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# Assessing the performance of the Office of the Auditor-General against International Standards



# Assessing the performance of the Office of the Auditor- General against International Standards

Presented to the House of  
Representatives under section 20 of  
the Public Audit Act 2001.

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Cover photo: A portion of our gallery of previous Auditors-General.

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# Auditor-General's overview

The Public Audit Act 2001 established an independent Auditor-General for New Zealand with a robust and broad mandate that is the envy of Auditors-General around the world. The citizens of New Zealand benefit from a mature public sector accountability regime.

To protect the integrity of the public sector and deliver the greatest possible value to all New Zealanders, we must always seek to deliver on our mandate. We must also strive to maintain the highest standards in all our work.

The International Organisation of Supreme Audit Institutions (INTOSAI) Working Group on the Value and Benefits of Supreme Audit Institutions (SAIs) has developed a framework for SAIs to assess their own performance. The Supreme Audit Institution Performance Measurement Framework (the Framework) has been piloted in recent years and is expected to be formally adopted at the INTOSAI Congress in December 2016. The Framework is based on the International Standards for Supreme Audit Institutions and other international good practice standards for public sector auditing. The Framework is used to assess both the quality of audit work and how SAIs are managed.

My Office chose to pioneer application of the Framework and release the results. Our goal is to be a model for others and demonstrate that we are prepared to practise the transparency and accountability we expect of the New Zealand public sector.

This report presents the overall results of our assessment of my Office using the Framework. We have published on our website detailed findings and information about the methodology and the environment in which we work.<sup>1</sup>

## Strengths in our operating environment

The work of an Auditor-General can be significantly hampered when the reporting requirements for public sector entities are not clear. New Zealand legislation very clearly sets out reporting requirements for public sector entities, particularly the content of, and time frames for, reports. We are fortunate in New Zealand that enough resources are invested into preparing and auditing accountability documents.

This is not the experience of many of my colleagues in the Pacific region. We must not take our position for granted and must continually strive to maintain and enhance New Zealand's public management and auditing regime.

## Strengths in our audit work

My Office carries out financial audits for about 3700 entities and carries out about 12 performance audits every year. This is a large number compared with many of my international counterparts. To maximise my ability to complete all audits on a timely basis and in accordance with auditing standards, many of our financial audits are outsourced to appointed auditors who carry them out on my behalf. Because of the risks to the Auditor-General's reputation from outsourcing, we carefully manage our contracting and monitoring arrangements.

Our assessment showed that we have the policies and procedures needed to manage these risks. Our financial audit quality assurance processes were found to be of a high standard when assessed against the Framework. These processes also mitigate the risk of poor-quality audits.

We have established clear standards for all auditors and support these with policies and procedures. We have an effective approach to recruiting, remunerating, and training our audit staff. All of these factors are critical to delivering consistently high-quality audits.

Supporting these parts of the audit process are good practices in how we manage our relationship with Parliament and report on audit findings or the results of our other work. Our communications with Parliament meet all of the Framework's requirements to be considered of the highest possible standard.

## Strengths in management

Leadership is critical to any organisation. Based on the good practice expectations of the Framework, we have a leadership structure that clearly defines leadership roles and responsibilities. My leadership team uses appropriate meeting and reporting approaches to complete work and shares any decisions made with staff.

Our vision and values (independence, integrity, and professionalism) firmly ground all of our communications. Both our vision and values are clearly communicated in corporate documents, including strategic and annual plans. This is a significant strength. The Auditor-General's Professional and Ethical Standards also set the tone and expectations from which all actions are assessed.

Our operational planning processes are robust and thorough, based on engagement with a broad range of staff and good external consultation. Clear delivery responsibilities are established, and projects are monitored until they have been completed. Our reporting is of a high standard, as are our websites. These tools assist us to achieve impact and reach citizens.

