remuneration and reimbursing expenses;
- all remuneration should be taxed on the same basis as that of an ordinary employee; and
- the independent body should have overall ownership of the system for setting and paying remuneration.

Select Committee Scrutiny

The Parliamentary Service Commission considered our report and established an independent advisory panel to report back to the Commission in early-2002. The panel's recommendations were referred to the parliamentary parties for consideration, which in turn provided their comments to the Commission. The Commission accepted the findings of the panel, and legislation to give effect to the recommendations was prepared.

Government Response

Not applicable.

Issues Outstanding

The Remuneration Authority (Members of Parliament) Amendment Bill is currently before Parliament.

Title of Report

Reporting Public Sector Performance

Date Presented

31 July 2001

Brief Description

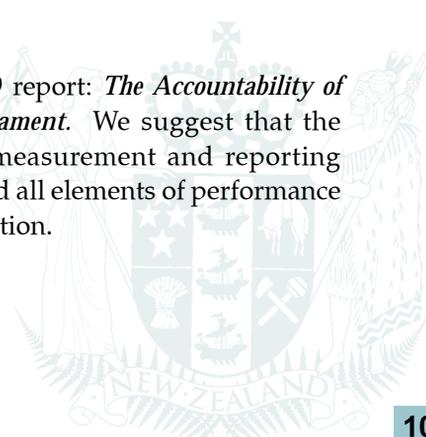
This report is about how performance reporting in the public sector can be improved. We believe that stakeholders are not getting the best information they could on how public entities are performing.

Key Findings

The report builds on our 1999 report: *The Accountability of Executive Government to Parliament*. We suggest that the development of a common measurement and reporting framework is a critical task, and all elements of performance should be taken into consideration.

Select Committee Scrutiny

None to date.



Government Response

See below.

Issues Outstanding

While there has been no specific Government response, there is currently a range of initiatives across government departments. These are encouraging. We will maintain an active interest in these developments.

Title of Report

Meeting International Environmental Obligations

Date Presented

8 May 2001

Brief Description

This report sets out the results of our examination of New Zealand's approach in respect of four specific multilateral environmental agreements.

Key Findings

Our findings show uneven levels of implementation of New Zealand's obligations under the four agreements that we examined:

- The *Montreal Protocol on Substances that Deplete the Ozone Layer (the Montreal Protocol)* has been the most successfully implemented.
- New Zealand's international obligations under the *Convention on Trade in Endangered Species of Fauna and Flora (CITES)* are also being successfully fulfilled.
- New Zealand is generally meeting the specific obligations of the *Convention on Wetlands of International Importance (the Ramsar Convention)*, but the measures taken have:
 - failed to arrest the continuing degradation of wetlands; and

- failed to achieve the desired outcome of stemming the progressive encroachment on and loss of wetlands now and in the future.
- New Zealand has met most of its international obligations under the *United Nations Framework Convention on Climate Change (FCCC)* and its *Kyoto Protocol*, except the adoption of effective national greenhouse gas policies to mitigate climate changes.

Select Committee

The report has been considered by the Local Government and Environment Committee.

Government Response

None as yet.

Issues Outstanding

Some of our recommendations have been implemented by the departments concerned. We will do a formal follow-up later this year.

Title of Report

Civil Aviation Authority Safety Audits – Follow-up Audit

Date Presented

20 December 2000

Brief Description

This report sets out the results of our follow-up audit of the Civil Aviation Authority's conduct of safety audits of operators in the civil aviation industry.

Key Findings

- While there has been a downward trend in the overall New Zealand aviation accident rate over the last 10 years, New Zealand's accident rate is higher than rates of the UK, USA and Australia.

STATUS OF FOLLOW-UP ACTION ON PREVIOUS REPORTS

- The CAA needs to do further work in risk analysis and the application of its audit resources amongst the various types of operators in the civil aviation industry.

Select Committee Scrutiny

The Transport and Industrial Relations Committee considered the report in early-2001.

Government Response

None.

Issues Outstanding

The issues raised in our report are of concern given that this was a follow-up of a 1997 study. We are considering doing a more widely scoped study of the CAA.

Title of Report

Central Government: Results of the 1999-2000 Audits¹

Date Presented

20 December 2000

Brief Description

This report includes articles on:

- the 1999-2000 audited financial statements of the government;
- government departments – results of the 1999-2000 audits;
- compliance with Cabinet expenditure delegations;
- departmental reporting on “closing the gaps”;
- managing employee fraud;
- funding arrangements with non-government organisations;
- disclosing fiscal risks on defence capital projects;

¹ Parliamentary paper B.29[00b].

- student loan debt; and
- supplementary estimates for 1999-2000.

