CONTROLLER AND AUDITOR-GENERAL
Tumuaki o te Mana Arotake

Parliamentary paper

Public entities' progress in implementing the Auditor-General's recommendations

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Contents

Auditor-General's overview

My Office carries out a range of work to identify how public entities can improve their performance, with the overall aim of assuring Parliament and the public about the work of the public sector. We seek to identify good or emerging practices, raise any issues or concerns, and recommend improvements to a public entity's performance as appropriate.

Sometimes, public entities have recognised the need to make certain changes and our recommendations neatly align with the entities' intentions – leading to faster improvements in the public sector.

This progress report looks at how well five public entities have implemented our recommendations. It is not a full and final assessment because some of the recommendations will take time to implement.

The entities have generally accepted our recommendations, but progress in implementing them has been faster for some recommendations than for others. For these entities, and for other public entities, communicating results is an ongoing challenge.

I will continue to watch the progress of all the entities that we have audited. I thank the staff of the public entities discussed in this report for their co-operation.
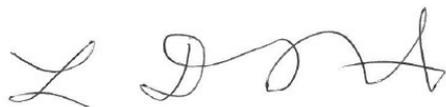
Lyn Provost
Controller and Auditor-General

21 April 2011

Part 1 – Introduction

1.1   The Auditor-General seeks to improve performance in the public sector and enhance the public's trust in government. The Auditor-General carries out a range of audit, inquiry, and other work, such as annual audits, to identify how public entities can improve their performance.

1.2   We report the results and make recommendations where appropriate, to give independent assurance to Parliament, central government agencies (such as the State Services Commission and the Treasury), and the public that public entities are:

•   carrying out their activities effectively, efficiently, and appropriately;

•   using public funds wisely; and

•   reporting their performance appropriately.

1.3   Public entities decide whether they accept the Auditor-General's recommendations and how they will implement them. Most seek to make the improvements we suggest. There are occasions when an entity cannot implement our recommendations because of system constraints (such as technology limits) or when changes over time mean it no longer makes sense to implement our recommendations.

1.4   Public entities sometimes disagree with our recommendations or do not give priority to implementing them. In these situations, it is up to the entity to explain to Parliament and the public why they have not acted.

The scope of our report

1.5   This report sets out our view on the progress that five public entities have made in responding to recommendations that we made in 2008 and 2009.

1.6   For this year's report, we have broadened our scope and have been more selective in our reporting. These changes allow us to examine entities' responses to inquiries as well as performance audits, and postpone reporting on progress where it is too soon to do so meaningfully. In other cases, we will produce separate progress reports because an in-depth examination is needed. We intend to take this approach from now on.

Public entities discussed in this progress report

1.7   This report discusses the progress that five public entities – all of them government departments – have made in implementing the recommendations that we made in five separate reports:

- Inland Revenue Department (we published *Inland Revenue Department: Managing tax debt* in June 2009);

- Ministry of Education (we published *Ministry of Education: Managing support for students with high special educational needs* in October 2009);

- Ministry of Justice (we published *Ministry of Justice: Supporting the management of court workloads* in December 2009);

- Ministry of Health (we published *Ministry of Health: Monitoring the progress of the Primary Health Care Strategy* in October 2008); and

- Ministry of Social Development (we published *Ministry of Social Development: Changes to the case management of sickness and invalids' beneficiaries* in October 2009).

1.8   The Appendix lists some of the other follow-up work that we have carried out and some that we have deferred until 2011/12.

Structure of this progress report

1.9   In each Part, we:

- provide some background information;

- outline the scope of the performance audit;

- summarise our findings and recommendations; and

- report on the public entity's response to our findings and recommendations.

Part 2 – Inland Revenue Department: Managing tax debt

2.1 The amount of outstanding tax debt is significant and growing. We carried out a performance audit to provide independent assurance to Parliament that the Inland Revenue Department (Inland Revenue) was effectively and efficiently managing tax debt. Tax debt as at 30 June 2008 was $4.036 billion.[1]

The scope of our performance audit

2.2 Our audit examined whether Inland Revenue was:

- taking a strategic approach to managing tax debt;
- effectively identifying and recovering debt through automated actions and the work of its debt officers; and
- adequately monitoring and reporting its performance.