## Areas for further attention

We need to improve two parts of our audit work. These are maintaining the quality of small audits (such as schools) and specialist compliance audits (such as regulatory audits). Additionally, we need to improve the training of non-audit staff.

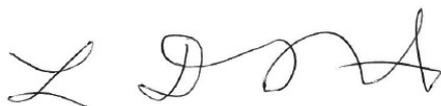
We also need to give attention to our approach to corporate planning. Although *the Auditor-General's strategy 2013-17* is of a high standard, it would be more effective if its goals were better prioritised and how these would be achieved was clear. This would clarify how we should implement annual planning work to achieve the strategy's ambitious goals.

At an operational level, the Framework has highlighted that some of our internal processes need improvement, particularly the independence and frequency of internal audit work and the periodic external assessment of our corporate functions and audit practice. The Framework has also confirmed that we need to further develop our risk assessment and monitoring processes and an overall human resources strategy to guide all aspects of staff management.

## Conclusion and thanks

I wish to thank my staff who completed the assessment work for this report, my leadership team who support me in presenting the results for the scrutiny of Parliament, and the citizens of New Zealand. I also wish to thank the staff of the INTOSAI Development Initiative (IDI) who completed the peer review of both this report and the detailed report. The quality assurance statement from IDI that is attached as an appendix signals that both our work and the report have been completed to the standard that the developers of the Framework expect.

I am proud of the results of this assessment. They suggest that my Office is serving the citizens of New Zealand well. I hope that, by making this report publicly available, it will be a valuable resource to my SAI colleagues around the world. I am confident that my Office can address the areas we have identified for improvement, and I commend them as focus areas for my successor.



Lyn Provost  
Controller and Auditor-General

28 November 2016

# Our performance and effect

- 1.1 This report summarises our findings from assessing ourselves against the Supreme Audit Institution Performance Measurement Framework (the Framework). The assessment provides an integrated picture of the performance of the Auditor-General of New Zealand (the Office). A quality assurance statement from the International Organisation of Supreme Audit Institutions Development Initiative (see Appendix) indicates that our work and the report have been completed to the standard expected by the Framework's developers.
- 1.2 The assessment covers the audit functions of the Office, its organisational management, and the effect of governance on performance. This report draws on the detailed assessment and gives an integrated evaluation of the Office's strengths and weaknesses.
- 1.3 The detailed report available on our website includes the full findings of our assessment of the Office using the Framework.<sup>2</sup>
- 1.4 Our assessment of the performance of the Office is presented in this Part in five sections:
  - our operating environment;
  - our audit work;
  - our internal culture;
  - our relationship with Parliament; and
  - our corporate functions.

## Our operating environment

- 1.5 New Zealand has a mature public sector accountability regime, which is comprehensively set out in various pieces of legislation. An important part of the regime is our own legislation, the Public Audit Act 2001.
- 1.6 The Public Audit Act:
  - establishes the independence of the Auditor-General from Parliament and the entities we audit;
  - ensures that the Office has operational autonomy; and
  - provides the Auditor-General with a broad mandate and access to information, so that Parliament and the public can effectively and efficiently hold the public sector to account.
- 1.7 International Standards recommend that the role of the Auditor-General be written into the state's legal framework at the highest level, ideally within its constitution. New Zealand does not have a written constitution. Despite the comprehensive nature of the Public Audit Act, it is possible that the Auditor-General's independence and mandate could be altered or repealed by a simple

<sup>2</sup> See our website: [www.oag.govt.nz/2016/sai-pmf/detailed-assessment](http://www.oag.govt.nz/2016/sai-pmf/detailed-assessment).

majority vote of Parliament. However, within New Zealand's constitutional context, the Public Audit Act is considered to provide a strong framework and is the envy of Auditors-General around the world.

- 1.8 In New Zealand, legislation sets out the reporting requirements for public sector entities, particularly the content of reports and their time frames. We are fortunate in New Zealand that enough resources are invested into preparing and auditing accountability documents.

