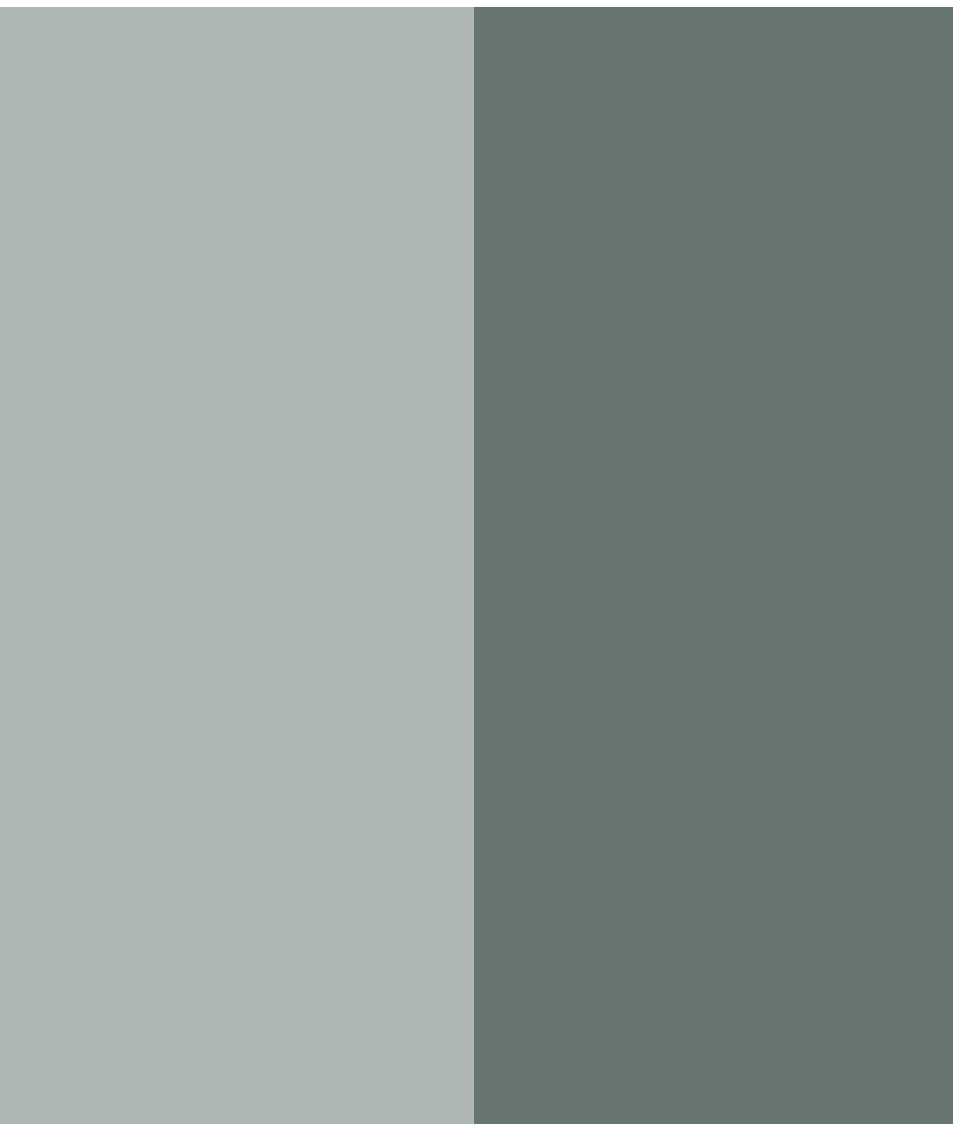




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The Auditor- General's strategic intentions to 2025





The Auditor-General's strategic intentions to 2025

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Statement of responsibility

E ngā mana, e ngā reo, e ngā karangarangatanga maha o te motu, tēnā koutou.

I am pleased to present the strategic intentions of the Controller and Auditor-General (the Auditor-General) for 2020/21 to 2024/25.

The Auditor-General's strategic intentions reflect the changes that we are seeing in New Zealand and globally, including the response to the current Covid-19 pandemic.

Our strategic intentions describe the outcomes and impacts we are wanting to achieve. In this edition of our strategic intentions, we have included information about our medium-term strategy to 2021 and our organisation development plan. Together, these two documents provide a more complete picture of what we are focusing on to enable us to be successful.

Our medium-term strategy and organisation development plan were finalised after we last published our strategic intentions in 2017, so this is our first opportunity to bring the whole picture together.

The outcomes we seek are ambitious and, while we recognise that we cannot achieve them on our own, our strategic intentions describe how we will support the public sector to meet the needs of Parliament and New Zealanders.

We also recognise that the Covid-19 pandemic will significantly affect the financial and service performance of many public organisations, and the public sector will need to manage these effects for many years to come. As we develop our future work programme, we will be considering different ways in which we can support the public sector in the work it is doing on recovery following the Covid-19 pandemic.

I acknowledge that I am responsible for the information in *The Auditor-General's strategic intentions to 2025* and wish to take this opportunity to thank Parliament, staff, our audit service providers, and our many stakeholders for their contributions and commitment to the future direction of the Office of the Auditor-General. I am confident that we have a clear direction and focus that allows us to contribute even more to achieving a high-performing and accountable public sector that has the trust and confidence of Parliament and New Zealanders.

Nāku noa, nā



John Ryan
Controller and Auditor-General

25 May 2020

Introduction

The Auditor-General's strategic intentions to 2025 (our strategic intentions) describes the outcomes and impacts we are ultimately working towards, and the strategy we have developed to help get us there.

Every three years, we publish the Auditor-General's strategic intentions in keeping with Part 4 of the Public Finance Act 1989. Reassessing our strategic intentions helps to ensure that our strategic direction remains responsive to the challenges of our wider environment, and that our work is focused on the issues that matter most to New Zealand.

Our role, purpose, and values

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.

As a pillar of the national integrity system, we aim to increase trust and confidence in the public sector and in government.