Our findings and recommendations

2.3 We found that tax debt was growing at a rate that was outpacing Inland Revenue's capacity to deal with it. Inland Revenue acknowledged this and estimated that total tax debt could more than double within five years unless it took a different approach to managing the debt.

2.4 When we conducted our audit in 2009, Inland Revenue was updating its debt strategy to control the growth of tax debt. We considered that to prepare an effective new strategy to manage the growth of tax debt, Inland Revenue would need better information about the effectiveness and efficiency of its debt collection techniques.

2.5 The five recommendations we made involved improving the information that Inland Revenue collects, uses, and reports.

2.6 Inland Revenue accepted all our recommendations, but our report noted that Inland Revenue told us that the capabilities of its debt management information system limited the extent to which Inland Revenue could achieve two of our recommendations.

Inland Revenue's response to our findings and recommendations

2.7 Inland Revenue has fully implemented one of the five recommendations and has made varying amounts of progress on all the others. We acknowledge that further progress to complete all recommendations depends on getting approval for, and then completing, large information technology projects that Inland Revenue is currently proposing.

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1 As at 30 June 2010, tax debt totalled $4.588 billion.

Workloads of debt officers

2.8 We recommended that Inland Revenue collect and analyse information on the workloads of its debt officers. At the time of our audit, Inland Revenue told us that its systems could not collect this information and that manually collecting this information was not the best use of its limited resources. Inland Revenue now knows what its system requirements are and is currently preparing a business case to progress the first stage of implementation. Where Inland Revenue has carried out new debt collection activities, such as outbound calling,[2] we are pleased that it has been collecting information to assess the effectiveness of these new activities.

Increasing coverage of debtors

2.9 We recommended that Inland Revenue review the types of cases it assigns, and does not assign, to debt officers to make sure that all types of tax debt cases are subject to enforcement measures. Shortly after the release of our audit report, Inland Revenue changed how it assigns cases to debt officers. This has enabled greater coverage of tax debt cases that previously were less likely to be subject to enforcement measures.

2.10 Inland Revenue has begun to conduct outbound calling campaigns that target different types of debtors, including categories of debtors that we were concerned might have been missed previously. Inland Revenue is also creating a new customer segmentation model, which it expects will be fully operational by June 2011. When operational, this model should allow Inland Revenue to make risk-based decisions when considering which tax debt cases to assign to debt officers.

Improving reporting

2.11 We recommended that Inland Revenue improve external reporting and also recommended that Inland Revenue better align its internal and external reporting. We have noted that Inland Revenue has improved its external reporting in the ways that we recommended, and now uses its internal debt reporting information in external reporting to provide consistent information.

Improving collection and quality of information

2.12 We recommended that Inland Revenue improve the information it used to monitor the effectiveness and efficiency of its tax debt collection work. Inland Revenue has been collecting information on its outbound calling campaigns to better understand the effect of this new approach. Inland Revenue has also been working with the Australian Taxation Office to explore opportunities to

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2 Outbound calling is where call centre operators contact taxpayers (for example, to remind them about paying debts or submitting tax returns).

benchmark its performance against an international standard. This is an example of good practice. We strongly support Inland Revenue's efforts to find relevant external standards to use as benchmarks to measure its own performance against.

2.13   Inland Revenue expects that it can make additional improvements to its monitoring when it is able to update its information systems. We encourage Inland Revenue to continue to collect information that will allow it to better monitor the effectiveness of its tax debt collection work.

Increasing capacity and improving systems to manage debtors

2.14   Our report noted that Inland Revenue had more debt cases than its staff were able to actively manage. The 2010 Budget provided Inland Revenue with additional funding to increase its audit and compliance activities in three areas – property speculation, addressing the hidden economy, and debt compliance. This funding amounted to about $120 million for an initial period of four years. The debt portion of this extra funding amounts to just under $60 million. Inland Revenue expects to increase its staff numbers by more than 100 to help with debt collection. The increased baseline funding for debt collection is expected to generate net additional cash collections of about $471 million over four years (after deducting the operating costs to generate this revenue). We expect Inland Revenue to provide regular public reporting on its progress in delivering a positive return to the Crown through its quarterly and annual reports to Parliament.