## **Our audit work**

- 1.9 The International Standards for Supreme Audit Institutions (ISSAIs) identify three types of audit: financial, performance, and compliance audits.<sup>3</sup> The Public Audit Act makes the Auditor-General the auditor of every public entity in New Zealand. It also enables the Office to perform financial audits, performance audits, and other services, as well as carry out inquiries on request or on the Auditor-General's own initiative.
- 1.10 To assess the Office's compliance with the ISSAIs, we applied the results from our quality assurance programme, which we had assessed under the Framework as robust. The programme covers all appointed auditors during a three-year cycle and assesses the quality of audits in the same areas covered by the Framework's criteria.
- 1.11 Before we started this assessment, we considered that we did not do separate compliance audits. However, when we looked at the definition of a compliance audit more closely, and at several assignments our financial auditors carry out in conjunction with financial audits, we realised that we do carry out a small number of compliance audits.
- 1.12 These audits represent a small proportion of the total audit work of the Office. However, because the Office has not recognised these as a separate type of audit, they have not been subject to the same systematic approaches that govern the Office's other audit work. We discuss the quality of our compliance audit work in more detail in paragraphs 1.36-1.39.

## **Strengths**

### **Financial and performance audit standards**

- 1.13 The audit work of the Auditor-General can generally be assessed positively against the Framework. We identified that the Office is particularly strong in financial and performance audit standards and its approach to quality.

<sup>3</sup> The Public Audit Act mandate to carry out inquiries does not readily fit within any of the three audit types. As a result, we decided that our inquiries work was outside the scope of this assessment.

- 1.14 All appointed auditors carrying out financial audits on behalf of the Auditor-General are required to apply the New Zealand equivalents of International Standards on Auditing and, where applicable, the additional and complementary standards of the Auditor-General. These cover all of the fundamental principles set out in the ISSAIs, setting a solid platform for all public sector audits.
- 1.15 Audit New Zealand is a business unit of the Office. It carries out about 50%<sup>4</sup> of the financial audits on behalf of the Auditor-General. Audit New Zealand has an Audit Manual and a Quality Control Manual that provide guidance on how to meet the standards.
- 1.16 For performance audits, we have a Performance Audit Manual that is aligned to the ISSAIs. This is supported by policies and procedures that set out how to implement requirements to produce high-quality performance audits. The Performance Audit Manual also sets out the requirements for review throughout the performance audit process. Except for missing the recommended step of identifying the design approach<sup>5</sup> in the planning of each audit, the Performance Audit Manual complies with all assessment criteria.

#### **Outsourcing audits**

- 1.17 A robust and complete set of financial audit standards is particularly important because we outsource a significant proportion of financial audits.
- 1.18 We have strong policies and procedures for managing the outsourcing of audits. We meet all of the ISSAI assessment criteria. We have a comprehensive regime for selecting appointed auditors<sup>6</sup> that ensures that they have the competence and capability to carry out financial audit work to the Auditor-General's standards. We also have a comprehensive system of cyclical quality assurance reviews of appointed auditors to confirm they are meeting the required quality standards.
- 1.19 Audits are primarily allocated to appointed auditors, although a small number of tenders occur. The allocation approach is based on six principles, one of which is that Audit New Zealand is maintained as a "strong and viable" audit service provider.

4 Audit New Zealand carries out about 50% of financial audits based on audit fees and 23% by number of audits. Excluding the 2500 school audits from the total audit portfolio, Audit New Zealand carries out 64% of audits based on audit fees and 60% of the total number of audits.

5 Three design approaches are set out in the ISSAIs. These are a result-, problem-, or system-oriented design. The New Zealand approach to performance audits is more flexible, enabling performance audits to take any of these approaches, use a blend of approaches, or simply provide an overview of a topic area. This is not considered a significant weakness in the New Zealand Performance Audit Manual and does not affect the quality of the resulting audit reports.

