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Public entities in the social sector: Our audit work





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Public entities in the social sector: Our audit work

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Contents

Auditor-General's overview	3
Part 1 – Introduction	5
Part 2 – Overview of the social sector	9
Entities in the social sector	9
Structural change in the social sector	11
The social sector's operating environment	12
Changes to public sector governance and accountability	14
Part 3 – Funding in the social sector	17
Income of social sector entities	17
Where does Crown funding go and who has accountability?	17
Part 4 – Main sector issues and our interests	25
Better Public Services programme	25
Welfare reform	27
Vulnerable children	28
Third-party contracting: Investment in Services for Outcomes	29
Social housing	29
Our interest in changes in the social sector	30
Part 5 – Annual audit results for 2012/13	33
Our audit opinions	33
Management control environment and financial information systems and controls	33
Service performance information and associated systems and controls	35
Areas of audit focus for 2012/13 audits	36
Part 6 – Our recent, ongoing, and future work	39
The role of our annual audits	39
Performance audits and other work	39
Future work and ongoing areas of interest	40
Figures	
1 – Social sector public entities covered by this report	6
2 – Revenue of social sector public entities	18
3 – Relative size of total appropriations for Vote Social Development, Vote Senior Citizens, Vote Veterans' Affairs, and Vote Housing, 2013/14	19
4 – Trends in appropriations: Vote Social Development	20
5 – Appropriation categories for Vote Social Development, 2013/14	21
6 – Trends in "non-departmental benefits and other unrequited expenses"	22
7 – Trends in selected output expenses appropriations	23
8 – Vote Housing	24
9 – Better Public Services result areas	26
10 – Assessed grades for the social sector entities' management control environments, 2008/09 to 2012/13	34
11 – Assessed grades for the social sector entities' financial information systems and controls, 2008/09 to 2012/13	34
12 – Assessed grades for the social sector entities' service performance information and associated systems and controls, 2008/09 to 2012/13	36

Auditor-General's overview

This is the first time my Office has published a report focused on public entities in the social sector. I want to draw attention to the work my Office does, outline why we are interested in changes in the social sector, and share our thoughts on where we might focus our effort in the future.

How entities deliver social services and implement government policy directly affects the lives of a large number of New Zealanders. In September 2013, more than 300,000 New Zealanders received a benefit. In the year to June 2012, 228,000 children depended on benefit recipients. About 200,000 people live in Housing New Zealand properties. About 600,000 older people receive New Zealand Superannuation, and many rely on it for their daily livelihood.

Collectively, whether we can give our children a secure upbringing that gives them what they need will have an obvious bearing on New Zealand's future. The Government has been clear that it wants public entities to change how they work together to progress work on vulnerable children.

I am also aware of the importance of access to housing and housing affordability. The provision of social housing is closely linked to other social services for those most in need of support.

How well social sector entities are run will, in part, determine how effective government spending is. Investment in the social sector is significant. It accounts for more than a quarter of total Crown funding. This does not include spending on education and health.

This report describes the operating environment for social sector entities, including the Government's priorities that these entities are expected to work towards, the amount and flow of funding, and important changes in the sector. My role as Auditor-General is not to comment on policy but to provide assurance to Parliament and the public. This includes assessing whether entities implement the Government's directions and whether they use public funding in an effective and efficient way to ensure that New Zealanders receive public services of high quality.

I am pleased to highlight the results of the annual audits of the six entities this report covers. As part of our audit work, we make recommendations for improvement that we communicate to entities through management letters. Very few issues were significant enough to warrant mention in this report.

It is important that entities have the right systems and controls to look after public resources and deliver services. We have assessed the financial and


management control environments of the entities covered by this report as “good” or “very good”. This does not provide absolute assurance about those controls but indicates that entities generally have appropriate controls to manage risk. This is important for entities responsible for managing significant public resources and implementing a huge programme of change.

The social sector is undergoing significant change and faces both old and new challenges, whether related to welfare reform, support for children, or social housing. Pressure to deliver services in more efficient and innovative ways and to find savings is leading to changes in how entities provide support to New Zealanders. These changes will challenge entities and their systems and processes.

We are interested in how change is implemented and how entities manage the risks associated with new responsibilities, processes, and ways of working. Therefore, we will continue to look at the main areas of change in our 2013/14 annual audits of social sector entities.

This report's focus on the social sector corresponds closely with the 2013/14 theme for my Office's work programme, which is service delivery. My Office is carrying out several performance audits that will specifically look at how well social sector entities support New Zealanders – in particular, those groups most in need or at risk.

Also, we are currently preparing our long-term work programme. The social sector will continue to feature prominently. Our work is designed not only to support Parliament in holding entities to account but also to help ensure that New Zealand enjoys a high-performing social sector. We will work with entities, especially those implementing significant changes, to make sure that our recommendations add value and help them improve their performance.



Lyn Provost
Controller and Auditor-General

4 December 2013

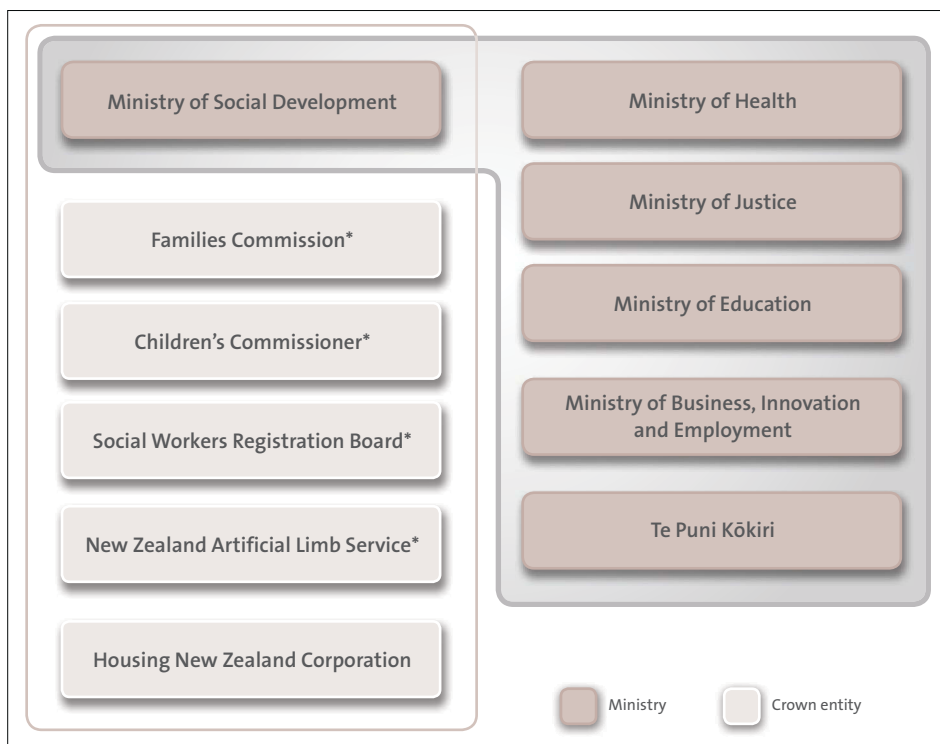
Part 1

Introduction

- 1.1 The Auditor-General's role is to help Parliament to hold public entities to account for their use of the public resources and powers that Parliament gives them. The Auditor-General provides assurance that entities are operating and accounting for their performance in the way that Parliament intended.
- 1.2 As part of this role, the Office of the Auditor-General carries out annual audits. Annual audits provide independent assurance about whether the financial statements and, where applicable, such as for central government departments, the performance information fairly reflect the position of public entities. The Public Audit Act 2001 requires us to report on the results of these audits.
- 1.3 We started publishing sector reports in 2011 to highlight important aspects of government investment. To date, our sector reports have covered education, transport, health, and Crown Research Institutes. Sector reports provide more in-depth coverage of sector-specific issues than our overall central government reporting.
- 1.4 The Government has budgeted \$23.5 billion in 2013/14 between four Votes related to social development and housing. Vote Social Development is the largest of all Votes. Because of the amount of spending, and because the way social sector entities operate affects the lives of a large number of New Zealanders, the Auditor-General has an important role to play looking at this sector's performance.
- 1.5 At its core, the social sector is about providing social services, support for social housing and welfare, and administering New Zealand Superannuation. Social services include support for families, communities, and different population groups (for example, children, students, and those aged 65 and over). However, social services do not operate in isolation. Good social outcomes depend on how well interventions for individuals, families, and communities are co-ordinated and are mutually reinforcing between sectors, including health, education, and justice.
- 1.6 In defining the entities that constitute the "social sector", this report reflects the current lines of accountability and reporting to Parliamentary select committees by public sector entities. We have focused on those public sector entities that are overseen by the Social Services Committee (see Figure 1). These entities are funded from Votes Social Development, Housing, Veterans' Affairs – Social Development, and Senior Citizens. These Votes are grouped under the "Social Development and Housing Sector" for the purposes of Parliament's Estimates examination.

1.7 However, we expect our future reporting to evolve alongside the changing institutional framework that public sector practice is based on. The 2013 changes to the Public Finance Act 1989, the Crown Entities Act 2004, and the State Sector Act 1988 reflect the Government’s expectations that public entities change their way of working. These expectations include a focus on shared outcomes between entities and sectors. As these changes take place, we will continue to actively consider our approach to reporting on entities and sectors.

