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# Annual plan 2024/25



Photo acknowledgement:  
Chris Tse, Office of the Auditor-General

# Annual plan 2024/25

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# Auditor-General's overview

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

I am pleased to present my Office's annual plan for 2024/25. This has been finalised after feedback on our draft annual plan, which was presented to the Speaker and to Parliament on 30 April 2024.

The public sector operates in a challenging and dynamic environment. Our annual plan reflects these challenges and where we believe we can best use our role to influence positive change.

In determining our work programme, we have drawn from a range of sources. These include our audits of every public organisation, our engagements with select committees and members of Parliament, and advice from our advisory groups and our rōpū Māori.

We surveyed members of the public on topics that are relevant to our strategy. For our 2023/24 survey, we asked New Zealanders what they would like us to include in our work programme. Survey respondents were most interested in health services, justice (law and order), education, and housing and urban development. We have work planned in each of these sectors.

Our annual plan is also focused on implementing the priorities in my strategic intentions to 2028, which are:

- strengthening our core assurance role;
- increasing our impact with public organisations (by encouraging more meaningful performance reporting, an increased focus on value for money, a long-term view in planning and decision-making, and strong integrity practices);
- enhancing our impact in te ao Māori; and
- building on our reputation as a source of trusted information.

We will build on the success of initiatives from previous years while maintaining capacity to focus on emerging issues. This includes increasing the number of rapid performance audits (where we report on matters of immediate public interest within a target of 12 weeks), hosting more events that bring public sector leaders and experts together to share knowledge and good practice, an integrity-focused performance audit using a new methodology based on our integrity framework, and continuing work to influence improvements in performance reporting and accountability.

## What we heard about our draft annual plan

In finalising this plan, we sought feedback from the public sector, Parliament, and the public. Most of the feedback we received supported our proposed work programme.

There is significant interest in our work on influencing better performance reporting. The feedback we received included requests for more guidance and clarity on what good performance reporting looks like. In response, we have adjusted our plan and added work to provide more guidance on good practice, particularly in aspects of performance reporting that present ongoing challenges.

We also received feedback about the challenges facing the local government sector. In response we plan to do more to share our insights and work closely with local government sector groups. We have also adjusted the scope of some of our planned work in response to feedback.

Thank you to everyone who shared their thoughts on our draft annual plan. We have included a summary in Appendix 1 of the changes we made in response to that feedback.

I thank my staff for their work in preparing and finalising this plan. I also thank Parliament, the public, and the public sector for your interest in, and support for, the work we do. Your feedback has been important to us in finalising this plan.

Nāku noa, nā

A handwritten signature in black ink, appearing to read 'JMR Ryan', with a stylized flourish at the end.

John Ryan  
Controller and Auditor-General | Tumuaki o te Mana Arotake

21 June 2024

# An independent view of public sector performance

# 1

The Office of the Auditor-General is a source of independent and trusted information about public sector performance and accountability. The Public Audit Act 2001 sets out the role and functions of the Controller and Auditor-General (the Auditor-General). As an Officer of Parliament, the Auditor-General is independent of the Government and their work can not be directed by the government of the day.

The Auditor-General has two business units – the Office of the Auditor-General and Audit New Zealand. They are supported by a shared corporate services group. The Auditor-General also contracts private sector audit firms to carry out about half (by value) of public sector audits on their behalf.

The Auditor-General is responsible for auditing every public organisation in New Zealand (about 3300) each year. These annual audits provide assurance to Parliament and the public that public organisations are reporting reliable and relevant information about how they have used public money and how they have performed. These annual audits represent about 85% of the Office's work, and they are generally funded by fees charged to the organisations we audit.

We also carry out performance audits, inquiries, and special studies, and we produce commentaries, sector reports and updates, and good practice guidance. Through this work, we aim to improve trust in, and the performance of, public organisations. This work is generally funded directly by Parliament.

We use the information and insights we get from all our work to provide advice and support to Parliament. We provide expert advice to parliamentary select committees for the annual reviews of central government organisations and their scrutiny of the estimates of appropriations (the Budget).