2.15   In its 2010 annual report and subsequent financial review, Inland Revenue noted that it expects it will take a number of years to transform its debt and tax return management activities. These transformations involve making contact with taxpayers who are in debt to try to change their behaviour, focusing on earlier intervention, adding credit and debit card payment functionality to make it easier to pay overdue debt, and more outbound calling. Inland Revenue has noted that, to fundamentally improve its debt management, it will need to upgrade its information technology systems. It plans to do this over several years.

2.16   We remain interested in Inland Revenue's management of tax debt[3] and will be watching its progress.

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3   In July 2010, we published a report entitled *Inland Revenue Department: Managing child support debt*. In 2012, we will report on Inland Revenue's progress in implementing the recommendations in that report. In 2011, we will be publishing a report on Inland Revenue's approach to making it easy for taxpayers to comply with their tax obligations.

Part 3 – Ministry of Education: Managing support for students with high special educational needs

3.1　The Ministry of Education (the Ministry) provides support to about 20,500 of the nation's children with the highest special educational needs. The Ministry provides specialist advice; access to therapists, equipment, and materials; extra help in the classroom; and adapted programmes.

The scope of our performance audit

3.2　Our audit considered how well the Ministry managed the four initiatives it has set up to support school-aged children with the highest needs. These initiatives were the:

- Ongoing and Reviewable Resourcing Schemes (ORRS);
- School High Health Needs Fund;
- Severe Behaviour Initiative; and
- Speech Language Initiative.

3.3　Our audit examined how the Ministry:

- determined the level of need for its support;
- provided guidance for parents/caregivers and schools about its services;
- assessed applications and referrals for support;
- allocated resources to support students; and
- monitored and reviewed the effectiveness of its support for students.[4]

Our findings and recommendations

3.4　Overall, we found that the Ministry's management of the four initiatives was reasonable. The Ministry was improving its business systems and its quality of service. However, we found inconsistent approaches in different parts of the country to assessing applications, giving appropriate guidance to applicants, and allocating resources.

3.5　We considered that the Ministry's understanding of the level of need and the level of support that students received could be improved. This would help to reduce the risk that children living in different parts of the country with similar needs in similar circumstances would receive inequitable levels of support. We were also concerned that the Ministry did not have a good understanding of the progress that students were making at an aggregate level.

4　We did not audit support provided by "special schools", schools that provide support for children with high special educational needs in a day school or residential school setting, or as a satellite unit on the site of a regular school.

3.6   We made 10 recommendations for further improvements, including:

- gaining better information about the level of need for support and about the effectiveness of this support;
- better timeliness of service delivery for the Severe Behaviour Initiative and Speech Language Initiatives;
- greater accuracy of output information and better management of staff capacity; and
- better consistency of guidance, assessment, and allocation of resources.

3.7   In August 2009, as we carried out our audit, the Minister announced a Review of Special Education (the Review) and consulted on a range of issues. Several issues that we identified in our audit report were also consulted on. In October 2010, the Ministry and the Associate Minister of Education (Special Education) announced the response to the Review in a document, *Success for All – Every School, Every Child*.[5]

3.8   The Government announced in the 2009 and 2010 Budgets increases in resourcing for ORRS, with an extension of eligibility and extra funding for those already receiving ORRS support. In 2011, the Ministry changed this scheme to help simplify the funding process. The scheme is now called the Ongoing Resourcing Scheme (ORS).

The Ministry of Education's response to our findings and recommendations

3.9   We consider that the Ministry has made good progress overall in addressing most of our recommendations. The Ministry has taken action to address our recommendations about consistency, timeliness, data integrity, and managing staff capacity. Reducing waiting lists is a priority for the Ministry, and reporting and reviewing waiting list data is now part of the business as usual reporting cycle.

3.10   Some of our recommendations were about the need to build a unified and consistent strategic direction, based on timely and accurate information. The Ministry has piloted new systems for gathering this information, and plans to implement these systems countrywide between 2011 and 2013.[6] This information, combined with other information the Ministry holds, will help the Ministry to be sure that its strategic planning to meet the need for its support is based on timely and accurate information.