Figure 1
Social sector public entities covered by this report



Note: The entities on the left are those discussed in this report. The Ministry of Social Development monitors the Crown entities marked with an asterisk. The entities within the grey line are members of the Social Sector Forum (see paragraph 2.31). The Ministry of Business, Innovation and Employment is represented by the Deputy Chief Executive responsible for Housing.

1.8 This report covers only central government entities. Local government also plays a significant role in providing social services in New Zealand. Local government supports community initiatives and runs amenities with a community or a social service focus, such as libraries, sometimes through council-controlled organisations. Some local authorities provide social housing, estimated at about 14,000 units nationwide (compared to central government’s 68,700 units).

- 1.9 In Part 2, we introduce the public entities this report covers, note recent structural changes to the social sector, briefly describe the operating environment for the social sector, and outline changes to public sector governance and accountability arrangements that are relevant to the social sector.
- 1.10 In Part 3, we outline the sources of revenue for the social sector entities and describe the flow of Crown funding for Votes in social development and housing, including some trends in the past five years and projections to 2016/17.
- 1.11 In Part 4, we describe the main issues and areas of change in the social sector, outline our interests, and describe what we expect to see from public entities during times of change. Given the recent nature of significant changes to key social service areas, including welfare reform and support for vulnerable children, it is too early for us to comment on how these are being managed.
- 1.12 In Part 5, we report on the audit results for 2012/13, including audit opinions. We also assess the financial and management control environments and performance reporting of social sector entities and describe the main areas of focus for our audits.
- 1.13 In Part 6, we outline our recent, ongoing, and future work, including the role of our annual audits and performance audits. We also highlight some of the overarching themes that will shape our future work programme.

Part 2

Overview of the social sector

- 2.1 The Auditor-General’s mandate includes examining whether public entities are carrying out their activities effectively and efficiently. It covers matters of waste, probity, legislative compliance, and financial prudence in the public sector. Understanding a sector’s operating environment and lines of governance and accountability is a prerequisite for forming judgements on whether public entities in that sector are performing as intended.
- 2.2 This Part focuses on providing this context. We briefly describe the public entities in the social sector. We also discuss structural changes in the social sector, the social sector’s operating environment, and recent relevant changes to public sector governance and accountability arrangements.

Entities in the social sector

- 2.3 Figure 1 set out the entities covered by this report:
- the Ministry of Social Development (MSD);
 - the Children’s Commissioner;
 - the Families Commission;
 - the New Zealand Artificial Limb Service;
 - the Social Workers Registration Board; and
 - Housing New Zealand Corporation (Housing New Zealand).
- 2.4 MSD is not only the largest entity in the social sector but also, in terms of staff numbers, the largest central government department. MSD is the Government’s lead provider of policy advice and services for children and young people, working-age people, older people, families and communities. It delivers, or purchases from third-party providers, most of New Zealand’s social services and administers benefits and New Zealand Superannuation. MSD’s other main role is that of Cabinet-mandated lead agency for the social sector.
- 2.5 MSD has statutory functions for the care and protection of children. These functions are delegated to its Child Youth and Family (CYF) business unit. MSD also administers the Office for Disability Issues and the Office for Senior Citizens. They promote and monitor the implementation of the New Zealand Disability Strategy and the New Zealand Positive Ageing Strategy respectively. The Ministry of Youth Development, a business unit within MSD, leads young people’s input into policy development throughout government.

- 2.6 MSD is the monitoring department for four Crown entities in the sector:
- the Children’s Commissioner;
 - the Families Commission;
 - the New Zealand Artificial Limb Service; and
 - the Social Workers Registration Board.
- 2.7 The Office of the Children’s Commissioner was first set up under the Children, Young Persons, and Their Families Act 1989. Since 2003, the Commissioner has acted under the Children’s Commissioner Act 2003. The Children’s Commissioner’s responsibilities include monitoring and reporting on services provided under the Children, Young Persons, and Their Families Act 1989 – in particular, the policies and practices of CYF. The Commissioner also advocates for children’s rights and investigates particular issues compromising the health, safety, or well-being of children and young people.
- 2.8 The Families Commission was set up in 2004 under the Families Commission Act 2003. The Families Commission Amendment Bill will change the Commission’s governance and its functions, expanding its focus to social policy research, evaluation, and monitoring as well as advocacy.¹
- 2.9 The New Zealand Artificial Limb Service (also known as the New Zealand Artificial Limb Board) was set up under the Social Welfare (Transitional Provisions) Act 1990. It provides national prosthetic limb services for New Zealand amputees.
- 2.10 The Social Workers Registration Board was set up by the Social Workers Registration Act 2003. Its four main functions are:
- managing the registration of social workers;
 - considering complaints against registered social workers;
 - enhancing the professionalism of social workers; and
 - promoting the benefits of registration.
- 2.11 Housing New Zealand is a statutory corporation set up under the Housing Corporation Act 1974. Housing New Zealand’s objective under the Act is “to give effect to the Crown’s social objectives by providing housing, and services relating to housing, in a businesslike manner”. One of its principal functions is “providing rental housing, principally for those who need it most”. Housing New Zealand has two subsidiaries: Housing New Zealand Limited and Hobsonville Land Company Limited. It manages a portfolio of 68,710 houses, with total assets valued at \$16.371 billion as at 30 June 2013.
- 2.12 Housing New Zealand is responsible to the Ministers of Housing and Finance. The Minister of Finance is responsible for approving borrowing. The Treasury

1 When this report was being prepared, this Bill was before Parliament awaiting its third reading.

is the monitoring department for Housing New Zealand. Housing policy is the responsibility of the Ministry of Business, Innovation and Employment (MBIE).

- 2.13 Government resources are also invested in the Tāmaki Redevelopment Company Limited (TRC), a special-purpose company. TRC was established in 2012 as New Zealand's first urban redevelopment company. It brings together public and private sector investment within a commercial framework. Under a Heads of Agreement between the Crown and Auckland Council, the Government has a 59% share and Auckland Council a 41% share. TRC is charged with urban regeneration of Tāmaki. Shareholders have requested that the company deliver a number of housing-led regeneration projects by 30 June 2014. The successful delivery of these projects will help inform decisions by shareholders about longer-term urban regeneration in Tāmaki.

Structural change in the social sector

- 2.14 Recent structural changes have affected the social sector. On 1 July 2012, the Department of Building and Housing merged with three other departments to form MBIE.²
- 2.15 There has been recent structural change within agencies in the social sector. The Families Commission restructured in 2012/13, giving effect to the Ministerial announcement of its new functions and in anticipation of the passing of the Families Commission Amendment Bill. The changes are aimed at ensuring that the organisation is well placed to respond to the impending legislative reform. There have been significant changes at both governance and management level, with a new chief executive and a new chairperson of the Board appointed. In 2012/13, 13 staff received compensation in relation to cessation totalling \$607,000.
- 2.16 More changes for social sector entities are expected. Responsibility for assessing the need for social housing will be transferred from MBIE to MSD. Within MSD, the assessment function will sit with Work and Income, reflecting its close links to benefit assessments. The target date for the transfer is 14 April 2014.

2 There have also been changes to the Community and Voluntary Sector. The Office for the Community and Voluntary Sector moved from MSD to the Department of Internal Affairs (DIA) on 1 February 2011 and the Charities Commission merged into DIA on 1 July 2012. DIA's operations, in particular its grants administration, affect the social sector. However, DIA is not covered in this report because it is funded from Vote Internal Affairs and is overseen by the Government Administration Committee.

The social sector's operating environment

Better Public Services programme

- 2.17 This section outlines some of the Government's main expectations for public entities in the social sector. Part 4 looks at the changes made to meet the Government's expectations and why the Auditor-General is interested in how these are being implemented.
- 2.18 Delivering better public services within tight financial constraints is one of the Government's four priorities for this term. Since the Prime Minister announced the Better Public Services programme in March 2012, a work programme has been set up to drive Better Public Services reforms. The work programme's components are:
- a focus on results;
 - people-centred service design and delivery;
 - delivering effective spending and efficiencies through agencies; and
 - building capability to deliver services in the best way.
- 2.19 Under the Better Public Services programme, the Government has identified 10 results that it expects the public sector to achieve by 2017. Thematically, the results fall into five areas:
- reducing long-term welfare dependence;
 - supporting vulnerable children;
 - boosting skills and employment;
 - reducing crime; and
 - improving interaction with government.
- 2.20 These constitute the priorities that Vote Social Development's high-level objectives are structured around. MSD's outcomes framework in its Statement of Intent 2013-16 is also organised around these priorities.
- 2.21 Housing is not a Better Public Services result area, but since 2010 the Government has pursued significant reforms of social housing. The Social Housing Reform Programme aims to improve the effectiveness of social housing support. This includes transferring responsibility for assessing housing need and associated functions from Housing New Zealand to MSD, so that social housing is considered alongside a person's other social support needs. The main Government objectives for housing are to increase the housing supply, increase home ownership, and have a greater share of social housing provided by the community sector.