The Auditor-General is also the Auditor-General of the governments of Niue and Tokelau. He is also the Secretary General of the Pacific Association of Supreme Audit Institutions (PASAI), which promotes transparent, accountable, effective, and efficient use of public sector resources in the Pacific.<sup>1</sup>

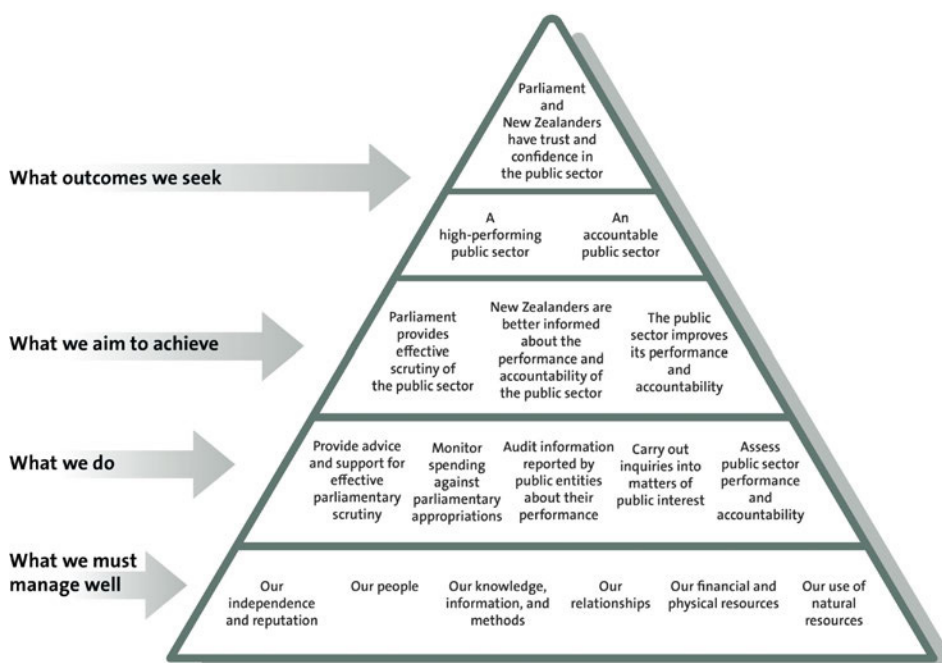
We contribute to the development of public audit internationally by participating in country-to-country peer reviews and assistance.

1 PASAI currently has 30 members.

## Our strategic direction

*The Auditor-General's strategic intentions to 2028* provides the strategic context for our 2024/25 annual plan.

Our vision is a high-performing and accountable public sector. The ultimate outcome we seek is for Parliament and New Zealanders to have trust and confidence in the public sector.



*The Auditor-General's strategic intentions to 2028* describes what we will focus on in that period to help achieve our long-term outcomes.

Our annual plan is based on our strategic priorities:

- strengthening our core assurance role;
- increasing our impact with public organisations (by encouraging more meaningful performance reporting, an increased focus on value for money, a long-term view in planning and decision-making, and strong integrity practices);
- enhancing our impact in te ao Māori; and
- building on our reputation as a source of trusted information.



# How we determine our work programme

# 2

## We draw on what we know from our work

As the auditor of every public organisation, we are in a unique position to consider performance and accountability matters for the entire public sector. We regularly assess the issues, risks, and opportunities we see from the information our auditors and other staff gather, information from our monitoring of risks, and our analysis of public sector performance.

We also draw on our previous work such as reports we have published (including inquiries, performance audits, research reports, and the results of recent financial audits) and our follow-up reports on how public organisations have implemented our recommendations.

We seek advice from those working in, or with, the public sector. Our central and local government advisory groups and rōpū Māori help us to better understand current themes and challenges. We also get important information and insights from our discussions with select committees and members of Parliament.

## We consider the public sector operating environment and its risks and challenges

The public sector operates in a challenging and dynamic environment. When we plan our work, we consider the public sector's operating environment and the risks and challenges that environment creates.