Our purpose is *improving trust* and *promoting value* in the public sector.

We play an important role in influencing lasting improvements in public sector performance and accountability. To do this, the Office of the Auditor-General must be seen as independent, reliable, and trustworthy.

The values that we uphold and that underpin everything we do are:

- People matter;
- Our independence is critical;
- We act with integrity and courage; and
- We're here to make a difference.

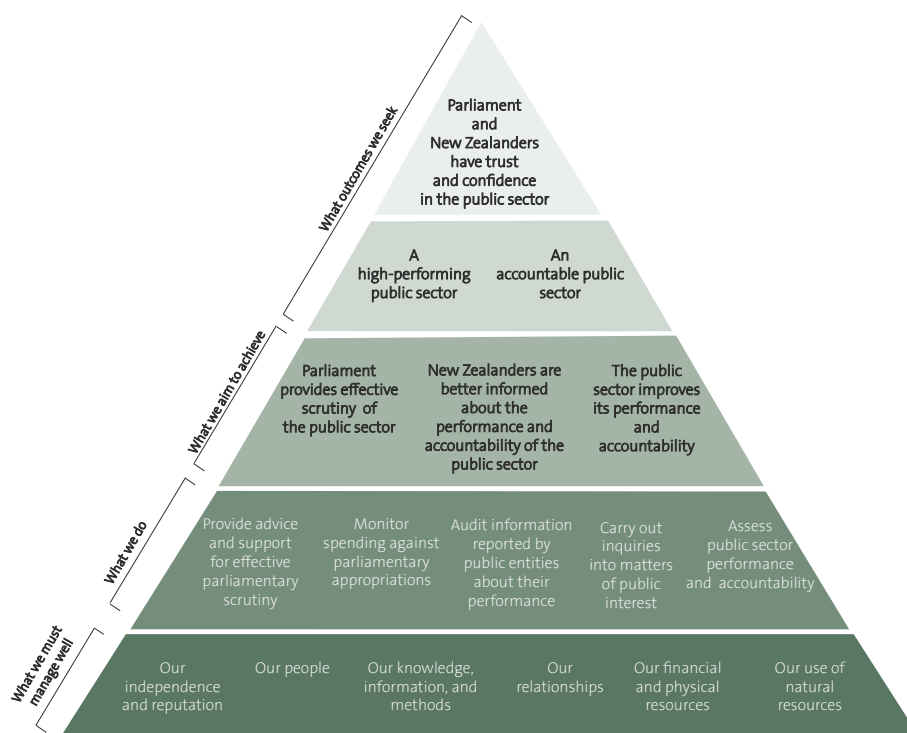
The outcomes we seek

The ultimate outcome we seek is that Parliament and New Zealanders 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 these outcomes (see our performance framework in Figure 1).

Our vision is of 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 organisation, we have a role with each. This gives us a unique position from which to influence improvements in the public sector’s performance, and the management and accountability systems in which it operates.

Figure 1
Our performance framework



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

Below is a description of what we do. Our activities are listed in the lower middle section of our performance framework.



Providing advice and support for effective parliamentary scrutiny

Each year, we publish reports on the results of our annual audits, performance audits, major inquiries, and other work. The information we gather gives us a unique view of the challenges, emerging issues, and trends in the public sector.

We use this information to provide advice and support to Parliament and select committees, including through annual reviews of public organisations, and the Estimates examinations after the Government announces its budget each year.

We also carry out and report on our responsibility under the Local Government (Auckland Council) Act 2009 to review the service performance of Auckland Council and its subsidiaries.

Monitoring spending against parliamentary appropriations (our Controller function)

In conjunction with our annual audits, we carry out appropriation audits of government departments. Appropriation audits are designed to provide assurance that spending by government departments and Offices of Parliament is lawful and within the scope, amount, and period of the appropriation or other authority. It supports the important constitutional principle that the Government cannot spend, borrow, or impose a tax without Parliament’s approval.

Annual audits of information reported by public organisations about their performance

Annual audits of public organisations are the core work of our Office, accounting for nearly 85% of our resources. These result in issuing about 3300 audit reports each year. We also issue reports to those charged with governance on how the public organisations' control environment, performance and reporting could be improved. Our annual audits fundamentally support the integrity of the financial and performance reporting of public organisations. All our work is built on this solid foundation.

The annual audit work is carried out by either the Auditor-General's in-house audit service provider, Audit New Zealand, or private sector audit service providers.

Our audit work is funded by fees charged to each audited public organisation, which are agreed after a negotiation process. This creates some constructive tension to ensure that audit fees are reasonable. The fees must be fair to the organisation, but also provide a fair return to the auditor.

As well as annual audits, we have a number of other core functions.

Other assurance work

Audit New Zealand also carries out other assurance work. This work is generally focused on reviewing procurement and contract management, project management, asset management, risk management, governance arrangements, and conflicts of interest. It can include any services of a kind that it is reasonable and appropriate for an auditor to perform.

Assurance is typically provided to senior managers and governors. By extension such assurance work supports private and voluntary sector stakeholders' trust and confidence in public organisations. It promotes value by helping public organisations comply with rules and guidelines and adopt good practice. Audit New Zealand and other audit service providers also carry out other assurance engagements that are prescribed in legislation other than the Public Audit Act 2001.

These assurance engagements, include (for example) work to support disclosure regimes required by the Commerce Commission.

Carrying out inquiries into matters related to the use of public resources

Our inquiries work is an important mechanism for improving Parliament's and New Zealanders' trust and confidence in the public sector.

Inquiries can arise from our audit or other work, requests from members of Parliament or a public organisation, or concerns raised by the public. We consider many issues and receive many requests for inquiries, with the number of requests increasing each year. We make decisions about whether issues warrant investigation as matters of concern arise.

Assessing public sector performance and accountability (through performance audits and special studies)

Performance audits and special studies are an important part of our work programme. They enable us to delve more deeply into particular matters than we are able to in our annual audits, and make recommendations for improving public sector performance. We also monitor public organisations’ progress in implementing the recommendations from our previous performance audits.