- 2.22 The Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Act 2013, was passed in November 2013. It amends the Housing Restructuring and Tenancy Matters Act 1992. The amendments are intended to promote contestability by increasing the amount of social housing provided by “community housing providers” and increasing the housing choice available to tenants and prospective tenants. The amendments make income-related rent subsidies available to eligible new tenants of approved community housing providers.
- 2.23 More broadly, the Better Public Services programme focuses on achieving better and more efficient public services. The Government expects the public sector to perform better, work innovatively, improve the way it delivers services, and find new ways of working to reduce costs.
- 2.24 **Functional leadership** is a main pillar of the Better Public Services programme. It aims to improve the effectiveness and reduce the overall costs to government of common business functions. Functional leadership roles have been given to three chief executives to drive performance throughout the state services in information and communications technology (ICT), procurement, and property respectively. The Chief Executive of MSD is responsible for the Property Management Centre of Expertise and the Government National Property Strategy.
- 2.25 **Finding efficiencies** has been a focus for several years. MSD put in place a Value for Money Programme in 2007 to manage its departmental cost pressures. This programme aimed to achieve productivity and efficiency gains of 2% to 3% each year while improving the quality of services to clients. MSD has stated that the programme has enabled it to manage departmental cost pressures of \$255 million between 2008/09 and 2011/12. Housing New Zealand’s financial objective is to optimise its return to the Crown, and it seeks to do this by managing resources effectively and efficiently. It delivered savings of \$36 million during 2011/12 and 2012/13.
- 2.26 **Shared services arrangements** achieve efficiencies and cost savings. After an administrative efficiency review in 2009/10, the Children’s Commissioner and the Families Commission have realised savings by sharing office accommodation in Auckland and Wellington, and sharing telecommunications and administrative/corporate services. MSD provides ICT services to the Families Commission and the Children’s Commissioner.

Changes to public sector governance and accountability

- 2.27 Significant changes to public sector governance and accountability requirements have been made recently. Parliament enacted legislation in July 2013 that amended the State Sector Act 1988, the Public Finance Act 1989, and the Crown Entities Act 2004. Among other changes, the new legislation provides an institutional framework for agencies to share accountability for sector outcomes, giving chief executives responsibility for the collective interests of government. Detailed information is available from the Treasury, at www.treasury.govt.nz/statesector/2013reform.
- 2.28 There has also been change to financial planning. For Budget 2012, central government departments produced four-year budget plans (and, in 2013, four-year plans). These are intended to support strategic and flexible planning and financial management to enable more effective delivery of long-term outcomes. They also encourage prioritisation and alignment of financial resources with priorities. They also identify anticipated fiscal pressures over the four-year period.
- 2.29 The State Services Commission's and the Treasury's guidance on four-year plans for Budget 2014 includes a strong emphasis on supporting government decisions about priorities, including between Votes. This creates an opportunity to produce four-year budget plans that would reflect the reality of entity collaboration, drawing on different Votes, towards shared sector outcomes.

Social sector governance and leadership

- 2.30 The current Vote structure includes separate Votes for Social Development, Health, and Education. Departments remain accountable for funding appropriated under Votes they administer. At the same time, governance arrangements in the social sector have been changing, with a shift from agency co-ordination to shared governance. In some instances, chief executives share accountability for outcomes.
- 2.31 MSD is the lead agency for the social sector. The Chief Executive of MSD is formally mandated by Cabinet to chair the Social Sector Forum (the Forum) of Chief Executives.³ The Forum, which reports to the Cabinet Social Policy Committee, was mandated to oversee the development and/or implementation of a number of initiatives that involve several agencies.⁴

³ Currently, the Forum consists of the Chief Executive of MSD (Chairperson), the Secretaries for Justice and Education, the Director-General of Health, the Deputy Chief Executive of MBIE responsible for housing, and Te Puni Kōkiri. Central agencies provide advice.

⁴ In 2013, the Forum agreed on eight priorities related to Better Public Services result areas, Social Sector Trials, youth mental health, and a simplified approach to contracting.

- 2.32 The MSD Chief Executive also chairs the Joint Venture Board, set up to oversee Social Sector Trials,⁵ and a Chief Executives' Group on Disability Issues, which supports the Ministerial Committee on Disability Issues.
- 2.33 New governance arrangements have been put in place for work associated with vulnerable children. These arrangements make relevant agencies collectively responsible for that work. As part of the decisions on the White Paper for Vulnerable Children, Cabinet agreed in 2012 to establish a Vulnerable Children's Board of Chief Executives as part of the governance arrangements. This arrangement replaced the previous lead role of the Forum.
- 2.34 In 2013, the Government put forward a Vulnerable Children's Bill that will make the shared responsibility of chief executives legally binding. The Bill introduces a new obligation on chief executives to collectively prepare, and report progress against, a vulnerable children's plan, and sets out how the chief executives will work together.
- 2.35 New governance arrangements were also made to implement welfare reform. First, the Treasury is exercising a monitoring function that extends beyond its standard Vote analysis and advisory function. Secondly, the Minister for Social Development appointed a six-member Work and Income Board in May 2012 to:
- advise and support the Chief Executive of MSD in implementing welfare reforms; and
 - report to the Minister for Social Development, the Minister of Finance, and the Minister of State Services on Work and Income's performance.

5 The Trials are a joint agency initiative to change the way that social services are delivered. A local organisation or individual co-ordinates cross-agency resources, local organisations, and government agencies to deliver collaborative social services. The Board reports to a Ministerial subcommittee. Its membership comprises the chief executives of MSD, Health, Education, Justice, and the New Zealand Police.

Part 3

Funding in the social sector

- 3.1 This Part outlines the sources of revenue for entities in the social sector. It also describes the Votes and the flow of Crown funding covered by this report, including actual and projected trends from 2009/10 to 2016/17.

Income of social sector entities

- 3.2 Social sector entities in central government are predominantly funded through revenue from the Crown (see Figure 2). The two exceptions are the Social Workers Registration Board (the Registration Board) and Housing New Zealand. There are appropriations for the Families Commission and the Children's Commissioner under Vote Social Development, as well as for MSD (under departmental output expenses). The New Zealand Artificial Limb Service's revenue from the Crown is funding based on service provision, with contracts in place with the Accident Compensation Corporation and district health boards.
- 3.3 The Registration Board receives no funding from the Crown. It must cover its costs through the application, registration, and practising fees that it charges. In the past, we have considered whether the Registration Board's reliance on fees raised concerns about its financial sustainability. As part of our 2009/10 annual audit, we considered whether the Board's going concern assumption was appropriate. We concluded that it was.
- 3.4 Of Housing New Zealand's total revenue of \$1,122 million in 2012/13, 92% came from rental income, both directly from tenants (\$400 million) and from the income-related rental subsidy (\$633 million).⁶ The latter is the Crown's reimbursement for the difference between what Housing New Zealand receives from its tenants and what it would receive from market rents. Total revenue from the Crown, including the rental subsidy, amounted to \$665 million (see Figure 2) but the appropriation income was only \$28 million (2.5% of total revenue).

Where does Crown funding go and who has accountability?

- 3.5 The social sector comprises four Votes, with total appropriations of just over \$23.5 billion for 2013/14 (see Figure 3):
- Vote Social Development (\$22.2 billion);
 - Vote Senior Citizens (\$1.0 million);
 - Vote Veterans' Affairs – Social Development (\$167.4 million); and
 - Vote Housing (\$1.1 billion).

6 This is appropriated under Vote Housing – see paragraph 3.17.

Figure 2
Revenue of social sector public entities

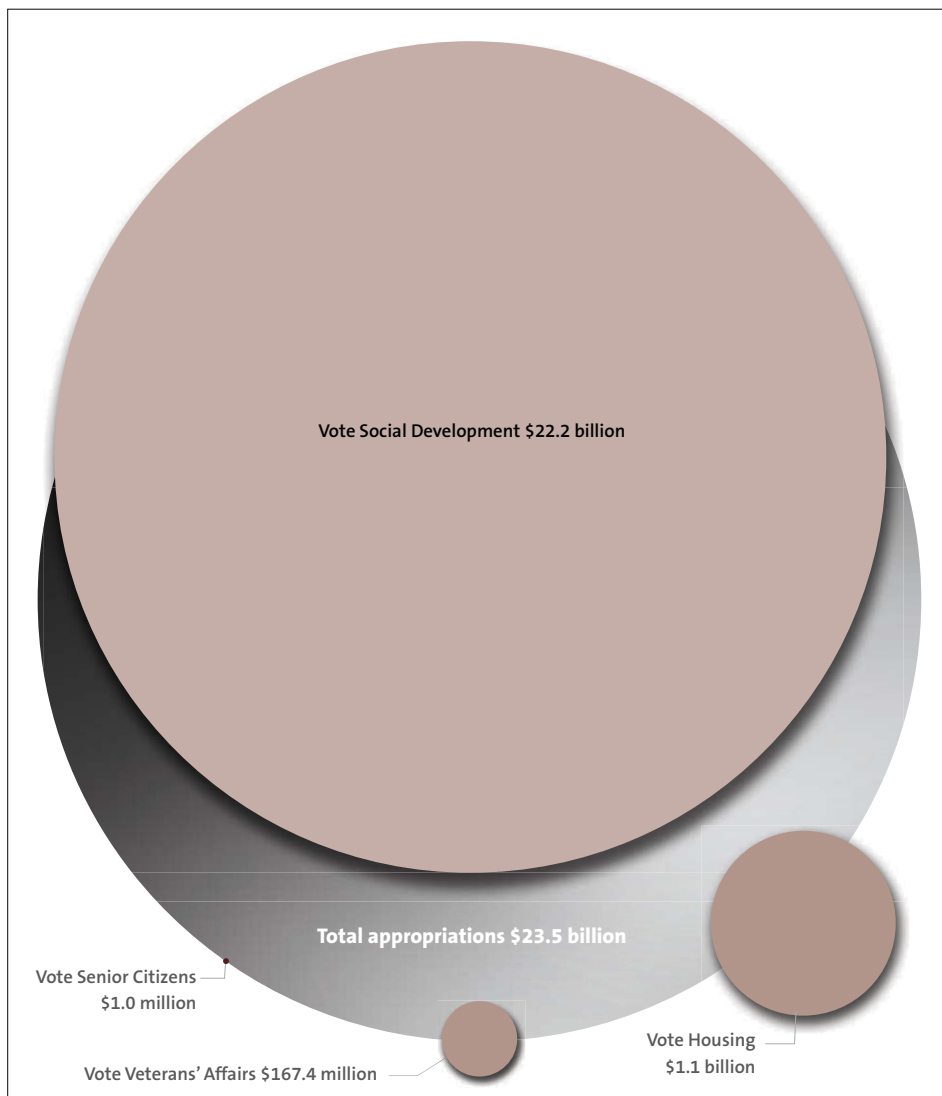
	Total revenue 2009/10 \$000	Total revenue 2010/11 \$000	Total revenue 2011/12 \$000	Total revenue 2012/13 \$000	Revenue from the Crown 2012/13	
					\$000	% of total revenue
Ministry of Social Development	1,188,290	1,204,336	1,171,028	1,209,241	1,203,636	99.5%
Children's Commissioner	2,209	2,223	2,201	2,248	2,157	96.0%
Families Commission	8,223	8,152	8,546	7,759	7,124	91.8%
New Zealand Artificial Limb Service	7,673	8,038	8,104	8,751	8,373	95.7%
Social Workers Registration Board	972	996	1,142	1,271	0	0%
Housing New Zealand	988,000	1,271,000	1,082,000	1,122,000	665,000*	59.3%