6 The Office uses the following terminology to refer to an auditor carrying out outsourced financial audits. Auditing firms that carry out audits on behalf of the Auditor-General are referred to as "Audit Service Providers", and the individual auditor contracted to carry out a specific audit on behalf of the Auditor-General is referred to as an "appointed auditor".

1.20 Our quality assurance programme is robust. Overall, the quality assurance programme results show that the standard of financial audit performed on behalf of the Auditor-General is high, with few exceptions.

1.21 The quality assurance programme covers all appointed auditors during a three-year cycle and assesses the quality of their audits. The Office has established the Auditor-General's Statement on Quality Control (AG PES 3), which sets out the review procedures that all appointed auditors must adhere to. This includes procedures for clearing certain non-standard audit opinions through the Office.

#### **Professional development and training**

1.22 Audit New Zealand's leadership framework outlines all of the professional competencies and soft skills that audit staff at every level need to carry out financial audits to a high standard. It also provides the direction for all of Audit New Zealand's professional development programmes.

1.23 Audit New Zealand's Performance Planning and Review policy provides the basis for monitoring staff performance against the competencies in its leadership framework. The leadership framework addresses all of the professional competencies and skills identified by the ISSAIs.

1.24 The Office also provides support to all Audit Service Providers to supplement their in-house training programmes by issuing annual sector briefs with information about sector-specific issues and risks. Together, these result in an approach to audit team management that meets all the criteria of the ISSAIs.

1.25 Likewise, we have established an approach to provide performance auditors with the necessary professional competence and skills to carry out performance audits that meet all the criteria of the ISSAIs.

#### **Issues and opportunities for improvement**

##### **Quality of small audits**

1.26 The Office's quality assurance programme assigns appointed auditors a quality grade (on a scale of "excellent", "very good", "good", "satisfactory", and "re-review") based on the results of review of a sample of their work every three years. In 2015/16, 97% of appointed auditors were graded at least "satisfactory" (up from 95% in 2014/15). The 3% who were graded below satisfactory were exclusively school auditors working in small auditing firms.

1.27 The Auditor-General's mandate covers about 3700 public entities that are required to report separately, of which about 2500 are schools.

- 1.28 Our quality assurance programme identified shortfalls in the standard of some of the school audit work. This is an ongoing issue for the Office, which we are monitoring closely. The volume of these audits, the complexity of the schools' reporting and accountability regime (as well as the increasing complexity and extent of auditing standards), and the low audit fees revenue available have contributed to larger auditing practices progressively leaving this sector. As a result, it has become challenging to identify appointed auditors competent enough to conduct school audits to a consistently high quality.
- 1.29 It is possible that other small audits carried out by smaller auditing practices may have similar issues. However, we have not identified a substantive trend in any sector other than schools.

**Performance audit planning and reporting**

- 1.30 The performance audit process largely meets ISSAI criteria, although we identified inconsistent evidence of compliance with several of the ISSAI criteria for audit planning and reporting. This inconsistency is mainly because of our broad and flexible approach to performance auditing, which means that, in some cases, our reporting provides an overview and observations of a subject matter area. Therefore, several of the ISSAI criteria, such as consideration of materiality and an assessment of the risk of fraud, are not relevant to our audit approach.
- 1.31 We need to give more consideration to whether we need to explicitly document matters such as the relevance of materiality in the context of the audit topic and the approach to the risk of fraud during the planning and reporting of performance audits with this focus. Alternatively, we might alter the Performance Audit Manual to draw these matters to the attention of the auditor so that they can evaluate the relevance of the ISSAI criteria and document in the audit records the professional judgement they applied.

**Audit recommendations follow-up**

- 1.32 The ISSAIs clearly state the importance of completing audits in a timely way and to a high quality. The ISSAIs also emphasise that the audited entity should act on the audit findings and, particularly, the recommendations for improvement. The ISSAIs recommend that there is a system for following up the auditor's observations and recommendations.
- 1.33 New Zealand Auditing Standards and *The Auditor-General's Auditing Standards* do not specifically require auditors to report on whether entities have addressed recommendations made after financial audits. As a result, our quality assurance processes do not formally monitor this, and it is reported publicly only at an entity level.