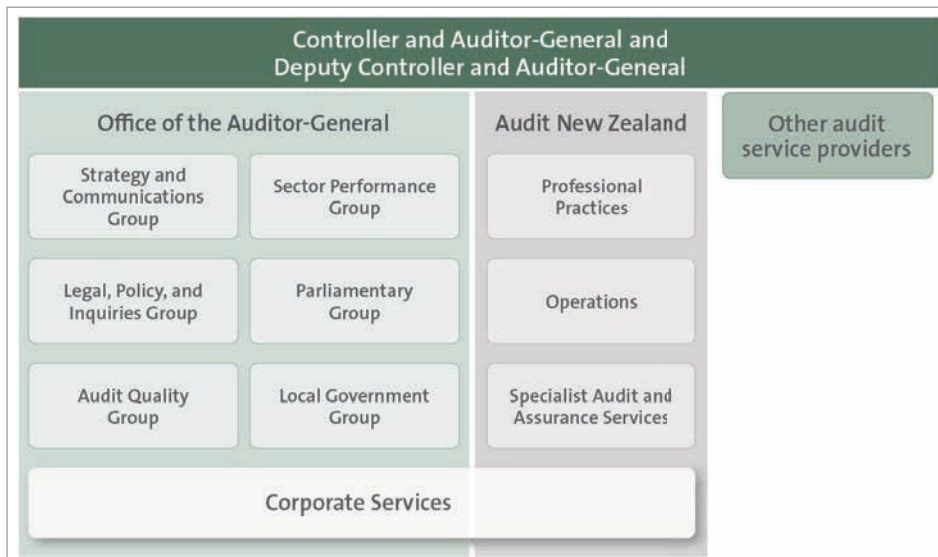
How we are organised

The Auditor-General’s work is carried out by about 420 staff in two business units – the Office of the Auditor-General (OAG) and Audit New Zealand – supported by our shared Corporate Services.

We also contract audit service providers from the private sector to carry out some audits on the Auditor-General’s behalf.

We refer to these four groups, together with the Auditor-General and the Deputy Auditor-General, collectively as “the Office”.

Figure 2
Our organisational structure



How we are funded

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

The appropriation for *Statutory Auditor Function* is largely Crown-funded and includes two classes of outputs: *Performance Audits and Inquiries* and *Supporting Accountability to Parliament*. This appropriation covers these outputs, which are carried out in the OAG as well as by our shared Corporate Services.

The *Audit and Assurance Services* appropriation is for carrying out audits and related assurance services as required or authorised by different laws. This output class is largely funded by audit fees collected directly from public organisations and funds the functions carried out by our Audit New Zealand business unit, a portion of the OAG and our shared Corporate Services, and the audits carried out by contracted audit service providers.

1

Our operating environment

The Auditor-General is often described as Parliament’s “watchdog”. As the auditor of every public organisation, we are uniquely placed to understand the challenges, risks, and issues facing the public sector.

Although the public sector, by and large, performs well and is well led, the context in which it operates continues to change. The current Covid-19 pandemic is a clear example of this, and the public sector will be dealing with the effects of the pandemic for many years.

The Covid-19 pandemic is not the only example. Other events in the past few years have underscored the challenges that we face as a nation – from adverse weather events to natural disasters and acts of terrorism.

Globalisation has facilitated a wide range of illicit activities, such as bribery and corruption, tax evasion, money laundering, counterfeiting, piracy, and human trafficking. The failure around the world to effectively curb these phenomena, have led to an erosion of public trust in institutions.¹ In New Zealand, while trust in the public sector is significantly lower among Māori and Pasifika,² in general, overall trust remains relatively high.

Open markets, the flow of goods and people across borders, and rapid technological change all have significant benefits, but also increase risks. Norms are challenged as the population becomes increasingly diverse, as behaviours accepted in other countries and cultures may fall short of other New Zealanders’ expectations of integrity.

Rapidly evolving technology is transforming the way we live, work, and connect with each other – and it is changing our expectations about how we want to engage with public services. Automation, the use of algorithms, and artificial intelligence present new challenges for information security, fairness, and natural justice in decisions made by public institutions.

The public sector has to understand and respond to this context, as well as grapple with complex and persistent social issues that continue to affect the well-being of New Zealanders. Our high rates of family and sexual violence, harmful use of alcohol and drugs, as well as high rates of mental illness, suicide, and child poverty all have significant social and economic costs. Māori continue to experience disparities of outcomes relative to other New Zealanders. In the “post-Treaty settlement” environment, the public sector faces widespread challenges in terms of resourcing and delivering on the Crown’s obligations and commitments made in Treaty settlement Acts.

1 Organisation for Economic Co-operation and Development (2018), *OECD strategic approach to combating corruption and promoting integrity*, Chapter 1, page 12.

2 A data breakdown for the Kiwis Count survey is available on the website of the State Services Commission, at www.ssc.govt.nz.

An unprecedented amount of public money will be spent in the coming months and years as the Government responds to the challenges of the Covid-19 pandemic. The implications of this will be felt throughout the public sector for some time. Financial sustainability is already an issue in parts of the education and health sector, both of which have been significantly affected.

Councils are under significant pressure to invest more in ageing infrastructure and protect communities from increased adverse weather, natural disasters, and sea level rises while in a constrained revenue environment. Responding to climate change will be one of the biggest challenges our nation has ever faced – which is significant, given the scale of the issues we are already dealing with.

The public sector is grappling with how to respond to these issues and attempting to work across agency boundaries to tackle more of the complex problems. These changes are an opportunity for progress on intractable issues, but increasingly shared and multiple accountabilities will be difficult to manage. How performance is made transparent to Parliament and the public will need careful thought. New arrangements will also create new challenges in how to hold the public sector accountable.