5   This report is available at www.minedu.govt.nz.

6   One of these systems, Goal Attainment Scaling, will be implemented subject to further piloting and evaluation.

3.11   It is also important that the Ministry continues working to ensure that teachers and teachers' aides working with students with high special educational needs are adequately trained. We noted this in our report, and it was a major theme emerging from the Review. The Ministry has announced a greater focus on inclusive education in training programmes for initial teacher education, teacher professional development, and for boards of trustees and principals.[7]

3.12   We acknowledge that special education is a difficult, complex, and sometimes contentious area. It is too soon to assess whether the Ministry's actions have been effective in making access to services more consistent and timely. Changes can take time, and may require a culture change among some staff.

3.13   In our view, this highlights the importance of continued effort to manage resources – staff and funding – strategically for the most effective support. The Ministry's Special Education group (formerly known as Group Special Education) has evolved in the last five years from a fragmented, district-led service to a more integrated, cohesive structure. We expect the Ministry to continue to improve its processes and to continue to look for ways to improve its knowledge and effectiveness. We will report further on the improvements the Ministry has made in our 2012 progress report.

3.14   Figure 1 provides more detail about our assessment of the Ministry's response to our recommendations.

Figure 1
The Ministry of Education's progress in addressing our recommendations

Area recommended for improvements	Our overall assessment of progress	Further action planned or needed
Better understanding of the level of need for support and effectiveness of Ministry support	The Ministry has increased its understanding of the level of need for three of the initiatives and has improved its forecasting for ORS. It has also made progress towards being able to judge its effectiveness through piloting two systems for collecting information (Goal Attainment Scaling and Case Management system).	The Ministry plans to continue to find ways to determine the level of need, such as through the *Positive Behaviour for Learning Action Plan* programmes. The Ministry plans to progressively implement the Case Management system throughout all districts by the end of 2011, and Goal Attainment Scaling, subject to further piloting and evaluation, in 2012/13.

7   The Ministry's plan *Success for all – Every School, Every Child* can be viewed on the Ministry's website (www.minedu.govt.nz) Training in inclusive education involves ensuring that teachers in mainstream classrooms are equipped to deal with students with special educational needs.

Area recommended for improvements	Our overall assessment of progress	Further action planned or needed
Better and more consistent guidance	The Ministry has made good progress in improving consistency through improved information and training for staff, schools, and parents/caregivers.	The Ministry plans to simplify the application process for ORS and release revised ORS guidelines in 2011.
Consistency of access to services	The Ministry has made good progress in improving consistency of access through consistent access criteria and assessment processes for the Severe Behaviour Initiative and the Speech Language Initiative and closer collaboration with Resource Teachers: Learning and Behaviour.* The Ministry considers that its new processes for tracking and reviewing decisions to decline support through these two initiatives will help to address inconsistencies in responding to requests for reviews of particular decisions.	The Ministry plans to continue to improve and monitor consistency of access, assessment, and response to enquiries and complaints.
Consistency of allocation of funds for ORS and School High Health Needs Fund	The Ministry has made good progress in improving consistency of allocation, in particular for teacher aide hours and pooled funding arrangements.	
Management of timeliness, accuracy of data, and staff capacity	The Ministry has made many improvements in its efforts to reduce waiting lists (resulting in some reduction in waiting lists), improve data integrity, increase staff capacity (for the Severe Behaviour Initiative), and manage workloads better.	The Ministry plans to continue to effect changes that will improve timeliness of service delivery.

* The Resource Teachers: Learning and Behaviour service employs specialist teachers who support students with moderate special educational needs. These specialist teachers are employed by clusters of schools and are often the ones to refer students with higher special educational needs to the Ministry.

Part 4 – Ministry of Justice: Supporting the management of court workloads

4.1 In our performance audit, we focused on the work that the Ministry of Justice (the Ministry) does to support the District Courts and High Court in managing criminal and civil workloads. In particular, we examined work the Ministry is carrying out to help the courts to deal with continuing growth in the number of new cases before the courts.