Key Findings

A wide range of issues have been canvassed in this multi-subject report.

Select Committee Scrutiny

The Finance and Expenditure Subcommittee has considered this report.

Government Response

None as yet.

Issues Outstanding

A range of issues as outlined in the above brief description remain live. We will maintain an active interest in monitoring developments in this regard.

Title of Report

Student Loan Scheme – Publicly Available Accountability Information

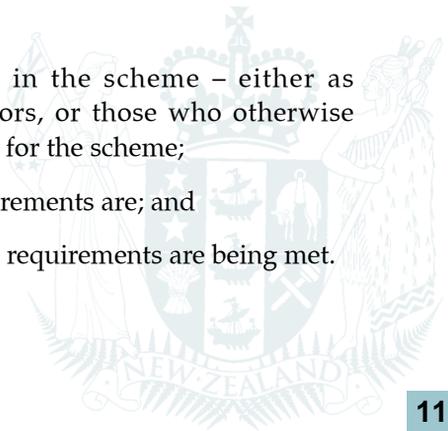
Date Presented to Select Committee

23 May 2000

Brief Description

This report is about:

- the student loan scheme;
- those who have a stake in the scheme – either as borrowers or administrators, or those who otherwise expect some accountability for the scheme;
- what the information requirements are; and
- whether, in our view, those requirements are being met.



Key Findings

In our view, key stakeholders receive adequate information on the current financial position of the scheme at an aggregate level. However, we believe that there are the following shortcomings in public accountability information:

- limited information on the fiscal risks attached to the scheme; and
- lack of information on the impact of the scheme on the intended and unintended socio-economic outcomes.

The adequacy of valuation of student loan debt also needs to be reviewed, especially in light of the expected move to a net present value model for valuation.

In our opinion, the following related capability and accountability issues need to be addressed to provide better public account-ability information:

- fragmented responsibility for the scheme as a whole;
- lack of focus of strategic policy advice and research;
- shortcomings in data collection analysis and exchange;
- shortcomings in forecasting;
- lack of systems responsiveness to change; and
- gaps in service to borrowers.

Select Committee Scrutiny

The Education and Science Committee considered the report in 2000.

Government Response

There was a comprehensive Government response in 2001.

Issues Outstanding

All the issues raised in the report remain live. We will maintain an active interest in how the government response is implemented, and in any unresolved issues.

Title of Report

Governance and Oversight of Large Information Technology Projects

Date Published

5 May 2000

Brief Description

This report is about the governance and oversight of large information technology projects in the public sector. The report was in response to a number of highly publicised difficulties with public sector IT projects. The problems have included: failure to deliver what was required; and major cost over-runs.

Key Findings

We discuss:

- basic governance structures for IT projects;
- IT projects that actually happened; and
- reasons for success and failure.

Each part of the report raises issues for consideration, summarised in a set of questions which we believe that chief executives, ministers, and select committee members should ask with respect to any large IT projects they are involved with.

Select Committee Scrutiny

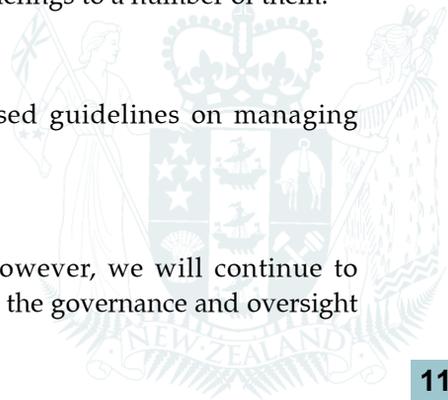
Most select committees have taken an interest in the report, and we have given briefings to a number of them.

Government Response

The Government has released guidelines on managing large IT projects.

Issues Outstanding

No issues in particular. However, we will continue to maintain an active interest in the governance and oversight of large IT projects.



Title of Report

First Report for 2000²

Date Presented

21 March 2000

Brief Description

Health Sector

This report contains several articles on the health sector, including:

- a review of the financial condition of hospital and health services;
- capital purchasing by hospital and health services; and
- electronic claiming of pharmaceutical subsidies and dispensing fees.

School Boards of Trustees

We discuss what we see as difficulties – both for School Boards of Trustees and the Audit Office – with the accountability requirements of the Public Finance Act 1989 and the Education Act 1989, and we suggest some possible changes.

Impact Evaluation

This article demonstrates the value of impact evaluation as a practical tool to enhance the quality of decision-making by the Government and Parliament.

Select Committee Scrutiny

The article on Impact Evaluation was considered by the Finance and Expenditure Committee in 2000.

Government Response

There has been no response to the School Boards of Trustees and Health articles. The article on Impact Evaluation received a Government response.