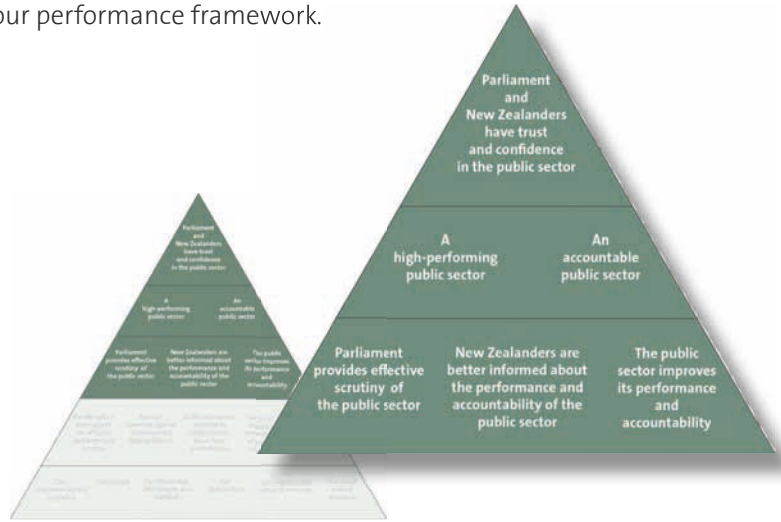
Reforms are under way in many parts of the public sector. These, coupled with the disruption caused by the Covid-19 pandemic, could leave some public organisations struggling to maintain productivity and make progress.

We might be able to help. Our expertise and independence means we are uniquely positioned to support public organisations focus on good financial and performance management, and to help Parliament and the public hold them to account for their use of public money. Our strategy is designed to increase our relevance, our influence, and our impact in supporting a high-performing and accountable public sector.

2

Our strategy

The outcomes we seek and what we aim to achieve are shown in the top section of our performance framework.



Our medium-term strategy (our strategy) describes how we will build on our core functions and what we will do differently to generate the impact we need to achieve our outcomes.

Our strategy is organised around four strategic shifts we need to make to respond to the changing operating context in which we work, and enhance the impact of our activities.

Figure 3
The four strategic shifts we aim to make

Our four strategic shifts			
1 – Focus more on examining how well the public sector achieves positive change for New Zealanders	2 – Help New Zealanders become better informed about public sector performance and accountability	3 – Be more active in sharing insights about what “good” looks like	4 – Help improve the public sector accountability system

Our performance framework, strategy, and organisation development plan shape our work programme.

The next section provides more information about each of the strategic shifts, why we are focusing on them, what we have achieved so far, and what we intend to do next.

Strategic Shift 1: Focus more on examining how well the public sector achieves positive change for New Zealanders

Why is this important?

The ultimate objective of public expenditure is to achieve improved outcomes for New Zealanders. Examining outcomes will increase our relevance to New Zealanders because it will put people at the centre of our work. We will focus more on changes that affect people, including their communities, environment, living standards, and society at large. We will work to understand the disparities in outcomes that different communities experience and report on what the public sector is doing to address those disparities.

To progress this shift, we set out to increase the emphasis in our work programme on examining the public sector's performance in delivering better outcomes for New Zealanders, including where public sector organisations are explicitly seeking to achieve improvements through their interventions.

Achievements so far include:

- We have started a programme of work to assess public sector performance in achieving better outcomes for those experiencing family violence.
- We have work under way to examine New Zealand's preparedness to deliver on the United Nations' sustainable development goals.
- Our draft annual plan for 2020/21 includes work to examine where and how the Government is improving outcomes in housing, health, education, and improving outcomes for Māori.

What are we going to do next?

In the next few years we will conclude performance audits on how well agencies participating in the joint venture on family violence are working together to achieve reductions in family violence.

We will use this experience to help refine our approach to auditing outcomes, and inform other performance audits and special studies aimed at better understanding how well the public sector is improving housing, health, and education. We will carry out specific work aimed at understanding how the public sector is supporting Māori to achieve their potential.

We will work with sector leaders and public organisations, including through our audits of non-financial performance information, to encourage improved reporting on outcomes by individual organisations and collectively, using meaningful and reliable performance measures.

We will consider new ways of providing advice and support to Parliament to help it scrutinise the achievement of better outcomes for New Zealanders. We will also explore ways of making information we have gathered on the public sector's performance in achieving outcomes accessible to New Zealanders and to understand how well public organisations are performing in delivering on New Zealand's international commitments to the United Nation's sustainable development goals.

Strategic Shift 2: Help New Zealanders become better informed about public sector performance and accountability

Why is this important?

The Auditor-General has a core role in the accountability of the public sector for its use of public money, which in turn supports the public's trust and confidence in the public sector. Providing robust information about the performance of public organisations is an important part of this.

To progress this shift, we set out to help New Zealanders to be able to hold public organisations to account by better informing them about public sector performance. Our regular reporting is a key way we do this, but we are also focusing on making the information we report more accessible to New Zealanders. This includes exploring the tools we use to explain audit results, the methods we use to gather information, and the way in which we report.

We also want to influence improved reporting by public organisations by continuing to encourage open and transparent reporting, with reliable, meaningful, and timely information that is accessible to the public.

Achievements so far include:

- Since 2018, we have published more than 40 reports on a range of matters in central and local government, including water management, procurement, information, and the timeliness of reporting by public organisations.
- Our reports on the findings of major inquiries have examined matters such as sensitive expenditure and procurement in the public sector, and we have reported our insights on the future of public accountability.
- We have prepared engagement and impact plans for performance audits and inquiries to sharpen our impact and the messaging in our reports so they were relevant to New Zealanders, and many of these have been supported by videos that highlight our key findings.