Below we describe the risks and challenges that have informed our 2024/25 annual plan. We have used icons to link these risks and challenges to the work in our plan.

### Declining trust



Trust in governments is declining around the world. Although New Zealanders continue to have higher levels of trust in government and its institutions compared with many other countries, that is not the case for all parts of our society. We also know that, for many, trust is vulnerable and can rapidly erode. It is critical for the public sector to maintain trust to carry out its role.

## A challenging economic environment



The economic environment, both nationally and internationally, is facing several challenges, including the high cost of living, limited economic growth, and increasing unemployment. Inflation is also affecting operating and capital costs for public organisations.

Although economic disruption from the Covid-19 pandemic has lessened, many communities, businesses, and public organisations continue to be affected (for example, through backlogs and continuing issues with sickness).

The Government has required central government organisations to find significant cost savings. These organisations will need to provide their services with fewer resources and increase their focus on the value they are getting from existing and future investments. Similarly, local government organisations are facing cost pressures – they need to carefully balance rates and borrowing with maintaining and investing in services and infrastructure.

To be able to provide their services, public organisations need to remain aware of and focused on their cost drivers. They also need to look at how to get greater value from existing or reduced spending.

## Public sector change



The public sector continues to evolve.

A Ministry of Regulation has been established and a new Social Investment Agency will be established on 1 July 2024 (replacing the Social Wellbeing Agency). The Productivity Commission was disestablished in February 2024. Te Aka Whai Ora will be disestablished on 1 July 2024. The Government has also said that it plans to disestablish Te Pūkenga.

Reform of a range of key legislation has been signalled or is in progress. The Government has set targets for public organisations to work towards and be measured against.

Local government organisations continue to adapt to new legislative requirements. There are further proposed changes to the Resource Management Act 1991 and how water services<sup>2</sup> are delivered.

## Climate change



In the last few years, we have seen the significant impact, disruption, and cost of severe weather events on New Zealand. Recent reports have highlighted the challenges New Zealand's emergency management system faces when responding to these events.

Central and local government organisations need to work together to effectively address the challenges of climate change. This will include determining how to mitigate and adapt to climate change and determining what level of resilience and adaptation can be achieved with the available resourcing.

New Zealand has committed to reducing greenhouse gas emissions and contributing to global efforts to slow climate change. Addressing climate change and meeting emissions targets could present a significant financial risk to public organisations and the Crown.

## Infrastructure investment



Historical underinvestment in public infrastructure has created risks of services failing or experiencing significant disruptions. Public organisations in central and local government will need to invest in infrastructure to ensure that assets are resilient to medium- and long-term challenges and are able to provide services that meet the public's expectations.

## Technological change



Increased use of artificial intelligence and other rapidly developing technologies present significant opportunities and risks to the quality of, and trust in, public services. The public sector has started using artificial intelligence for some services. Although technology can streamline and improve the quality of services, there are significant risks related to data security, bias, and privacy.

Good governance will be needed to ensure that the benefits of new technology are realised and the risks are well managed.

### **Persistent inequity**



Long-term disparities in outcomes (for example, by ethnicity, gender, or geography) continue in many areas such as housing, education, health, and justice. Improving equity of outcomes is a critical part of ensuring that all New Zealanders have trust in the public sector and government.

### **Security challenges**



New Zealand has benefited from a rules-based international environment. Increasing geopolitical tensions and strengthening national interests create risks to our economic and social well-being.

## **We maintain capacity to focus on emerging issues**

In recent years, we have carried out rapid work that responds to issues as they emerge. The findings and recommendations we make from this work allow the public sector to address issues quickly. For example, our work on the cost-of-living payment in 2022 prompted the government to tighten the eligibility criteria, and as a result there was a significant reduction in payments made to ineligible recipients.

In 2024, we looked at how effectively the Ministry for Primary Industries (MPI) was monitoring importers of foods that present a risk to public health. MPI is using the findings from our audit to strengthen oversight of this aspect of the food safety system.

