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Public entities'
progress in
implementing the
Auditor-General's
recommendations
2014





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Public entities' progress in implementing the Auditor-General's recommendations 2014

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Auditor-General's overview

In recent months, I have published on the Office of the Auditor-General's website (www.oag.govt.nz) a series of articles that discuss the progress that a number of public entities have made in implementing recommendations I made in eight performance audit reports published in 2010 and 2011.

This represents a different approach by my Office, to provide timely and accessible information about where good progress and improvements have been made, and where further work still needs to be done. It is also richer information than in previous progress reports – my staff have examined what entities have done, to obtain a more in-depth understanding of what has been achieved and where barriers still remain.

Although these articles do not necessarily represent a full and final assessment of actions and improvements, I have now combined them in one report for Parliament to consider through the select committee process as it sees fit.

The eight progress articles represent a wide range of performance audit activity – from home-based support services for older people and access to out-of-hours services for local communities to protecting our maritime domain and lessons to be learned from management of the Crown's Retail Deposit Guarantee Scheme.

In response to all eight performance audits, the entities have made improvements by acting on my recommendations.

However, not all of my recommendations have been fully implemented. In some instances, this is because the recommendations are not "quick fixes". In other instances, the public entities need to do more to secure the intended improvements. My staff will continue to monitor the progress of these entities through our ongoing contact with them.

I thank the staff of the public entities discussed in this report for their co-operation, and encourage them to continue to make improvements to achieve effective and efficient results.



Lyn Provost
Controller and Auditor-General

10 July 2014

1

Delivering scheduled services to patients

Introduction

- 1.1 In June 2011, we published our report on the progress that the Ministry of Health (the Ministry) and district health boards (DHBs) had made towards achieving the objectives of a strategy released in 2000 – *Reduced Waiting Times for Public Hospital Elective Services: Government Strategy* (the Strategy).
- 1.2 Elective services are non-urgent medical and surgical services (specialist advice or a form of treatment, or both). In this progress report (and in our 2011 report), we call these scheduled services. This is partly because the lack of urgency means the services are scheduled ahead of time and partly because the term “elective” suggests that there is a degree of choice that the patient might not agree they have.

Our findings and recommendation

- 1.3 Despite the improvements that DHBs had made in the 10 years before we published our report, we found that New Zealand did not yet have a nationally consistent and equitable system for scheduled services.
- 1.4 We recommended that the Ministry and DHBs agree:
 - what they would do to improve their progress in more fully achieving the Strategy's objectives; and
 - when they would do it and how they would demonstrate that improvements had been achieved.
- 1.5 The priority areas that we recommended they focus on were ensuring that:
 - patients are more consistently selected for first specialist assessments;
 - patients are more consistently prioritised for treatment;
 - a greater proportion of patients receive scheduled services within the expected time limits;
 - a greater proportion of patients are treated in priority order; and
 - progress is made in quantifying the level of unmet need for scheduled services.
- 1.6 We encouraged the Ministry, DHBs, and medical specialists to identify any disincentives to further progress. We also encouraged them to focus on putting in place systems and tools to ensure that patients with the greatest need have access to services at the right time.

The response to our findings and recommendation

- 1.7 The Ministry supported our recommendation. Since October 2011, we have received regular progress reports from the Ministry. We are satisfied that it has worked with DHBs to better meet the objectives of the Strategy.
- 1.8 In April 2013, we provided a brief update on our assessment of progress in *Health sector: Results of the 2011/12 audits*. This report provides a more detailed assessment of the Ministry's and DHBs' progress.

Agreeing what will be done to improve progress

- 1.9 The Ministry and DHBs agreed six priority objectives, put processes in place to implement those objectives (where work was not already under way), and came up with methods to show progress towards meeting those objectives.
- 1.10 The six objectives address the five priorities that we identified in our 2011 report. They are:
- *Increase available services by improving capacity, productivity and efficiency.*
 - *Work towards everyone having equal access to elective surgery no matter where they live.*
 - *Improve the way patients are prioritised to ensure fairness, value for money and that those who access services are those with the greatest need and ability to benefit.*
 - *Improve the management of patients (patient flow) to reduce waiting times.*
 - *Support new and innovative ways of providing Electives, such as adopting alternative pathways and models of care.*
 - *Support clinical networks, such as the National Cardiac Surgery Clinical Network, to improve delivery of services.*
- 1.11 The Strategy was updated in 2012 to reflect new expectations of shorter waiting times (see paragraph 1.21).

The time frame for making changes

- 1.12 The six priority objectives will be implemented over several years, and time frames for implementing the objectives are set as part of annual planning cycles. We are satisfied with the Ministry's and DHBs' approach to deciding time frames for action.

Demonstrating that improvements have been achieved

- 1.13 The last part of our recommendation was that the Ministry and DHBs decide how they will demonstrate that improvements have been achieved. To assess this, we will highlight some of the work that has been done to address the five priorities that we identified in 2011.

More consistently selecting patients for a first specialist assessment and prioritising them for treatment

- 1.14 The Ministry and DHBs have set overall objectives for their work on more consistently selecting patients for a first specialist assessment (FSA) and prioritising them for treatment. These objectives are to get new prioritisation tools into use more quickly than in the past, ensure that these tools are fit for purpose, and increase the use of existing modern tools.
- 1.15 The Ministry convened a group of representatives from medical practitioners' colleges and DHBs to discuss options for preparing a nationwide tool for consistently prioritising patients for an FSA for all medical and surgical specialties. The group agreed on draft universal criteria.
- 1.16 The Ministry is surveying DHBs to find out whether and how the nationwide FSA tool could affect existing "clinical pathways" (the steps a patient goes through from the start to the end of their treatment). Once any potential problems are resolved, the universal criteria can be finalised and a plan agreed to implement the nationwide FSA tool. The Ministry plans to choose trial sites by the end of 2013 and trial the tool in those selected DHBs during 2014.
- 1.17 The Ministry is leading a programme to ensure that existing prioritisation tools for treatment are up to date. The programme will introduce new nationwide tools for specialties that have not had them before. It is giving priority to introducing new tools for high-volume surgical services. Figure 1 provides a summary of the Ministry's progress since 2011 in introducing or revising selected prioritisation tools.

Figure 1
Summary of actions taken since 2011 in introducing or revising selected prioritisation tools

Treatment prioritisation tools	Initial preparation	Trial	Implementation	Clinical audit and review	Tool revision
Bariatric surgery	●	●	●	●	
Cardiac surgery: urgency		●	●		
Cardiac surgery: appropriateness	●	●			
Cataract				●	●
Colonoscopy					●
Ear, nose, and throat		●	●		
General surgery	●				
Gynaecology: general		●	●		
Gynaecology: sterilisation		●	●	●	
Orthopaedic: hip or knee replacement				●	●
Orthopaedic: other	●				
Ophthalmology	●				
Plastic surgery		●			

Source: Ministry of Health.

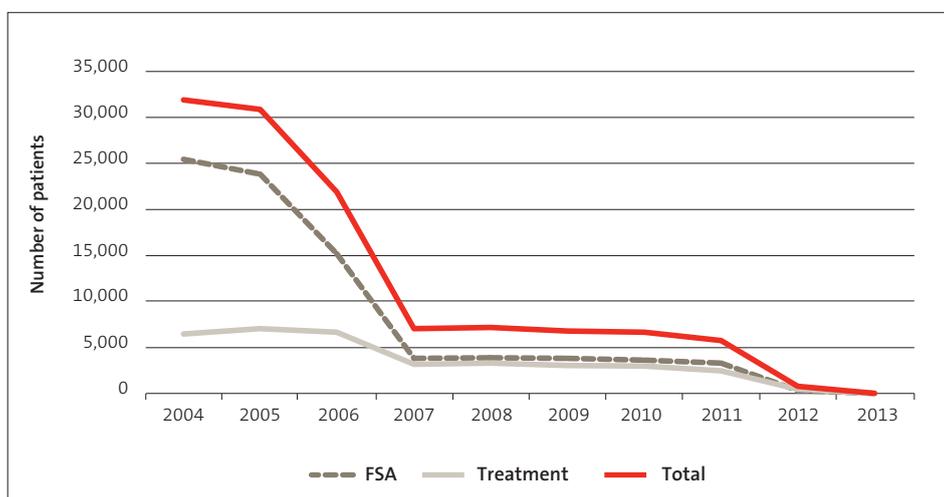
- 1.18 The tools are being updated or prepared by working parties made up of representatives of the specialists who will use them. The representatives are nominated by the relevant professional body, which formally approves the tools at each stage of the process and agrees a plan to implement them with the Ministry.

- 1.19 The Ministry is also working with DHBs to increase the adoption and use of all the tools. Some of the actions it is taking to encourage adoption and use are:
- using trial sites to find out the best ways of integrating prioritisation tools into the way that patients are managed;
 - providing clearer guidance on how to use the tools;
 - providing clearer information about the benefits of effective prioritisation for patients and DHBs; and
 - encouraging clinicians to publish reviews of clinical prioritisation systems.

Providing more services within expected time limits

- 1.20 The Strategy had always aimed to ensure that patients would wait no longer than six months to receive an FSA or treatment. However, the requirement to do so was not enforced until 2006, when it was enforced with agreed tolerance limits (buffer). A substantial number of patients continued to wait longer than six months because of the size of the buffer.
- 1.21 In February 2012, the Ministry introduced a plan that all patients waiting for a scheduled FSA or treatment should wait no longer than:
- six months from 1 July 2012;
 - five months from 1 July 2013; and
 - four months from 1 January 2015.
- 1.22 There was one exception to this. After the Canterbury earthquakes in 2010 and 2011, Canterbury DHB was allowed more time than other DHBs to meet the goals for shorter waiting times.
- 1.23 The Ministry can demonstrate whether the DHBs have met these goals by reporting on the length of time that patients have waited for an FSA and treatment. (There is still buffers, but they are now so small that they do not affect how long individual patients wait for an FSA or treatment.)
- 1.24 Figure 2 shows that the goal of providing services within six months by 1 July 2012 was not met. However, significant progress was achieved. Of the patients who waited longer than six months for a scheduled service, 614 (80%) were Canterbury DHB's patients.

Figure 2
Number of patients waiting longer than six months for a first specialist assessment (FSA) or treatment at 30 June, 2004-13



Notes: Canterbury DHB's data is included. Data for 2004-12 was extracted from the National Booking Reporting System on 2 July 2013. Data for 2013 was extracted on 8 August 2013. The database is dynamic, which means that this data may differ from data previously published by the Ministry of Health.

- 1.25 Figure 2 also shows that DHBs made further improvements in 2012/13. At 30 June 2013, 20 patients nationwide had not received services within six months. Of these 20, three were Canterbury DHB's patients and 17 were one other DHB's patients.
- 1.26 Our interest is in assessing whether patients receive services within six months because that was the standard that applied at the time of our audit. However, at the end of June 2013, all patients received scheduled services within five months except for:
- 378 patients who had waited longer than five months for an FSA (79% of this group were Canterbury DHB's patients); and
 - 122 patients who had waited longer than five months for treatment (72% of this group were Canterbury DHB's patients).
- 1.27 DHBs have also made progress in treating people who have waited a long time for treatment:
- Of the surgical patients in the National Booking Reporting System (NBRS) treated in June 2013, 12 patients had waited more than 12 months for treatment. In contrast, 69 patients treated in June 2010 had waited more than

12 months for treatment. Four of the 69 patients had waited more than 24 months for treatment.

- Of the medical patients in the NBR5 treated in June 2013, nine patients had waited between six and nine months for treatment. In contrast, 10 patients treated in June 2010 had waited between nine and 24 months for treatment.

- 1.28 At the same time as introducing shorter waiting times for an FSA and treatment, DHBs are increasing the number of operations they deliver by at least 4000 a year. The aim of this is to increase access. Since 2007/08, the average increase has been more than 8000 operations a year. In 2012/13, DHBs delivered 10,223 more surgical operations than the 148,259 they planned to deliver.
- 1.29 The number of FSAs has also increased, from 432,984 in 2008/09 to 487,512 in 2012/13.

Treating more patients in priority order

- 1.30 The Ministry is promoting the use of a new "acuity index" to help DHBs schedule patients for treatment. The index will involve dividing the number of days that each patient has already waited by the clinically appropriate maximum number of days they should wait. If the resulting score:
- is less than one, the patient is within the clinically appropriate time frame;
 - equals one, the patient has waited for the maximum clinically appropriate time frame; and
 - is greater than one, the patient has waited longer than the clinically appropriate time frame.
- 1.31 As a starting point for preparing theatre lists, patients with a score of one or higher should have the highest priority for treatment. However, other factors also influence how a theatre list is put together, such as the time needed to complete each operation and the availability of other needed resources.
- 1.32 While shorter waiting times are being phased in (see paragraph 1.21), it is difficult for DHBs to consistently ensure that patients are treated in priority order and for all patients to be treated within the clinically appropriate treatment time. We expect to see more consistent and improved performance in this area by 2015/16. By then, DHBs will also have made more progress in implementing nationwide prioritisation tools for high-volume surgery.
- 1.33 The Ministry produces scatter graph reports (such as Figures 3-7) that report on DHBs' progress in treating patients in priority order. It shares these reports with DHBs.

- 1.34 In our 2011 report, we noted that there had been longstanding problems in ensuring that cardiac surgery patients were treated in a timely way. We said that we would report on progress in 2013.
- 1.35 Cardiac surgery is provided by five DHBs – Auckland, Waikato, Capital and Coast, Canterbury, and Southern. In May 2010, cardiac surgeons agreed to introduce a new urgency tool that prescribed a recommended time frame for treatment that matches each patient's priority score. They have phased in their use of the tool since then.
- 1.36 The first full year's worth of data is for 2012/13. The data shows that:
- Auckland DHB treated 73% of cardiac patients within the recommended time frame for their priority score;
 - Waikato DHB treated 68% of cardiac patients within the recommended time frame for their priority score;
 - Capital and Coast DHB treated 82% of cardiac patients within the recommended time frame for their priority score;
 - Canterbury DHB treated 76% of cardiac patients within the recommended time frame for their priority score; and
 - Southern DHB treated 76% of cardiac patients within the recommended time frame for their priority score.
- 1.37 Figures 3-7 show each of these DHBs' performance for treating cardiac patients in priority order. The aim is that all the symbols would be below the red line shown on each graph. The red line represents the maximum recommended time frame for treatment for each priority score. (If more than one patient has the same score and waited the same amount of time to get treatment, it will show up as one symbol on the graphs.) The data for Figures 3-7 was provided by the Ministry.