Note: Figures generally exclude "other comprehensive income" identified in financial statements.

* Revenue from the Crown for Housing New Zealand includes the income-related rental subsidy, Community Group Housing top-up funding, and Welcome Home Loans. The appropriation income only was \$28 million, or 2.5% of total revenue.

- 3.6 MSD administers the first three of these Votes. MSD’s chief executive agrees output plans with the Ministers responsible for Social Development, Senior Citizens, and Veterans’ Affairs. Vote Senior Citizens covers services from the Office for Senior Citizens in MSD. Because of its small size, we do not analyse it in detail.
- 3.7 MBIE is responsible for Vote Housing, agreeing output plans with the Ministers of Housing and Building and Construction.

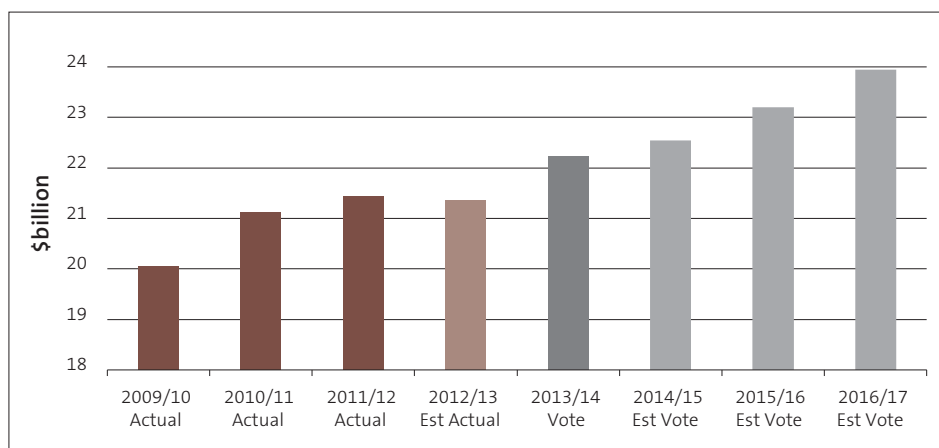
Figure 3
Relative size of total appropriations for Vote Social Development, Vote Senior Citizens, Vote Veterans’ Affairs, and Vote Housing, 2013/14



Vote Social Development

- 3.8 Figure 4 shows the trend in total appropriations for Vote Social Development since 2009/10 and the projected trend to 2016/17.

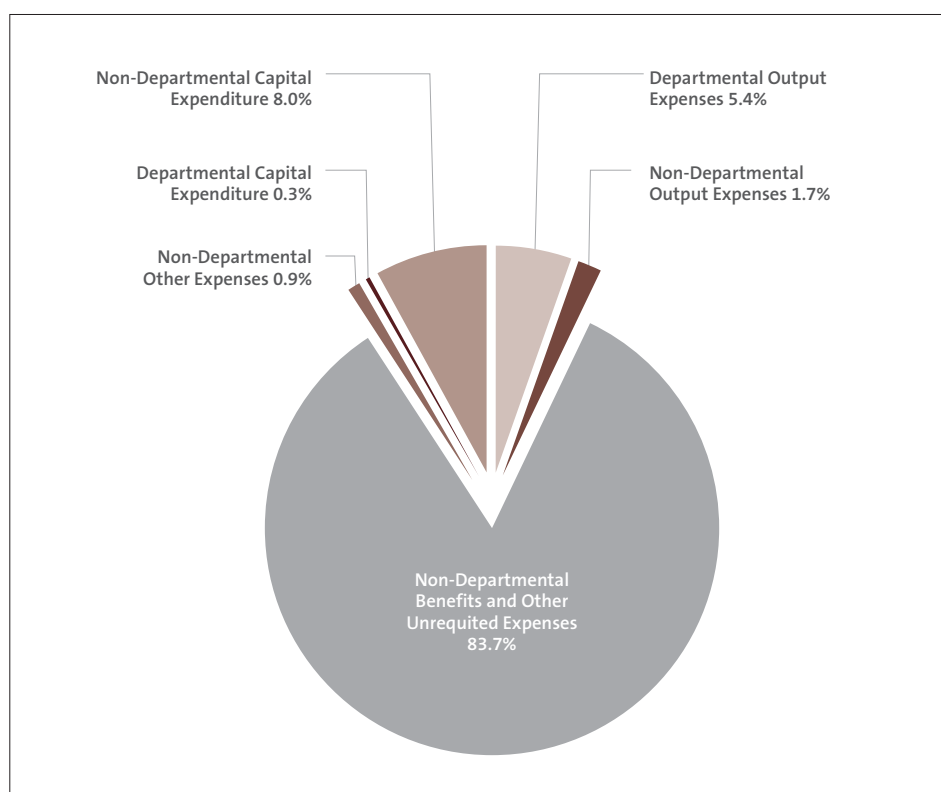
Figure 4
Trends in appropriations: Vote Social Development



Source: *Social Development and Housing Sector, Information Supporting the Estimates of Appropriations 2013/14.*

- 3.9 Most of Vote Social Development for 2013/14 (\$18.6 billion, or 83.7%) is appropriated for “benefits and other unrequited expenses”, as shown in Figure 5. These are payments that New Zealanders are entitled to, if they satisfy the eligibility criteria, without having to provide a service in return – for example, New Zealand Superannuation and welfare benefits. New Zealand Superannuation payments alone account for \$10.894 billion in 2013/14, which is 49% of the funding appropriated under the Vote.

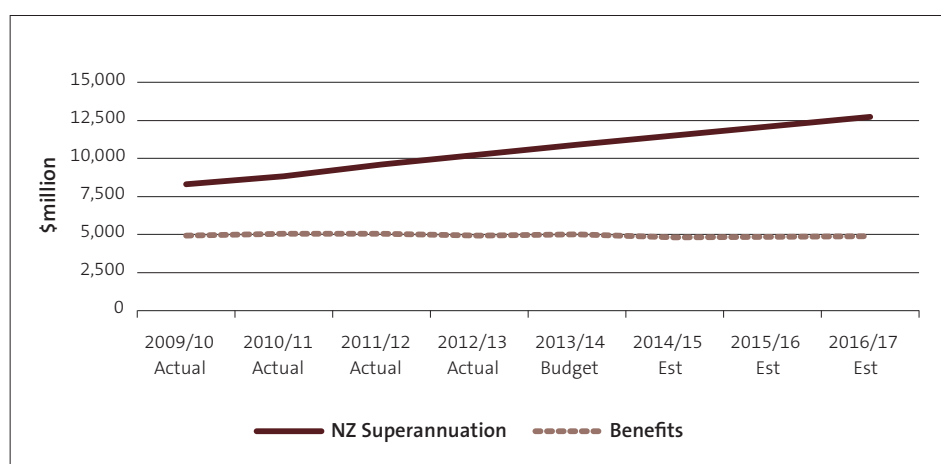
Figure 5
Appropriation categories for Vote Social Development, 2013/14



Source: Social Development and Housing Sector, Information Supporting the Estimates of Appropriations 2013/14.