In 2024/25, we aim to carry out four rapid performance audits (two by the end of 2024 and two more in the first half of 2025). Rapid performance audits are designed to be focused reviews that respond to emerging issues. Our ability to complete these reviews quickly relies on the co-operation of the organisation we are auditing. As we carry out detailed scoping of the performance audits in this annual plan, we expect to identify opportunities to apply our rapid audit approach to at least two of the topics we have already identified. We have also planned capacity to allow us to consider at least two topics of emerging interest throughout the year.

## We will have a focus on where most public money is spent

In preparing this annual plan, we increased our focus on influencing change in the public organisations that spend the most public money and have the most impact on the public and public sector performance. This includes increased focus on seven of the largest central government organisations<sup>3</sup> that, together, are responsible for more than 60% of central government spending. We will also focus on the central agencies that have influence across the public sector<sup>4</sup> and on Auckland Council, the country's largest local government organisation.

## We consider the views of the public

We survey members of the public on topics related to our strategy. For our 2023/24 survey, we asked what New Zealanders would like us to include in our work programme. Survey respondents were most interested in:

- health services, including mental health services;
- justice (law and order), including community safety;
- education; and
- housing and urban development.

## Our annual plan remains flexible

Our annual plan reflects what we currently know and what we consider to be priorities. However, if new information, risks, or issues emerge, we may decide to change some of this work. We describe any changes to our annual plan in our subsequent annual report.

<sup>3</sup> The seven larger-spending public organisations are Te Whatu Ora, the Ministry of Business, Innovation and Employment, the Ministry for Primary Industries, the Ministry of Education, the Ministry of Social Development, the Ministry of Justice, and Waka Kotahi New Zealand Transport Agency.

<sup>4</sup> These central agencies are the Department of the Prime Minister and Cabinet, Te Kawa Mataaho Public Service Commission, the Treasury, and the Ministry for Regulation. The new Social Investment Agency (which will be established on 1 July 2024) will also be a central agency.

# 3

## Strengthening our core assurance role

In this Part, we discuss:

- our work to continue strengthening the public audit system;
- the Audit New Zealand Practice Improvement programme;
- reporting on audit results; and
- the Controller role.

The public audit system provides assurance that public organisations report relevant and reliable information about their finances and performance to Parliament, councils, governors, and the public.

In 2024/25, we will audit about 3300 public organisations. This work is carried out by Audit New Zealand and private sector audit firms appointed by the Auditor-General.

The public audit system is critical to effective public accountability. However, it is under significant pressure. We have a range of work planned and under way to continue strengthening the public audit system.

### Strengthening the public audit system

#### The current challenges for public sector audit

We are well placed to complete audits within normal statutory reporting deadlines (that is, the deadlines that were in place before the Covid-19 pandemic). Our larger audits are now meeting or exceeding pre-pandemic timeliness. However, the timeliness of audits of schools and smaller public organisations remains a challenge. Improving the timeliness of these audits will be a focus in 2024/25.

There continues to be a worldwide shortage of auditors. Fewer people are studying accounting-related subjects in tertiary education, which means this shortage is likely to continue. We will keep working with professional bodies to promote auditing as a career and strengthen the pipeline of professionals interested in public sector auditing.

We have built relationships with public audit offices overseas (including Australia and the United Kingdom) to support peak workloads through secondment and transfer arrangements. This helps to address peak workloads and build career paths for our staff. We will continue to build on these relationships in 2024/25.

## Audit allocation strategy

During the Covid-19 pandemic, the Auditor-General reallocated about 80,000 hours of audit work between audit firms. This reallocation was done to relieve pressure on audit staff and ensure that audit quality, and timeliness when possible, were maintained. Now that the effects of the pandemic on audit delivery have been largely addressed, we are focusing on ensuring that audit allocation supports a sustainable public audit system.

In 2024/25, we will begin work to optimise the allocation of the public audit portfolio. This will involve increasing the Audit New Zealand audit portfolio in line with previous commitments, and ensuring an optimal allocation of audits across audit service providers.