Figure 3
Days waited for cardiac surgery by patient prioritisation score 2012/13, Auckland DHB

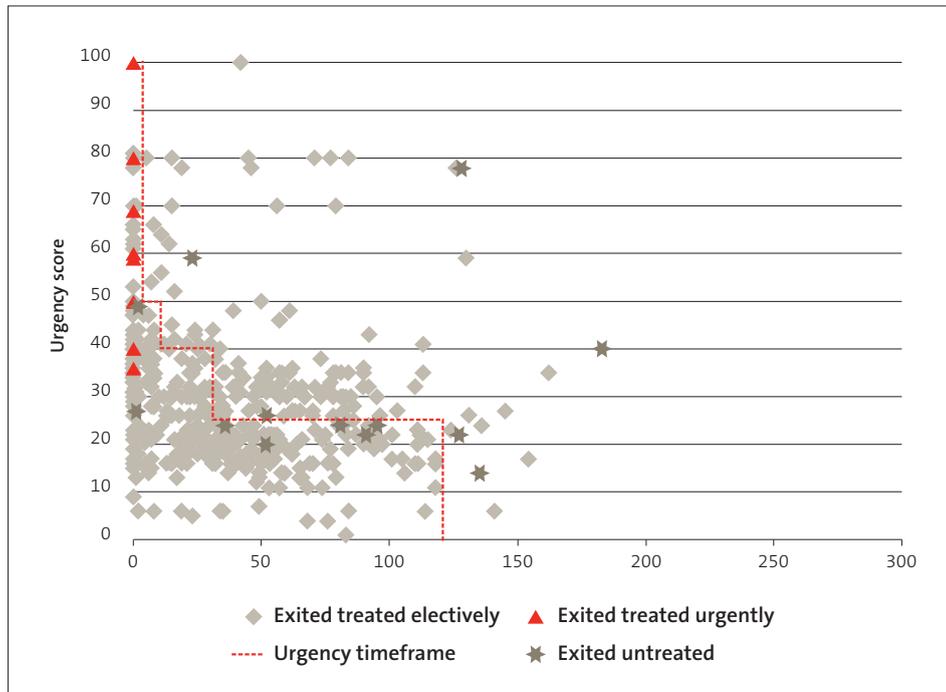


Figure 4
Days waited for cardiac surgery by patient prioritisation score 2012/13, Waikato DHB

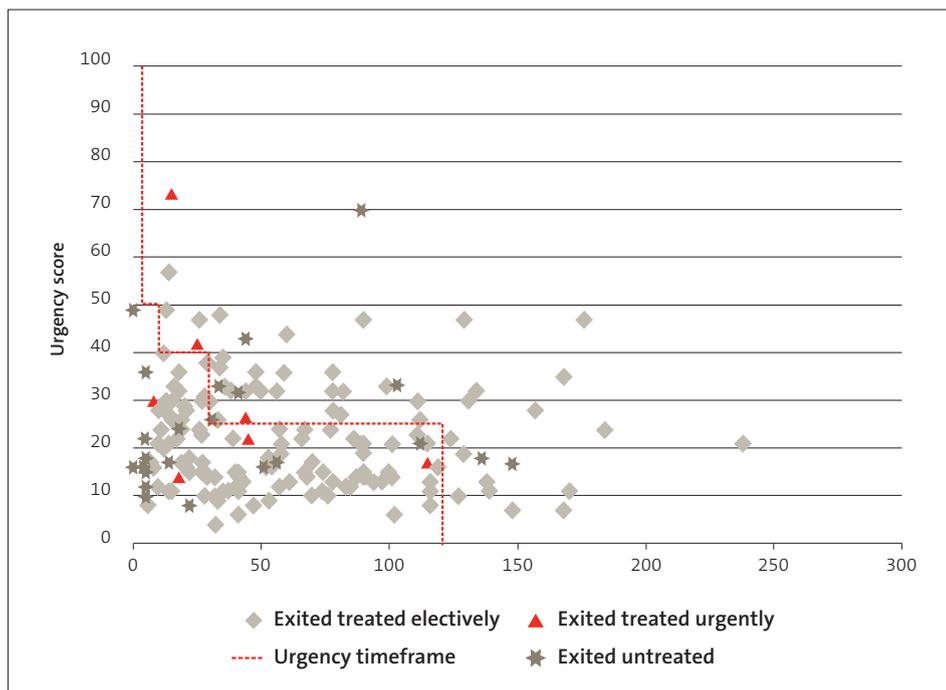


Figure 5
Days waited for cardiac surgery by patient prioritisation score 2012/13, Capital and Coast DHB

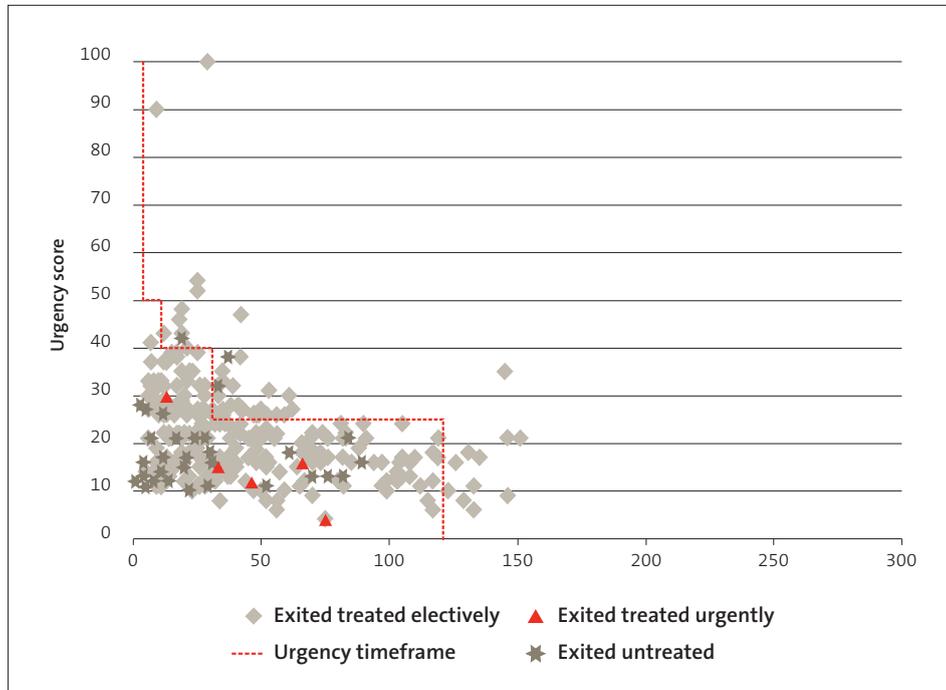


Figure 6
Days waited for cardiac surgery by patient prioritisation score 2012/13, Canterbury DHB

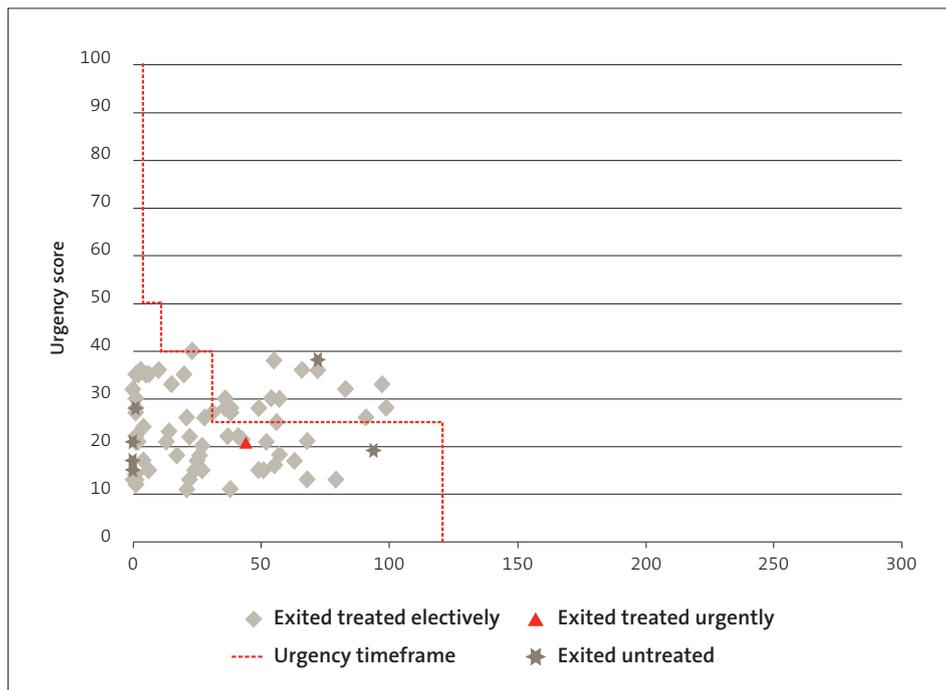
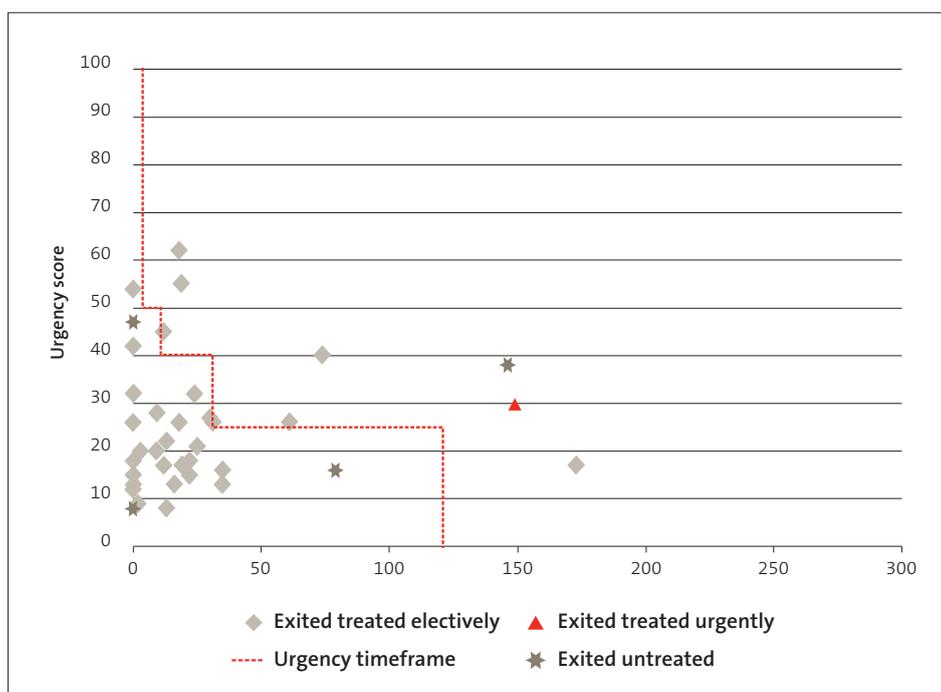


Figure 7
Number of days waited for cardiac surgery by patient prioritisation score 2012/13, Southern DHB



1.38 Figures 3-7 show that:

- Waikato and Southern DHBs treated patients urgently after the recommended time frame for treatment;
- all DHBs treated patients with high-priority scores (scores of 50 or higher) after the recommended time frame;
- all DHBs had one or more patients who “exited untreated” after the recommended time frame for treatment; and
- only Canterbury DHB treated all its patients within 120 days.

1.39 The Cardiac Network is pleased about the progress that has been achieved but is also aware that more progress is needed. This data provides a baseline on which to assess further improvements.

Quantifying the level of unmet need

- 1.40 For various reasons, some people might not have access to scheduled services that they would benefit from if more services were available. This is known as unmet need.¹
- 1.41 Quantifying unmet need for scheduled services is not easy to do. There is no single method for quantifying it. Instead, a range of data is needed to get an idea of whether the quantity of services available is “about right”.
- 1.42 The Ministry and DHBs are making progress in a number of areas that, over time, should help to quantify unmet need. These are:
- improving equity of access to treatment between DHBs, so that each region has a similar level of access;
 - introducing waiting times for selected diagnostic tests, so that access to the tests and any subsequent treatment is not delayed;
 - measuring the time taken to treat patients from the time that they were first referred for an FSA, so that access to services is not delayed; and
 - assessing changes in acute demand, which should reduce as the system for providing scheduled services becomes more efficient.

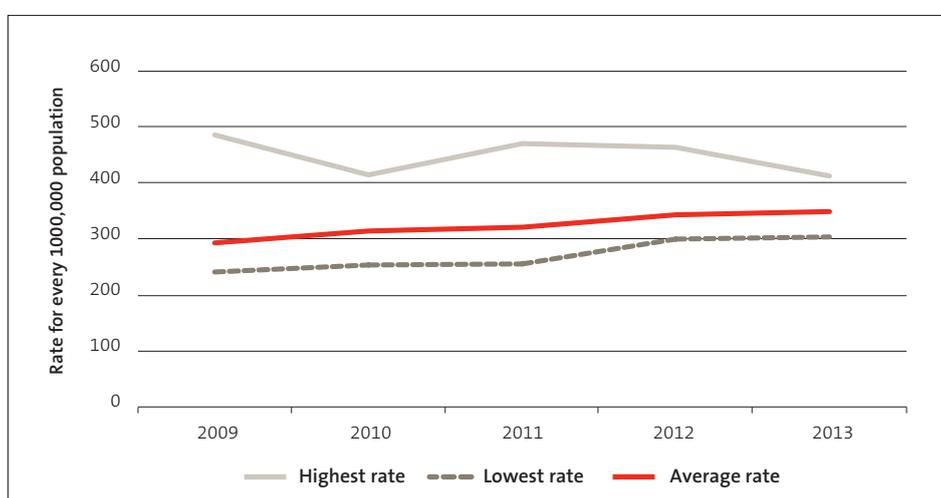
Improving equity of access

- 1.43 At a high level, equity of access² can be assessed by comparing DHBs' treatment rates (called a standardised intervention rate, or SIR). The aim is that each DHB will deliver a rate of scheduled services equivalent to its share of the population. Figure 8 shows that the gap between the DHBs with the highest and lowest SIRs for every 10,000 population narrowed between 2009 and 2013.

1 DHBs are expected to offer scheduled services to patients with the highest needs and ability to benefit from treatment relative to other patients within the resources available. This means that some patients who would receive benefit from treatment are not necessarily offered services.

2 Equity of access means that patients with a similar level of need and ability to benefit from treatment will have similar access to scheduled services, regardless of where they live.

Figure 8
Standardised intervention rates for surgical treatment for every 10,000 population, 2009-13



Source: Ministry of Health.

Notes: The rates are rolling 12-month results for the year ending March. Data is sourced from the National Minimum Data Set and National Non Admitted Patient Collection.

Waiting times for diagnostic tests

- 1.44 The Ministry has introduced waiting time indicators for some diagnostic tests (coronary angiogram, colonoscopy, magnetic resonance imaging, and computed tomography). Previously, there was no national reporting of waiting times for diagnostic tests.
- 1.45 It takes time for the Ministry and DHBs to decide what data to collect on diagnostic tests and for all DHBs to report it consistently. To begin with, DHBs started reporting waiting times data from 1 July 2012. The data collected during 2012/13 was used to establish waiting time targets and indicators for 2013/14. The Ministry currently relies on each DHB consistently understanding the data that needs to be reported and accurately reporting it. The new National Patient Flow database, when it is implemented (see paragraph 1.46), will help the Ministry to have greater confidence in the quality of DHBs' waiting times data for diagnostic tests. This is because the National Patient Flow database will provide further opportunities to identify any variations between DHBs.

Measuring the patient pathway from start to end

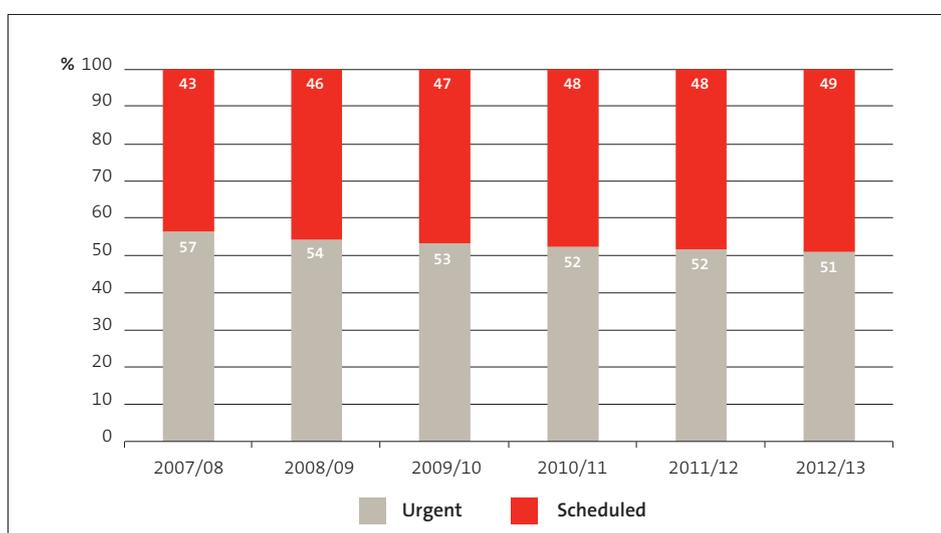
- 1.46 The Ministry has started a programme of work to enable waiting times to be measured from a patient's first referral to a DHB to their last contact with the DHB for that referral. The new system is called National Patient Flow, which will be a new database. Over time, it will bring together data currently held in other databases³ and provide comprehensive information on waiting times for patients for medical, surgical, and diagnostic services for cancer and scheduled services (FSA and treatment). Data will also be collected on patients who were referred to DHBs but not provided with a scheduled FSA and/or treatment. This data is not currently collected. The Ministry appointed a senior project manager in March 2013 to lead this work.
- 1.47 At the same time, DHBs are carrying out work to improve the quality and consistency of referrals to DHBs for an FSA and/or treatment. Over time, this will reduce the number of referrals returned to general practitioners (GPs) because the GP provided incomplete information.