The scope of our performance audit

4.2 We looked at whether the Ministry was working effectively with other court participants to manage court workloads and plan for managing future court workloads.

Our findings and recommendation

4.3 We found that the Ministry was well positioned to further develop and provide support for measures designed to deal with growing court workloads. The Ministry's plans for helping to manage growing court workloads involved a series of projects expected to improve the efficiency of the courts. The Ministry was also aware that more judges, courtrooms, and registry staff would probably be needed.

4.4 All the projects that the Ministry had under way to address court workloads involved multiple members of the sector. All the members of the justice sector we spoke to said that they worked regularly and closely with the Ministry on relevant projects. The Ministry cannot carry out these projects on its own, so working collaboratively with other members of the sector is critical for the projects to proceed.

4.5 We looked at the information the Ministry shared with other members of the justice sector, select committees, and Ministers. It aligned well with the Ministry's internal information, and we considered that the Ministry collected an appropriate range of performance information about the courts.

4.6 We found small regional differences in how courts function. These differences reflect differences in judicial procedure, workloads, the physical layouts of courts, and pilots that are often carried out locally. We did not have any concerns about regional differences, but we saw an opportunity to better identify and share information about better practice with all courts.

4.7 Our report made a single recommendation – that the Ministry place greater emphasis on collecting and sharing better practice information throughout all courts. The Ministry supported this recommendation.

The Ministry of Justice's response to our findings and recommendation

4.8   Since our audit, the Ministry has updated the approach it uses to review the performance of courts. This approach included introducing a new international framework for reviewing court performance. The Ministry has begun to conduct court reviews using the new approach.

4.9   The Ministry has also introduced new tools for managers to allow them to better compare performance across courts. To increase the effect of the court reviews and promote increased sharing of better practice, the Ministry has begun to publish its reviews of court performance on its intranet to allow all court staff to view the reports. It has also placed more emphasis on following up on its court reviews.

4.10   We consider that the Ministry has implemented our recommendation, but also expect it to continue to improve how it shares better practice, as part of its continual improvement process.

Part 5 – Ministry of Health: Monitoring the progress of the Primary Health Care Strategy

5.1   In 2001, the then Minister of Health launched the Primary Health Care Strategy (the Strategy). Primary health care covers a broad range of out-of-hospital health services supplied by private and public providers. The Strategy required significant changes to how primary health care was delivered and funded, such as introducing Primary Health Organisations (PHOs) and significant extra expenditure – increasing from about $226 million in 2002/03 to about $835 million in 2007/08. The Ministry of Health (the Ministry) is responsible for carrying out the Strategy, and for monitoring and reporting on its progress.

The scope of our performance audit

5.2   In October 2008, we published a report of our performance audit that assessed how well the Ministry was monitoring the progress towards achieving the high-level goals that are set out in the Strategy.

Our findings and recommendations

5.3   We found that the Ministry was actively collecting a large amount of information on the changes made and the effects of the Strategy's implementation. It had begun to report on performance and other indicators as the data had become available.

5.4   However, we were concerned that there were significant gaps in the Ministry's approach to collecting and reporting information about the Strategy. This meant that the Ministry was not in a position to report progress towards all of the Strategy's goals. The information that was available had not been brought together to give a concise overview of progress.

5.5   We recommended that the Ministry prepare a complete set of performance measures to monitor the Strategy's progress and report the results to the public in a plain English report. We also recommended that reports about PHOs' performance be published because these organisations are meant to be accountable to their enrolled populations.

5.6   We have previously reported on the Ministry's progress in responding to our recommendations in *Performance audits from 2008: Follow-up report* (April 2010).

The Ministry of Health's response to our findings and recommendations

5.7   The Ministry and district health boards have fully implemented our recommendation that they publish reports about PHOs' performance. This means that the PHOs and DHBs are now more accountable to the public and Parliament about the progress that is being made to improve the health of enrolled patients.