- 1.34 Nevertheless, any follow-up of responses to audit recommendations occurs at an individual audit level. However, we could monitor this part of the audit process more cohesively. There are benefits to having a system to track entities' responses to audit recommendations, including being in a stronger position to assess trends, able to more effectively monitor how recommendations are implemented, and able to report the audit's effect on the improvement of the public sector to Parliament and the public.
- 1.35 In contrast, there are sound processes in place to monitor the response of entities to recommendations made because of performance audits. This allows us to more effectively identify the effects of performance audits.

#### **Compliance audits**

- 1.36 As noted in paragraph 1.11, we had not formally identified compliance audits as a separate product of the Office before completing this assessment. In practice, financial audit teams carry out several compliance audits in conjunction with the annual financial audit. These audits assess compliance with various regulatory and external reporting obligations. This includes the audit of debenture trust deeds, energy regulation disclosures, and tertiary education sector performance-based research funds.
- 1.37 As a result, although applicable standards within New Zealand Auditing Standards and also *The Auditor-General's Auditing Standards* cover non-financial audit work and guidance is provided through applicable annual sector briefs, there is no overarching systematic consideration of these compliance audits.
- 1.38 In comparison with our approach to financial audits, this compliance work is not consistently addressed in training programmes for audit staff.<sup>7</sup> There are inconsistent standards for collecting evidence to support compliance audit conclusions, and there are variable systems in place for appointed auditors to report on the completion of these audits.
- 1.39 Because of these weaknesses, it is not possible to assess whether the audits are completed within required time frames and the Auditor-General's annual report does not include any reporting on this work. We are considering a proposal to adapt our data capture systems to enable appointed auditors to submit data about these audits.

#### **Independent review of our practice**

- 1.40 The Framework recommends that, in addition to the quality assurance regime, an audit practice be periodically, externally, and independently assessed. Our financial and performance audit functions have not been subject to a full practice review in recent years.

<sup>7</sup> Knowledge of how to do this often technically complex audit work is passed on through informal on-the-job training mechanisms that maintain the pool of knowledgeable staff who carry out these audits.

- 1.41 Although we were assessed to a high standard against the Framework, it may be timely to consider the value of seeking a full independent practice review. However, we note that the Australian National Audit Office reviews a sample of performance edits biennially, and the Chartered Accountants Australia and New Zealand and the Financial Markets Authority have reviews in progress to assess our financial audit practice. These, along with other reviews of aspects of our audit practice, may be enough.

## Our internal culture

- 1.42 We scored at the highest possible level in the Framework for leadership and internal communications, the operation of human resource management, and staff training.
- 1.43 Communications from leadership are firmly grounded in the vision and values of the Office, which are clearly communicated in corporate documents, including *The Auditor-General's strategy 2013-17*, annual plans, and annual reports. This is a significant strength. The Auditor-General's Professional and Ethical Standards also set the tone and expectations from which all actions are assessed.
- 1.44 We have a staff of about 370 who are spread over seven locations and span a wide range of professional expertise and experience. Communications with such a diverse staff is challenging, and there are always opportunities for improvement. However, based on the results of the assessment, the main components for effective leadership and internal communications are in place. The results of the 2016 staff engagement survey largely support this finding, as do previous surveys.<sup>8</sup>
- 1.45 Managing human resources is critical to delivering high-quality audits. We have a well-resourced and capable human resources team, which meets all the criteria identified as important to deliver the services we need.
- 1.46 Sound recruitment processes are in place and are supported by appropriate remuneration, promotion, and staff welfare policies and processes. It would be best practice for all of these policies and processes to be guided by an overall human resources strategy.
- 1.47 Although we do not currently have a human resources strategy, one is in development, along with a future-focused workforce development plan. Once these are in place, they will provide a critical link between the staff capability goals in the Office's Strategic Plan and the current professional development and training framework.