Assessing changes in acute demand

- 1.48 As noted in paragraph 1.41, knowing when "enough" scheduled services are provided is not straightforward. One "rough and ready" way is to compare the proportion of patients treated urgently and patients receiving scheduled services.
- 1.49 Some decrease in the demand for urgent treatment can be expected:
- when fewer patients who are scheduled for services are treated urgently;
 - when doctors assessing inpatients use scheduled services prioritisation tools to decide whether those patients have higher priority than patients who have already been booked for treatment; and
 - when GPs are confident that referrals to scheduled services will be handled in a timely way.
- 1.50 Figure 9 shows that from 2007/08 to 2012/13 patients treated urgently made up a decreasing proportion of all patients treated. This would appear to indicate that the system for provided scheduled services is becoming more effective, and more efficient because good organisation is necessary to ensure that more scheduled surgeries are delivered.

³ These databases include the National Minimum Data Set, National Non Admitted Patient Collection, National Booking Reporting System, and New Zealand Cancer Registry.

Figure 9
Proportion of surgical patients treated by surgery type, 2007/08 to 2012/13



Source: Ministry of Health.

Notes: Data for scheduled medical treatment is not included in this graph. Data from 2007/08 to 2011/12 was sourced from the National Minimum Data Set on 4 February 2013. Data for 2012/13 was sourced on 12 August 2013.

Assessing whether there have been unintended consequences of decreased waiting times

- 1.51 The Ministry was aware of a risk that adverse consequences could happen during the transition from six-month to four-month waiting times, and potentially in the longer term.
- 1.52 One risk was that the minimum priority scores for accepting patients for treatment (the thresholds) could increase and reduce access to scheduled services. To help prevent this, DHBs cannot reduce planned access, and the amount of surgery that DHBs are to deliver has been maintained or increased. Increases are targeted at DHBs whose current delivery is below their population share (see paragraph 1.43). This will gradually increase access to more consistent levels throughout the country.
- 1.53 The Ministry also monitors standardised intervention rates for surgical and medical FSAs, the number of patients treated by each surgical specialty, and – for selected procedures – the treatment rate for every 10,000 population (see paragraph 1.43).

- 1.54 The Ministry also introduced a range of performance reports to help DHBs to manage scheduled services. It shares these reports with DHBs.
- 1.55 To provide further assurance, the Director-General of Health convened an expert panel to:
- determine whether there were any unintended consequences for patient care of reduced waiting times; and
 - consider whether there is a need for any additional guidance or support for DHBs to implement their strategies to meet waiting time goals.
- 1.56 The Ministry released the panel's report in June 2013. The panel concluded that there was no evidence of adverse consequences for patient care. The panel made seven recommendations, which the Ministry has started to implement.

Appendix: Further information

The following table summarises other significant activities that are under way. These facilitate the achievement of the six priority areas.

June 2011	The Ministry published the report, <i>National Cardiac Surgery Update: and the formation of the New Zealand Cardiac Network</i> . Among other things, the report comments on improved waiting times and equity.
October 2011	<p>The Ministry provided DHBs with updated guidance documents for managing patients included in the National Booking Reporting System for elective treatment. We consider that these guidelines (which include detailed flow diagrams) are an improvement over the ones that they replaced. This is partly because they provide advice on what not to do, as well as what to do. In our view, the guidelines should help to improve national consistency for patients.</p> <p>The Ministry consolidated its information on elective services on its website and provided clearer information about how the system works. This includes a flow diagram of the patient pathway showing the basic steps in the elective care process. This information is clearer and easier to find than when we did our audit.</p>
April 2012	The Ministry published a toolkit to help DHBs improve quality, increase access, and reduce waiting times for elective patients.
May 2012	The Ministry and DHBs established a representative group of DHB chief operating officers to identify common issues and obstacles to meeting the maximum four months' time frame, and agreeing options and solutions. This group is supported by the Ministry and is expected to disband in February 2015.
June 2012	An article published in the <i>New Zealand Medical Journal</i> summarised actions to improve access to cardiac surgery and outcomes. It identified further opportunities for improvement.
2012/13	<p>External evaluation of projects funded through the Elective Services Productivity and Workforce Programme were completed. The rest of the projects will be evaluated once they complete their contract period. Any recommendations have been included in the Ministry's work programme.</p> <p>The Annual Electives Forums were held in 2012 and 13. The Inaugural Annual Radiology Service Improvement Forum was held in 2013. These events support sector stakeholder engagement and enable lessons learned to be shared.</p>
June 2013	<p>The Ministry released two support documents to DHBs:</p> <ul style="list-style-type: none"> • The "4+4 Engagement Support Pack" was prepared in conjunction with the DHBs' Chief Operating Officer Group. It is intended to support staff working to reduce waiting times. • A document listing a set of key performance indicators and quality tools that DHBs can use to assess their ongoing performance.
Late 2013 (estimated)	The Ministry is preparing an Electives Resource pack for DHBs. The Ministry will bring together best practice advice from international and local sources.

2013/14	<p>The National Health Board's Electives team is leading expert reference groups for General Surgery and Orthopaedics. The expert reference groups have developed advice on additional support that could be provided to DHBs to reduce waiting times for elective patients. Both groups identified the need for more shared information being available to clinicians and managers, and for readily accessible advice on good practice. The groups have developed Service Assessment Templates and Services Improvement Checklists for their respective specialties.</p> <p>A national programme is being launched to promote adoption of Enhanced Recovery After Surgery principles for patients with fractured neck of femur, and patients undergoing total hip or knee joint replacements.</p>
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Source: Ministry of Health.

2

Department of Internal Affairs and grants administration

Introduction

- 2.1 In November 2010, we published a report on our performance audit of how the Department of Internal Affairs (the Department) was managing two grant schemes, the Lottery Grants Scheme and the Community Organisation Grants Scheme (COGS).¹ Our report included three recommendations to improve the Department's processes, including a recommendation to set up a new business system to address the limitations of the current system for managing grant applications.
- 2.2 We reviewed the Department's progress in implementing the three recommendations in our progress report, *Public entities' progress in implementing the Auditor-General's recommendations 2012*.² By early 2012, the Department had addressed two of the recommendations. However, it had experienced delays in replacing the old system for managing grant applications.
- 2.3 In 2013, we reviewed the Department's progress again. We found that further improvements have resulted in increased accountability and transparency for grants decision-making. After further delays, the Department has progressed work on a new system for managing grants and clients that incorporates and is in keeping with the intent behind the Government's Better Public Services result area 10: "New Zealanders can complete their transactions with the Government easily in a digital environment." The Department expects to start using the new system in a staged process from September 2014.

Background

- 2.4 The Department manages several schemes that provide grants to community organisations. Many community organisations – such as clubs, charities, cultural bodies, and small incorporated societies – rely heavily on grants for their operational funding or special projects. Through its community advisory service, the Department helps to build leadership and capability in communities.

Our audit scope and findings

- 2.5 In November 2010, we looked at whether the Department managed grants in keeping with the principles and expectations that we outlined in our 2008 good practice guide, *Public sector purchases, grants, and gifts: Managing funding arrangements with external parties*.
- 2.6 We looked at the Department's administration of two grant schemes:
- the Lottery Grants Scheme; and
 - COGS.

1 *Department of Internal Affairs: Administration of two grant schemes*, available on our website.

2 Published in April 2012 and available on our website.

- 2.7 We found that the Department's systems and processes were effectively helping the Department to put into practice principles which were consistent with the principles in our good practice guide. These principles are evident at all four stages of grants administration:
- planning how the grant schemes work;
 - selecting recipients;
 - monitoring how money is spent; and
 - reviewing the effectiveness of the grant schemes.
- 2.8 However, we found that Grants Online – the Department's system for managing grant applications – was outdated and had significant limitations. At the time of our audit, the Department had recently completed a business case to replace Grants Online. The Department expected to put a replacement system into effect in late 2010, soon after our 2010 report was published. Our 2010 report noted that it was important for the Department to have the new system up and running promptly to address many of the matters that we and the Department had identified.
- 2.9 We considered that the Department could do more to support decision-making committees for the Lottery Grants Scheme funds and COGS by making decisions more transparently and accountably.
- 2.10 We made three recommendations and listed some suggestions for improvements. We recommended that the Department:
- implement, in a timely manner, a new business system for grant administration that meets the identified requirements, and then monitor that system to ensure that it improves the effectiveness and efficiency of grant administration as intended;
 - improve the recordkeeping about decisions made by the Lottery Grants Scheme and COGS committees by:
 - working with the committees to ensure proper recording of reasons why applications are approved or declined or a lesser amount than requested is granted; and
 - ensuring that members of the COGS committees properly and consistently complete the information required by the Local Distribution Committee Members' Assessment Tool; and
 - revise its agreement with the Lottery Outdoor Safety Committee to ensure that accountability requirements for recipients of large grants are adequate and appropriate for the size and nature of those grants.

- 2.11 In April 2012, we reported on the progress that the Department had made in addressing our recommendations and suggestions.³ The Department had made some progress but had not completed all of its intended actions.
- 2.12 In particular, progress on replacing Grants Online had suffered setbacks. The “go live” date for the replacement system was first delayed for more than a year and then the Department’s contract with the original vendor was cancelled. The Department tested a prototype based on another public entity’s grants management system but found that it was not fit for purpose.
- 2.13 When we published our 2012 report, the Department was considering other options, including another procurement process. We suggested that the Department could share the lessons it had learned with other public entities that are looking at similar arrangements for large joint projects. We noted that we expected to be kept informed of progress through our regular relationship management and annual audit processes.
- 2.14 Three years after the original “go live” date for the grants management system, it is timely to review the Department’s progress.

The response to our findings and recommendations

- 2.15 The Department has responded seriously to our recommendations and suggestions. The Department has referred often to our recommendations and suggestions in guidance material, planning documents, and communication with staff and members of distribution committees.⁴ Staff told us of improvements that were a direct result of our recommendations and that our 2010 and 2012 reports gave impetus to planning and carrying out other improvements.

Recommendation 1: Implementing a new business system in a timely manner

- 2.16 The Department has experienced delays in addressing this recommendation. The Department pursued several options that proved unworkable, particularly given the Government’s growing focus on all-of-government capability. The Department used the drivers of, and knowledge from, the previous business case to prepare a new business case with more realistic timelines and to ensure that prospective vendors understood the Department’s requirements.
- 2.17 The Department signed a contract with a new vendor in September 2013 and estimates that the Grants Client and Management System (the new system) will start to go live in a staged process from September 2014. The Department

3 *Public entities' progress in implementing the Auditor-General's recommendations 2012*, available on our website.

4 Distribution committees decide which applicants will receive a grant and allocate funding to grant recipients.

is working with the vendor to finalise detailed requirements and confirm time frames in April 2014.

- 2.18 In our view, the Department has prepared the new business case carefully and thoroughly. The expected outcome of a better and more flexible solution is a reasonable result for the work that has been done, although replacing Grants Online has taken much longer than was anticipated at the time of our 2010 report. Work included getting the application and customer compliance aspect of the new system into line with *Better Public Services* result area 10 and the Department's objective of empowering communities and people to participate in society and the economy. We spoke with Department staff who told us that, although delays had been frustrating, the current solution should suit the Department's business and customer needs much better.
- 2.19 The Department set aside about \$2.5 million to fund work in 2012/13 and 2013/14 on the new business case and the request for proposal process for the new system. The Department has allocated \$4.71 million over five years (from 2012/13 – counted as “year 0” – to 2017/18) to implementing the project. The new system is to be hosted overseas by a specialist in grants administration systems using “cloud” hosting. This option is in keeping with the Government's approach to digital services, and was cheaper.
- 2.20 The project team for the new system has worked with the Department's “Cloud Programme” to trial the proposed cloud risk framework, which has been approved by Cabinet. The Chief Executive of the Department approved the cloud hosting of the new system, as recommended in the cloud risk framework.
- 2.21 In our view, considering the project's size, the development costs have been reasonable. We recognise that it is common for projects of this kind to be delayed when an organisation has explored avenues that prove unsuitable. Also, a changing policy environment meant that the Department had to align its business needs with the Government's focus on all-of-government capability. The new system is designed to be flexible and scalable enough for other business units and agencies that manage grants to use.
- 2.22 The Department plans to introduce the new system in stages and will confirm the detailed time frame for this when it has finished verifying what it needs the system to do. Staging means implementing the new system with one grants fund first, then gradually adding others. To avoid further delays, the Department is setting clear milestones with the vendor, with penalties for late delivery. The Department will retain Grants Online until it is satisfied that the new system is working.

- 2.23 The Department has worked to ensure that the new system is in line with its new financial management system, the Financial Applications and Transformation (FAST) project, a shared services arrangement with the Department of Inland Revenue. FAST is intended to improve efficiency and effectiveness.
- 2.24 The Department has considered how it can better manage grants and grant applications in the interim. It has decided not to invest further in Grants Online, although has made some "workaround" improvements to business practices. This means that the new system will incorporate some better practices already in place.

Recommendations 2 and 3: Improving accountability and recordkeeping

- 2.25 The Department has made progress with our other two recommendations since our 2012 progress report. In 2012, the revised contract and accountability agreements for the Lottery Outdoor Safety Committee came into effect. The committee's assessment and recording processes have been improved and monitored.
- 2.26 A new accountability agreement for large grants (some more than \$1 million) is now used for the Lottery Outdoor Safety fund. Grant recipients must provide detailed information at two or more milestone points before the Department releases the next instalment of funding. A new grants agreement with milestones is in place for grants of more than \$100,000. The Department's advisor for Outdoor Safety reported that the new grants agreements are working well and have required some organisations to upgrade their accounting and financial management skill sets. This improvement should provide the Department with much greater risk control and assurance that the grants are used for the intended purpose.
- 2.27 The Department has responded well to our recommendation to improve how it records decisions made by the Lottery Community Grants committees and COGS Local Distribution Committees.⁵ The Department has revised the training material for COGS and Lottery Grants Scheme national and regional community distribution committees. The training material now clearly sets out the obligations for transparent and accountable decision-making. For COGS, the obligation to properly complete the grants assessment tool is emphasised in the guidance handbook for Local Distribution Committee members and in material for training facilitators. Training for both COGS and Lottery Grants Scheme committee members includes guidance and practical exercises to provide thorough understanding of how to identify and deal with conflicts of interest.

⁵ Lottery Community, part of the Department of Internal Affairs, distributes grants through a national committee and 11 regional committees.

- 2.28 Since July 2012, all Lottery Community Grants distribution committees (and several other Lottery committees) must explain in more detail why grant applications are approved, declined, or approved in part. For their recommendation report to decision-making committees, advisors draw on the Better Funding Practices Business Process Manual (the Business Process Manual), which includes examples of reasons for approving or declining an application. Recording reasons for a decision gives applicants more clarity about why their application was declined or only partially funded and helps to guide future committees' decision-making.

Other improvements

- 2.29 Other improvements that the Department has made in response to our reports include updating the Business Process Manual. In our 2010 report, we noted that the online Business Process Manual was useful and comprehensive and provided a logical and coherent framework for grants administration guidance and procedures. However, the Department could further improve procedural support for – and the quality of information provided to – decision-making committees.
- 2.30 The Business Process Manual has been updated, is now available online, and includes new policies and criteria. We were shown the online guidance in the Business Process Manual onscreen and noted that the Department has tightened some procedures and improved some forms. This includes a financial assessment checklist for many of the grants funds, with more in-depth analysis of applicants' financial status and history.
- 2.31 From our observation and downloaded samples, the Business Process Manual appears to be accessible. However, staff told us that it remained difficult to follow. Some staff, especially new staff, used the Business Process Manual more than others. More experienced staff referred to it only when alerted to changes. Staff told us that they expect that the Business Process Manual will be easier to use when it is integrated with the new system. The Department's advisory staff still rely on Grants Online for assessing broad risks, although some have tried out a new Risk Assessment Tool, which is being developed.
- 2.32 We saw improved financial analysis (recorded in the advisor reports to committees). Some staff told us that the financial skills training required for all advisory staff has helped to improve the capability of new staff and those in regional centres. The increase in capability should enhance the advice and information that staff provide to decision-making committees, encouraging better decision-making.

