



Summary

Improving value through better Crown entity monitoring

Crown entities carry out a wide range of important public services and functions, such as public broadcasting and constructing and maintaining national infrastructure. In 2020/21, Crown entities were responsible for 39% of central government expenditure, 46% of central government assets, and 74% of the central government workforce.

The Crown Entities Act 2004 specifies how much control **Ministers** have over the Crown entities they are responsible for. Ministers' responsibilities include making or recommending appointments to the Crown entity board and participating in setting and monitoring the Crown entity's strategic direction and targets.

A **monitoring department** is a government department that supports the responsible Minister to carry out their functions and duties in relation to Crown entities. This includes ensuring that the Crown entity meets its statutory obligations.

A **Crown entity's governance board** is usually responsible for the governance and oversight of a Crown entity. The board is the primary monitor of an entity's performance.

The **Crown entity monitoring system** is how we describe the network of roles, responsibilities, and relationships between Ministers, monitoring departments, Crown entity governing boards, and Crown entities.

The Crown entity monitoring system is complex. There are inherent tensions between how monitoring departments can support the Crown entity's performance and advise Ministers while respecting the autonomy of a Crown entity board. This can make effective monitoring difficult. Currently, the extent to which monitoring adds significant value to understanding Crown entity performance is still unclear.

Why we did this audit

Concerns are sometimes raised about the quality of Crown entity monitoring. In recent years, some Crown entities have had well-publicised performance issues. We wanted to assess the effectiveness of Crown entity monitoring arrangements and identify opportunities where monitoring could be improved.



What we found

- Frameworks for monitoring Crown entities often lack information about roles and responsibilities and fail to set clear expectations about how performance issues will be dealt with. Crown entities are often not consulted in the development of these monitoring frameworks. As a result, monitoring frameworks are not always appropriate to the scope, scale, or level of risk associated with the Crown entity being monitored.
- Monitoring departments effectively support Ministers to carry out some of their responsibilities. Crown entities view the support they receive for parliamentary processes and budget bids as positive. However, other monitoring practices could be improved. Ministers, Crown entities, and monitoring departments noted that monitoring departments' feedback on accountability documents lacks depth. Opportunities are being missed to influence the strategic direction of Crown entities, make connections across the sector, and support Crown entities to identify and resolve problems.
- The monitoring reports that Ministers receive do not generally include enough information to enable good analysis of performance. In our view, there is not enough information in these

reports about the risks that Crown entities face, how they are being addressed, and what they might mean for future performance. Although there are a range of levers that Ministers can use to address poor performance, some monitoring departments we spoke to felt that these levers are insufficient or ineffective.

- Te Kawa Mataaho Public Service Commission is well placed to assume a system leadership role. We have heard that it is planning to do more work to support the Crown entity monitoring system. For example, it has recently appointed a director to scope its role in supporting appointments, governance, and Crown entity monitoring.

What we recommended

We have made six recommendations, including that monitoring departments and Crown entities continue to work together to improve their monitoring frameworks, engage in the development of accountability documents, and share knowledge and understanding about each other's operating context.

We have also identified minimum standards that, in our view, improved monitoring frameworks should meet.

The recommendations can be read in full in our report.

The accountability and assurance relationships in a Crown entity monitoring arrangement