- We have prepared and implemented a training programme for Audit New Zealand's Audit Directors to lift their level of engagement with those charged with governance in organisations, such as boards, audit and risk committees, and senior management. This training will also be made available to OAG staff.
- We have regularly reported on the results of our audits in central and local government, and in specific sectors such as schools, port companies, district health boards, and tertiary education institutions.
- We have reported on the results of the Financial Statements of the Government and prepared regular updates on our Controller function. We produced a short animated video about our Controller function to promote understanding about the importance of this work.
- We have been developing a deeper understanding of the performance information that public organisations are providing to the public. We are assessing whether it is meaningful in relation to public organisations' strategies, and whether it evidences effectiveness, efficiency, and overall value for money of their services.
- We have also invested in specialist performance reporting expertise in the Office.

What are we going to do next?

To influence more meaningful reporting by public organisations, we will publish a report setting out our views about the state of performance reporting in the public sector and what we consider needs to change. We will continue to encourage improvement by seeking to influence changes to the reporting requirements as they are considered by central agencies and other sector influencers.

We will consider what we can do differently to help improve reporting, and develop a strategy to guide our work on this.

To make our own reporting more meaningful, in the next few years we are planning to better understand the issues that are important to specific communities, so that we can prepare and provide relevant information and data sets. We will report on our findings, and we will work to make this information available through our website in different ways and forms, other than our traditional text-based reports.

We will also explore ways to make our traditional reports more accessible, including thinking about opportunities for shorter summaries, presentations, and translations into other languages.

Strategic Shift 3: Be more active in sharing insights about what “good” looks like

Why is this important?

As the auditor of every public organisation, we have both “assurance provider” and “improver” roles. We are well positioned to help public organisations understand where they can improve their financial and non-financial performance. One of the ways we seek to do this is by using our knowledge and experience to provide insights into what “good” looks like. We can also play a key role as an information broker, to point individual organisations to other public organisations that may do similar things better or well.

To progress this shift, we set out to review the good practice guidance we had published in the past and prepare a plan for writing more guides. We are also considering the different ways in which we can disseminate good practice information and connect organisations so they can share experiences.

We are also focusing on better equipping ourselves to develop and share insights about what “good” looks like through improving the tools and approaches we use to share our information, and lead by example by continuing to improve our own internal systems and processes.

Achievements so far include:

- In the last few years, the OAG and Audit New Zealand websites were updated to include sections focused on good practice.
- We updated Audit New Zealand’s *Reports to Governors* template to include references to relevant guides.
- We completed a stocktake of our good practice guides and prepared a three-year plan for how and when they will be updated. We are now including this work in our annual plans.
- We have published updated good practice guidance on severance payments and are soon to publish good practice guidance on the Local Authorities (Members’ Interests) Act 1968, conflicts of interest, sensitive expenditure, and charging fees.
- We shared good practice in different ways. For example, we provided induction sessions and materials for new councillors on conflicts of interest, audit and risk committees, and building trust and confidence. We also ran a procurement speaker series to share good practice between public organisations.

- We launched an Audit and Risk Committee Chairs' forum for chairpersons in three cities, and encouraged local authorities to appoint independent chairpersons for their audit and risk committees. We see audit and risk committees as critical to effectively sharing good practice information.

What are we going to do next?

We will be deliberate about the new guidance we develop, focusing on what is most relevant and updating the guidance as needed. Over the next year, we plan to review good practice guidance on procurement, purchases, grants, and gifts, and the effective use of audit and risk committees. We are also developing new guidance for public organisations on what a good framework for ethics and integrity looks like. We will build on that work with some subsequent integrity-related performance audits.

We will explore developing useful self-assessment tools and case studies. We will also explore opportunities to connect public organisations – making wider use of forums and speakers' series to share what we have learned from our work and encourage others to share their experiences. We will focus on better supporting our own staff to play an information broker role with more training and better resources.

We will continue to explore strategic partnerships that will help us share good practice – with audit and risk committees in particular. We are also interested in the role of monitoring agencies and whether that is working as well as it could. We see opportunities to build a stronger community of practice between these agencies, and we will explore our role in this.

Strategic Shift 4: Help improve the public sector accountability system

Why is this important?

The effectiveness of the public sector accountability system is paramount in providing assurance to Parliament and the public that public organisations are fulfilling their responsibilities and meeting the standards expected of them. The public sector accountability system needs to change in line with public expectations and as society evolves. Our accountability system is far from broken, but it is critical that it keeps pace with changes in the expectations of the public.

To progress this shift, we set out to form our own view about the state of the public accountability system, to position us to influence improvements where needed.

Achievements so far include:

- We published a range of submissions on government proposals for public sector reform or major reviews of aspects of the public sector, including:
 - the Public Finance (Well-being) Amendment Bill;
 - the Public Service Legislation Bill;
 - the establishment of an Independent Fiscal Institution;
 - proposals looking at the role of the Reserve Bank and how it should be governed;
 - the Productivity Commission’s report into Local Government Funding and Financing;
 - the Tomorrow’s Schools Independent Taskforce Report;
 - the Reform of Vocational Education proposals; and
 - the Education (Vocational Education and Training Reform) Amendment Bill.
- We published our first discussion paper in a programme of work on the current state of the public accountability system: *The future of public accountability: A matter of trust and confidence*.
- We have substantially progressed our second phase of research into public accountability, including a survey to understand the public’s views on accountability.
- We trialled a new format for Annual Review briefings with select committees as well as in-person briefing opportunities for all members of Parliament on key reports and inquiries to help Parliament exercise scrutiny over public organisations.
- We progressed our work to examine the current state of public sector performance reporting.

What are we going to do next?

We will continue to seek to influence the direction of public sector reforms to support changes that strengthen the accountability of the public sector.

We will publish our second phase of research into the state of the public accountability system and our views about what needs to change to improve the quality of performance reporting in the public sector.

We will continue our work on understanding New Zealand’s public accountability system, its strengths and weaknesses, understanding where it could be improved, and influencing the improvements needed. We are planning some specific work to look at Māori perspectives on the accountability system, and ways in which the public sector can be more accountable to communities.

We will also progress our thinking about the future of public sector audits in the accountability system.