- 2.33 The Department informed us about two workstreams that support our suggestion that committee structures and targeted funding could be brought more into line with community priorities.
- 2.34 The Department has carried out work to bring the Lottery Grants Scheme committee structure more into line with its intent of helping build strong sustainable communities, hapū, and iwi. The Department, in its secretariat role for the Lottery Grants Board, has consulted communities as part of a review of the distribution committees. This review is complete and will be put into effect in 2014. Most committees are likely to remain unchanged, except for some minor adjustments to boundaries of areas covered around Auckland and to allow committees to give multi-year grants.
- 2.35 The Department is using some Crown funds to carry out a four-year initiative (from 2011/12 to 2014/15) of community-led development in selected communities. The outcome-focused initiative aims to build capability in those communities, approaches funding more cohesively and strategically, and makes the most of the Crown funds that the Department manages for this purpose.
- 2.36 The initiative supports the Department's aim of "development of strong sustainable communities, hapū, and iwi Māori". An early evaluation by the Department of how the initiative is working shows that more attention to communication, project management, and staff training will be required to ensure that the approach works effectively.
- 2.37 The initiative has potential to increase the time spent on advisory work in the community. This will require the Department to be responsive to communities' changing needs, which means being more flexible than before. Staff will have a wider outreach in the communities they work with.
- 2.38 The Department has reviewed its Risk Assessment Tool (which was being prepared during our audit in 2010) to bring it into line with the new system. The tool is intended to work out the risk to compliance, rather than the risk of a funded project not achieving outcomes. The Department has tried out the tool to gather information to help work out indicators of risk. However, the tool has to be refined and tested further before it is fit for purpose and can become part of the process for assessing grants. The Department intends to implement the tool to fit in with the new business system.
- 2.39 The Department has made further improvements in line with our suggestions, including:
- training COGS distribution committee members in how to set funding priorities to ensure that priorities are more consistent and more in line with local and national priorities; and

- ensuring that the new system will allow the Department's national and regional advisors to share information about clients, through a "single client view".

- 2.40 We suggested that the Department could provide better information and more guidance to committees about regional communities for targeted funding and (for COGS distribution committees) for setting local funding priorities.
- 2.41 The Department provides committees with community profiles that include demographic information. It has introduced training for COGS committees to set priorities using this information and information that comes from members of their communities. However, we note that the information in the community profiles is based largely on the 2006 census and other data that is four or five years old. This means that a profile might not accurately reflect a community when, for example, there has been a significant population change because of industry closures or a change in population because of natural disasters. The Department told us that this information had been updated regularly. We would expect a process to be in place to ensure that the profiles are updated with information from the latest census and other, more recent, publicly available data.
- 2.42 In our view, the Department's progress addressing our recommendations and suggestions shows how it is committed to working better. The new system will include other improvements that have been considered, but not yet put into effect.
- 2.43 Through our normal relationship arrangements, we will continue to monitor how well the Department puts the new system into effect. We thank the Department's staff who helped us to prepare this report.

3

The Treasury: Learning from managing the Crown Retail Deposit Guarantee Scheme

Introduction

- 3.1 In October 2011, we published our report of our performance audit of the Treasury's management of the Crown Retail Deposit Guarantee Scheme (the Scheme). The Scheme was put in place in October 2008 as part of the Government's response to the global financial crisis. We made four recommendations for the Treasury to prepare it for other potentially large and complex initiatives that might require rapid implementation.
- 3.2 Generally, the work that the Treasury has done so far and is continuing to do should provide better resilience to pressure on the economy and clearer lines of action in the event of another financial crisis.
- 3.3 Our recommendations did not address issues of policy because that is beyond our mandate. However, the Treasury has given serious thought to the policy implications of some of our findings.
- 3.4 The Treasury and the Reserve Bank of New Zealand (the Reserve Bank) have been working together since 2010 on a significant body of work that should help to address issues we noted in our report.
- 3.5 How effective the Treasury's work is can only be tested in a real crisis situation. It is important that the governance roles and responsibilities for the Treasury, the Reserve Bank, and the Minister of Finance in the event of another financial crisis are clear.

Background

- 3.6 In September 2008, the collapse of the major American bank Lehman Brothers propelled the world into a global financial crisis. On Sunday 12 October 2008, the Government decided that it needed to implement a form of retail deposit guarantee scheme to avoid a flight of funds from New Zealand institutions to those in Australia. It needed to do this urgently: the Scheme was designed and announced that same day. The Scheme was to assure the public that the money eligible people had deposited or invested (up to a cap of \$1 million each) with particular financial institutions was safe.¹ At its peak, the Scheme covered deposits to the value of \$133 billion.

Our performance audit – rationale and scope

- 3.7 The Treasury is responsible for maintaining New Zealand's macroeconomic stability, in conjunction with the Reserve Bank. Because of the Scheme's significance for our economy at the time and the amount of money involved, we carried out a performance audit of how effectively and efficiently the Treasury implemented and managed the Scheme. We also provided an independent record

of the history of the Scheme. We considered all types of financial institutions covered by the Scheme. However, we chose to focus on finance companies (non-bank deposit takers) because of the significant payments made under the Scheme in response to the failure of nine of these financial institutions.

- 3.8 In our report, we noted that the Scheme achieved its goal, and was successful in preventing bank failure. However, we also noted that there were practical challenges in implementing the Scheme. The speed with which the Scheme was designed and implemented demanded a disciplined project management approach with formal and comprehensive management disciplines, and strategic oversight. In our view, this was not evident.

Our recommendations

- 3.9 We made four recommendations for the Treasury to prepare for other potentially large and complex initiatives that might require rapid implementation. The important premise underlying our recommendations is for the Treasury to demonstrate its readiness to deal with another event similar in effect on the economy to the global financial crisis or the failure of a major financial institution. Our recommendations were for the Treasury to put in place a more disciplined approach to project planning for large-scale initiatives. Our recommendations included:
- setting up project planning and monitoring frameworks with an approach to crisis management planning (our first and second recommendations);
 - carrying out a formal post-project review after implementing any significant policy initiatives (our third recommendation); and
 - recording lessons learned from its work on South Canterbury Finance Limited (our fourth recommendation).
- 3.10 We noted that our fourth recommendation could take the form of a framework for dealing with distressed institutions.
- 3.11 The Treasury has responded directly to our first two recommendations and more generally to the premise underlying our recommendations. As well as reviewing the progress that the Treasury has made on implementing our recommendations, we also considered the work that the Treasury has done to provide more general financial stability, including work to prepare for the potential failure of major financial institutions, such as a major bank.

The Treasury's progress in implementing our recommendations about project management

- 3.12 For this progress report, we sought assurance that the Treasury has developed a disciplined, proactive approach to project planning and management that it could follow in crisis situations.
- 3.13 The Treasury has responded positively to our recommendations about improving project management and implementing a planning, monitoring, escalation, and reporting framework. The Treasury has adopted the PRINCE2 methodological framework for project management and is working on embedding a more regularised approach to planning, monitoring, reporting, and reflecting on lessons learned. We reviewed documents for the Financial Stability Key Initiative that showed this (see paragraphs 3.18-3.20). As part of embedding this approach, the Treasury intends to provide its staff with information about the benefits of project management and the support and tools available. It also intends to provide practical examples of how project management has already benefited Treasury initiatives.
- 3.14 The Treasury used AMI Insurance as an example to show us how it has applied a more controlled approach to support a major distressed institution. In our view, a carefully thought-out response is evident. The Crown has sought to minimise risk to public funds and, at the same time, has provided support that mitigated the immediate risk of AMI Insurance failing. This provided important assurance to insurance holders in Christchurch, at a stressful time, that their claims would be met.

Case study: AMI Insurance – dealing with a distressed institution in a time of crisis

AMI Insurance was a major insurer in Canterbury. Although AMI was considered a prudent operator, it was not certain that it would be able to cover all the claims it had received after the Canterbury earthquakes. It approached the Government for financial support. The Treasury's approach was on an "as needed" basis for support, taking control only if AMI did not find another investor in time to resolve its solvency problems. This meant that the Crown did not have to exercise immediate control, which would have meant taking the burden of risk.

The Crown provided an incentive to AMI: find a long-term investor to avoid the unattractive (to AMI) situation of removing AMI's board of directors. Further contingencies were put in place, including requiring AMI to meet multiple sets of conditions from the Reserve Bank. The eventual resolution was that AMI found a purchaser for its other, more saleable, business, with the Crown taking ownership of the part of AMI's business that dealt with Canterbury earthquake claims (now called Southern Response Earthquake Services Limited). Southern Response can claim on the Crown only once its own reinsurance and other reserves are substantially exhausted. This has resulted in assurance to insurers that claims will be met, with less cost to the public than a "bailout".

- 3.15 The Treasury has not carried out a separate piece of work, as suggested in our fourth recommendation, to document its analysis and thinking around its

dealings with South Canterbury Finance Limited. Nor has the Treasury carried out a formal post-project review of lessons learned from the Scheme.

- 3.16 The Treasury's reasons for this include that:
- the Treasury considered many of the risks and issues arising from the original scheme when working on the extended scheme in 2009;
 - there are now fewer non-bank deposit takers that could pose similar risks;
 - the unique nature of the Scheme limits the extent of lessons that could be applied to a future scheme; and
 - specific lessons are being covered in detail in the work within the Trans-Tasman Banking Council and the Financial Stability Key Initiative.
- 3.17 The Treasury has seriously considered the lessons learned in various ways from both the global financial crisis in general and the Scheme in particular. Applying these lessons should help the Treasury to manage future situations involving distressed institutions. The Secretary to the Treasury outlined some of these lessons from the global financial crisis in a speech in July 2013.² He noted that learning from the experience is not finished.

The Treasury's progress in strengthening resilience to major pressure on the economy

The Financial Stability Key Initiative

- 3.18 The Treasury has used the lessons learned from the global financial crisis and the Scheme to inform the development of its Financial Stability Key Initiative. The Initiative aims to:
- create a broad framework with robust and workable arrangements to limit future risks; and
 - better manage risks that do arise.
- 3.19 The Treasury has carried out much work on the Financial Stability Key Initiative. The Project Plan for the initiative contains milestones, a risk register, a breakdown of resources and costs, and quality controls. The Project Plan has high-level sponsorship and robust reporting mechanisms within the Treasury and with the Reserve Bank.

² The Treasury (July 2013), "Reflections on, and Some Lessons from, the Global Financial Crisis", speech delivered by Gabriel Makhoulf, Secretary to the Treasury.

- 3.20 Work on the Initiative continues but some major progress has been made, including:
- signing a memorandum of understanding with the Reserve Bank, including financial stability arrangements (general and macro-prudential);
 - working with the Australian Treasury on crisis management arrangements; and
 - improved project management practices to strengthen risk identification, communication, and planning to deal with other unexpected events (such as natural disasters).

Working with the Reserve Bank

- 3.21 In our 2011 report, it was our view that the Treasury could have more carefully considered whether it needed greater powers for more direct control of distressed institutions. In the context already discussed, the Treasury has reviewed the limitations of the Scheme, including carrying out work to determine the necessity and nature of any future guarantees as well as any other means of control.
- 3.22 The Treasury considers that it is now in a better position to deal with potential shocks to the economy, such as the failure of major financial institutions. The Treasury has worked with the Reserve Bank on initiatives that are intended to mitigate and avoid, as far as possible, the risk of bailouts and guarantees. The initiatives include implementing aspects of Basel III (an international regulatory framework for banks), introducing a new macro-prudential framework, and developing robust tools in the event of bank failure, such as the Open Bank Resolution. The Treasury and the Reserve Bank are continuing to work together to clarify the governance roles and responsibilities of the Treasury, the Minister of Finance, and the Reserve Bank in the event of a potential major bank failure.

About the Open Bank Resolution

The Open Bank Resolution forms an important part of the framework for dealing with distressed institutions. The Open Bank Resolution was implemented in June 2013 and broadens the Government's range of options for responding to a bank failure. The Open Bank Resolution is intended to reduce the expectation and likelihood of bailout, which has been evident since the global financial crisis (the "implicit guarantee").

The Open Bank Resolution, if implemented when a bank fails, is designed to ensure that losses are first borne by shareholders. It allows a "conservative" portion of depositors' and creditors' funds to be frozen to cover any remaining losses, if necessary. This is put in place overnight, but allows the bank to open the next day so that depositors have access to the unfrozen portion of their deposits. This initial freeze, followed by gradually releasing the frozen part of depositors' funds (if and when that is warranted) is intended to control Crown risk. Ongoing Crown risk would then be controlled by replacing the existing management team with a Crown-directed statutory manager. See "Open Bank Resolution (OBR) policy – Q&A" on the Reserve Bank website (www.rbnz.govt.nz) for further details.

Working with the Trans-Tasman Banking Council

- 3.23 The New Zealand and Australian Treasuries have been working together since 2005 to identify the main risks to financial stability and options for dealing with those risks. This work has been carried out through the Trans-Tasman Banking Council, underpinned by a "Memorandum of Cooperation".³ Since 2008, the Council has been working with increased focus on crisis management arrangements in the event of a bank failure. This work is intended to provide a better range of options for dealing with crises affecting Trans-Tasman Banking Group institutions, such as the four largest banks in New Zealand.⁴ This groundwork is intended also to provide a sound platform for better planned and co-ordinated action in response to a future crisis than was apparent in 2008.
- 3.24 We reviewed internal documents that show consideration of options for addressing future crises, such as potential major bank failure. Actions include carrying out crisis simulation exercises (one in 2011 and another to take place in the future), and continuing to work with the Trans-Tasman Banking Council to test trans-Tasman financial crisis management co-ordination. Some progress has been made working through the challenges towards joint action with Australia and the Treasury considers that the work programme will evolve over time.

Being proactive and alert

- 3.25 In our 2011 report, it was our view that the Treasury could have been much more proactive and prepared for an event that would strongly affect the economy, such as the global financial crisis. In our view, closer observation of overseas developments with the global financial crisis and a better understanding of overseas responses would have better prepared the Treasury to implement the Scheme.
- 3.26 We note that the Secretary to the Treasury acknowledged in his speech in July 2013 that New Zealand was neither aware nor alert enough to deal with the influence of overseas financial systems and markets. He noted that New Zealand needs to strengthen interconnectedness with its overseas counterparts and improve its understanding of interrelated risks by co-ordinating its policies and strategies to contain these risks and prepare for contingencies.
- 3.27 We note that other lessons acknowledged by the Secretary to the Treasury were:
- better understanding the signs of trouble; and
 - that the different arms of economic policy need "to work in the same direction as much as possible...[involving] far closer co-ordination between monetary and fiscal policy".⁵

3 Available at the Council of Financial Regulators website, www.cfr.gov.au.

4 New Zealand's four largest banks are subsidiaries of Australian-owned banks.

5 The Treasury (July 2013), "Reflections on, and Some Lessons from, the Global Financial Crisis", speech delivered by Gabriel Makhoul, Secretary to the Treasury.

- 3.28 We agree with the Secretary to the Treasury that, as far as it can, the Treasury needs to ensure greater co-ordination of its policy streams to build preparedness for, and resilience after, any future financial crises.