## Auditing schools

Every year, nearly 2500 schools and school-related organisations are audited. These audits are carried out by private sector firms on behalf of the Auditor-General.

Appointing auditors to carry out school audits is becoming increasingly challenging.

The Covid-19 pandemic and the resulting auditor shortage have created delays in completing school audits. There are also fewer firms carrying out school audits than in the past. School audit fees are also under pressure.

### Work under way:\* Ensuring the completion of quality and timely audits of schools

In 2024/25, to ensure that quality audits of schools are completed in a timely manner, we will implement a programme of work that is aimed at:

- increasing audit resources by identifying and contracting new and appropriately qualified audit firms;
- increasing audit efficiency by planning for the implementation of the new international auditing standard on less-complex entities;
- introducing further guidance and standard working papers for key audit areas, and supporting the Ministry of Education in its work on the future of schools' financial reporting and assurance; and
- ensuring that school audit fees remain reasonable.

\* Work under way is work that we started before the publication of this annual plan. Planned work is work that we intend to start in 2024/25.

## Climate-related reporting

There are new audit requirements for climate-related reporting and an increasing demand from stakeholders for quality climate-related information.

Climate-related reporting is evolving. We expect public organisations to report climate-related information that is relevant, reliable, transparent, and understandable. Our assurance work, where mandated, will support this.

The Financial Markets Conduct Act 2013 requires public organisations that meet the “climate-reporting entity” definition to prepare and report a climate statement.<sup>5</sup> The first climate statements are required for the accounting periods beginning on or after 1 January 2023. From 27 October 2024, the Financial Markets Conduct Act also requires greenhouse gas metrics and related disclosures in the climate statements to be independently assured. The Auditor-General is the assurance provider for climate-reporting entities that are public organisations. We are advanced in this assurance work, including regularly auditing reporting on greenhouse gas emissions.

### Work under way: Climate reporting assurance

In 2024/25, we will continue our climate reporting-related assurance work. We will complete audits of climate-related information in public organisations’ performance information where relevant and ensure that we are well positioned for new assurance requirements for climate-reporting entities. Our climate reporting assurance work includes:

- influencing regulators and those developing standards to ensure that climate reporting and assurance standards (and guidance) are fit for purpose for all public organisations;
- continuing to build our capability to carry out the required assurance work;
- preparing and delivering technical advice and guidance to support auditors and climate-related disclosure assurance providers; and
- carrying out quality audits of greenhouse gas emissions (and other climate-related measures where relevant) reported by public organisations in their audited performance information.





## Audit New Zealand Practice Improvement programme

Audit New Zealand is a critical part of the public audit system. This is because it:

- has specialist expertise in public sector accounting and performance reporting;
- carries out audits that the private sector cannot readily carry out (for example, for national security reasons);
- provides an auditor option where private sector firms are not willing or able to carry out the audit work; and
- provides a benchmark for cost and quality.

In 2023/24, we completed a review of Audit New Zealand's practice management. We also started a programme of work to help better position Audit New Zealand in its role as a leader in public sector audit services.

### Work under way: Audit New Zealand Practice Improvement programme

In 2024/25, we will implement the recommendations from the Audit New Zealand Practice Management Review. We will also roll out new technology to support audit delivery and efficiency and begin reallocating audit work to the Audit New Zealand portfolio (following portfolio changes to respond to the impacts of the Covid-19 pandemic on audit delivery).

## Reporting on audit results

Each year, we consolidate the results of our annual audits for key sectors. We present the main findings from these audits in reports or letters and use them to advise select committees, inform the public, and inform our work programme.

### Planned work: Sector reports

In 2024/25, we plan to report on our observations from the latest completed audits in:

- central government (including the Controller function and the Government's financial statements);
- local government;
- schools;
- tertiary education institutions;
- licensing trusts;
- Crown Research Institutes;
- the energy sector (electricity distribution businesses); and
- health regulatory agencies.

## The Controller role

The Controller role provides assurance to Parliament and the public about whether the Government has incurred expenditure in accordance with parliamentary authority. To support this function, we monitor public expenditure and carry out appropriation audits of government departments. We report our findings and conclusions from this work to the Treasury in monthly Controller reports.