- 3.10 Appropriations for “benefits and other unrequited expenses” have increased by 17.4% since 2009/10. They are projected to increase by a further 8.9% between 2013/14 and 2016/17. The increase is largely explained by the growth in New Zealand Superannuation. The relevant appropriation has increased by 31% between 2009/10 and 2013/14. This reflects annual inflation adjustments and that a larger number of New Zealanders have reached the age of entitlement (our recent report, *Using the United Nations’ Madrid indicators to better understand our ageing population*, highlights New Zealand’s population trend). That increase compares to an increase of only 2.4% for appropriations covering benefits. Figure 6 shows these trends.

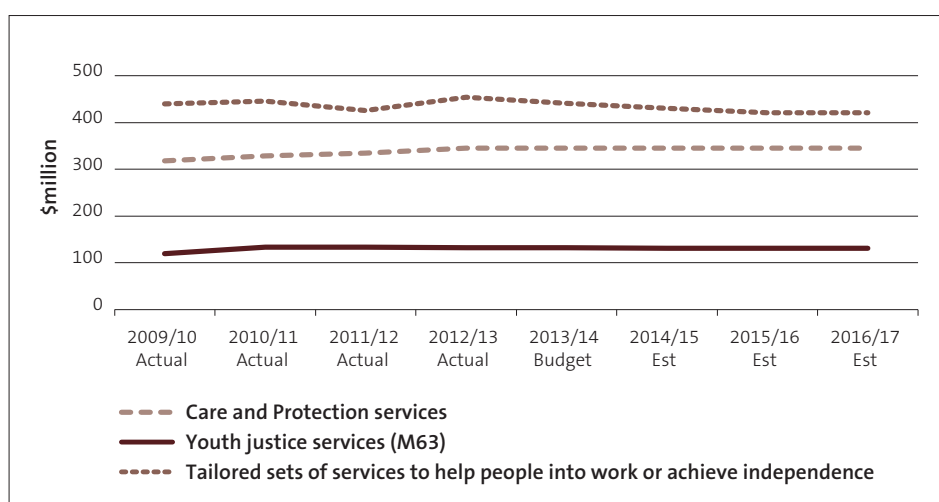
Figure 6
Trends in “non-departmental benefits and other unrequited expenses”



Source: *Social Development and Housing Sector, Information Supporting the Estimates of Appropriations 2013/14*.
Estimates for 2014/15–2016/17 are based on MSD figures.

- 3.11 Budgeted departmental output expenses (\$1.2 billion in 2013/14, which is 5.4% of the Vote) include MSD’s departmental administration costs. This, together with non-departmental output expenses, covers the services MSD provides, or sources from others, to meet the Government’s priorities.
- 3.12 MSD purchases services costing about \$570 million from third parties. A significant portion of this is classed as departmental expenses, for which the Chief Executive has exercised his discretion to procure services from external providers. These include family and community services, support for youth, training, and child protection services. In the future, it will also include externally contracted services for beneficiaries.
- 3.13 MSD’s outcomes framework maps appropriations against Government priorities. Three appropriations that are closely linked to the Better Public Services goals of “Reducing long-term welfare dependence”, “Supporting vulnerable children”, and “Reducing Crime” account for \$919 million, or 76.5%, of the total budgeted departmental output expenses in 2013/14. Despite their significance for the Government’s priorities, they have increased by only 4.7% since 2009/10 (see Figure 7), which is less than the average for the total Vote. The three appropriations are:
- Tailored Sets of Services to Help People into Work or Achieve Independence: \$441.6 million;
 - Care and Protection Services: \$345.5 million; and
 - Youth Justice Services: \$131.9 million.

Figure 7
Trends in selected output expenses appropriations



Source: Ministry of Social Development.

Vote Veterans' Affairs – Social Development

- 3.14 Vote Veterans' Affairs – Social Development provides for the processing and payment of the pension for war veterans. The Vote is dominated by “benefits and other unrequited expenses”. For 2013/14, \$167.0 million is appropriated for Veterans' Pensions, and \$440,000 for Departmental Output Expenses. The Vote is declining because lower numbers of veterans receive the veterans' pension. It is estimated that, by 2016/17, \$147.9 million will be paid in veterans' pensions.⁷

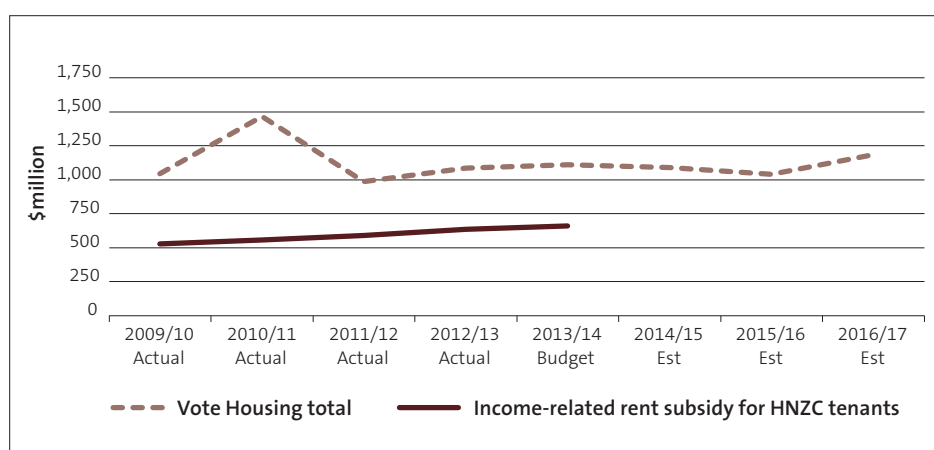
Vote Housing

- 3.15 Although the Social Services Committee has examined Vote Housing in recent years, the Vote supports several government priorities and outcomes, some of which are outside the social sector. For example, the Vote supports the outcome of “more productive and internationally competitive businesses”.
- 3.16 Decisions will be needed on the Vote structure and on appropriations when the social housing assessment function transfers to MSD in 2014.
- 3.17 For Vote Housing, the share of “benefits and other unrequited expenses” is \$20.5 million in 2013/14, or 1.8% of the total. Most of this (\$19.0 million) is for a KiwiSaver Deposit Subsidy. Non-departmental output expenses account for \$686.2 million in 2013/14. Of this, the income-related rent subsidy for eligible

⁷ There are also appropriations relating to Veterans' Affairs in Vote Defence Force, covering the War Disability Pension. Before July 2013, these appropriations were included in Vote Veterans' Affairs – Defence Force. They are now integrated into Vote Defence Force. Appropriations total \$156.2 million for 2013/14.

Housing New Zealand tenants (\$662.2 million) represents 59.5% of the Vote (see Figure 8). Of the rest of the Vote, \$218.0 million (19.6%) is for capital expenditure.

Figure 8
Vote Housing



Source: *Social Development and Housing Sector, Information Supporting the Estimates of Appropriations 2013/14.*

Note: There was a significant increase in "other expenses" in 2010/11 related to the Weathertight Financial Assistance Package of \$567 million.

Financial support for rent

- 3.18 The Accommodation Supplement provides an income- and asset-tested subsidy for housing costs. It is administered by MSD's Work and Income business unit. The 2013/14 appropriation for the Accommodation Supplement amounts to nearly \$1.2 billion. The \$662 million income-related rent subsidy (funded from Vote Housing) and the Accommodation Supplement (funded from Vote Social Development) constitute the most significant central government appropriations for social housing. Together, these appropriations amount to \$1.85 billion in 2013/14.

Part 4

Main sector issues and our interests

- 4.1 The Government has set an objective of improved service delivery, greater efficiency, and innovation as part of its Better Public Services programme. It has launched several significant policy initiatives. This Part describes some of the main issues and significant changes social sector entities are facing, and outlines why we take a particular interest in how change is managed and how initiatives are being implemented.
- 4.2 This Part covers:
- the Better Public Services programme – efficiency savings and result areas;
 - welfare reform;
 - vulnerable children;
 - third-party contracting;
 - social housing; and
 - our interest in changes in the social sector.
- 4.3 Our role is not to assess the merit of policy changes but to observe how changes are implemented and their effect on the areas within the mandate of the Auditor-General. As well as annual audits, we can carry out performance audit work to look at whether changes result in greater efficiency, enhanced effectiveness, and, ultimately, greater value for money. We also look at whether there are waste or probity issues.

Better Public Services programme

Efficiency savings

- 4.4 We noted in Part 2 the Government’s expectation that public entities contribute to the Better Public Services programme. This includes the continued search for improvements and efficiencies.
- 4.5 Budget 2012 required MSD to deliver efficiency savings in a range of departmental appropriations. These savings amount to \$20.5 million in 2013/14 (\$15.9 million in 2012/13). This will increase to \$24.8 million in coming years (compared to the 2011/12 baseline). MSD’s 2013 four-year plan identifies a shortfall of \$296.9 million from 2013/14 to 2016/17. Salary pressures (\$147 million) and the “efficiency dividend” (expected savings of \$95.2 million) are the main components. MSD has identified savings totalling \$231.5 million through its Value for Money programme during the same time period, leaving a gap of \$65.4 million. MSD has started a programme of business transformation and simplification.

- 4.6 Achieving efficiency gains is also an important objective for Housing New Zealand. Housing New Zealand achieved a net operating surplus of \$178 million (\$120 million after tax) in 2012/13. This translates into a return on equity of 1.4%, which is above the stipulated 1.2% but below its target of 1.6%, based on an operating surplus of \$185 million.