New Zealand Customs Service: Managing Trade Assurance capability risks

4

Introduction

- 4.1 In 2011, we carried out a performance audit to assess how effectively the New Zealand Customs Service (Customs) plans and supports its revenue assurance work. We found that:
- Customs had most of the planning and supporting systems and structures it needed to effectively provide revenue assurance;
 - Customs risked losing staff capability in its Trade Assurance business unit; and
 - Customs did not have sufficiently clear, consistent, and up-to-date written guidance to help Trade Assurance staff carry out their audit work.
- 4.2 Customs collects about 15% of the Government's total revenue. In 2012/13, this was about \$11.2 billion. Customs' approach to collecting revenue is based on voluntary compliance, relying on traders correctly declaring the amount that they owe in goods and services tax on imports, customs duty on imported goods, and excise duty on alcohol, tobacco, and petroleum products made in New Zealand.
- 4.3 Trade Assurance is responsible for providing assurance that traders comply with requirements. Each year, Trade Assurance carries out thousands of audits to check whether traders have correctly declared how much they owe.
- 4.4 In July 2013, we began work to see what progress Customs had made with our 2011 recommendations about staff capability and written guidance. Our 2011 audit focused on Trade Assurance's revenue assurance activities. We did not examine the activities of other Customs business units as part of our follow-up work.
- 4.5 In our view, Customs has produced clear and consistent manuals to support Trade Assurance's auditing work. However, although Customs has undertaken capability-related reviews and prepared other relevant documents, it has made limited progress with risk mitigation initiatives.
- 4.6 Since our audit, Customs has carried out capability-related reviews and prepared other documents relevant to Trade Assurance's capability but this work has resulted in limited action. Trade Assurance has also moved to a more intelligence-led, risk-based approach to audits through its Trade Assurance Strategy and Work Programme 2012/13 (the new model). Customs told us that its new approach means that Trade Assurance can operate with fewer staff.
- 4.7 It is too soon to tell whether these changes have mitigated capability risks and Trade Assurance's capability can effectively support the new model. The work involved in each audit under the new operating model has increased in complexity and there has been a reduction in staffing levels (reportedly enabled by the new operating model).

- 4.8 In our view, Trade Assurance's capability risks concerning the age of its staff and the time it takes to train new staff are still significant.

Support materials for staff

- 4.9 In our view, Customs now has a wider range of better quality written guidance for Trade Assurance staff. After we published our 2011 report, Customs began a project to create audit user manuals (the manuals) for Trade Assurance staff. The manuals are designed to support Trade Assurance staff in completing and reporting on audit activity.
- 4.10 The manuals project started in 2011 and was completed in 2013, when Customs released the manuals to staff in hard copy and online formats. The manuals took two years to produce because they were written by one part-time person and because of the detailed nature of creating the manuals.
- 4.11 Customs took a thorough approach in creating the manuals. The manuals were written by a retired former senior Trade Assurance staff member with significant audit experience. Senior staff peer reviewed the work. Customs also held a round of consultation with staff who are regarded internally as subject-matter experts.
- 4.12 In our view, the manuals are clear and consistent. They identify the information that Trade Assurance staff need to collect and understand during an audit, as well as the steps needed to carry out the audit. They cover the full range of Trade Assurance compliance activity.
- 4.13 Customs has two ways to update the manuals. Urgent changes can be made immediately by a restricted number of staff with administration rights. More routine amendments or updates can be incorporated during an annual review.

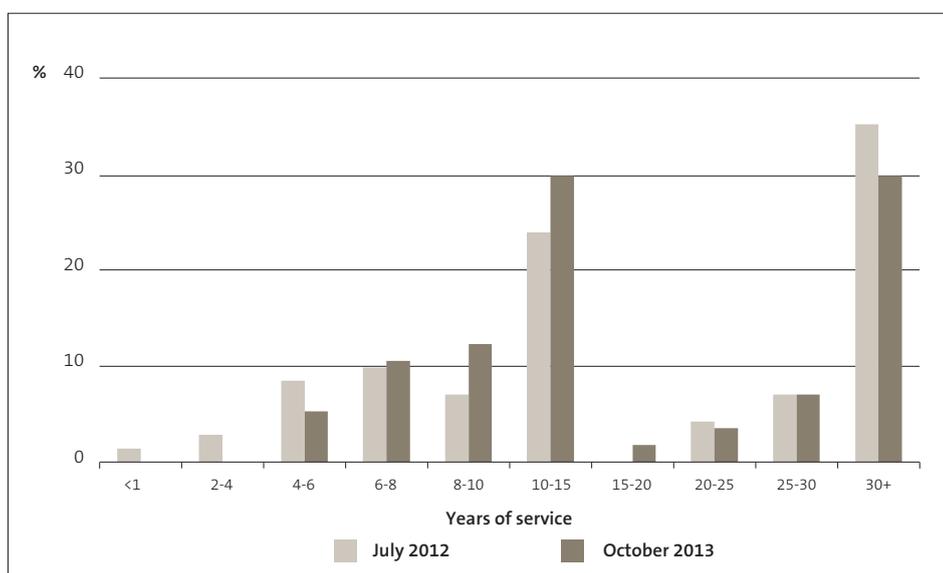
Trade Assurance's staff capability risks

- 4.14 Trade Assurance's work is complex. It takes at least four to five years for staff to become fully competent in carrying out the work. Developing and retaining people with high-level skills is critical to the unit's success. We recognised this as a capability risk for Customs in our 2011 report.
- 4.15 At the time of our 2011 audit, the risk was compounded by the number of experienced staff who had recently retired or were approaching retirement age. The skills held by these long-serving Trade Assurance staff would be lost once these staff moved on.

Trade Assurance's capability risks are still significant

4.16 Trade Assurance still faces significant capability risks. Trade Assurance has lost a number of long-serving experienced staff since our 2011 audit. Trade Assurance still has an ageing workforce. Figure 1 shows that almost 30% of Trade Assurance staff have worked for Customs for more than 30 years, and another nearly 30% for 10-15 years. Many of these very experienced staff are approaching retirement age. More than a third of Trade Assurance's workforce is aged 55 years and over.

Figure 1
Percentage of Trade Assurance staff by length of service, 2012 and 2013



Source: Customs.

4.17 This means that Trade Assurance will continue to lose people with extensive experience of the business. Also, the time it takes for Trade Assurance staff to become fully competent has not changed. This is similar to the situation we found in 2011, when Customs had an ageing workforce and work that requires many years to master.

The context for assessing Customs' progress in managing Trade Assurance's capability risks

- 4.18 It is important to consider Customs' progress with our recommendations against the background of the public sector environment since our 2011 audit. Customs told us that in line with other public sector agencies, and because of the fiscal environment, it has been looking for efficiencies.
- 4.19 The Trade Assurance Strategy and Work Programme noted that a Trade Assurance Succession Plan was designed to overcome concerns expressed by our Office that Customs needed to recognise and address a "pending capability problem".
- 4.20 We looked at the implementation of initiatives identified in this Succession Plan and the difference that this has made. The Succession Plan initiatives were discussed in a Trade Assurance Review carried out in 2012. Although this review was superseded by Project Compass (an organisation-wide change programme), we also looked at the implementation of relevant recommendations from this review.

Customs' progress in managing Trade Assurance's capability risks

- 4.21 Building capability takes time, and it needs a robust plan and targeted action. Since our July 2011 report, Customs has carried out capability-related reviews and prepared other relevant documents (the reviews). Figure 2 outlines the reviews.

Figure 2
Customs' initiatives relating to Trade Assurance capability since September 2011

Date	Capability-related reviews
September 2011	Customs prepares a paper, <i>Succession Plan for Trade Assurance</i> . The Succession Plan was to form the basis for developing a succession strategy to address the risks highlighted in our 2011 report. The Succession Plan identified 11 initiatives that Customs could use to help mitigate the risks from loss of capability but no succession strategy was developed, tested, or implemented.
November 2012	Trade Assurance Review is tabled before senior Customs management. The review made five capability-related recommendations intended to enhance and sustain capability within Trade Assurance. The review was superseded by Project Compass (an organisation-wide change programme) and did not advance to the implementation phase.
July 2013	Changes following Project Compass take effect. As a result of Project Compass, Customs formed a new Revenue and Assurance Directorate. Trade Assurance and two other Customs units responsible for collecting revenue were placed in this new Directorate. As at November 2013, Customs is reviewing the Directorate's functions. Customs told us that the structure for the Revenue and Assurance Directorate is likely to be confirmed by 1 June 2014.

Date	Capability-related reviews
November 2013	<p>Review of Customs' Workforce Strategy 2012-16 is under way.</p> <p>The New Zealand Customs Service Workforce Strategy 2012-16 identified a number of issues directly related to Trade Assurance's capability needs. Customs staff told us that the Workforce Strategy is under review from November 2013, as part of Customs' four-year plan update. Customs told us that the updated four-year plan will include a requirement to increase staff capability.</p>

- 4.22 Some of the reviews were organisation-wide and some were restricted to Trade Assurance. Although each review was different, most restated the risks that Trade Assurance faces from capability loss and proposed similar actions to address those risks. To date, each review has been followed by only limited action regarding Trade Assurance's capability risks.
- 4.23 The appendix shows the initiatives that Customs identified in 2011 and 2012 (through the Succession Plan and Trade Assurance Review) to address Trade Assurance's capability risks and the progress that Customs has made with each initiative. Overall, limited progress has been made against these initiatives. The effectiveness of this progress, especially in ensuring that Trade Assurance has the capability needed to deliver Trade Assurance's new operating model, will only become apparent with time.

Appendix: Progress of initiatives to mitigate capability risks in Trade Assurance

Initiative	Progress
Staff retention and development	
Developing a tertiary qualification that includes a specialist audit component.	<p>This qualification has been developed. A precondition for obtaining the new tertiary qualification for Trade Assurance is that officers complete a general, but relevant, Customs qualification. The new qualification builds on the general qualification and is more specific.</p> <p>Customs told us that 23 Trade Assurance Officers will have obtained the general qualification by the end of 2013. Two Trade Assurance staff have graduated with the newly developed specialist qualification and four additional Trade Assurance staff are studying to obtain this qualification.</p>
Implementing a “buddy” system for less experienced staff.	<p>Customs told us that it had deliberately mixed together more experienced staff with less experienced staff within the Trade Assurance unit when it put in place the new Trade Assurance structure in July 2013. The new structure is expected to be confirmed by 1 June 2014.</p> <p>This has the potential to encourage the transfer of institutional knowledge and help with the informal development of newer officers and specialists.</p>
Realigning the structure of Trade Assurance.	<p>The new Trade Assurance structure was put in place in July 2013. The aim of the new structure is to improve the way in which Trade Assurance deals with risk, prioritises its workload, and allocates its resources.</p> <p>The structure now comprises three different workstreams or “focus groups”:</p> <ul style="list-style-type: none"> • Licensing; • Revenue; and • Supply Chain – Trade Data. <p>Another feature of the new structure is the Trade Assurance Centralisation Team (TACT). TACT has a central role in receiving, recording, allocating, overseeing, and reporting the work that Trade Assurance does. In our view, this should help Customs to better manage its Trade Assurance capability risks.</p> <p>Customs told us that the new operating model for Trade Assurance directly influenced this restructure. As previously mentioned, Customs expects that this structure will be ratified in the confirmation of the Revenue and Assurance Directorate structure.</p>

Initiative	Progress
Recognising and rewarding specialist staff as a way to encourage retention.	<p>Progress in this area has been mixed.</p> <p>The reward scale for specialists has not changed since 2008.</p> <p>From July 2013, specialists were able to become “focus group leads” as part of the new Trade Assurance structure. This means that they are nationally recognised as a leading specialist within one of the three Trade Assurance workstreams.</p> <p>The pathway for people to become “focus group leads” is subject to positions being available and to business requirements.</p> <p>Customs told us that there have been adjustments to recognition and reward through contract negotiations, and staff have had annual performance reviews that inform any position in band progression and increased remuneration. Customs also told us that there is an option to make one-off payments to recognise superior performance.</p>
Enhancing the existing Trade Assurance training programme through a formalised and structured approach.	<p>In our 2011 audit, we recognised that Customs had a good framework for training Trade Assurance Officers.</p> <p>We looked for evidence of a formalised and structured approach to the Trade Assurance training programme as per a recommendation from the Trade Assurance Review.</p> <p>A training programme, the Trade Assurance Staff Development Guide and Training Plan, was finalised in November 2013, and Customs reports that it was issued in the latter part of 2013. We note that some courses/ training in this guide are either still under development, only available externally, or not yet available.</p> <p>In our view, this is a general staff development guide, not a formalised and structured training programme as intended.</p>
Identifying and developing existing subject-matter experts.	<p>The new Trade Assurance structure should allow for the development of existing subject-matter experts.</p> <p>The development of existing subject-matter experts should also be assisted by the staff development guide now that it has been finalised and issued.</p> <p>We also note that Customs' Leadership Framework was released in September 2013. This places value on thought leadership provided by specialists as distinct from people leaders, and signals development opportunities for specialists.</p>

Initiative	Progress
<p>Forming a close working relationship between Trade Assurance and Client Services (now Service Delivery).</p>	<p>In terms of capability, the main objective of this initiative was to encourage staff development through their movement between the two units because of the close knowledge “synergy” between the two units.</p> <p>Since our report in July 2011, and as at March 2014, there had been 10 occasions of staff movement from Trade Assurance to Client Services (now Service Delivery) and five occasions of staff movement from Client Services to Trade Assurance.</p> <p>The reasons for this movement included career development and information-sharing, Customs rotation programmes, and meeting resource requirements.</p> <p>In our view, this staff movement is encouraging. However, movement between these units could be more balanced. We encourage the achievement of the outcome of providing staff with valuable knowledge that they can take back to the unit that they came from for their career development as well as knowledge-sharing between the two units.</p>
<p>Changing Customs' rotation policy.</p>	<p>Customs' rotation policy could be a barrier to specialist career development if it is not carefully managed.</p> <p>The Trade Assurance Review noted that:</p> <p><i>The current rotation policy is appropriate for the leadership team but potential rotation of technical specialists is a significant risk for the capability needs within Trade Assurance and should be reviewed.</i></p> <p>As at November 2013, Customs had not made changes to its rotation policy to assist with the retention of specialist knowledge.</p>
<p>Greater interaction and “synergy” with Australian Customs and Border Protection and Inland Revenue Department Auditors.</p>	<p>Customs told us that Trade Assurance management is exploring secondment and exchange programmes with both the Inland Revenue Department and the Serious Fraud Office under existing Memorandum of Understanding instruments.</p> <p>We found no evidence of auditor exchange programmes in the past.</p>
<p>Secondments of Band 40 Customs Officers into Trade Assurance to trial capability and assist with succession planning.</p>	<p>To date, no secondments have occurred.</p>

Initiative	Progress
Staff recruitment	
Developing a formal process so that new Customs recruits with the educational qualifications and skills appropriate for the Trade Assurance environment are identified early in their career and offered an opportunity to work in the unit.	<p>Of 24 new recruits, Customs identified some in November 2013 as having the requisite skills for Trade Assurance.</p> <p>We found no evidence of any process to actively monitor and manage these recruits towards a career in Trade Assurance.</p>
Filling the current funded vacant positions in Trade Assurance.	<p>In November 2012, Customs identified in its Trade Assurance Review that the current funded vacancies in Trade Assurance needed to be filled immediately. The review identified significant capability and delivery risks if this was not achieved. As previously mentioned, this review was then superseded by Project Compass.</p> <p>Project Compass meant that a further 12 Trade Assurance staff were lost to voluntary redundancy.</p> <p>Customs reports that there are no current funded vacancies in Trade Assurance. Customs told us that its new intelligence-led, risk-based approach means that Trade Assurance can operate with fewer staff.</p> <p>Customs was unable to tell us how many people it will need under this new model, and it is too soon to tell how the reduced staffing levels will affect the ongoing implementation of Trade Assurance's new operating model.</p>
Accessing people with the required technical skills	
Taking a flexible approach to recruiting people with specialist skills from outside Customs based on business needs.	<p>The Trade Assurance Review recommended that a flexible approach to recruiting people with specialist skills "on a business needs basis" could help to enhance capability.</p> <p>We found no evidence, other than the temporary engagement of the former Trade Assurance staff member to prepare the manuals, that recruiting people with specialist skills from outside Customs had been explored or used as an approach.</p>

5

District health boards: Availability and accessibility of after-hours services

Summary

- 5.1 In 2010, we published a report¹ about a performance audit looking at whether district health boards (DHBs) were effectively meeting government expectations about the availability and accessibility of after-hours² services.
- 5.2 The *2010/11 Service Coverage Schedule* requires DHBs to ensure that after-hours services are available within 60 minutes' travel time for 95% of the population they service.
- 5.3 In 2010, we found that after-hours services were available within 60 minutes' drive for 99.7% of people. In general, people living in remote rural areas did not have these services available within 60 minutes' drive. Although DHBs had good service coverage, most had not clearly identified or addressed transport and affordability barriers to accessing after-hours services.
- 5.4 In 2013, we wrote to the Ministry of Health (the Ministry) and DHBs to find out how they had responded to our 2010 recommendations.
- 5.5 After-hours services remain available within 60 minutes' travel time for at least 95% of the population.
- 5.6 Our follow-up review showed that many DHBs have identified and/or addressed barriers and improved access. The introduction of free after-hours services nationally for children under six has also helped to improve access for these children. However, access problems (such as cost) remain for Māori, Pasifika, rural communities, and people living in the most deprived areas. There is still after-hours pressure on hospital emergency departments.
- 5.7 We encourage DHBs to continue to look for ways to make access to after-hours services easier and to improve the sustainability of those services. We recognise that DHBs need to work with primary health organisations and other after-hours service providers. There are some successful collaborations. We encourage DHBs and primary health organisations to consider these and other approaches that work well.