How we will know our strategy is having an impact

We will know our focus on examining **how well the public sector achieves positive change for New Zealanders** is having an impact when people who use our reporting tell us that:

- our work is providing assurance about whether key outcomes have been achieved, including how well outcome achievement is measured and reported; and
- our work provides insight about how well public organisations work together to achieve outcomes, and we are influencing improvements that support better outcomes for New Zealanders.

We will know we are **helping New Zealanders become better informed about public sector performance and accountability** when we see that public organisations are making their reports more meaningful and publicly available. The feedback on our own reporting, and the data and information we are making available, indicates it has provided meaningful reporting to communities, in that it has helped people to be better informed and hold public organisations to account.

We will know our efforts to **share insights about what “good” looks like** are working when we:

- see and hear of more good practice in action and there will be less evidence of poor practice underpinning failures;
- are aware through our audit and other work of more examples of public organisations sharing good practice;
- get feedback that the guidance we produce and presentations we make are relevant and useful, and there is an increase in requests for us to present and talk about our guidance;
- there is more and active sharing of insights in the Office using the tools we develop to facilitate this; and
- public organisation survey scores improve for “How satisfied are you with your audit service provider’s engagement with you to help you make improvements to your organisation?”

We will know we are helping to **improve the public sector accountability system** when we get feedback from key parties to public sector accountability that we have informed a better understanding of the system and are influencing improvements through our work.

Ultimately, if we are delivering our core services and successfully implementing our strategy, we would expect to see evidence of increased impact and progress against our intended outcomes.

3

Our organisation development plan

As well as our strategy, we are also making changes to strengthen our organisation and lead by example. The changes we are making are set out in our organisation development plan and are summarised below.

Our organisation development plan directly relates to the bottom section of our performance framework. There are six key areas that we must manage well:



By focusing on strengthening the way we manage these resources, we will ensure that we are in the best possible position to carry out our core functions to the standard that Parliament and the public expects, and deliver on our strategy.

We provide more detail below about how we propose to strengthen our organisation in each of these six areas.

Our independence and reputation

Our independence and strong mandate that underpin all our work and activities

Why this is important to us

Maintaining our independence is critical. The credibility of our work relies on being free of influence (real or perceived) so that we can carry out our work and report without constraint. We have high standards of independence, which we have enhanced further during the last year, and we closely monitor compliance with those standards.

Our independence and reputation are also critical to maintaining Parliament's and the public's trust and confidence in our work, and enables us to maintain our position as one of the pillars in New Zealand's national integrity system.³

What we have been working on

We continue to actively monitor and manage potential conflicts of interest for our staff and of the audit service providers appointed to carry out audits on behalf of the Auditor-General. We recently implemented stronger auditor independence

standards, limiting the consultancy work of audit service providers for public organisations to work of an assurance nature only for the public organisations they audit.

What we will focus on next

Work we are planning to further strengthen our independence, reputation, and mandate includes:

- maintaining a strong focus on risks to our independence and reputation in our strategic risk register;
- looking at how we can improve the technology that supports our independence declarations processes to make this easier to manage, and improve the training we provide to new staff about how we manage independence and conflicts of interest; and
- continuing to examine areas of the Public Audit Act 2001 that we consider could be strengthened, changed, or clarified.

Our people

Our culture and engagement, skills, and capability that enable us to deliver high-quality professional work

Why this is important to us

A positive culture and strong engagement will help people perform at their best. The reputation of the Office relies on our ability to attract and retain capable and highly skilled staff.

What we have been working on

Over the past year or so we have worked to make several improvements to support our people. We prepared a people strategy and a Te Ao Māori strategy. We have established a forum for people leaders (those who manage staff) and we have introduced career boards to help staff in the OAG and Corporate Services to identify and progress their career paths and capabilities. We have continued the training and development of our audit staff, including supporting their qualifying as chartered accountants and holding training events to further develop their capability.

We are investing in our capability and competence in engaging with Māori – staff have access to te reo Māori courses and many have been encouraged and supported to learn their pepeha. Specific training is available for staff working with public organisations where tikanga Māori is fundamental to how they operate.

We have also improved our flexible working arrangements and published an equal employment opportunities programme. We have reviewed the remuneration and

reward system for staff in the OAG and Corporate Services, and reviewed the pay structure for Audit New Zealand. We have also analysed our gender pay gap and, while like-for-like roles do not show a gender bias in pay, we know that there is work still to do to bring more women into management roles.

What we will focus on next

We are planning further work to support our people, including:

- completing an Office-wide learning and development plan that supports people's technical, leadership, and professional needs;
- further implementation of our people strategy, including:
 - reviewing the people and capability operating model, incorporating an end-to-end review of our recruitment practice and strategic recruitment;
 - developing a capability framework that includes identifying and recruiting for critical future skills; and
 - developing and implementing a leadership capability framework and tools.

We are also planning further implementation of our Te Ao Māori strategy, including:

- assisting with creating an organisational culture that fosters te reo Māori and tikanga Māori; and
- ensuring that all staff have basic knowledge of te reo Māori.

Our knowledge, information, and methods

Our collective knowledge and expertise about the public sector, and the processes we use to do our work

Why this is important to us

In many respects, our technology environment is struggling with greater service demand and complexity and to meet the expectations of Parliament and our stakeholders – audit service providers, public organisations, and the public. We need to continue to ensure that our systems are secure, resilient, and fit for purpose.

We know there is an opportunity to better use the information that we acquire and hold to provide better intelligence to support our work planning and core services. It is also about ensuring that our systems support improved engagement with Parliament, public organisations, stakeholders, and the public. These things are critical to delivering greater impact.

We also want to make sure that our staff are equipped to do their jobs by ensuring that the right technology and tools are available to support our services.

What we have been working on

We have made many improvements in recent years. We have replaced much of our core computing infrastructure, increasing security, resilience, and capacity. We have improved functionality for our staff by upgrading systems, including improving our document management system. We have invested in our data analytics function and started work on a data and knowledge strategy.