Our report on the central government audits includes our Controller function work for the financial year. We also produce an interim report on our half-year findings (our work from 1 July to 31 December of each year) as well as occasional reports on matters of interest related to the Controller function.

### **Planned work: Half-year Controller update**

In 2024/25, we will provide our regular half-year Controller update, which provides an account of our work and findings for the first six months of 2024/25. We will also summarise findings for the year in our annual report on central government audits.

Where Controller matters arise during the year, we will report separately on these.

# Increasing our impact with public organisations

# 4

As the auditor of every public organisation, the Auditor-General is in a unique position to influence improvements in performance and accountability practices across the public sector. This includes raising issues that we observe from our work and promoting examples of good practice in matters we have particular interest and expertise in.

Our work to influence positive change in the accountability practices of public organisations helps support Parliament in its scrutiny role and keep the public well informed.

Our priorities for increasing our impact in public organisations are:

- influencing **more meaningful and useful performance reporting** to improve the performance and accountability of the public sector;
- increasing the focus the public sector has on **value for money**;
- promoting **a long-term view** in public organisations' planning and decision-making to strengthen the public sector's response to New Zealand's long-term challenges; and
- supporting **strong organisational integrity practices** in public organisations.

The work we will do on these priorities in 2024/25 is set out below.

## Influencing more meaningful and useful performance reporting

We want to see improvements in how public organisations report their performance.

Central government spends about \$160 billion every year and councils spend about \$19 billion every year. Too often the performance information from public organisations does not enable Parliament, councils, or the public to understand what value they are getting from public spending. There are significant opportunities to improve the quality of performance information and its reporting.

The 2023 review of Standing Orders by the previous Parliament recommended an ad hoc select committee to be established to carry out an inquiry into performance reporting and how Parliament holds the Government to account.

The Finance and Expenditure Committee has reported its intention to recommend that the ad hoc select committee be established in 2025.<sup>6</sup> If the inquiry goes ahead in 2025, a key focus for the Office in 2024/25 will be to prepare for and support it.

We will also continue to influence improvements in performance reporting through a range of work.

<sup>6</sup> See the Finance and Expenditure Committee (May 2024), *Finance and Expenditure Committee Scrutiny Plan for the 54th Parliament*, at [selectcommittees.parliament.nz](https://selectcommittees.parliament.nz).

#### Planned work: Influencing improved performance reporting

In 2024/25, we will carry out a work programme to influence improved performance reporting in the public sector. This programme will include:

- influencing system settings by contributing to the Treasury's work on the future of the public finance system (including influencing improvements to the Public Finance Act 1989 to ensure better performance reporting) and publishing research on international models of good practice;
- further strengthening our focus on performance reporting in our advice to select committees during their reviews of public organisations;
- enhanced testing of the appropriateness and meaningfulness of performance information through annual audits of larger public organisations (including how we assign grades for performance reporting in management reports);
- extending our examination of performance reporting, such as the quality of reporting by interdepartmental executive boards and reporting on achieving equitable outcomes;
- publishing guidance for challenging areas of performance reporting; and
- assessing the quality of performance reporting as part of our performance audit work.



### Supporting Parliament to realise the benefits from changes to Standing Orders

We want to see significant improvements in how the public sector reports to Parliament on its spending and what is being achieved from it.

We use information from our work, including our annual audits, to influence improvements in the public accountability system. An important part of this work is our briefings to select committees, which supports their scrutiny of what public organisations intend to spend (through the Estimates) and how they perform.

In 2024/25, we will work with select committees to help realise the benefits from changes to the Standing Orders that were introduced at the start of the current Parliament. This includes advising select committees on their structured agendas, in-depth annual review approaches, Estimates reviews, and scrutiny plans.

#### Work under way: Advice and support to Parliament and select committees (annual reviews and Estimates briefings)

In 2024/25, we will continue to work with select committees to realise the benefits from changes to Standing Orders introduced at the start of the current Parliament. This includes supporting select committees' in-depth reviews, including their focus on outcomes and performance reporting.