8 For further details, refer to SAI 6 – Dimension 2 and SAI 23 – Dimension 4 of the detailed SAI PMF report.

- 1.48 The training and professional development approach supporting financial and performance auditors is highly developed and, as a result, is rated highly by the Framework (see paragraph 1.23). However, the training and professional development for non-audit professional staff and non-professional staff is not managed as effectively. Training for these employees is largely staff-driven and would benefit from being more structured, including having better processes to evaluate how effective the training is.

## **Our relationship with Parliament**

- 1.49 Based on the Public Audit Act, we are required to report the results of our audits to the House of Representatives at least once a year. We do this through annual reporting on central and local government audits, supplemented by cyclical and issues-focused reporting. We also provide an extensive programme of support with briefings to Parliamentary select committees. We also support the induction programme for new members of Parliament.
- 1.50 We continue to develop and improve these processes to increase the value and effectiveness of our interactions with Parliament, particularly through our interactions with select committees. The feedback from the 2016 independent survey of external stakeholders included feedback from select committee chairs stating they are “uniformly positive about the role of the Office in helping Parliament hold public sector agencies to account”.<sup>9</sup>

## **Our corporate functions**

- 1.51 One of the four strategic objectives of the Office is to lead by example as a model organisation. We recently reported in our 2015/16 Annual Report that we are making good progress against this objective, but “there is still work to do”.<sup>10</sup>

## **Strengths**

### **Planning processes**

- 1.52 Organisational planning processes are an area of ongoing focus for us, but this aspect of the strategic planning cycle is rated highly against the Framework criteria. Work programme planning is a highly inclusive, multi-year process using cross-office workshops and involving a large number of appointed auditors and other staff.
- 1.53 There is a well-established timeline for this process that includes time for consultation with external stakeholders. The process is evaluated and refined annually. The leadership team actively monitors the implementation of the annual work programme.

<sup>9</sup> For the full quote from the survey response, refer to SAI 25 – Dimension 2 of the detailed SAI PMF report.

<sup>10</sup> Controller and Auditor-General (2016), *Annual Report 2015/16*, page 19.

### **Ethics and integrity systems and quality control**

- 1.54 The Auditor-General has professional ethical standards that all appointed auditors and other staff must follow. These standards are based on the External Reporting Board ethical standards, which in turn are based on standards established by the International Federation of Accountants. There is also a comprehensive employee independence declaration system to mitigate risks, support ethical behaviour, and address any breach in ethical values. These policies and processes address all the criteria of the ISSAIs and are recognised as best practice.
- 1.55 We operate a best practice framework of standards to manage quality control and to ensure independence. We play a role in promoting quality and good practice to public entities through our publications. Our quality assurance function over financial audits is highly developed and operates effectively by following a scheduled cycle of reviews.
- 1.56 The score against this component of the Framework would have been higher if the quality assurance systems were applied annually to other Office products as consistently as they are applied to financial audit work.

### **Transparent reporting**

- 1.57 We are committed to transparently reporting our performance. Consistent with the reporting requirements that other public sector entities must meet, we report on our financial and operational performance through our annual report. The annual report is routinely completed, tabled in Parliament, and released on our website within three months of balance date.

## **Issues and opportunities for improvement**

### **Strategic and annual plan content**

- 1.58 We followed a robust process in 2012 to develop our current strategy, incorporating a comprehensive needs assessment focused on the changing face of the public sector environment and our opportunity to positively influence the performance of public entities. The development process included a needs assessment, an environmental scan, and internal and stakeholder engagement processes.
- 1.59 Although *The Auditor-General's strategy 2013-17* has proved an important foundation document, it has some shortcomings. No implementation matrix or prioritisation was included in the plan, nor is this provided in any other corporate documents. It is important to establish clear priorities related to strategic goals and identify any interdependencies or risks. There is currently a lack of links between the strategy and the annual plan, with one focused at a very high level on outcome and impacts and the other being product-focused.