² Parliamentary paper B.29[00a].

Issues Outstanding

The issues raised in relation to School Boards of Trustees remain current. Similarly, Impact Evaluation is an on-going issue. We will take an active interest in developments.

Title of Report

Fifth Report for 1999³

Date Presented

21 December 1999

Brief Description

This report includes articles on:

- the 1998-99 audited financial statements of the government;
- government departments – results of the 1998-99 audits;
- maintaining standards of financial management during organisational change; and
- New Zealand Customs Service collection of excise duty.

Key Findings

A range of issues arising out of the 1998-99 audits in the Crown sector.

Select Committee Scrutiny

The Finance and Expenditure Committee considered the report in late-1999.

Government Response

None as yet.

Issues Outstanding

The issues raised in the article on maintaining standards of financial management during organisational change remain current and relevant.

³ Parliamentary paper B.29[99e].

Title of Report

Information Requirements for the Sustainable Management of Fisheries⁴

Date Presented

21 December 1999

Brief Description

This report is about:

- the information required to achieve stable management of the fisheries resource within a healthy aquatic ecosystem; and
- the extent to which relevant and adequate information is actually being used to manage the country's fisheries within a sustainable framework.

Key Findings

We examined the information available for 44 of the 257 fish stocks. The species within those 44 fish stocks represent 60% of the value of all fish caught in New Zealand's exclusive economic zone.

In our view, the Ministry is unable to be certain if 31 of those fish stocks are being utilised to their potential or, in some cases, being utilised sustainably at all.

For those 31 fish stocks, we believe that there are significant gaps in information required by the 1996 Fisheries Act for sustainable utilisation of fisheries.

We conclude, therefore, that the Ministry manages most fish stocks without being sure if this management is sustainable. Because of the lack of information, the Ministry also cannot be sure that the catch levels that are established allow for fisheries to be utilised to their potential. This conclusion is similar to that reached by the Audit Office and the Parliamentary Commissioner for the Environment in 1990.

⁴ Part of *Fifth Report for 1999*, Parliamentary paper B.29 [99e], pages 49-112.

Select Committee Scrutiny

The Primary Production Committee considered our report in 2000.

Government Response

None as yet.

Issues Outstanding

The majority of the issues we raise remain current. We are likely to conduct a follow-up audit in the next year.

Title of Report

Fourth Report for 1999⁵

Date Presented

5 October 1999

Brief Description

This report includes articles on:

- Capital Coast Health Limited: New Computerised Information System;
- Health Funding Authority;
- Contract for Specialist Sexual Health Service;
- Health Funding Authority: Contract for Forensic Post Mortem Services; and
- Health Benefits Limited: Payments for Claims for Pharmaceutical Service Subsidies.

Select Committee Scrutiny

The Health Committee considered our article on Capital Coast Health's new computerised information system.

Government Response

None required.

⁵ Parliamentary paper B.29 [99d].

Issues Outstanding

None.

Title of Report

Towards Service Excellence: The Responsiveness of Government Agencies to their Clients

Date Presented

15 September 1999

Brief Description

The report is based on an audit of service delivery in five government departments. Although each department performed different functions, carried out different activities, and served different client groups, we were able to provide a common set of good practice criteria and identify a number of challenges and emerging issues.

Key Findings

Overall, we were impressed with the efforts that each of the five agencies had taken to be responsive to its clients. We found examples of excellent service in all five agencies. Nevertheless, we identified some areas for improvement, covering the following areas:

- making a corporate commitment to client service;
- understanding the client;
- providing access to services;
- delivering the service;
- resourcing service delivery;
- judging service performance;
- reporting service performance; and
- seeking continuous improvement.

Select Committee Scrutiny

None

Government Response

None required

Issues Outstanding

The report remains current and relevant, and should be useful for agencies in considering responsiveness to their clients.

Title of Report

Third Report for 1999 – The Accountability of Executive Government to Parliament⁶

Date Presented

29 June 1999

Brief Description

The purpose of this report is two-fold:

- to promote Parliament's awareness of a number of issues relating to the way in which it currently scrutinises and controls executive government (the Executive) and holds it to account; and
- to point to opportunities for improvement and to stimulate debate about them.

Key Findings

We have sought to bring together and summarise a number of observations that we have made to Parliament since the introduction of the financial management reforms at the end of the last decade. These issues relate to:

- the nature and purpose of Executive spending;
- the impact and outcomes of Executive spending;
- the structure and capability of the Executive's agencies (departments, crown entities and state-owned enterprises);

⁶ Parliamentary paper B.29[99c].

- governance and accountability;
- appropriation and supply; and
- the assessment and management of risk.

Select Committee Scrutiny

The Finance and Expenditure Committee and some other committees considered this report in early-2000.