1 *District Health Boards: Availability and accessibility of after-hours services.*

2 In our 2010 report, we defined after-hours services as being:

- services for urgent or acute needs, and services that one might expect to receive from a general practitioner (or from a nurse who has appropriate medical back-up available);
- services available at times when a patient might expect reduced access to their general practitioner, such as when local businesses are closed; and
- those services contained in DHBs' after-hours plans.

Scope and recommendations of our 2010 audit

- 5.8 Our 2010 performance audit looked at how DHBs planned after-hours services. We looked at whether DHBs had planned to ensure that an after-hours service was available within 60 minutes' drive of at least 95% of their district's population during a typical week. We also looked at the extent to which DHBs had identified any potential barriers, such as transport and affordability of after-hours services.
- 5.9 We recommended that DHBs:
- better identify, consider, and respond to affordability barriers when planning, funding, and providing after-hours services;
 - where it is within their influence, better identify, consider, and respond to access barriers other than affordability – such as transport barriers; and
 - comprehensively review and, where necessary, redesign their after-hours service networks to ensure that those networks will be more sustainable in the future (for those DHBs not already doing so).

Improvements since 2010

- 5.10 The Ministry and all the DHBs responded to our 2013 request for information about the progress they had made. Figure 1 summarises new initiatives and progress that the DHBs reported to us.

Figure 1
District health boards' new initiatives and progress since 2010

District health boards	Affordability		Access			Sustainability
	Implemented free after-hours services for children under 6	Identified, considered, and/or responded to other affordability barriers	Identified and addressed transport barriers	Identified and/or addressed other access barriers	New practices using nurse-led telephone advice	
Bay of Plenty	✓	✓	✓			✓
Canterbury	✓		✓		✓	✓
Auckland metro (Counties Manukau, Waitemata, and Auckland)	✓	✓			✓	✓
MidCentral	✓	✓	✓		✓	✓
Nelson-Marlborough	✓				✓	✓
Northland	✓			✓	✓	✓
Southern	✓	✓	✓	✓	✓	✓
South Canterbury	✓	✓	✓			✓
Tairāwhiti	✓					✓
Waikato	✓	✓		✓	✓	✓
West Coast	✓				✓	✓
Whanganui	✓		✓	✓		✓
Capital and Coast	✓	✓	✓			
Wairarapa	✓	✓				
Hutt Valley	✓	✓				
Hawke's Bay	✓	✓				✓
Lakes	✓				✓	
Taranaki	✓					

Addressing affordability barriers

- 5.11 In 2012, free after-hours services for children under six were introduced nationally. Thirteen DHBs have also eliminated consultation fees for children under six during regular hours.³ Canterbury DHB and the Auckland Regional After-Hours Network told us that they plan to do the same. More than 95% of children under six now have access to free after-hours services. There are indications that the services are being used more.
- 5.12 However, apart from this initiative, progress with identifying and addressing barriers to access after-hours services has been limited.
- 5.13 The *New Zealand Health Survey Annual Update of Key Findings 2012/13* reported that 7% of adults did not visit an after-hours medical centre because of cost.⁴ The cost barrier particularly affects people in rural and deprived areas. However, only three DHBs reported collecting information to help identify affordability barriers. This matters because people who delay getting treatment are more likely to have poorer health outcomes. If complications arise because of delayed treatment, the costs are likely to be higher. Other economic effects include loss of earnings and payment of health-related social benefits.

Addressing other access barriers

- 5.14 Hospital emergency departments continue to bear some burden from after-hours services. In 2011, a survey of 11 countries found that 40% of "sicker" New Zealand adults reported finding it difficult to get after-hours care without going to an emergency department.⁵ This is a smaller proportion than in Australia or Canada. However, in the United Kingdom, 21% of respondents reported similar difficulties. This suggests that DHBs can improve access to after-hours care.
- 5.15 Our survey of DHBs shows that they have focused largely on diverting people from inappropriately accessing emergency services.
- 5.16 The Primary Response in Medical Emergencies (PRIME) service provides a quick response to people who are seriously ill or injured in rural areas. The PRIME service uses specifically trained rural general practitioners and/or rural nurses to support the ambulance service.
- 5.17 Since 2010, DHBs have been using nurse-led telephone advice more. All DHBs that responded to our request for information use telephone advice as part of their

3 Regular hours are defined as between 8am and 5.30pm.

4 This is for the period from 1 July 2011 to 30 June 2012.

5 The Commonwealth Fund (2011), *2011 Commonwealth Fund International Health Policy Survey*, available at www.commonwealthfund.org. Sicker adults are those aged 18 and older who rated their health as fair or poor; who reported receiving medical care for serious chronic illness, injury, or disability in the past year; or who had had surgery or had been hospitalised in the past two years.

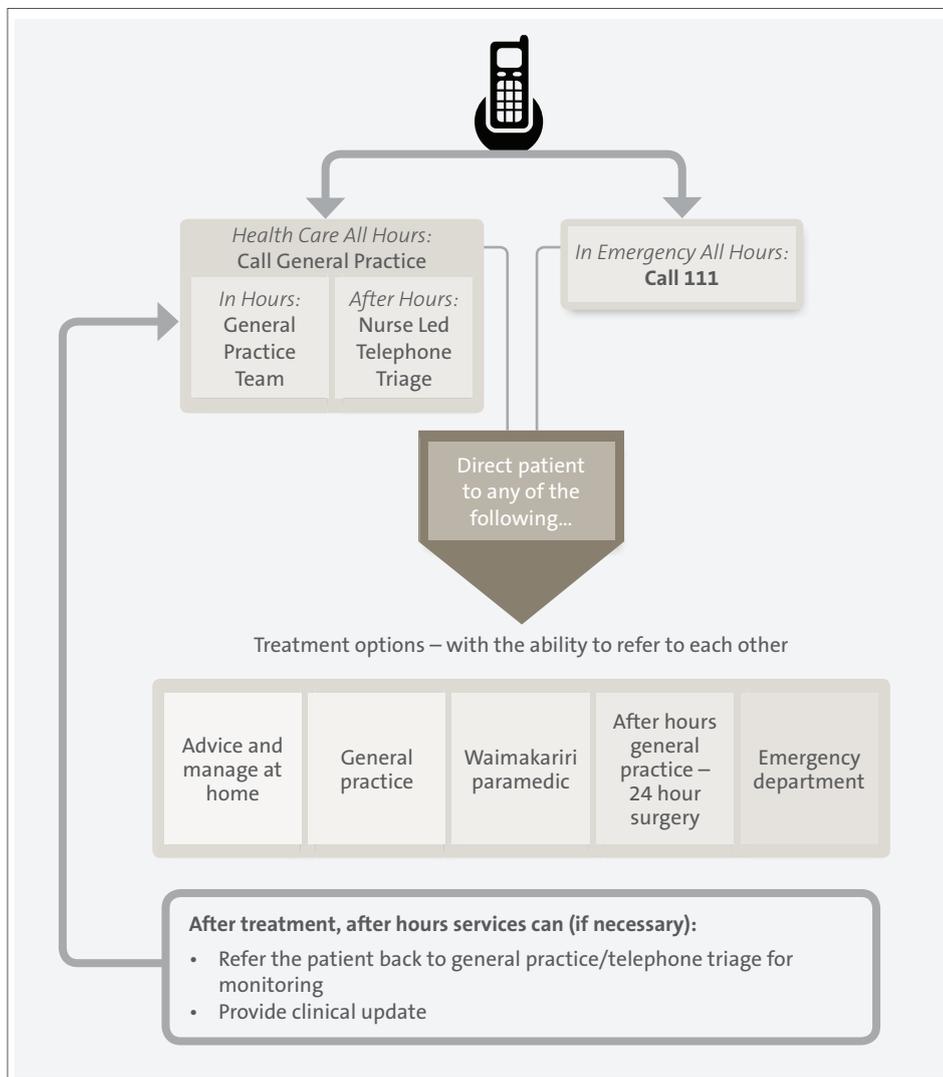
after-hours service. From April to June 2013, 65.3% of calls to Healthline were outside regular hours. Private telephone advice services are also being used more.

- 5.18 The Ministry is developing a national “telehealth” service. Streamlining the approach to telehealth would mean that advice could be provided more consistently and reduce confusion about which number to call. Telephone advice can reduce the number of face-to-face consultations when it is safe to do so, easing after-hours workloads. However, it is not suitable for patients who need to see a general practitioner or a nurse.
- 5.19 Seven DHBs have proposed or taken other steps to address transport problems. These steps include home visits, redirecting patients to accident and medical centres or primary care providers, and extended health shuttle services. Whanganui DHB told us that its patients can use after-hours services in MidCentral DHB (Palmerston North) if the services are closer to them.
- 5.20 Our original audit highlighted the need for DHBs to consider the availability of pharmacy services during after-hours periods. In their responses to our follow-up, only two DHBs identified, or said they have plans to address, barriers to access after-hours pharmacy services. Although our audit did not cover the availability of diagnostic services, two DHBs are working to improve access to after-hours diagnostic services.

Improving the sustainability of after-hours services

- 5.21 Since 2010, several after-hours initiatives have begun to improve the sustainability of after-hours services through the use of networks. In 2011, the Auckland metro DHBs⁶ set up the Auckland Regional After-Hours Network. This is a network of DHBs, primary health organisations, and accident and medical clinics that aims to address the need for co-ordinated after-hours care in Auckland.
- 5.22 The Southern After-Hours Initiative is a collaboration between Southern Primary Health Organisation, Southern DHB, and general practices. Midlands Health Network's Patient Access Centre triages patients over the phone by taking calls diverted from general practitioners in parts of Waikato.
- 5.23 In Waimakariri, after-hours services were reconfigured to provide an integrated response. The response includes extended general practice hours, nurse-led telephone triage, the hospital's emergency department, the local paramedic service, the St John Ambulance Service, taxis, and a 24-hour surgery (see Figure 2).

Figure 2
The integrated after-hours health services available to people in Waimakariri District



Source: Canterbury District Health Board

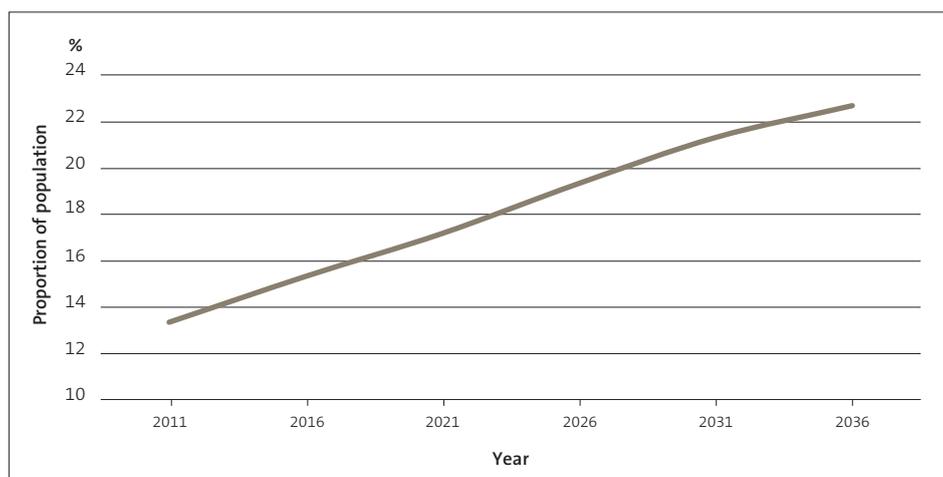
- 5.24 Some DHBs plan to address the sustainability of after-hours services – for example, by integrating family health centres or reviewing workforce problems. The After Hours Primary Health Care Working Party identified staff availability as one of the biggest problems affecting the sustainability of an after-hours service.

- 5.25 Increasingly, after-hours services are being consolidated. Various arrangements have emerged, from co-locating with hospital emergency departments to merging several after-hours providers. These arrangements allow resources to be shared between primary and secondary care, and between after-hours service providers. Consolidating after-hours services can help reduce the workloads for staff on call for extended periods. This is particularly true in rural areas.
- 5.26 DHBs continue to share roster arrangements. For example, in Nelson, a network of practices share rosters to provide after-hours services from a dedicated facility. However, some general practitioners work alone. Relying on a single general practitioner to provide after-hours services is risky and unsustainable in the long term.
- 5.27 We saw limited progress in addressing challenges to workforce and financial sustainability. DHBs are still working to identify better after-hours workforce models. After-hours fees are inconsistent, and there can be a perverse incentive to go to the emergency department of a hospital because it is free.

Home-based support services for older people

- 6.1 In common with many other developed countries, New Zealand has an ageing population. Statistics New Zealand predicts that the number of people aged 65 and over will double between 2011 and 2036. This would mean that by the late 2030s, people aged 65 and over will be almost one-quarter of New Zealand's population (see Figure 1).

Figure 1
Mid-range projections of the proportion of the population aged 65 and over, from 2011 to 2036



Source: Statistics New Zealand.

- 6.2 Statistics New Zealand says this increase in the numbers and percentage of people aged 65 and over will mean that there will be increased emphasis on older people being able to continue living in the community with some independence.
- 6.3 Older people, even those with considerable disability, generally prefer to live at home (which includes living in retirement villages) rather than in residential care. Staying at home lets an older person maintain their social networks and continue to be part of the community. Supporting older people to live independently at home can also bring wider financial benefits. Home-based support services usually cost less than caring for older people in rest homes or in hospital. Therefore, providing quality home-based support services that are effective and efficient is important for individuals and the economy.
- 6.4 In 2012/13, district health boards (DHBs) collectively spent about \$263 million on home-based support services, funding an estimated 10.4 million hours of support for about 75,000 people aged 65 and over.

Background

- 6.5 In July 2011, we published a performance audit report entitled *Home-based support services for older people*. The report looked at how effectively the Ministry of Health (the Ministry) and DHBs ensured that older people get the care and support they needed to remain living independently at home.
- 6.6 Our performance audit examined:
- what the Ministry and DHBs had done to carry out the aspects of the New Zealand Health of Older Peoples' Strategy that related to home-based care;
 - DHB processes for providing older people with home-based support services, which included looking at InterRAI, the standardised tool used to assess and reassess older people's support service needs;
 - the delivery of home-based support services, which included looking at performance information from DHBs, providers, and the Ministry, as well as talking to several older people about the services they received; and
 - how effectively the Ministry and DHBs monitor the quality of home-based support services and use this information to drive improvements.

What is InterRAI?

InterRAI is a comprehensive clinical assessment tool that helps staff to select appropriate support requirements for older people needing home-based support services. Staff can access it through the Internet when working in the community. InterRAI was introduced to DHBs from 2008 to 2012.

InterRAI is designed to help staff assess an older person's medical, rehabilitation, and support needs. The assessment is done in relation to a number of factors – for example, mobility and self-care. The Ministry believes that improving assessment outcomes for older people will enable them to stay in their own home for longer.

InterRAI is also used in other parts of the health sector, and is currently being rolled out to aged residential care. The Ministry believes that this will improve needs-assessment of older people living in aged residential care.

Source: IT Health Board and the Ministry of Health.

Our 2011 findings and recommendations

- 6.7 In 2011, we considered that, generally, the delivery of home-based support services was adequate. This was a qualified view because we concluded that the Ministry and DHBs needed to address deficiencies in performance information about home-based support services.
- 6.8 We found that there was no mandatory quality standard for providers of home-based support services. DHBs did not have a consistent and robust approach to managing quality. Therefore, we could not give positive assurance about

the quality and consistency of services throughout the country. However, the limited information that was available did not point to widespread problems, and the small number of older people we interviewed told us that services were responsive and met their needs.

