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The Auditor- General's strategic intentions to 2025



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Statement of responsibility

I am pleased to present the Auditor-General's strategic intentions for 2017/18 to 2024/25.

We intend to use our unique perspective and independent voice to influence the changes needed for New Zealand's public sector to operate and be accountable in ways that will meet the needs of Parliament and New Zealanders in the second quarter of the 21st century.

Many staff were involved in developing these strategic intentions. I thank them all for their contributions and commitment to the future direction of our Office. I am confident that we have a clear direction and focus so that we can contribute even more to achieving a high performing and accountable public sector that has the trust and confidence of Parliament and New Zealanders.

I acknowledge that I am responsible for the information in *The Auditor-General's strategic intentions to 2025*.

A handwritten signature in black ink, consisting of a large, stylized 'G' followed by a horizontal line with a small flourish at the end.

Greg Schollum
Deputy Controller and Auditor-General

22 June 2017

Introduction

The *Auditor-General's strategic intentions to 2025* (our strategic intentions) sets out the objectives we will focus on for the next eight years. The objectives are ambitious. We want to play our part so that the public sector is well positioned to meet the needs of New Zealanders in the second quarter of the 21st century.

Our role and purpose

The Auditor-General is an Officer of Parliament. The role is an important part of the constitutional framework in New Zealand. The role exists because the ultimate authority for all public sector activity stems from Parliament.

The public sector is accountable to, and therefore subject to the scrutiny of, Parliament (and, for local government, accountable to local communities). Parliament seeks independent assurance about the use of the resources and rights it has authorised, as part of its own scrutiny of governmental activity in New Zealand. That independent assurance comes from the Auditor-General.

The **purpose** of the Auditor-General's work is to:

Give Parliament and New Zealanders an independent view about public sector performance and accountability.

The outcome we seek

The ultimate outcome we are seeking is that Parliament and New Zealanders can have trust and confidence in the public sector. For this to happen, the public sector has to perform well and provide reliable, meaningful, and timely information so it can be held accountable. Everything we do is directed towards achieving this outcome (see our outcomes framework in Figure 1).

We play an important role in influencing lasting improvements in public sector performance and accountability. To do this, our Office must be seen as reliable and trustworthy. The principles that matter most to us are transparency, fairness, integrity, and trust.

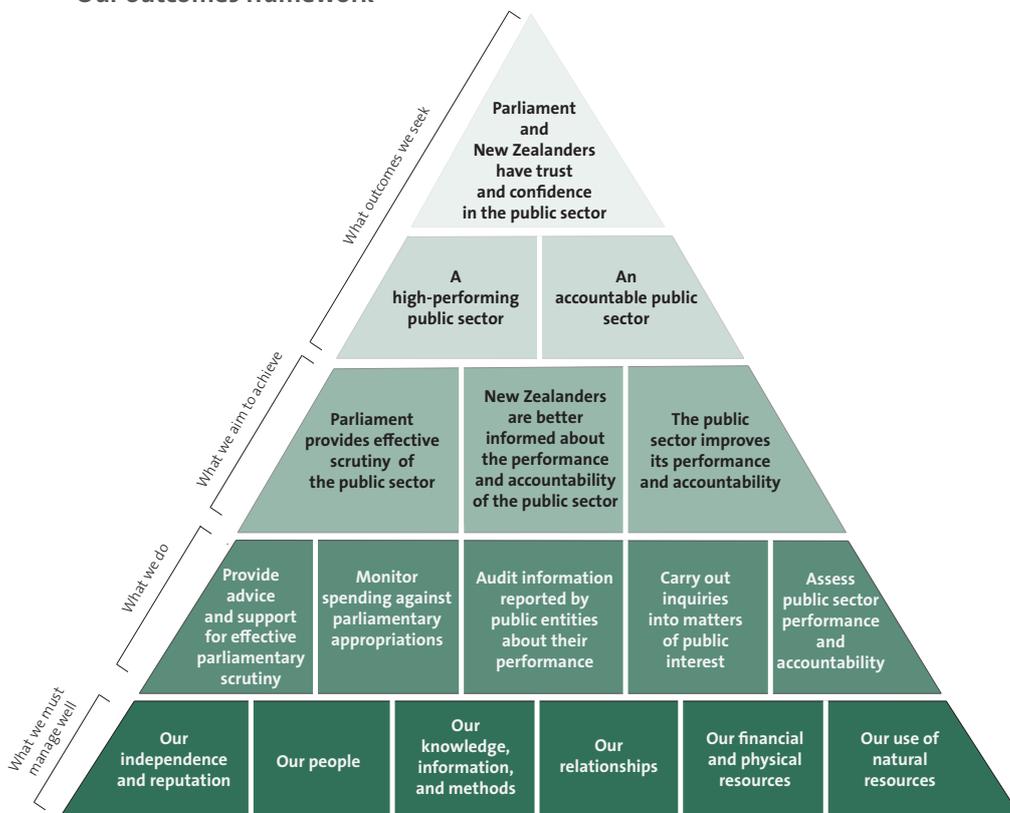
Our **vision** is that, through our work, we will contribute to:

A high-performing and trusted public sector.

No other organisation, public or private, has the overview of the whole public sector that we have. As the auditor of every public entity, we have a role with each organisation – and we can also see the overall performance and accountability of the entire public sector in New Zealand. This gives us a unique position from

which to influence improvements in the public sector's performance and the public management system in which it operates.

Figure 1
Our outcomes framework



What we do, and how we organise and fund our work

The Auditor-General is the auditor of about 3700 public entities. This audit work is carried out by either the Auditor-General's own audit service provider, Audit New Zealand, or private sector audit firms. The decision about who does each audit on the Auditor-General's behalf depends on a range of circumstances and requirements, including the capabilities needed for certain audits.

About half of this work (by value) is allocated to private sector firms. This arrangement lets the Auditor-General allocate work to the provider best suited for each audit, and keeps Audit New Zealand focused on being a high-performing audit service provider.

The annual audits are funded by fees charged to each audited entity, which are decided by the Auditor-General after consultation with the entity. This also creates some constructive tension to ensure value for money.

As well as annual audits (which make up nearly 90% of our work), the Auditor-General can carry out performance audits, inquire into how a public entity uses its resources, and study other matters affecting the public sector.

The Auditor-General is supported by staff in the Office of the Auditor-General. They carry out policy, strategy, and sector oversight work; carry out performance audits and inquiries; provide advice to parliamentary select committees; and allocate and oversee work done by audit service providers.

The Office is funded through Vote Audit, which has two output appropriations – *Statutory Auditor Function* and *Audit and Assurance Services*.

The *Statutory Auditor Function* appropriation is largely Crown-funded and includes two classes of outputs – *Performance Audits and Inquiries* and *Supporting Accountability to Parliament*. This mainly funds the functions carried out in the Office of the Auditor-General.

The *Audit and Assurance Services* appropriation is for carrying out audits and related assurance services as required or authorised by different laws. This appropriation is largely funded by audit fees collected directly from public entities.

The environment in which we work

The world is changing rapidly, and with this come both challenges and opportunities for governments. The challenges can emerge from changes in society, technology, and the environment. Opportunities come from technology and other developments enabling previously unforeseen solutions for many of the most difficult public policy problems.

Around the world, there are signs that people are losing faith in their governments – protesting about decisions, elections, and representation. People are increasingly questioning the veracity and reliability of information, including information from sources they once trusted. In the future, current entity-based reporting on an annual cycle is unlikely to meet people's needs or maintain their trust. Trust and confidence in government is at the heart of every democracy, so we need to start thinking differently about what constitutes effective accountability.

At the same time, we're experiencing changes in our society, our environment, and our economy. Like many western countries, we are facing an ageing population and other demographic changes from changing immigration patterns. We are also facing a wave of ageing infrastructure, including in regions where populations are stable or declining. Affordability is a real issue in some parts of the public sector.

We already know that, in most areas of public policy no agency can work alone to achieve the desired results. The need to work together will be further accentuated in the years ahead. Many communities are facing consequences of climate change that they will not be able to address alone. At the same time, people-centric services may lead to a greater need for central government to have a trusted local partner to deliver services. This may mean that central and local government will need to work together in different ways.

Alongside all this, technology is challenging and changing how people communicate, how services are delivered, how people expect to interact with government, and how government interacts with them.