In the past year, we have also carried out a full review of our information technology systems. This work highlighted that, despite the improvements we have been making, we still have some important systems to work on.

We have several processes that are not appropriately supported by information systems or technology, and significant time and manual effort is spent administering them. Some of our core systems require major lifecycle upgrades or replacement in the next five years and others are no longer functionally fit for purpose.

What we will focus on next

We now have an Information Systems Strategy and Plan to guide our investment in the next five years. We have secured funding to support the implementation of this Plan. Priorities include:

- systems to support greater insight and improved engagement – a better business intelligence platform, improved ability to acquire, store, and share data, an enhanced self-service portal for appointed auditors and public organisations, and improvements to our websites;
- critical processes supported by appropriate technology – improved case and evidence management systems, introducing workflow to other key processes, and improved collaboration tools;
- a more secure, modern, and resilient technology environment – replacing systems that are no longer fit for purpose, enhancing our cyber security environment, and preparing a strategy to move some services into “the cloud”; and
- completing a data and knowledge strategy that is aligned with the Information Systems Strategy and Plan.

Our relationships

Our mutually productive and respectful relationships with all our stakeholders

Why this is important to us

The Office has a wide range of stakeholders, and our ability to manage these relationships well is important to our ability to influence and be effective. Our relationships are critical to our strategy.

All of the shifts we are trying to make as an organisation require us to be proactively engaging with others to communicate key messages from our work and to assist public organisations with the challenges they face.

What we have been working on

In the past three years we have been focusing on stakeholder engagement plans to guide the way we manage our relationships externally. We have:

- carried out surveys to better understand what we are doing well and where we need to improve from the perspective of public organisations and other stakeholders;
- strengthened our relationships with public sector and audit profession groups by providing briefings and presentations on good practice, emerging risks, and sector insights;
- held a series of events for the government procurement community, so practitioners and decision-makers could hear from leaders of some of New Zealand's biggest procurement projects;
- started providing briefings on reports for members of Parliament, as well as our briefings for select committees; and
- increased our focus on liaising with audit and risk committee chairpersons, including establishing new forums starting in 2019/20.

Audit New Zealand has continued to provide a series of all-day events for public organisations in five cities, so governors, management, finance teams, and other public sector staff could hear about the latest governance and accountability, accounting, and auditing developments, standards, issues, and opportunities. The OAG has continued to collaborate with Transparency International New Zealand to host events in Wellington and Auckland focused on strengthening public sector integrity and transparency. We have also enhanced our relationships with Audit Offices in the Pacific by training staff in their offices and in ours in support of improving accountability, transparency, and good governance in the Pacific.

What we will focus on next

In the coming years we will further develop out stakeholder engagement strategy. We will focus on strengthening our partnerships with audit and risk committees, the Institute of Directors, and other organisations whose objectives align with ours.

We will continue to implement a more purposeful and targeted approach to the way our sector managers engage with public organisations, with clear objectives and plans to guide these relationships. We will support our staff with improved training and tools to help them build and maintain effective relationships.

We will also focus on strengthening our internal relationships – across the Office, between the OAG and Audit New Zealand, and with our other audit service providers.

Our financial and physical resources

Our use of financial and physical resources to support our work

Why this is important to us

Although the public sector has continued to increase in size, until recently Crown funding to support our activities has been constrained for more than a decade. We have kept operating costs low, but this has had consequences. We had to reprioritise funding to absorb salary increases and other inflationary pressures, and this resulted in an environment that was struggling with increasing service demand and complexity, and struggling to meet the expectations of our audit service providers, public organisations, and other stakeholders.

What we have been working on

In 2019, we submitted the first of a two-phased investment plan to Parliament seeking additional funding to support the Office to deliver on our strategy.

Phase one (Budget 2019) focused on building our people capability – making sure that we have the skills we need for the future, addressing remuneration pressures, and investing more in training and development.

We also sought investment in areas to help us to deliver more, better, and faster, including more resources for project management and business process improvement, as well as for areas where demand has been growing, such as work focused on Auckland and the Pacific.

Phase 2 (Budget 2020) sought investment in our information technology systems to ensure that our staff have the tools they need. Changes we are making to our information technology systems are described in more detail earlier under *Our knowledge, information, and methods*.

Last year, we worked with staff to make sure we directed that investment in the right places, and that we were organised in a way that would make the most of additional resources. We reviewed some processes, streamlining our approach to inquiries and making changes to the way our sector managers operate. We established new roles to help us strengthen governance, planning, reporting, and project delivery. We started to refresh our offices in Wellington, upgrading the equipment our staff use to ensure that they have a modern, secure, and fit-for-purpose working environment.

What we will focus on next

Looking forward, we will continue to maintain our tight financial controls and carefully monitor spending. This will include reviewing our expenditure and priorities in the light of the Covid-19 pandemic. We also need to determine long-term arrangements for our office location in Auckland and upgrade Audit New Zealand offices, as funding allows.

Our use of natural resources

Our use of natural resources and managing the environmental impact of our activities

Why this is important to us

In our view, New Zealanders expect the public sector to use its resources wisely – including the natural resources they consume – and that they will work to minimise their impact on the environment as much as possible.

This applies equally to us. In the past few years, we have been assessing the environmental impact of our activities and looking for opportunities to reduce or mitigate that impact.

What we have been working on

In recent years, we commissioned the Sustainability Trust to carry out a sustainability audit for our Auckland, Wellington, and Christchurch premises. We have implemented the recommended waste management improvements in all of our offices around the country.

We have also arranged information sessions for managers, set up an online resource centre, and produced a range of guides, all with the aim of reducing our environmental footprint. We presented regular features for staff on the Office's intranet. For example, we told staff how much paper we were using and encouraged less printing, and we promoted keep-cups. This, combined with increasingly paperless meetings, has resulted in a 17% reduction in paper use.