We will increase our focus on the coherence of performance frameworks and reporting for organisations that spend a significant amount of public money.

## Our observations from auditing the New Zealand Health Plan

Health services account for a significant share of central government spending and are vital for the well-being of New Zealanders. Funding for Vote Health is \$29.6 billion in 2024/25. It is important to understand the performance of the health system and what outcomes it is achieving. Based on our auditing of the New Zealand Health Plan (Te Pae Waenga), and health agencies' performance against the Interim New Zealand Health Plan (Te Pae Tata), we will share relevant observations about the information available and any improvements we recommend.

### Planned work: Our observations from auditing the New Zealand Health Plan

Under the Pae Ora (Healthy Futures) Act 2022, the Office is responsible for auditing the New Zealand Health Plan (Te Pae Waenga) and the reporting against the Interim New Zealand Health Plan (Te Pae Tata).

The New Zealand Health Plan is intended to be a costed three-year plan for the publicly funded health system. As part of our audit, we expect to gain insights into the performance of the health system. We will report our observations on the information available. We will also share any insights we gain from our audit into variation in health outcomes, service quality, and access to services across different population groups and regions.

## The systems and processes for reporting performance against two government targets

Cabinet recently approved nine government targets that focus on health, education, law and order, work and employment, housing, and the environment. The Department of the Prime Minister and Cabinet is responsible for reporting on progress to achieving these targets every quarter. Performance against the targets will be published on the websites of responsible public organisations. Where these targets are included in the audited performance information of public organisations, the annual audit will examine the reporting against these targets. We will also carry out a performance audit looking at the systems and processes for measuring and reporting on two government targets related to the justice sector.

**Planned work: Systems and processes for measuring and reporting performance against the Government targets for the justice sector**

Two of the nine Government targets relate to the justice sector:

- a 15% reduction in the total number of children and young people with serious and persistent offending behaviour; and
- 20,000 fewer people who are victims of an assault, robbery, or sexual assault.

In 2024/25, we will complete a performance audit looking at the quality of the underlying systems, processes, and controls for these two targets and the plans to meet them over time. This will include looking at the steps agencies have put in place to:

- ensure that appropriate information is gathered to measure performance;
- provide assurance about the reliability of reported performance; and
- identify and manage any risks of unintended incentives or consequences of implementing and reporting against targets.



## Increasing the focus on value for money

We want to see public organisations use information to plan, measure, and report on the benefits from their spending. Cost inflation and tighter budgets mean that public organisations need quality information to inform investment decision-making, budget for initiatives, and operate more efficiently. This includes improving the quality of business cases for significant investments and the systems and processes that support investment and operational decision-making.

We will increase our focus on how public organisations consider and demonstrate value for money in our performance audits and select committee briefings. We will also share good practice and lessons learned.

## International approaches to planning and reporting value for money

Value for money is one aspect of performance. The concept is used in various ways by different public organisations – nationally and internationally. We want to look at the different ways that public organisations consider and measure value for money.

**Planned work: Principles and approaches to the assessment of value for money**

In 2024/25, we will analyse and report on the different ways in which value for money is thought about and measured nationally and internationally in the public sector. We will look at how public organisations and other audit offices approach the assessment of value for money, identify good practice, and consider the role that parliaments have in scrutinising the value from public spending.



## Strategic financial management

We regularly report that public organisations do not provide enough meaningful and transparent information about what value they get from their spending. The connection between financial performance and service performance is often hard to find. Good financial planning and strategy should include identifying the expected benefits from spending and steps to measure the achievement of those benefits.

Public organisations should also understand the costs and cost drivers of their organisation and how they affect the delivery and sustainability of services and the achievement of outcomes. Doing so will help public organisations understand value for money and make good decisions about where and when to invest, reprioritise, or be more efficient.

In 2012, we looked at whether central government's financial management system supported good understanding and management of financial resources within and throughout government.<sup>7</sup> We identified several opportunities for improvement, including using information to establish how public spending has led to changes in performance.