Government Response

There has been a partial Government response to the issues raised.

Issues Outstanding

The report remains current and relevant. It has provided the foundation for a number of our other initiatives, and is also likely to have had an impact on initiatives from central agencies.

Title of Report

First Report for 1999⁷

Date Presented

23 March 1999

Brief Description

This report covers:

- the 1997-98 audited financial statements of the government;
- government departments – results of the 1997-98 audits;
- cost allocation and appropriation;
- validating expenditure in excess of appropriation;
- managing appropriations for non-departmental transactions;
- maintaining financial and service performance during organisational change;

⁷ Parliamentary paper B.29[99a].

- public sector readiness for the Year 2000; and
- how are state-owned enterprises managing foreign exchange risk?

Key Findings

The report covers a wide variety of issues arising out of the 1997-98 Crown audits.

Select Committee Scrutiny

None.

Government Response

None.

Issues Outstanding

A number of issues remain current and form part of our annual audit approach on an on-going basis.

Title of Report

Third Report for 1998⁸

Date Presented

3 December 1998

Brief Description

This report contains articles on:

- School Boards of Trustees;
- Tertiary Education Institutions;
- Department of Internal Affairs: Control of Gaming Machines;
- Delivering Effective Outputs for Maori;
- Statements of Corporate Intent: Are They Working? and
- Governance Issues in Crown Entities.

⁸ Parliamentary paper B.29[98c].

Select Committee Scrutiny

None.

Government Response

None as yet.

Issues Outstanding

Control of Gaming Machines

Issues of significant concern are raised in this article. We had planned to undertake a more comprehensive review of gaming machines in 2001, but decided to defer it, given the major work completed by the Department of Internal Affairs in its recent gaming review. That review has now resulted in the Responsible Gambling Bill being considered by Parliament.

Delivering Effective Outputs for Maori

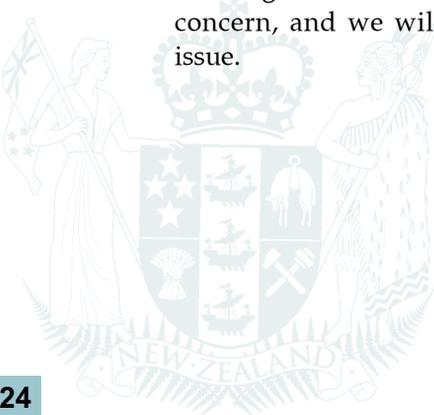
In this article, we identify the processes that we expect agencies to follow when preparing outputs which would be effective for Maori. We intend applying the resultant process model to central agencies over the next few years.

Statements of Corporate Intent (SCI)

In this article we note a lack of compliance with the SCI model. We have asked our auditors to maintain an active interest in ensuring entities meet their obligations with SCIs.

Governance Issues in Crown Entities

This article was a follow-up to our 1996 report *Governance Issues in Crown Entities*. We note that there had been little change in the strength of governance arrangements affecting Crown entities. This continues to be a matter of concern, and we will maintain an active interest in the issue.



Title of Report

Second Report for 1998⁹

Date Presented

13 July 1998

Brief Description

This report contains articles on:

- The financial performance of Crown Health Enterprises;
- The performance of Crown Research Institutes;
- Maori Trust Boards; and
- The information needs of the Children, Young Persons and their Families Service.

Select Committee Scrutiny

None.

Government Response

None.

Issues Outstanding

Maori Trust Boards

We now provide quarterly reports to the Maori Affairs Committee and the Minister of Maori Affairs on the status of Maori Trust Board audits.

The Information Needs of the Children, Young Persons and their Families Service

While there was no Select Committee scrutiny of this article, or any formal Government response, we note that there are now significant initiatives from the Government in response to the report by Judge Brown. We will maintain an active interest in developments.

⁹ Parliamentary paper B.29[98b].

Title of Report

New Zealand Fire Service Commission: Adequacy of the Arrangements to Ensure that the Fire Service Levy is Properly and Fully Paid

Date Presented

8 July 1998

Brief Description

We set out to determine whether the New Zealand Fire Service Commission has adequate arrangements to ensure that all levy revenue is properly and fully paid to the Commission.

Key Findings

The Commission did not have adequate systems and procedures in place to ensure that levy revenue – particularly that relating to non-residential property owners – is properly and fully paid to the Commission. The Commission was not able to determine what percentage of the total levy is derived from non-residential property owners – however, in 1996, an independent study estimated the figure to be 41% of the total levy received.

Select Committee Scrutiny

The Government Administration Committee has considered the report.

Government Response

None.

Issues Outstanding

The issues raised in this report remain problematic for the New Zealand Fire Service Commission.