5.8   Five types of reports were published and these are publicly available.[8] The reports were first published on 10 September 2010 (for the period ending 31 December 2009). The next set of reports was published in November 2010 and they will now be updated every six months. Some of the published reports contain comments from the PHOs and DHBs that explain the results. We found these helpful and consider that the public will also find them useful.[9]

5.9   Since our last report on the Ministry's response to our recommendations, it has become clear that changes in the way that primary health care is being approached mean that it is no longer useful for the Ministry to carry out our other recommendations. Nevertheless, the Ministry has accepted the intentions behind our recommendations and has considered them in monitoring the effectiveness of the Government's primary health care initiative, which is known as Better Sooner More Convenient.[10] The Ministry is making an effort to clearly communicate the results of this and other health sector initiatives to the public.

5.10   We have discussed with the Ministry its plans to change, over time, some of its measures so that it will report on the effectiveness of primary health services from the patient's perspective and the health improvements that have been achieved. Currently, some of the measures focus more on the efficiency of the organisation providing the service. This information may still be collected and used by managers but may not be publicly reported. We support the Ministry's plans to work with the sector in making improvements in this area.

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8   The reports were published on the website of District Health Boards New Zealand (DHBNZ) at www.dhbnz. org.nz. The Ministry links to the reports on its website, www.moh.govt.nz. These DHBs also provide a link to the reports from their websites – Auckland, Canterbury, Capital and Coast, Counties Manukau, Hawke's Bay, Northland, and Southern.

9   Generally, there were three types of comments – they highlighted any problems with data quality or reporting; discussed reasons why performance was below expectations and set out actions that were in progress, or were planned, to make improvements; or celebrated excellent results with comments, such as "detection [of diabetes] is great!" and "these results are particularly pleasing as both targets [for diabetes detection] were missed in the last performance period".

10   Information about the Better Sooner More Convenient initiative is available from the Ministry's website, www. moh.govt.nz, in the section about "Primary Health Care & PHOs". This approach is intended to specifically address previously slow progress in two areas – encouraging more multi-disciplinary teamwork and new service delivery models.

Part 6 – Ministry of Social Development: Changes to the case management of sickness and invalids' beneficiaries

6.1 In 2009/10, the Ministry of Social Development (the Ministry) spent about $2 billion on sickness and invalids' benefits, providing income support to people who were unable to work because of ill health or disability.

6.2 Sickness benefits are paid to people with short-term medical conditions when their medical condition temporarily limits their ability to work. In June 2010, there were about 58,000 people receiving a sickness benefit. Invalids' benefits are paid to people when their medical condition permanently and severely restricts their ability to work. In June 2010, there were about 85,000 people receiving an invalids' benefit.

6.3 Since 2006, a significant shift has been taking place in the way the state supports beneficiaries. In October 2006, the then Minister for Social Development and Employment announced the Working New Zealand: Work-Focused Support Programme (the Programme). Through the Ministry's service delivery arm, Work and Income, the Programme introduced measures designed to support and prepare beneficiaries – such as those on the unemployment benefit – to return to work as soon as their circumstances allowed.

6.4 In September 2007, the Programme was extended to include sickness and invalids' beneficiaries. Extending the Programme introduced changes that were designed to better assess eligibility for these types of benefit (for example, a redesigned medical certificate to provide more information about a beneficiary's medical condition) and required a more comprehensive case management approach to dealing with sickness and invalids' beneficiaries. Systems and processes (for example, access to 13 regional health advisors, 13 regional disability advisors, 55 new employment co-ordinators, and 13 regional health and disability advisors) were set up to ensure that case managers had access to better information so that they could make more effective decisions and could access services for these beneficiaries.

6.5 We carried out a performance audit (during the last quarter of 2008 and the first quarter of 2009) of aspects of the management of sickness and invalids' benefits. We published our report in October 2009.

6.6 The changing economic context has been a significant background factor since we started that audit, including a period of recession and significant job losses. One consequence has been that the number of people on the unemployment benefit has more than doubled between December 2008 and December 2010. This context inevitably increases the Ministry's general workload in managing the benefit system and supporting beneficiaries, and reduces the Ministry's ability to successfully support people into paid employment. The Ministry has employed additional frontline staff to help manage its workload.

6.7   The number of people receiving the sickness benefit has also continued to increase (by 17% from December 2008 to December 2010), but to a much lesser extent than the number of unemployment beneficiaries. The number of people receiving invalids' benefits has been relatively stable during the same period (the number increased by 2% from December 2008 to December 2010).