Result areas

- 4.7 The Government has initiated several significant changes to social services and how they are delivered that are relevant to Better Public Services result areas – see paragraphs 4.8-4.15 and 4.16-4.19). Figure 9 shows that MSD is the co-ordination lead for four of the Better Public Services result areas and contributes to four others. Taken together, these result areas constitute a significant work programme for MSD, with other agencies in support.

Figure 9
Better Public Services result areas

MSD co-ordination lead	MSD contribution to work programme
Result 1: Reduce the number of people who have been on a working-age benefit for more than 12 months	Result 5: Increase the proportion of 18-year-olds with NCEA level 2 or equivalent qualification
Result 2: Increase participation in early childhood education	Result 7: Reduce the rates of total crime, violent crime and youth crime
Result 3: Increase infant immunisation rates and reduce the incidence of rheumatic fever	Result 8: Reduce reoffending
Result 4: Reduce the number of assaults on children	Result 10: New Zealanders can complete their transactions with the Government easily in a digital environment

Source: Ministry of Social Development, *Annual Report 2012/13*, pages 4-5.

Welfare reform

- 4.8 The Government is comprehensively reforming New Zealand's welfare system. The reform's objectives are to encourage and support independence, support people to realise their work potential, and manage the long-term cost of the benefit system while providing a safety net for those who need it.
- 4.9 The introduction of an investment approach is central to the reforms. This approach is intended to direct services where they will have the greatest effect on reducing long-term benefit dependence. Under the new service delivery model, MSD decides how to invest and prioritise resources by assessing individuals' risk of long-term welfare dependence and their ability to work or prepare for work.
- 4.10 Decisions are based on an actuarial valuation of the projected future costs of beneficiaries (their "lifetime liability" to age 65), together with an evaluation of their "work-readiness". Interventions for different groups are tailored, ranging from generic (web-based) job-search support to intensive one-to-one case management support for those facing greater barriers to work.
- 4.11 A Multi-Category Appropriation (MCA) structure was agreed by Cabinet in September 2013. The MCA will support MSD in implementing the investment approach to welfare reform by providing increased financial flexibility to target interventions to where they will make the biggest difference to client outcomes. In practice, this means that funding can be moved around the different categories of appropriations that make up the MCA.
- 4.12 It is good practice for entities to try to measure the costs and benefits of significant initiatives, to track results and evaluate whether interventions are working or not, and use the insights to reassess or improve their approach to implementation. MSD has commissioned actuarial assessments to measure annual changes to the projected cost of the welfare system. These assessments compare the future cost of the benefit system to a 2011 baseline and are designed to track changes in total, and in specific groups', liabilities.
- 4.13 The latest actuarial assessment of the benefit system for 30 June 2012 highlighted that the system's total current liability increased from \$78.1 billion in 2011 to \$86.8 billion in 2012, although the reduction of beneficiary numbers contributed to reduced liabilities by \$3.0 million. The overall increase is explained by changes to the discount rate,⁸ accounting for a rise of \$13.4 billion.

⁸ The discount rate describes the value of money over time (that is, how much money would need to be saved now to pay a future liability, assuming that amount would earn interest). Interest rates are the key determinant and can increase the projected liability even if today's value remains constant or decreases.

- 4.14 The reforms were introduced in three stages. First, as well as a “Youth Payment and Young Parent Payment” introduced in August 2012, Youth Services were announced in August 2012.⁹ Secondly, changes to work expectations for sole parents on benefits, intended to encourage and support more people into work, came into force in October 2012. The third stage changed benefit categories, expectations on beneficiaries, and how MSD manages its clients. This stage became operational on 15 July 2013, when three new benefit types replaced the existing categories after the Social Security (Benefit Categories and Work Focus) Amendment Bill passed. The new benefit types are the:
- Jobseeker Support and Emergency Benefit (appropriation of \$1.773 billion for 2013/14), which covers those actively seeking and available for work;
 - Sole Parent Support (\$1.288 billion), focused on sole parents with children aged under 14 years; and
 - Supported Living Payment (\$1.392 billion), targeted at people significantly restricted by sickness, injury, or disability.
- 4.15 Benefit rates remained the same when the changes to benefit categories took effect on 15 July 2013, but the reforms potentially affect a large number of New Zealanders. As of 30 September 2013, 304,000 New Zealanders were receiving a benefit.

Vulnerable children

- 4.16 Another Better Public Services priority result area is vulnerable children. At the centre of this work area is a Children’s Action Plan that the Minister for Social Development released under the umbrella of the White Paper for Vulnerable Children in 2012. The Children’s Action Plan outlines a range of initiatives to support and protect vulnerable children.
- 4.17 Initiatives under the Children’s Action Plan have target dates ranging from 2013 to 2017. Budget 2013 funding was earmarked to set up the Children’s Action Plan directorate to oversee implementation. Initiatives include preparing a Children’s Workforce Action Plan, writing a cross-agency care strategy, and designing predictive risk tools and the Child Protect Line. Two children’s teams have been set up in demonstration sites in Whangarei and Rotorua, with others to follow throughout the country. Multiple agencies will contribute to the teams.
- 4.18 We discussed in Part 2 the changes to governance and accountability arrangements in the social sector – in particular, the shift towards relevant chief executives sharing accountability for progress on “children’s work”. The children’s work is a significant programme with implications well beyond MSD. It affects governance and accountabilities, funding (possibly Vote structures), and how

⁹ MSD describes these as “wrap-around services that provide an intensive and individualised service to support at-risk young people (16-17 year olds) to complete education, training or work-based learning”.

agencies operate together. There are significant risks in terms of controls, at least during the transition stage of implementation.

- 4.19 We will watch with interest how governance and shared accountability work in practice, and whether they result in more effective collaboration between agencies. We will also consider how we can appropriately and meaningfully cover shared sector work in our future audits.

Third-party contracting: Investment in Services for Outcomes

- 4.20 In 2012/13, MSD contracted with about 2000 organisations. Total funding channelled through third-party providers was about \$570 million.
- 4.21 The way that MSD buys social services and contracts with service providers is changing significantly under the Investment in Services for Outcomes (ISO) initiative. ISO is targeted at increasing the focus on outcomes. It is expected to lead to a streamlined approach to contracting. MSD has been moving towards an outcomes-focused approach to contracting for some time, and intends to develop an Outcomes Measurement Framework. A phased approach to outcomes-based contracting will be rolled out by December 2014. MSD has a capability investment programme to support providers.
- 4.22 We are interested in understanding the effect of the ISO programme on service delivery, particularly given the large amount of funding involved. We are also interested in understanding MSD's approach to procurement and contract management.

Social housing

- 4.23 Under its Social Housing Reform Programme, the Government has initiated significant changes to social housing since 2010. Key changes include the introduction of reviewable tenancies for new tenants and refreshing eligibility criteria in 2011. A 2013 Budget announcement stated that reviewable tenancies will be introduced for existing tenants and that the housing assessment function will be transferred to MSD in 2014.
- 4.24 MSD will take over responsibility for assessing and reviewing housing need, administering the income-related rent subsidy, and managing the waiting list for social housing. Housing New Zealand has been asked to focus on housing those most in need from the waiting list and managing state rentals and tenancies. We will be interested in examining the effectiveness of the transfer of functions to MSD, and whether it results in improved services.

Asset management and investment planning

- 4.25 Housing New Zealand's housing stock constitutes one of the Crown's largest assets. Maintaining sound financial oversight and stewardship of the Crown's asset is one of Housing New Zealand's objectives.
- 4.26 Housing New Zealand has prepared an asset management strategy to guide its decision-making. The strategy is supported by a demand forecasting model and sets out Housing New Zealand's approach to managing the state housing portfolio in the next 10 years. The objective is a portfolio aligned with demand and that achieves both social and broader performance, including financial, outcomes. Adjustments to the configuration of Housing New Zealand's property stock are intended to ensure that the right types of properties are in the right locations to meet demand. There will be more houses in big cities, with Housing New Zealand planning to build more than half of its 2000 new houses in the next two years in Auckland, where there is strong demand for affordable and social housing.
- 4.27 Housing New Zealand also has a strong focus on property condition and maintenance. Significant changes have been implemented to the business model, systems, and processes that apply to Housing New Zealand's maintenance expenditure.

Canterbury rebuild

- 4.28 The Canterbury rebuild, one of the Government's four priorities for this term, also poses challenges for Housing New Zealand. The earthquakes damaged more than 95% of the over 6000¹⁰ Housing New Zealand properties in Canterbury in some way. Recovering its property portfolio is a priority for Housing New Zealand, which aims to build 700 new homes and complete a major programme of repairs to about 5000 properties by December 2015.
- 4.29 Housing New Zealand has started a major 10-year reconfiguration of its portfolio in Canterbury. The total budget for the 10-year recovery and investment plan is \$1.2 billion. The programme is designed to reconfigure Housing New Zealand's assets in Canterbury, working within existing and proposed local authority residential zones. It also serves as a pilot for Housing New Zealand's asset management elsewhere in New Zealand.

Our interest in changes in the social sector

- 4.30 The issues outlined in this Part all represent significant change to either what and how services are delivered or by whom. In some instances – for example, the transfer of the social housing function – the issues involve structural change.

10 Housing New Zealand housing stock before the earthquakes began on 4 September 2010.

In others, such as welfare reform, they involve changes to how service delivery is organised (that is, changes to the business model). The work on vulnerable children transforms how departments work together.