- 6.9 We made five recommendations for improvement. We recommended that the Ministry:
1. collect and use reliable information to ensure ongoing service quality and value for money of home-based support services;
 2. evaluate by June 2013 whether using a standard approach to assessment and reassessment [InterRAI] is improving the way that older people's needs are assessed and home-based support services are allocated; and
 3. consider making NZS 8158:2003 *Home and Community Support Sector Standard* (the Standard) mandatory for providers of home-based support services to older people.
- 6.10 We recommended that DHBs:
4. work with others in the aged care sector to develop a complaints system that enables older people to feel confident about making complaints; and
 5. strengthen management contracts to ensure that home-based support staff provide high-quality services and are well trained and supervised.
- 6.11 These recommendations can be seen in full in our 2011 report.

Progress with achieving improvements

- 6.12 Overall, the Ministry and DHBs have made mixed progress with achieving improvements. The Ministry, with the assistance of DHBs, has made good progress in updating the Standard and making compliance with it a requirement in all provider contracts with DHBs. DHBs have also made good progress piloting a complaints process that seeks to standardise the way that providers record complaints. Some progress has been made in strengthening management contracts with providers to ensure that home-based support service staff are well trained and supervised.
- 6.13 However, there has been limited progress in other areas – evaluating the InterRAI assessment tool, and collecting and using reliable information to ensure ongoing service quality. The reasons for limited progress include problems in meeting deadlines as well as delays because the project to evaluate InterRAI has been re-scoped.
- 6.14 The rest of this article provides further information on the progress that the Ministry and DHBs have made.

Progress with introducing a minimum standard of home-based support services

- 6.15 The Ministry has made good progress with setting a minimum standard for home-based support services. In December 2011, the Ministry and other partners – for example, the Accident Compensation Corporation (ACC) and the New Zealand Home Health Association (NZHHA) – started a quality assurance programme. This quality assurance programme:
- set a minimum standard for home-based support services through DHBs contractually requiring providers to conform to the updated Standard;
 - developed a voluntary self-assessment tool that providers could use to assess compliance with the Standard; and
 - developed consistent processes and tools throughout the funders of home-based support services (DHBs, ACC, and the Ministry) for auditing compliance with the Standard.
- 6.16 In February 2011, Standards New Zealand started reviewing the Standard, as part of its ongoing review of the standards it administers. A revised Standard was published in April 2012. This revised Standard subsequently became a key component of the quality assurance framework.

What is the Standard?

The Standard sets out the minimum standard that home-based support service providers must achieve when delivering home-based support services to older New Zealanders. It is included in all DHB contracts with providers of home-based support services.

How do DHBs know whether providers comply with the Standard?

The Director-General of Health appoints Designated Audit Agencies (DAAs) to carry out audits of healthcare services. One type of healthcare audit that some DAAs carry out is certification audits against the Standard. Providers that meet the Standard are issued certificates of conformance. Having independent audits should help provide assurance that certified home-based providers adhere to the Standard. Providers of home-based support services pay for these certification audits.

Source: Ministry of Health.

- 6.17 The Ministry and DHB Shared Services see the 2012 Standard as a significant improvement on the previous one. The new Standard focuses more directly on client outcomes (instead of provider processes), and it takes into account clients' varying and complex needs. The new Standard also promotes restorative care, a form of care that focuses on restoring some self-sufficiency to older people's lives. The Standard has the support of people we talked to, including staff at the Ministry, DHB Shared Services, and the NZHHA. Staff at DHB Shared Services told us that DHBs and providers also support the new Standard. Having strong cross-sector support should improve adoption of the Standard.

- 6.18 The Ministry ensured that stakeholders in the home-based support sector understood the implications of the Standard. The Ministry created guidance for providers and funders of home-based support services, which details how the new Standard differs from the old one, as well as highlighting challenges that funders or providers might face. The Ministry also participated in seminars across New Zealand, which were facilitated by the NZHHA. This should help to ensure a good understanding of the new Standard.
- 6.19 The quality assurance programme also produced a set of brochures for older people, which sought to improve awareness and understanding of home-based support services and the rights that they have as clients. One brochure encourages older people to make a complaint if something bad happens. It seeks to help older people identify the situations that could justify them making a complaint, and how they can go about addressing the situation or raising a complaint with their provider. DHB Shared Services told us that these brochures are a good first step in improving older people's confidence to make a complaint.

Progress with introducing a complaints system

- 6.20 Through DHB Shared Services, DHBs have made steady progress with developing a complaints system that allows older people to confidently raise complaints. In October 2012, the quality assurance programme involving the Ministry and DHBs started work on creating a complaints categorisation process for home-based support services. That process aims to standardise how DHBs capture and record complaints.
- 6.21 In January 2013, DHB Shared Services began to prepare a pilot project on complaints categorisations. That pilot project is currently under way. In determining what a potential complaint could be, DHB Shared Services has linked categories of complaints to the ten consumers' rights set out in the Code of Health and Disability Services (see Figure 2).

Figure 2
Categories of complaints linked to consumers' rights

Complaint categorisation for reporting to funder	Consumers' right
Attitude	Right 1: Right to be Treated with Respect Right 3: Right to Dignity and Independence
Discrimination and Harm	Right 2: Right to Freedom from Discrimination, Coercion, Harassment, and Exploitation
Service Delivery	Right 4: Right to Services of an Appropriate Standard

Complaint categorisation for reporting to funder	Consumers' right
Communication	Right 5: Right to Effective Communication Right 6: Right to be Fully Informed Right 7: Right to Make an Informed Choice and Give Informed Consent Right 9: Rights in Respect of Teaching or Research
Advocacy	Right 8: Right to Support Right 10: Right to Complain

Source: DHB Shared Services.

- 6.22 The complaints process includes a template for reporting and addressing complaints. A likelihood and consequence matrix assigns a severity assessment code (SAC) to the incident complained of, to enable it to be prioritised and classified. Reporting requirements vary with the severity of the incident (see Figure 3).

Figure 3
Severity Assessment Coding and reporting process

SAC4	Low risk Action required per your organisational policy. May include in report to funder if considered relevant, e.g. health sector issue or learning.
SAC3	Medium risk Action required per your organisational policy. Report to DHB funder immediately if there is potential media interest. Record in six-monthly report to DHB funder.
SAC2	High risk Action required per your organisational policy. Complete Reportable Events Brief Part 1 and send to the Health Quality and Safety Commission (HQSC) within 15 working days. Report to DHB funder immediately if there is potential media interest. Record in six-monthly report to DHB funder.
SAC1	Extreme risk Immediate action required per your organisational policy. Complete Reportable Events Brief Part 1 and send to HQSC within 15 working days. Notify DHB funder within three working days, or report to DHB funder immediately if there is potential media interest. Record in six-monthly report to DHB funder.

Source: DHB Shared Services.

- 6.23 The Auckland, Waikato, and Hutt Valley DHBs (and their service providers) are piloting the standardised complaints process. If the pilot project is successful, DHB

Shared Services and the Ministry expect that all DHBs will be using the process by August 2014. In our view, having a standardised complaints process should improve accuracy in recording and reporting complaints and form a sound basis for improving how complaints are responded to and used to make improvements.

Progress with contracting for improved staff training and supervision

- 6.24 In our view, the Ministry and DHBs have made some progress in strengthening management contracts as a way of ensuring that service providers' staff are adequately trained and supervised.
- 6.25 In June 2012, the Ministry drafted a service specification requiring provider staff to have a minimum level of training and supervision from clinical staff. However, DHBs and their providers were concerned about the unquantified costs of including the service specification in contracts. In October 2012, the Ministry decided to not include the service specification in contracts with providers until the cost to providers could be quantified. It is unclear when the service specification will be included in DHB contracts with providers.
- 6.26 However, the new Standard does provide some controls around ensuring that staff are adequately trained and supervised. Two audit reports of providers on their compliance with the Standard showed that contracted auditors were checking that there was training and supervision of staff at both providers. However there was some variance between both providers, as one provider had a time-dependent component to their training, while the other did not.

Progress with collecting and using performance information

- 6.27 The Ministry has designed indicators to monitor service quality, but these are not yet being used as sufficient data from InterRAI is not yet available.
- 6.28 The Ministry drafted a set of relevant home support quality indicators in 2011 and tested them in 2012. The national home support quality indicators aimed to provide information on the levels and quality of assessments and home-based support services. Information collected through InterRAI will be used to inform the national home support quality indicators. There are about 100 indicators, measuring aspects that include:
- the number of new people who have been assessed using InterRAI;
 - the cost of people receiving home-based support services; and
 - the number of people who experience events or circumstances that affect their quality of life, such as the number of people who experience falls, and the number of people who have suffered weight loss.

- 6.29 The national home support quality indicators have not yet been implemented at a national level because sufficient useable data is not yet available from InterRAI to provide a national picture of service quality. DHBs implemented InterRAI at different times, but all DHBs have now been using InterRAI since June 2012.
- 6.30 However, the use of InterRAI is not consistent, as the proportion of older people receiving home-based support services in each DHB who have been assessed and reassessed using InterRAI is variable. An evaluation of InterRAI commissioned by the Ministry, which we discuss in paragraphs 6.32 to 6.36, found other issues that had also limited the use of InterRAI data.
- 6.31 The Ministry has plans to address consistency in the use of InterRAI and the quality of data, but no clear timetable has been outlined. When good quality data is obtained, this will support monitoring of service delivery and potentially lead to service improvements.

Progress with evaluation of InterRAI

- 6.32 The Ministry is part way through a staged approach to evaluate InterRAI. The Ministry has commissioned the evaluation to assess the extent to which using InterRAI has improved the way that needs are assessed and home-based support services are allocated.
- 6.33 The first stage of the evaluation was completed in December 2013 and examined:
- the extent to which the Ministry and DHBs have collated and/or used InterRAI data to inform ongoing service improvements and to identify and share good practice; and
 - what needed to be done to enhance and support the use of aggregated data.
- 6.34 The evaluation found that analysis of InterRAI data was done at a regional level in some DHBs but there was limited use of InterRAI data at a national level. It concluded that the limited use was because there was no overall plan or strategy guiding and informing the use of data at DHB, regional, or national levels. The evaluation recommended that a more co-ordinated approach, guided by a strategy, would lead to more information sharing, and improve stakeholder engagement. It also recommended that consideration be given to establishing a centrally driven and resourced programme of regular reporting, as such a programme would help address DHB concerns of having limited resourcing and capability to undertake useful data analysis.
- 6.35 Stage two of the evaluation focused on identifying a framework and process for collecting and collating baseline data and information on the assessment for, and

the allocation of, home-based support services. This stage of the evaluation has also been completed.

- 6.36 In the third and final stage of the evaluation, the Ministry is undertaking an evaluation of the governance arrangements for InterRAI. This has not yet been completed.

Further monitoring

- 6.37 We will continue to monitor the progress made by the Ministry and DHBs in making further improvements, particularly in the following areas:
- the Ministry and DHBs achieving national consistency in InterRAI data and the Ministry implementing its national home support quality indicators, so that accurate and reliable performance information is captured, analysed, and used to monitor service quality and make improvements where needed;
 - the Ministry's response to any recommendations resulting from its evaluation of InterRAI;
 - piloting of the complaints system being completed and all DHBs using the final system to handle and respond to complaints; and
 - implementing contractual arrangements by all DHBs to ensure that provider staff are adequately trained and supervised.

7

Effectiveness of arrangements for co-ordinating civilian maritime patrols

Introduction

- 7.1 In April 2010, we published a performance audit report called *Effectiveness of arrangements for co-ordinating civilian maritime patrols* (our 2010 report).
- 7.2 Our audit looked at how effectively maritime patrols were co-ordinated to support the country's maritime interests. The audit focused on the National Maritime Co-ordination Centre (NMCC), and included the public entities that use maritime patrols and the providers of patrol aircraft and ships.
- 7.3 In general, we found that although the NMCC had an appropriate framework to effectively co-ordinate maritime patrols, improvements were needed to make the most effective use of the patrol resources.
- 7.4 We made six recommendations covering three matters:
- improving strategic guidance for the NMCC;
 - clarifying the mandate for separate patrol co-ordination arrangements; and
 - improving patrol planning and measuring effectiveness.
- 7.5 In April 2012, we reported that limited progress had been made in addressing our recommendations since our 2010 report. Because the progress to 2012 was limited, we have reviewed what progress has been made since then and we outline that progress in this report.
- 7.6 Achievements since we published our 2010 report include:
- new governance arrangements for the NMCC, with the setting-up of the Maritime Security Oversight Committee (MSOC), which is responsible for ensuring that there is an integrated approach to New Zealand's maritime security (a wider mandate than previously);
 - building a New Zealand Maritime Security Strategic Framework – in effect, MSOC's foundation document;
 - a new risk-based planning tool for prioritising patrol requests; and
 - better understanding of patrol arrangements outside the NMCC patrol framework, including better relationships between public entities.
- 7.7 These achievements set a strong base for further progress. MSOC told us that public entities are working well together to improve maritime security. Four years have passed since our 2010 report was published. Progress has been made, but we consider that this progress has been slow until relatively recently.
- 7.8 Since MSOC was established in 2013, its main focus has been on setting a common sense of purpose and strategy to oversee maritime security. We acknowledge that, by the time we wrote this report, the NMCC had hired a

consultant to prepare a performance framework as part of a wider project to work out how MSOC should appropriately govern and oversee the performance of the NMCC. MSOC is expected to identify aspects of maritime security, including – but not limited to – the NMCC's work, that need ongoing improvement.

Purpose and performance of the National Maritime Co-ordination Centre

- 7.9 Maritime patrols in New Zealand's exclusive economic zone and territorial waters help to protect and maintain the country's maritime interests and gather information about activities taking place in those waters.
- 7.10 Some maritime activities pose risks to New Zealand. These include illegal fishing, drug trafficking, illegal immigration, and smuggling of contraband. Maritime patrols are essential in detecting and deterring these activities.
- 7.11 A core group of six public entities are the main users of maritime patrols.¹ The Department of the Prime Minister and Cabinet also has an interest in maritime patrols. The main provider of patrols is the New Zealand Defence Force (NZDF). The NMCC, set up in 2002, co-ordinates the patrols.
- 7.12 The New Zealand Customs Service (Customs) houses the NMCC. Summarising the purpose and functions of the NMCC, Customs' *Annual Report 2012/2013* says:
- The NMCC is a single, centralised, operationally independent entity that supports the Government's maritime goals, both civilian and military. Its key role is to manage New Zealand's maritime surveillance. Although the NMCC is operationally independent (and staffed by both civilian and military personnel from a number of agencies), it is directly responsible to Customs.*
- In this context, New Zealand's collective maritime patrol and surveillance interests reflect individual agencies' overlapping responsibilities for maritime sovereignty and security, law enforcement, maritime safety, marine resources management, environmental protection, and external relations ...²*
- 7.13 The NMCC's service performance is reported through performance measures in Customs' annual report. These include a measure of the percentage of marine areas with aggregated risk assessments in the highest 5% that have been allocated patrol resources,³ as well as measures of customer satisfaction.

1 The six public entities are the New Zealand Customs Service, the Ministry for Primary Industries, the Department of Conservation, the Ministry of Foreign Affairs and Trade, New Zealand Police, and Maritime New Zealand.

2 New Zealand Customs Service (2013), *Annual Report 2012/2013*, Wellington, pages 48-49.

3 New Zealand's territorial waters have been divided into more than 100 separate areas. Each area is subject to different risks. Aggregating all the risks for each area gives a numerical value, which is used to decide how often the area is patrolled.

- 7.14 In 2012/13, 79.7% of the marine areas that had aggregated risk assessments in the highest 5% were allocated patrol resources. This was less than the target of 90% or greater coverage.
- 7.15 Customs' *Annual Report 2012/2013* notes that the NMCC allocated no patrols to some of the highest risk areas (11 out of 59 high-risk marine areas) because no suitable patrol aircraft and ships were available.