- 1.60 To more effectively evaluate whether our strategy goals have been achieved, future revisions of the strategy should include a more explicit prioritisation and cascading implementation framework and a risk assessment tool. Evaluating the effectiveness of the Office's work should also include a mechanism to capture input from a citizen perspective.

**Internal control systems**

- 1.61 We have well-established internal control processes and procedures. However, testing how those controls operate through internal audit reviews has not been as systematic, regular, or comprehensive as it could have been. We have established systems to evaluate and monitor risk, but these are not fully developed or formalised. Risk mitigation systems are fundamental to a robust internal control system. This weakness has significantly affected the score for this element of the assessment.

**Support services**

- 1.62 Overall, we have robust financial and operational practices. We do not own significant assets. Our assets are primarily information technology equipment, which are governed and managed under the Information Systems Strategic Plan. This is monitored regularly.
- 1.63 We lease office premises, and lease renewals are used as the driver to re-evaluate size and location needs. Our approach to deciding recent lease renewals has been comprehensive. However, having an accommodation strategy in place would be best practice and would ensure that leasing decisions are consistent with broader organisational goals.
- 1.64 It would also be best practice for administrative support functions to be reviewed on a five-yearly cycle. However, we have not carried out such reviews consistently or regularly, but rather in response to issues.

## Our value to New Zealanders

- 2.1 In this Part, we assess the value of our activities and how we are making a difference to the lives of New Zealanders. We focus on the effects of delivering high-quality audit work and the effectiveness of efforts to make our work accessible.
- 2.2 New Zealand benefits from a strong public financial management system, which can be easy to take for granted. The vast majority of public sector entities in New Zealand understand the importance of transparency and accountability, and the importance of completing annual financial reporting to a high standard in a timely way. They are also largely receptive to the recommendations made by auditors to further improve their reporting and operational effectiveness and efficiency.
- 2.3 This means that New Zealand public sector auditors can operate at a higher level than colleagues in countries where achieving these fundamentals can be challenging. For most New Zealanders, the value of audit intervention is primarily to confirm their expectation that public sector entities are accountable.
- 2.4 We also seek to put benefit to New Zealanders at the forefront of how we decide to focus our discretionary work. We consider our ability to influence the public sector and the services citizens receive when selecting performance audit and other review topics during our work programme planning process and also when determining whether to do an inquiry.
- 2.5 We are increasingly engaging with New Zealanders to understand, first-hand, their concerns and areas of interest. In 2014, we carried out research to understand what people know and think about the purpose of the Auditor-General and what we do.
- 2.6 We recently ran a citizen panel to contribute to our 2016/17 work programme, which focuses on the use of information in the public sector. We asked about information gaps and accessibility issues from a public and user perspective. We plan to use citizen panels further when developing future work programmes and other Office initiatives.
- 2.7 The Office has put emphasis on maintaining effective websites for the Office of the Auditor-General and Audit New Zealand. Both websites meet all the criteria set out in the New Zealand e-government guidelines.
- 2.8 The Auditor-General, the Deputy Auditor-General, and other staff are available through the “staff as ambassadors” programme to meet with groups in the community to discuss the Office’s work. We also use social media platforms to quickly provide information to the public and the media, and to receive their responses.