- 4.31 Change should deliver benefits. We expect entities to specify the expected benefits of change, put in place systems to capture benchmark data, specify costs, and measure and report on realised benefits. For example, the Minister for Social Development announced \$188.6 million in extra investment for welfare reform in Budget 2013 but also highlighted expectations that welfare reform would deliver savings of between \$1.0 billion and \$1.6 billion.
- 4.32 As welfare reform progresses, supported by subsequent actuarial valuations of the system, we expect MSD to measure, report on, and account for realised savings. This will allow for an assessment of how real and projected costs and results compare, allow Parliament to understand how much has been invested in change, and whether that change has resulted in the expected benefits.
- 4.33 We are also interested in these issues because times of change pose greater risks. We expect agencies to effectively maintain management and financial controls throughout periods of change. This can be no easy task during changes to staff, to systems, and to processes. With decision-making, we are interested in what due diligence was done before change was initiated. For example, has there been good information to guide decision-making, based on quality data?
- 4.34 As initiatives are implemented, we will want to see evidence that appropriate project management and support is in place to support the change process. We will also want to see that there are effective processes to mitigate control risks.
- 4.35 Public entities have other challenges that, if not managed well, can affect their effectiveness. Entities need to maintain clarity about their purpose throughout the period of change, manage the effect of changes on staff and systems, maintain capability, and manage risks of the loss of institutional knowledge and capability. Maintaining “business as usual” is critical. For example, the public will expect the standard of service delivery to be unaffected. However, a focus on change can mean that some services are not delivered as expected.
- 4.36 Monitoring entities’ reporting on their performance is one way we will check whether business as usual has suffered. For example, performance reporting indicates that, in 2012/13, MSD generally met its agreed outputs for core business areas despite changes in a number of areas amounting to a very significant work programme for MSD. MSD reported meeting 128 out of 136 performance standards. Three of the standards missed relate to one output expense, Vocational Skills Training.

Part 5

Annual audit results for 2012/13

- 5.1 In this Part, we discuss the social sector entities' 2012/13 audit results, including:
- our audit opinions;
 - our assessment of the management control environment, financial information systems and controls systems, and service performance systems and controls; and
 - particular areas of audit focus.
- 5.2 Under section 15 of the Public Audit Act 2001, the Auditor-General is required to audit the financial statements, accounts, and other information that public entities are required to have audited each year. The purpose of the annual audit is to give assurance that an entity's reports fairly reflect its financial and, where appropriate, service performance.

Our audit opinions

- 5.3 For 2012/13, we issued an unmodified audit opinion for all six social sector entities covered by this report. We had reported the same result for 2011/12.

Management control environment and financial information systems and controls

- 5.4 We have assessed the management control (see Figure 10) and financial information systems and controls (see Figure 11) environments of all six social sector entities as good or very good.
- 5.5 Our grades show a great deal of consistency in the past five years, indicating that we have not found any systematic and material concerns with the entities' systems and controls.

Figure 10
Assessed grades for the social sector entities' management control environments, 2008/09 to 2012/13

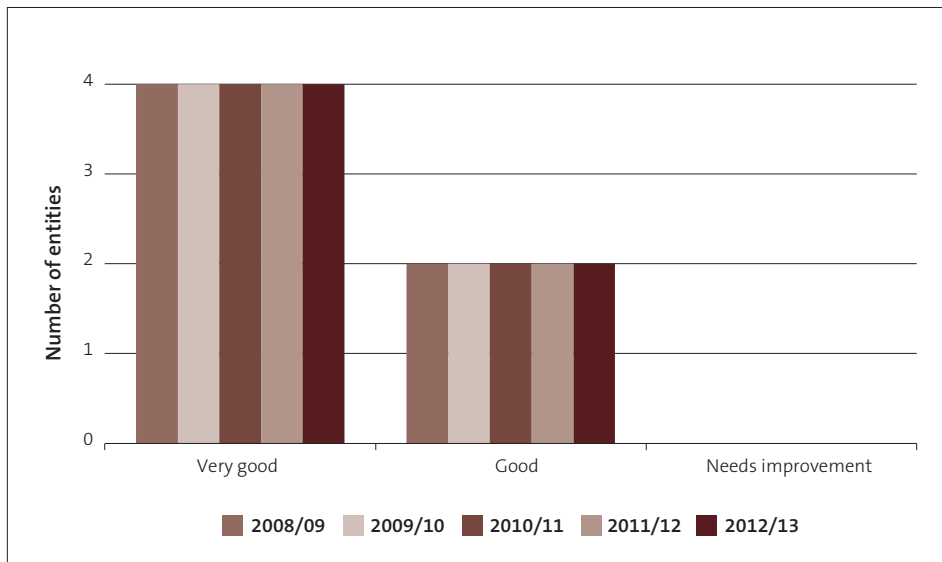
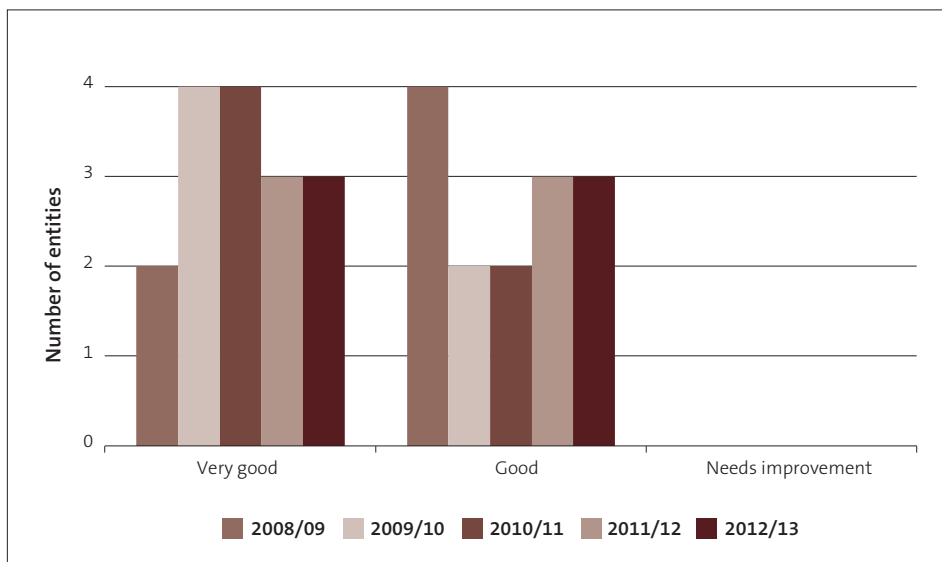


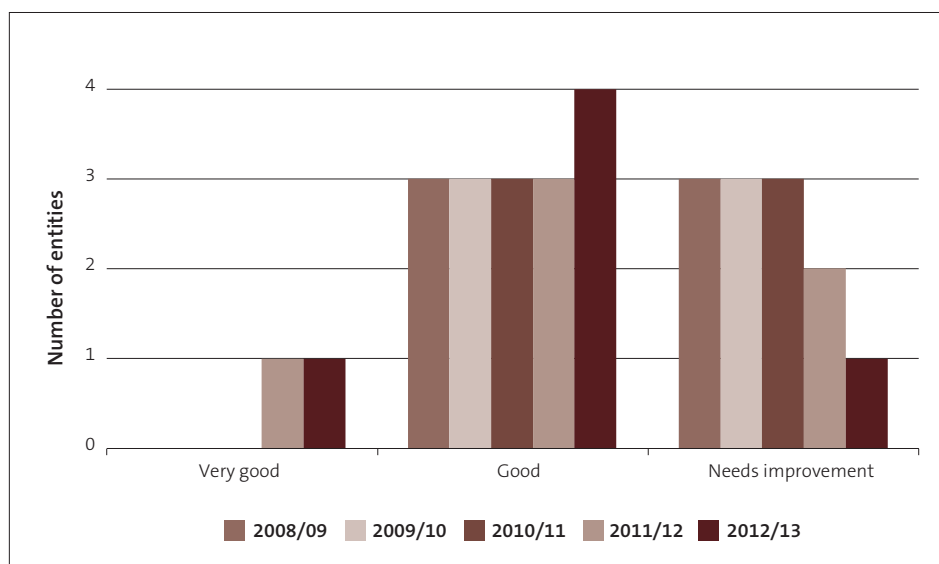
Figure 11
Assessed grades for the social sector entities' financial information systems and controls, 2008/09 to 2012/13



Service performance information and associated systems and controls

- 5.6 Public entities are required to report their plans and their performance against those plans to demonstrate that they deliver the agreed services effectively and efficiently. This supports their accountability to Parliament and to the public for responsibly using the public resources and regulatory powers entrusted to them.
- 5.7 Performance reporting needs to tell the story about the services the public entity delivers, why it delivers them, and what difference it has made to the community where its services are delivered and/or to society. Reporting should be based on performance measures that are appropriate in the context of the entity's operations – be relevant, reliable, understandable, and comparable.
- 5.8 The 2013 amendments to the Public Finance Act 1989 will bring some changes to reporting requirements. Public entities will still need to account for their performance by being clear about how they will assess it and then measuring actual achievements against what was planned.
- 5.9 Our annual audit looks at performance information, entities' reporting against outcome delivery, and associated systems and controls. We assign a grade based on that assessment. We have been working with public entities for some years now to lift the quality of service performance reporting in the public sector.
- 5.10 Recently, we have noted improvements in service performance reporting and the associated systems and controls (see Figure 12). Generally, controls for the recording, monitoring, and reporting of service performance are operating effectively. Some areas for improvement remain, particularly with appropriate qualitative measures of the impact of activities and the provision of comparative data showing trends. We also noticed that significant change during the course of the year tends to prove challenging for entities when they report.