The scope of our performance audit

6.8   Our performance audit focused on how the Ministry was assessing a person's eligibility for a sickness or invalid's benefit as a result of the Working New Zealand changes in September 2007. Extending the Programme introduced changes that were designed to better assess eligibility for the sickness and invalid's benefits.

6.9   We also looked at how effective the new comprehensive case management approach was in helping sickness and invalids' beneficiaries into work or providing them with ongoing support and services. The changes included more active case management through regular and effective contact with people receiving sickness and invalids' benefits and providing appropriate support so that beneficiaries who were able to work (fulltime or part-time) could prepare for, make the transition to, and stay in work.

6.10   The Ministry initially anticipated that it would take five years for the changes to deliver results. The expected results, at that time, included a reduction in the number of sickness and invalids' beneficiaries and reduced spending on these types of benefit.

Our findings and recommendations

6.11   When we published our performance audit report (in October 2009), the Programme changes were starting to take effect but were not being delivered consistently. We found that:

- The redesigned medical certificate, when completed well, was providing case managers with better information for determining eligibility.

- Regional health advisors and regional disability advisors were providing case managers with valuable support for assessing complex applications, but their practice in conducting reviews varied. These advisors and their reviews were not being used consistently.

- Where regions had prepared strategies for making contact and actively working with groups of beneficiaries, such as youth on the sickness benefit, there was evidence that people were supported to return to work or participate in their communities. However, the Ministry still had to initiate its intended regular and effective contact with many beneficiaries.

- The Ministry still had to implement a client management system.

6.12   Our performance audit report contained 18 recommendations covering three main themes:

- determining eligibility for sickness and invalids' benefits – this included obtaining better quality information through the medical certificates, and using the regional health advisors and medical disability providers more effectively when assessing eligibility (especially for long-term and complex problems);

- comprehensive case management – this included more actively identifying and engaging with sickness and invalids' beneficiaries to provide work planning and employment-focused services if the information available suggests that they were ready to do so; and

- monitoring and evaluating the effectiveness of the Programme.

New policy initiatives since our 2009 performance audit report

6.13   A comprehensive package of reforms has been introduced since our 2009 performance audit report. The package is known as Future Focus.

6.14   The legislation underpinning Future Focus, the Social Security (New Work Tests, Incentives, and Obligations) Amendment Act 2010, was signed into law on 23 August 2010. Most of the new provisions came into force on 27 September 2010. The package is to be implemented in two stages.

6.15   The first changes were implemented in September 2010. For sickness and invalids' beneficiaries, this involved changing the medical certificate used for applications for sickness and invalids' benefits to collect more information about the person's capacity for work and to ensure that people received the right benefit for their circumstances. The new medical certificate was issued in September 2010.

6.16   The second set of changes under Future Focus for sickness beneficiaries changes will be implemented in May 2011 and will require:

- sickness beneficiaries to undergo an additional medical reassessment eight weeks after they start receiving the sickness benefit, so that Ministry staff can gather more relevant information about a person's progress and ability to re-enter the workforce;

- case managers to carry out a compulsory review of all sickness beneficiaries who have received the benefit for longer than 12 months (when appropriate, this will include a second medical opinion);

- sickness beneficiaries who have been assessed as able to work part-time (15 to 29 hours a week) will be obliged to look for suitable part-time work; and

- graduated sanctions to be applied if sickness beneficiaries do not meet their obligations.

The Ministry of Social Development's response to our findings and recommendations

6.17   Although New Zealand was experiencing an economic downturn, the Ministry accepted and undertook to address our recommendations. We have had regular meetings with, and reports from, the Ministry on its response to our recommendations. In assessing the Ministry's progress, we have been mindful of the economic context noted in paragraph 6.6.