- 2.9 We have put a great deal of resource into ensuring that our publications are of the highest standard and have won a national award for plain English reporting.<sup>11</sup> Our focus is on ensuring that reporting is clear and concise so that the work of the Office is accessible.
- 2.10 The introduction of theme-based work programmes and annual reflections reports, which draw together the findings from each year's theme, is another example of how we are working to demonstrate the relevance of our work to citizens and stakeholders. The recent survey response from the Parliamentary select committee chairs (see paragraph 1.50) further confirms the value stakeholders receive from our work.
- 2.11 We have received feedback from public sector entities that the recommendations made in our performance audit reports helped them to address issues they were grappling with. An example of this is feedback we received in September 2016 after we released a performance audit report about complaints management processes in a local authority. An official in a government department noted that the criteria contained in the report was valuable for that department's review of these processes.
- 2.12 We also regularly receive feedback on the wider effect of our work. For example, in August 2016, the Ministry of Health reported that it had contracted the Auckland University of Technology to evaluate whether changes made to auditing processes had improved outcomes for people living in residential aged care facilities. The improvements made were in response to our 2009 report, *Effectiveness of Arrangements to check the standard of service provided in rest homes*. The evaluation identified the positive results of the changes, leading to improved outcomes for people living in aged care facilities.<sup>12</sup>

11 WriteMark New Zealand Plain English Awards, Plain English Champion – Best Organisation, 2010.

12 See <http://www.health.govt.nz/publication/improving-outcomes-age-residential-care>.

## Prospects for further improvement

- 3.1 Our assessment against the Framework has identified that there are no fundamental flaws in the current operations of the Office. However, there are several opportunities to improve and strengthen current systems and processes.
- 3.2 We are in the fortunate position that no obstacles prevent us from making the improvements identified in Parts 1 and 2. None of the identified improvements require significant financial resources to action, nor are there any impediments to the Office taking actions to achieve best practice that are of an external or systemic nature.
- 3.3 Many, but not all, of the opportunities for improvement noted in this report have been previously identified, and resolutions are already in progress.

# Appendix

## Quality Assurance Statement

### SAI Performance Report of the New Zealand Office of the Auditor General (NZOAG)

#### Quality Assurance Review Statement

*The INTOSAI-Donor Secretariat within the INTOSAI Development Initiative (IDI), as coordinator of the SAI PMF Task Team under the INTOSAI Working Group on the Value and Benefits of SAIs, provides support to SAI PMF pilot assessments where requested. Such support includes conducting Quality Assurance Reviews (QAR) of draft assessment reports. A request for such a QAR was received from the assessment team leader on 30 October.*

This SAI Performance Report (SAI-PR) was prepared by a senior team appointed from within the NZOAG. It was led by two project managers, overseen by the Deputy Auditor General, and supported by assessors from across NZOAG including Audit New Zealand. The project managers were appropriately trained in SAI PMF methodology, and had sufficient knowledge and experience of the domains within the SAI PMF, and the different audit types applied by the NZOAG. Training on SAI PMF was provided to the rest of the team prior to the start of the assessment. Overall, the team appears to have the appropriate skills and experience to conduct this assessment.

The Quality Assurance Reviewers were selected by the SAI PMF assessment manager (from NZOAG), under delegated authority from the Auditor General of NZOAG. The design of the QAR process was included in the assessment Terms of Reference (ToRs). These ToRs were independently reviewed by the INTOSAI-Donor Secretariat, and approved by the Auditor General of NZOAG.

In addition to the QAR by IDI, the draft assessment report was reviewed by the NZOAG Combined Leadership Team following NZOAG quality control procedures, with the objective of ensuring that the report is factually correct.

The QAR arranged by IDI was carried out by Martin Aldcroft, Head of the INTOSAI-Donor Secretariat, who had no responsibility for preparing the SAI-PR, and is considered to have the appropriate knowledge and experience necessary for this task. The objective of this review was to ensure that the SAI PMF methodology had been adhered to, that the evidence in the SAI-PR was sufficient to justify the indicator scores, that the analysis was consistent with the evidence, and that the executive summary was consistent with the analysis in the rest of the SAI-PR. The review concluded that the above QAR objectives were met.

No significant matters were raised during the QAR which need to be brought to the attention of the reader of the SAI-PR.

Prepared by: Martin Aldcroft, Head of the INTOSAI-Donor Secretariat  
Date: 15/11/2016

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