Progress to 2014

Improving strategic guidance for the National Maritime Co-ordination Centre

- 7.16 In 2010, we recommended that the NMCC and all organisations involved or interested in maritime patrols review the governance of the NMCC's Reference Group, to ensure that it meets strategic leadership needs effectively and makes the most of the whole-of-government arrangement.
- 7.17 The governance structure for NMCC has been reviewed and, in 2013, a new governance body, the Maritime Security Oversight Committee (MSOC), was set up to provide a more integrated and strategic approach to maritime security. MSOC is a permanent subcommittee of the Officials Committee for Domestic and External Security Co-ordination (ODESC). It consists of senior officials and an independent chairperson, and is accountable for delivering and overseeing an integrated national approach to New Zealand's maritime security. MSOC has met several times since it was set up.
- 7.18 Our recommendation will have been addressed if the new governance body operates as intended.
- 7.19 In our 2010 report, we recommended that the NMCC, NZDF, and public entities using maritime patrols reassess what civilian patrolling was required. We considered that this would lead to better guidance about appropriate patrolling. This information is a necessary starting point for monitoring and evaluating the use of new and upgraded maritime patrol ships and aircraft. We noted that guidance should be reconsidered from time to time, using information about patrol needs and use.
- 7.20 Creating the New Zealand National Maritime Security Strategic Framework (the framework) has partly addressed the recommendation. However, further work is needed to fully address the recommendation.
- 7.21 On 4 April 2014, the ODESC Readiness and Response Board endorsed the framework. MSOC told us that it expects that the collective outcomes, national

interest, and principles in the framework will be integrated into the accountability documents of the public entities represented on MSOC to describe their respective roles and responsibilities within the maritime domain.

- 7.22 How much the framework will lead to reassessing civilian patrolling requirements is not yet certain. A 2013 report about NMCC's strategic planning activity for ODESC noted that, although creating a strategic framework will help to improve strategic guidance, the NMCC needs an endorsed plan that encompasses jurisdiction enforcement, patrol, and surveillance.
- 7.23 We are not aware of any enforcement, patrol, or surveillance plan flowing from the framework. However, we note that the framework states that the next priority for action should be a comprehensive environmental scan to identify risks, threats, and opportunities. This environmental scan would identify the critical actions that MSOC should oversee.

Clarifying the mandate for separate patrol co-ordination arrangements

- 7.24 Some separate patrol arrangements are arranged outside the NMCC – for the New Zealand Police and for the Ministry of Foreign Affairs and Trade. These are arrangements made directly between agencies and independently of the NMCC. Independent arrangements have the potential to establish different priorities from those guiding the NMCC's work for New Zealand's limited maritime patrol resources.
- 7.25 The memorandum of understanding covering the use of NZDF resources for Police work was being updated as we were writing this report. The NMCC has received a standing invitation to Watch Groups and Operational Planning Groups for work that other public entities lead that may use maritime patrol resources. NMCC staff told us that this has led to a "heightened awareness" of the effects of requesting patrols outside the NMCC's cycle for planning patrols.
- 7.26 In our 2010 report, we recommended that the NMCC and public entities using maritime patrols review whether they need to have separate arrangements for co-ordinating patrols. The rationale and mandate for such arrangements should be recorded. A review should lead to more clarity and common understanding throughout public entities about when, how, and why they need such arrangements.
- 7.27 This recommendation will be fully addressed when the NMCC and public entities using maritime patrols have reviewed whether they need separate patrol co-ordination arrangements. We understand that no such review is planned.

- 7.28 In 2012, ODESC asked the NMCC to review the separate patrol arrangements and set out what those patrols are required to do. This review did not take place.
- 7.29 In our 2010 report, we recommended that the NMCC monitor any separate patrol co-ordination arrangements and report their effectiveness to ODESC. In our view, this would help ensure that patrols are co-ordinated as effectively as possible.
- 7.30 Apart from the NMCC taking part in Watch Groups and Operational Planning Groups, this recommendation has yet to be addressed. We have seen no evidence of monitoring or reporting by the NMCC to ODESC about separate arrangements for co-ordinating patrols.
- 7.31 We remain of the view that the NMCC should record the rationale and mandate for separate patrol co-ordination arrangements. It is also our view that clear expectations are needed to help clarify whether and when it is appropriate to have separate arrangements for co-ordinating patrols outside the NMCC. The NMCC's governors need to set these expectations. Patrol co-ordination arrangements outside the NMCC risk making the NMCC's co-ordination activities less effective.

Improving patrol planning and measurement of effectiveness

- 7.32 In our 2010 report, we recommended that the NMCC, the NZDF, and public entities using maritime patrols work together to better understand the timing of the public entities' patrol needs. Such information can be used to more effectively schedule and plan civilian and military use of maritime patrol aircraft and ships.
- 7.33 We also recommended that the NMCC ensure that the information that it collects on patrols allows it to accurately assess how effectively patrol aircraft and ships are used. Such an assessment would enable any identified gaps or problems to be raised through the appropriate governance mechanism for consideration and action.
- 7.34 These two recommendations have been partially addressed, although some risks need to be managed and further improvements are needed.
- 7.35 Customs' agreement with the current provider of vessel automatic identification systems (AIS) expires on 30 June 2014. AIS are an important source of intelligence. Customs is leading a project looking at the future of AIS after the expiry date. The project involves a working group with experts from the relevant public entities. In April 2014, the project was on schedule. MSOC will need to be ready to give timely direction on an appropriate AIS solution if the project's critical time frames are to be met.

- 7.36 The NMCC's risk-based planning tool helps in prioritising requests for patrols. An independent consultant has reviewed the model, and improvements are continuing. There remain some challenges in gathering information about the effectiveness of the planning tool and about whether patrol requirements are being met, because users' feedback is needed.
- 7.37 We have seen no evidence that performance information is reviewed or is being used to improve effectiveness and efficiency. Further, we consider it essential that decisions affecting NMCC's reporting lines are made in the appropriate forum – MSOC.

8

Inland Revenue Department: Making it easy for taxpayers to comply

Introduction

- 8.1 In June 2011, we published a report about our performance audit of how effectively the Inland Revenue Department (Inland Revenue) is making it easy for taxpayers¹ to comply with their obligations. The tax system is most effective and efficient when taxpayers voluntarily pay their taxes on time and in full. This progress report describes the actions Inland Revenue has taken to address the five recommendations in our report and our assessment of whether those actions have helped make it easier for taxpayers to comply.
- 8.2 In general, Inland Revenue has made reasonable progress in addressing our recommendations. It also has further projects under way. For example, Inland Revenue has improved its quality-checking process for its contact centres and how it monitors the effectiveness of its website. It has also made changes to help contact centre staff give accurate and relevant information to taxpayers. Inland Revenue still has some work to do before it has fully addressed our recommendations. However, it is carrying out significant work through its website project (see paragraph 8.17).
- 8.3 Despite the improvements, the percentage of people who find it easy to comply with, or are aware of, their obligations has not changed significantly. As presented in Inland Revenue's annual reports from 2010 to 2013 (and audited by the Auditor-General), the percentage of people who find it easy to comply has remained at about 70%. For the same period, the percentage of people who are aware of their obligations and entitlements has remained at about 80%.
- 8.4 Taxpayers who find it easy to comply, and who are aware of their obligations, are more likely to comply with those obligations. Improved compliance can be measured through the accuracy and timeliness of filing tax returns and the timeliness of payments. However, from 2010 to 2012, there has been no significant change in the percentage of:
- returns filed without errors;
 - returns filed on time; and
 - payments made by customers in full and on time.
- 8.5 Although there has been no significant change in the overall measures, Inland Revenue has told us that there has been some improvement in the accuracy of IR3 individual tax returns and that the timeliness of income tax returns has improved.

- 8.6 Inland Revenue is making changes that will affect the areas our recommendations cover – particularly the Business Transformation Programme and the integrated channel strategy.² These changes should increase the number of taxpayers who use online services to comply with their tax obligations. Therefore, it is vital that Inland Revenue continues to improve the monitoring processes for its online services. It is also vital that its website evolves to keep pace with the increased use of those online services.
- 8.7 This article describes Inland Revenue's progress against each of our five recommendations by reporting:
- some of the actions Inland Revenue has taken since our 2011 report;
 - where applicable, further improvements Inland Revenue is planning; and
 - where available, information on the effectiveness of those actions.

Actions to improve monitoring of what customers think of services and further improvements planned

- 8.8 In 2011, we recommended that Inland Revenue monitor how effective and useful its website and publications are for taxpayers. We said that Inland Revenue lacked information about the usefulness of its services to taxpayers.
- 8.9 Since our report, Inland Revenue has improved monitoring of the effectiveness of its website and publications for taxpayers. It also has further improvements planned.
- 8.10 Inland Revenue has changed its quarterly customer satisfaction and perception survey to include more information on the usefulness of online services for customers. Between July 2012 and June 2013, 82% of people who used voice and correspondence services were satisfied with those services. For the same period, 94% of people who used Inland Revenue's online services were satisfied.³ These satisfaction rates are higher than the percentage of people who report finding it easy to comply with their tax obligations (see paragraph 8.3).

2 The Business Transformation Programme is a major project that we will look at in future years. The integrated channel strategy defines which service delivery channels should be used to deliver particular services, sets out what needs to change within Inland Revenue to achieve the desired strategy, and helps channels to be managed in an integrated manner.

3 We have used the July 2012 to June 2013 information here because it covers the same period as the result for the percentage of people who find it easy to comply and who are aware of their obligations and entitlements. The latest publicly available result for July-September 2013 shows overall satisfaction has increased to 83% and 95% respectively.

Actions to improve targeted materials to help taxpayers understand and comply with their obligations

- 8.11 If people are not aware of their obligations, they cannot comply with them, voluntarily or otherwise. In 2011, we recommended that Inland Revenue create materials targeted at taxpayers with a high risk of non-compliance, to help them easily understand their tax obligations and pay their tax.
- 8.12 Since our report, Inland Revenue has created targeted materials to help taxpayers to understand and comply with their obligations:
- It has produced targeted videos and booklets for specific audiences, such as small-to-medium businesses, to help them to understand tax and their obligations. The videos are also available with sign language translations for people with impaired hearing.
 - It has published new child support materials in a range of languages.
 - It developed a tool in 2012 to help businesses with less than \$10 million in turnover to check the accuracy of their tax returns.
- 8.13 Inland Revenue needs to ensure that its targeted materials are effective and accessible for the intended audience. Inland Revenue made several changes after testing its targeted booklets to improve their relevance to the target audience and their likelihood to persuade. However, we found that materials placed on the website were not always easy to find, which could prevent the intended audience from accessing and using them. For example, there was no direct link to the video about provisional tax from the provisional tax web page.

Actions to improve content and usability of Inland Revenue's website

- 8.14 In 2011, we recommended that Inland Revenue test the usability of its website on taxpayers and design its website so taxpayers can more easily find the information they need.
- 8.15 Inland Revenue conducts some usability testing of its website. In March 2013, Inland Revenue tested its proposed child support web pages. This testing found some usability issues. For example, people were unable to navigate to more detailed information. In real life, this would probably lead to a person ringing Inland Revenue or not completing what they set out to do. In addition, all test participants failed to complete at least one task. Inland Revenue told us that it used information from the testing to adapt and improve the site, where technically achievable.

- 8.16 In October 2013, we tested Inland Revenue's individual income tax return (IR3) web pages.⁴ We found that they contained some links to outdated information and that Inland Revenue is not always making the best use of its materials. For example, there was no direct link to a current IR3 demonstration to help people complete the online form. A link titled "Help completing your IR3 return" took us to a web page that gave information on how to complete an online IR3 from the tax years 2003-2006.
- 8.17 Inland Revenue has a project under way to improve the content and design of its existing website. This is an important project because implementing the integrated channel strategy will increase Inland Revenue's reliance on its website and other online services to deliver services and information. The project is changing the website from a reference library to a task-oriented website.⁵ The "mega menu" and "contact us" pages, which were launched in April 2014, reflect this task-oriented approach. These were user-tested as an important part of their development.
- 8.18 Inland Revenue told us that it expected to finish stage 1 of the website project in May 2014. Further improvements to the website are planned for stage 2 of the project. Inland Revenue's improvements should address many usability issues identified in its and our testing.
- 8.19 Inland Revenue has plans to build a "crowdsourced"⁶ application to help customers use mobile devices to manage their tax affairs.
- 8.20 Inland Revenue is also developing a framework to measure customer effort. Customer effort is measured from multiple perspectives. One measure reflects how easy the website is to use. From this perspective, customer effort is measured by the number of steps that a customer has to take to complete a task. The fewer the steps, the less customer effort, and the easier the website is to use. Another measure reflects customers' satisfaction with the effort being taken.

Actions to improve monitoring of contact centre effectiveness

- 8.21 In 2011, we recommended that Inland Revenue review its quality assurance systems and processes for its contact centres and find ways to ensure that:
- the calls to be assessed are randomly selected;
 - assessors verify that all necessary quality checks have been carried out;

4 We looked at these web pages because taxpayers who are self-employed or get rental income from property must file an IR3 every year.

5 A site is task oriented when it supports users to effectively and efficiently complete their tasks.

6 Crowdsourcing enlists the services of many people, either paid or unpaid, to provide information or input into a task, typically through the Internet.

- consistent quality assurance processes are applied to all calls received; and
 - assessments are calibrated on a regular basis to ensure consistency.
- 8.22 Inland Revenue has improved the quality-assurance process by:
- using a new call-recording platform to randomly sample calls;
 - recently introducing an assessment tool to highlight assessments awaiting completion; and
 - putting in place a process to check the consistency of call assessments.
- 8.23 The quality-assurance process that operates within Inland Revenue's contact centres does not extend to all calls that are received by the contact centre during busy times of the year, because calls answered by staff who provide supplementary assistance during these busy periods are not recorded. It is therefore difficult to know whether these calls are answered to the same standard as calls answered by permanent contact centre staff. Inland Revenue told us that it has implemented a range of mitigations to support staff who assist with the contact centres' busy periods, to reduce the risk of call responses not providing accurate and helpful advice during those periods. In our view, Inland Revenue still needs to consider how to put in place a consistent quality-assurance process for all calls through its 0800 numbers, including calls answered by staff who assist during busy periods.

Actions to better enable contact centre staff to give accurate and relevant information to taxpayers

- 8.24 In 2011, we recommended that Inland Revenue update the telephone scripts its staff use, clearly set out the information that must be provided to taxpayers, and consider how that information should be best delivered to taxpayers.
- 8.25 Inland Revenue has changed its processes and systems that help to ensure that contact centre staff give accurate and relevant information to taxpayers. In particular:
- a new database has replaced several different databases; and
 - staff have more flexibility when dealing with queries.
- 8.26 Contact centre staff now use one database, called Knowledge Base, to find information on topics when talking to taxpayers (staff previously had to use five databases). We were told that Knowledge Base is easy to use once staff become familiar with it. Knowledge Base is updated regularly in response to any changes (such as changes to legislation). Inland Revenue is working on improving the process for updating information.

8.27 Inland Revenue told us that, unless a staff member needs to read specific information to a taxpayer, contact centre staff have flexibility to directly answer a taxpayer's question from both their own knowledge and Knowledge Base. Inland Revenue also told us that, if a script says to direct a taxpayer to a specific communication channel, the taxpayer is also given an alternative option. For example, a staff member might direct a taxpayer to either Inland Revenue's website or an 0800 number. This is useful if the taxpayer does not have access to the Internet or to a landline telephone.

Publications by the Auditor-General

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

- The Auditor-General's strategic intentions 2014/15 to 2017/18
- Annual Plan 2014/15
- Setting up Central Agencies Shared Services
- Watercare Services Limited: Review of service performance
- Local government: Results of the 2012/13 audits
- Inquiry into the Plumbers, Gasfitters, and Drainlayers Board: Follow-up report
- Reflections from our audits: *Our future needs – is the public sector ready?*
- Health sector: Results of the 2012/13 audits
- Schools: Results of the 2012 audits
- Central government: Results of the 2012/13 audits (Volume 2)
- Additional work on Solid Energy New Zealand Limited
- Inquiry into property investments by Delta Utility Services Limited at Luggate and Jacks Point
- The Auditor-General's Auditing Standards 2014

Website

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