What we will focus on next

There is more we want to do. We have gathered data from our suppliers to collate a baseline of the Office's environmental footprint and we plan to create an environmental impact reporting dashboard using the data we have gathered from suppliers. We will also look for opportunities to highlight and encourage support for this work through our graduate induction and key internal events.



Reporting against our outcomes

As reported in our *Annual report 2018/19*, the most recent results against our outcome indicators show that the overall progress against our outcomes was mostly maintained or improved in 2018/19. The following tables show, by outcome, each indicator and the progress against it, wherever possible, over a three-year period.

This is an excerpt from the *Annual report 2018/19*. The full report is available on our website, oag.parliament.nz. We report on our progress every year; our annual report is published in October each year and is available on our website.

Outcome 1

Parliament and New Zealanders have trust and confidence in the public sector

Our indicators	Progress	Narrative												
Levels of trust in public services (Kiwis Count survey – next publication due June 2020)	Experience-based trust  <table border="1"> <thead> <tr> <th>Year</th> <th>Trust Level</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>80%</td> </tr> <tr> <td>2017</td> <td>79%</td> </tr> <tr> <td>2016</td> <td>79%</td> </tr> </tbody> </table>	Year	Trust Level	2018	80%	2017	79%	2016	79%	Overall, New Zealanders' levels of trust based on their personal experience and their perception have improved over time. However, there are statistically significant lower results for Māori. For example, in 2018, trust based on experience was 80% overall, but 70% for Māori. For perception-based trust, the 2018 overall result was 50%. For Māori, it was 35%, with the gap between Māori and non-Māori increasing by 9% since 2012. Source: State Services Commission.				
Year	Trust Level													
2018	80%													
2017	79%													
2016	79%													
Corruption score and world ranking (Transparency International Corruption Perceptions Index)	 <table border="1"> <thead> <tr> <th>Year</th> <th>Score</th> <th>Ranking</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>87</td> <td>(2nd)</td> </tr> <tr> <td>2017</td> <td>89</td> <td>(1st)</td> </tr> <tr> <td>2016</td> <td>90</td> <td>(1st)</td> </tr> </tbody> </table>	Year	Score	Ranking	2018	87	(2nd)	2017	89	(1st)	2016	90	(1st)	With a score of 87 out of 100, this result shows that New Zealand's public sector ranked as second least corrupt in the world after Denmark. Although the 2018 score was a slight decline from the previous three years, New Zealand remains one of the top-performing countries in the Index. Source: Transparency International.
Year	Score	Ranking												
2018	87	(2nd)												
2017	89	(1st)												
2016	90	(1st)												

Outcome 2
An accountable public sector

Our indicators	Progress	Narrative									
Timeliness and quality: Audits completed on time	<table border="1"> <tr> <td>2018/19</td> <td>2017/18</td> <td>2016/17</td> </tr> <tr> <td>81%</td> <td>83%</td> <td>80%</td> </tr> <tr> <td>-2%</td> <td>+3%</td> <td></td> </tr> </table>	2018/19	2017/18	2016/17	81%	83%	80%	-2%	+3%		We use audits completed on time as a substitute measure for public organisations completing their reporting within statutory time frames.
2018/19	2017/18	2016/17									
81%	83%	80%									
-2%	+3%										
Timeliness and quality: Public release of annual reports (for local authorities only)	<table border="1"> <tr> <td>2018/19</td> <td>2017/18</td> <td>2016/17</td> </tr> <tr> <td>96%</td> <td>97%</td> <td>92%</td> </tr> <tr> <td>-1%</td> <td>+5%</td> <td></td> </tr> </table>	2018/19	2017/18	2016/17	96%	97%	92%	-1%	+5%		More local authorities are meeting their timeliness obligations for public release of their annual reports. These results are reported for the previous financial year.
2018/19	2017/18	2016/17									
96%	97%	92%									
-1%	+5%										
Timeliness and quality: Unmodified audit opinions	<table border="1"> <tr> <td>2018/19</td> <td>2017/18</td> <td>2016/17</td> </tr> <tr> <td>97%</td> <td>97%</td> <td>98%</td> </tr> <tr> <td>0%</td> <td>-1%</td> <td></td> </tr> </table>	2018/19	2017/18	2016/17	97%	97%	98%	0%	-1%		We use unmodified audit opinions as a substitute measure for reliable information. An unmodified audit opinion means that our auditors considered that the public organisation had fairly reflected its performance in its reporting.
2018/19	2017/18	2016/17									
97%	97%	98%									
0%	-1%										

Outcome 3
A high-performing public sector

Our indicators	Progress	Narrative									
Quality of public services (Kiwis Count survey)	<table border="1"> <tr> <td>2018</td> <td>2017</td> <td>2016</td> </tr> <tr> <td>77</td> <td>76</td> <td>74</td> </tr> <tr> <td>+1</td> <td>+2</td> <td></td> </tr> </table>	2018	2017	2016	77	76	74	+1	+2		<p>Since 2007, a sample of New Zealanders has been surveyed to measure satisfaction with a wide cross-section of public services through the Kiwis Count survey.</p> <p>New Zealanders hold public services in reasonably high regard, and there has been steady improvement in the satisfaction trends since 2007. The average overall service quality score for 2018 is 77 (out of 100) across the 43 services.</p>
2018	2017	2016									
77	76	74									
+1	+2										

About our publications

All available on our website

The Auditor-General's reports are available in HTML and PDF format, and often as an epub, on our website – oag.parliament.nz. We also group reports (for example, by sector, by topic, and by year) to make it easier for you to find content of interest to you.

Our staff are also blogging about our work – see oag.parliament.nz/blog.

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Sustainable publishing

The Office of the Auditor-General has a policy of sustainable publishing practices. This report is printed on environmentally responsible paper stocks manufactured under the environmental management system standard AS/NZS ISO 14001:2004 using Elemental Chlorine Free (ECF) pulp sourced from sustainable well-managed forests.

Processes for manufacture include use of vegetable-based inks and water-based sealants, with disposal and/or recycling of waste materials according to best business practices.

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