6.18   As at December 2010, the Ministry told us that it had:

• completed three of our recommendations by updating the medical certificate and providing training to staff on its use, and providing staff with improved guidance on referring cases to regional health advisors and regional disability advisors;

• made significant progress on a further seven recommendations in providing guidance and training to case managers to improve case management and better use regional health advisors and regional disability advisors. However, this work will not be completed until the May 2011 Future Focus changes are implemented and in use;

• introduced changes so that the Medical Disability Advisor online database is available only to selected staff;

• considered that two of our recommendations for improved monitoring and evaluation will be addressed through monitoring and evaluating the effects of the Future Focus package; and

• partially achieved five recommendations (which include improving case management and working better with health practitioners). More work is required to complete these recommendations.

Improved case management

6.19   The Ministry is also working on improving its case management. The Ministry told us that reports for frontline staff have been prepared to identify sickness and invalids' beneficiaries who are most likely to participate in work-planning activities. The case management approach will consider a range of options for assessing work capacity, including the use of work capacity assessments and vocational assessments.

6.20   The Ministry also told us that it introduced "proactive engagement" from 1 July 2010. This "proactive engagement" was introduced in preparation for applying work obligations to domestic purposes beneficiaries in September 2010 and to sickness beneficiaries in May 2011.

6.21   A target group of 3000 sickness beneficiaries, who have medical certificates that confirm that they are currently available for part-time work, has been selected. These beneficiaries will be invited to an appointment to see a case manager to discuss what they are doing and how they might find suitable work. We were told that this work will be done as time permits and that regional staff are currently trying to schedule one hour of "proactive engagement" time during each working day.

6.22   The Ministry told us that staff will receive training on the "proactive engagement" approach, the types of conversations that need to occur, the expected outcomes, and the expectation of regular engagement with each beneficiary. We were also told that regular reporting and monitoring has been set up to support this approach, and that management reporting at national, regional, and local levels has been enhanced to provide a consistent view of employment-focused case management activity.

6.23   We consider that the Ministry should continue to improve its systems for assessing eligibility for sickness and invalids' beneficiaries, in line with our recommendations. This will help it to be confident that the right people are receiving the right forms of assistance. In particular, the Ministry should continue to strengthen the use of regional health advisors and regional disability advisors as planned.

6.24   We note that the Future Focus package continues the case management approach of the earlier reforms. Our recommendations on how to improve case management for sickness and invalids' beneficiaries remain relevant. We encourage the Ministry not to lose sight of this group of beneficiaries and to continue to improve its processes, despite the challenges of the current economic environment.

Appendix – **Other follow-up work**

We will report separately on progress in implementing the Auditor-General's recommendations that were set out in two reports published in 2009:

- *Department of Corrections: Managing offenders on parole* (February 2009); and
- *Effectiveness of arrangements to check the standard of services provided by rest homes* (December 2009).

We will provide individual reports on the progress that the entities discussed in these reports (the Department of Corrections, Ministry of Health, and district health boards) have made because a lot more work has been required to address our recommendations. This reflects the complexity of the issues raised in our reports and the amount of work required to assess progress.

In our two previous reports, *Performance audits from 2007: Follow-up report* and *Performance audits from 2008: Follow-up report*, we said that we would carry out further work on the effectiveness of a diabetes programme and on the maintenance of the rail network.

Further to our June 2007 report *Ministry of Health and district health boards: Effectiveness of the "Get Checked" diabetes programme*, we published a guidance document (in September 2010) for district health boards about the effectiveness of the Get Checked diabetes programme.

We said that we would report in 2010/11 on progress in implementing the recommendations set out in our July 2008 report *Maintaining and renewing the rail network*. We have deferred this work until 2011/12 so that KiwiRail has time to establish and complete its asset management system. This postponement will also allow us to take better account of significant other work that KiwiRail is doing that is likely to affect its approach to maintaining and renewing the rail network.

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- Central government: Case studies in reporting forecast performance information
- Matters arising from Auckland Council's planning document
- Central government: Results of the 2009/10 audits (Volume 1)
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- Department of Internal Affairs: Administration of two grant schemes
- Inquiry into payments to chief executives of dissolving local authorities in Auckland
- Guidance for members of local authorities about the Local Authorities (Members' Interests) Act 1968
- Annual Report 2009/10
- Effectiveness of the Get Checked diabetes programme
- Spending on supplies and services by district health boards: Learning from examples
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