Figure 12
Assessed grades for the social sector entities' service performance information and associated systems and controls, 2008/09 to 2012/13



Areas of audit focus for 2012/13 audits

Ministry of Social Development

- 5.11 Our audit of MSD focused on several aspects of MSD's work, reflecting significant business risks. Those aspects included welfare reform, Investment in Services for Outcomes, the Children's Action Plan, procurement, and information technology controls. Our audit also included site visits to look at Work and Income and Senior services, three Child, Youth and Family sites, the National Accounting Centre, Studylink, a Debt Collection Unit, and the Fraud Investigation Unit.
- 5.12 We noted significant changes in MSD. Phase three of welfare reform went live on 15 July 2013 after a large amount of work by staff right across MSD, and we noted that the implementation of this phase was well run. We will continue to watch welfare reform and other significant changes, and we will review the new Investment in Services for Outcomes contracting arrangements during 2013/14 as they will change how MSD conducts its contracting business.
- 5.13 We noted that the best of MSD's procurement was supported by excellent records. Individual procurement processes were generally well run, but there was some inconsistency in record-keeping, and there was not always evidence of how aspects of some processes had been carried out.

- 5.14 We reviewed the systems and controls MSD operates to ensure that its financial information is fairly stated and transactions are valid. We assessed this aspect of MSD's control environment as good but identified some areas for improvement. For example, although the level of compliance with processing standards has continued to improve, we found some areas of non-compliance. We also noted a small number of payments made outside delegations, which we reviewed and judged to be valid expenditure items. None of these matters were significant. MSD has indicated that it has already taken action to address the issues raised. We will follow these matters up in 2013/14 and see how MSD is addressing our recommendations.
- 5.15 We also performed an IT General Controls review as part of our audit. The review covered, at a high level for relevant systems, entity-level controls and activity-level controls. The focus of our work this year was to confirm controls operated as intended. Generally, controls were operating effectively.

Families Commission

- 5.16 Organisationally, the Commission has been preparing for the changes expected to follow if the Families Commission Amendment Bill is passed. As part of our audit, we reviewed a sample of redundancy payments made during the year and found no matters of concern.
- 5.17 The Commission had an independent review carried out of its policies for procurement, recruitment, and employment of contractors and consultants. Sensitive expenditure policies were also separately reviewed. We understand that the management team is updating these policies to address the matters raised by those reviews.

New Zealand Artificial Limb Service

- 5.18 In addition to the usual areas our audit work covers, an area of focus for our audit was the management of inventory and the appropriate application of accounting treatment to inventory. We noted no issues.

Housing New Zealand Corporation

- 5.19 We noted a number of significant matters during our audit of Housing New Zealand. Several of those were related to how it manages the significant asset that its housing stock represents, and how it maintains its portfolio of housing.
- 5.20 We noted that, during 2012/13, Housing New Zealand successfully settled its multiple insurance claims for damage incurred during the Canterbury earthquakes. The settlement amounted to \$320 million. Housing New Zealand

has started a major programme of repairs to up to 5000 properties, and is constructing an additional 700 dwellings in Canterbury by December 2015.

- 5.21 The annual revaluation of the social housing portfolio was also an issue of significance. Housing New Zealand has moved to improve its valuation methodology. We have determined that the valuation approach adopted at 30 June 2013 was appropriate for financial reporting purposes.
- 5.22 During the year, Housing New Zealand implemented new financial management information systems to manage all aspects of its financial reporting, property, and tenancy management. A significant element of this involved changes to how Housing New Zealand interacts with its maintenance providers. The changes are important in the context of a property portfolio that requires regular re-investment and maintenance. Implementing the changes was a challenge for Housing New Zealand. We noted that this area will require continued focus.
- 5.23 We also identified, as significant matters of interest, the property initiatives arising from the implementation of Housing New Zealand's asset management strategy, mortgage insurance and loans for social housing initiatives, and the pending transfer of responsibilities for social housing functions to MSD.

Part 6

Our recent, ongoing, and future work

- 6.1 In this Part, we describe our ongoing and future work in the social sector. In particular, we describe the performance audit work relevant to the social sector that is currently under way or under consideration for 2014.

The role of our annual audits

- 6.2 As outlined in Part 5, our annual audits assess entities' financial and management controls, and service performance information and associated systems and controls. Our audits assess whether entities' reporting fairly reflects their activities, look at policies and controls, verify samples of transactions and account balances, and review significant estimates and judgments made by entity's senior management. Our audits also cover selected elements of entities' procurement, contract management, asset management, project management, and risk management systems if the auditor considers that these are integral to the entity's risk profile.
- 6.3 When deciding on areas of focus for the audit, auditors take into account key business drivers and areas of risk. For example, areas of focus that guided our assessment of MSD's management and control environment in the 2013 annual audit included welfare reform, the Children's Action Plan, ISO, and procurement. We expect that our 2013/14 audit of MSD will continue to look at these risk areas in the light of the significant changes under way.

Performance audits and other work

- 6.4 As well as the annual audit's focus on policies, controls, and sample transactions, the Auditor-General's annual programme of performance audits assesses entities' performance.
- 6.5 The Auditor-General's report, *Using the United Nations' Madrid indicators to better understand our ageing population* (2013), discussed whether public entities were collecting data on a set of international indicators to assess older people's circumstances and changes in our population structure, which is ageing. Findings reports for the 50 Madrid indicators are online at www.oag.govt.nz/2013/ageing.
- 6.6 One way or another, many public resources will be committed to responding to our ageing population. There are many uncertainties about the effects of a changing population structure on individuals and on society as a whole. Having the right kind of data available is one component in being prepared for the future. Accurate, relevant data can be used to identify improvements or adverse consequences as the result of changes in society and in government policy and help support accountable and transparent decision-making.
- 6.7 Although we found that public entities have, at least, a minimum set of demographic data and data about older people that they can use, they need to:
- use Statistics New Zealand's standard for reporting by age group;

- give reasons for when data is updated; and
- consider how they might measure whether older people living in rural areas are disadvantaged in accessing public services.

6.8 We also found that women, Pākehā, and people on higher incomes often (but not always) benefited more than men, non-Pākehā, and people on lower incomes from improvements to date in older people's circumstances.

Future work and ongoing areas of interest

- 6.9 In 2013/14, our work programme is focused on the theme of service delivery. We are carrying out performance audits on, amongst others, complaints processes and case management within the Accident Compensation Corporation and MSD. Our work on case management is focused on determining whether case management is used effectively and efficiently. We are also planning to carry out a performance audit on whānau ora, reflecting our interest in examining service delivery through third parties.
- 6.10 In 2014/15, we are proposing a focus on governance and accountability in the public sector. We are also giving thought to investment and asset management and information assets as possible future themes.
- 6.11 We have yet to decide the work programme for the governance and accountability theme, and which entities and sectors we will focus on. Among our objectives will be understanding the effectiveness of new governance models and the implications of reforms to the Public Finance Act 1989, State Sector Act 1988, and Crown Entities Act 2004. The arrangements put in place for the work on vulnerable children, and the implementation of the Children's Action Plan, will be of interest – because they represent a new way of working between agencies and Votes – as we consider our approach to examining childhood support as part of our future work programme.
- 6.12 Examining the implementation of welfare reform will be part of our long-term work programme. The reforms represent a significant change programme for MSD, affecting a large number of New Zealanders. We have a strong interest in observing whether MSD has maintained an effective control environment. Longer term, we will also want to see whether the new policy settings have been implemented in an effective and efficient way, achieving the outcomes intended.
- 6.13 The other areas of significant change mentioned in Part 4 of this report will also remain of interest to this Office. Given the significance of Housing New Zealand's housing stock, we have an interest in how the entity manages this asset for the benefit of New Zealanders and how effectively and efficiently social housing services are provided. We will consider the Tāmaki housing project as part of our work programme for 2014/15.

Publications by the Auditor-General

Other publications issued by the Auditor-General recently have been:

- Immigration New Zealand: Supporting new migrants to settle and work
- Summary: Inquiry into the Mangawhai community wastewater scheme
- Inquiry into the Mangawhai community wastewater scheme
- Regional services planning in the health sector
- Effectiveness and efficiency of arrangements to repair pipes and roads in Christchurch
- Earthquake Commission: Managing the Canterbury Home Repair Programme
- Using the United Nations' Madrid indicators to better understand our ageing population
- Annual Report 2012/13
- Using development contributions and financial contributions to fund local authorities' growth-related assets
- Commentary on *Affording Our Future: Statement on New Zealand's Long-term Fiscal Position*
- Annual Plan 2013/14
- Learning from public entities' use of social media
- Inquiry into Mayor Aldo Miccio's management of his role as mayor and his private business interests
- Managing public assets
- Insuring public assets
- Evolving approach to combating child obesity
- Public sector financial sustainability
- Education for Māori: Implementing *Ka Hikitia – Managing for Success*

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