Models of governance are also likely to change, especially in the "post-Treaty settlement" era, as are the boundaries between the public and other sectors. These changes, together with other changes in society, will bring other challenges if New Zealand is to preserve a high-integrity public sector environment.

In this challenging and changing environment, the role of the Auditor-General as "the public sector watch dog" is more important than ever. Our job is to tell it like it is, and we intend to continue to do this. But we see an opportunity to do more. We think it is important to understand and respond to changing future trends

with some different thinking. We intend to use our unique and independent perspective to help shape future thinking. We will encourage more discussion and debate about New Zealand's current system of public management and accountability. It was modern and new in the late 1980s, but that was 30 years ago. And, although we continue to modify and enhance the current regime, it's timely to ask whether it will meet the needs of New Zealanders for the next 30 years:

- What do New Zealanders expect the public sector to be accountable for?
- Is the way that public entities account for what they do going to maintain the trust and confidence of New Zealanders?
- What might be the features of an accountability system that supports learning, innovation, and continuous improvement?
- How could accountability systems better support public and Parliamentary decision-making needs?
- Do people want to know only about the performance of individual public entities when the services they receive come from a range of agencies working together?
- Are people interested in how their town or city is doing, economically and socially?
- Does it matter to New Zealanders whether services are provided by local or central government, non-governmental organisations, or the private sector?
- What might a system of accountability look like if we completely redesigned it?

We consider that these are important questions to be asking. Our Office is one agency in the wider accountability system – we intend to engage with others to explore these and other questions, with a view to influencing the future of public accountability.

Given these questions, we will be thinking about the implications for:

- the current accountability regime;
- how the public sector is managed;
- how we provide assurance;
- how we focus on the right matters at the right time; and
- how we get information to people in ways that they trust and find useful.

Our strategic intentions

We must continue to provide assurance about public entities' performance and accountability. Because of our unique view of the whole public sector, and our independence, we are also setting ourselves a bold challenge – our greatest imaginable challenge – to use our position to influence policy-makers and decision-makers so that:

By 2025, the public sector is operating and accountable in ways that will meet the needs of New Zealanders in the second quarter of the 21st century.

How our strategic intentions will focus our work

Our strategic intentions will guide our work until 2025, and be supported by two more detailed and internal strategic plans. The first strategic plan will cover from 2018 to 2021, and the second will cover from 2022 to 2025.

In the table below, we set out an overview of our purpose, our vision, our greatest imaginable challenge, and the strategic objectives that we will use to focus our work.

Figure 2
Overview of our purpose, vision, greatest imaginable challenge, and strategic objectives

Our purpose	Give Parliament and New Zealanders an independent view about public sector performance and accountability.
Our vision	A high-performing and trusted public sector.
Our greatest imaginable challenge	By 2025, the public sector is operating and accountable in ways that will meet the needs of New Zealanders in the second quarter of the 21st century.
Our strategic objectives	<p>Strengthening the public sector: We want to use our influence to improve the performance of public entities and the public management system in which they operate.</p> <p>Improving New Zealanders' trust and confidence: We want to ensure that accountability arrangements work to improve New Zealanders' trust and confidence in the public sector.</p> <p>Leading by example: We want to be a role model for public sector performance and accountability.</p>

In the pages that follow, we describe each strategic objective, explain what we intend to achieve, and set out how we will do this.

Strengthening the public sector

We want to use our influence to improve the performance of public entities and the public management system in which they operate.

We will continue to carry out our core business using our independent perspective, auditing entities, reporting, and providing advice and support to Parliament. We also intend to carry out smarter and more influential auditing by:

- focusing more of our work on issues that are important to New Zealanders;
- reporting more on cross-agency performance and outcomes rather than just focusing on individual public entities;
- providing more timely insight and assurance;
- better equipping ourselves to share good practice more actively; and
- raising public awareness about our role, so more New Zealanders understand that there is an independent agency with a constitutional role to act as a “check and balance” on how public resources are used.

For the wider public management system, we want to make better use of our oversight of the entire public sector so that we can:

- take a more active “thought leadership” role; and
- collaborate with others, particularly other integrity and accountability agencies, to encourage discussion and debate about modernising New Zealand's accountability arrangements.

How will we demonstrate our progress?

Given our role as an influencer, we have work to do to find meaningful ways to measure whether the public sector is improving and the part we play in that improvement. We will know we are making progress towards achieving a stronger public sector when:

- we see tangible improvements in the reporting of public sector performance;
- we see entities more consistently sharing good practice and collaborating with each other to improve outcomes for New Zealanders; and
- our recommendations help public entities to continuously improve.

We will also assess Parliament and public entities' confidence in our work to strengthen the public sector. We will know that our work, and that of others, is having the desired effect by tracking a range of measures and gathering feedback from our main stakeholders (including Parliament) and public entities.

The detailed measures and targets we currently use are set out in each year's Budget's Estimates documentation for Vote Audit. We plan to review these measures and targets to see whether they can be improved.

Improving New Zealanders' trust and confidence

We want to ensure that accountability arrangements work to improve New Zealanders' trust and confidence in the public sector.

Trust and confidence in government is at the heart of every democracy. Around the world, people are increasingly questioning the actions of their institutions and elected representatives. We want New Zealanders to receive the sorts of information they need to have trust and confidence in the organisations that are there to serve them. This means encouraging and expecting public entities to be open and transparent, providing reliable, meaningful, and timely information in an accessible way.

Also, the information we hold provides an evidential base for our work. Our challenge is finding ways to share that information in ways that work for New Zealanders – empowering people as well as elected members to ask pertinent questions and hold the public sector to account.

We intend to do more to listen so that our work focuses on the matters that are significant to New Zealanders. We will also:

- encourage public entities to provide relevant, meaningful, and timely information in more accessible ways to their service users and communities;
- report and share information in ways that help communities to understand the issues they face and hold their public entities and decision-makers to account; and
- evolve the ways, means, and speed with which we reach and inform New Zealanders.

Through our communication, we will continue to encourage discussions about what we find, and we intend to better equip our staff to do this. We will talk more about the work we do and the independent perspective that we can bring. We also want to increase the range of ways in which we report and share information and insight.

How will we demonstrate our progress?

We will seek wider public input as we plan our annual work programmes, so that our work continues to be relevant and timely. We will know that our work, and that of others, is having the desired effect by tracking a range of measures.

We currently have specific measures and performance targets for others' views of our work. These can be found in the Budget's Estimates documentation for Vote Audit. We plan to review these measures and targets to see whether they can be improved.

Leading by example

We want to be a role model for public sector performance and accountability.

We are an internationally respected audit institution, and we aspire to be even better. We want to lead by example as individuals and as an organisation. This includes trying new ways of sharing our knowledge and our data, creating accountability documents that show the way for other agencies, and managing our business in ways that show we model the expectations that we set for others.

We will focus on building our capability, and fostering a healthy workplace culture of trust and respect. We will adapt to change in ways that are productive, useful, and cost-effective.

We will build on the systems we already have to manage our work, maintaining our independence and strong ethical base and addressing the risks to our work. We will continue to lead and participate in discussions to ensure that we remain an influencer.

We intend to do more to:

- strengthen the leadership of the Office and the auditors working on our behalf;
- develop our organisation – its people and its processes;
- work more collaboratively with each other (in all parts of the Office, including with audit service providers, getting the most from our knowledge, information, and methods);
- provide the sorts of reports that people need from us; and
- assess our own practices against the expectations we have of others.

How will we demonstrate our progress?

We will know we are making progress towards being a role model when we see that:

- our own accountability reports and other documents are received well and widely used by others;
- we use feedback and reviews of our performance to continually improve what we do;
- we have the capability needed to do our best work; and
- our engagement and organisational culture are among the highest in the public sector.

We will benchmark ourselves, look for opportunities to enhance our main activities and improve our effectiveness and efficiency, and seek feedback from our international colleagues.

Regular staff, client, and stakeholder surveys and periodic peer reviews will help us to track our progress towards this objective.

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Office of the Auditor-General
PO Box 3928, Wellington 6140

Telephone: (04) 917 1500
Facsimile: (04) 917 1549

Email: reports@oag.govt.nz
Website: www.oag.govt.nz