We are interested in how financial management has improved since our 2012 work.

### **Planned work: Strategic finance – how well set up are public organisations to plan for and deliver value for money?**

In 2024/25, we will look at strategic financial management in a group of public organisations. We will look at the systems and processes that support understanding of the costs of services and the value they deliver. We are particularly interested in one or more of the following:

- whether public organisations have a good understanding of the costs of services, relevant cost drivers, and future cost pressures, including for asset management;
- whether public organisations have effective strategies to manage anticipated cost pressures;
- how well budgeting processes reflect and incorporate long-term strategies and priorities; and
- how well the public sector provides information about the financial performance and value for money of their activities.



<sup>7</sup> Controller and Auditor-General (2012), *Reviewing financial management in central government*, at [oag.parliament.nz](http://oag.parliament.nz).

## Promoting a long-term view

New Zealand faces several long-term challenges that have consequences for public services and costs. These include adapting to the effects of climate change, changes in demographics, responding to the consequences of underinvestment in infrastructure, and tackling persistent issues of inequity. To respond to these challenges, planning and decision-making will need to take a long-term view and will often require co-ordination across government.

We will promote long-term planning in the public sector by encouraging public organisations to use data and information to make decisions that will result in better long-term outcomes for New Zealanders. This includes promoting integrated planning across the public sector where needed.

## Auditing council long-term plans

The Local Government Act 2002 requires councils to prepare a long-term plan every three years. We audit every council's long-term plan and usually the associated consultation document to determine whether they meet their statutory purpose. We also provide our conclusions on the quality of the assumptions and other information used to inform the long-term plan.

The Water Services Acts Repeal Act 2024 repealed the Affordable Waters programme. In June 2024, the Local Government (Water Services Preliminary Arrangements) Bill was introduced in Parliament. The Bill requires councils to submit water services delivery plans to the Secretary for Local Government. Councils can choose to deliver water services alone or enter into a joint arrangement (including with a council-controlled organisation).

The Water Services Acts Repeal Act provides councils with options for when to have their 2024-34 long-term plans and consultation documents prepared and audited. Some councils can choose to:

- have their consultation document and long-term plan audited by 30 June 2024;
- not have their consultation document audited but have their long-term plan audited by 30 June 2024;
- defer the audit of their long-term plan to after 30 June and by 30 September 2024; or
- defer the audit of their consultation document and long-term plan by one year up to 30 June 2025.

We have adapted the timing of our audits according to the decisions councils have made about when and how to complete their long-term plans. A significant number of councils completed their long-term plans in 2023/24. We will report on our observations from our audits of those long-term plans in 2024/25.



#### Planned work: Reporting on long-term plan audits

Because some councils have deferred completing their long-term plans until 2025, our audits of long-term plans will continue into 2024/25. We will publish an interim report on the results of our audits of long-term plans of those councils that completed them in 2023/24. This interim report will include our observations on how councils have managed the challenges from producing long-term plans. We will also include our insights on what good governance and accountability for council-controlled organisations looks like, and how this can be applied to the new council-controlled organisations for water services.

We will work closely with our Audit and Risk Committee Chairs Forum and local government sector groups, such as Local Government New Zealand and Taituarā, to share our observations and influence good practice throughout the local government sector.



## Planning for, and responding to, the effects of climate change

The estimated costs of adapting to and mitigating the effects of climate change are significant and increasing. In New Zealand and globally, there is significant work under way to plan for and respond to the effects of climate change. The risks, strategy, and financial effects associated with addressing the challenges of climate change will need to be understood and planned for.

#### Work under way: ClimateScanner

ClimateScanner is an INTOSAI\* initiative in which audit offices around the world assess government actions related to climate change. The aim is for about 100 audit offices to complete a country assessment. In 2024/25, we will use ClimateScanner to assess and report on climate actions by the New Zealand public sector. We will also be supporting PASAI audit offices to complete the assessment. The results will be reported nationally and at the 2024 United Nations Climate Change Conference (more commonly known as COP29).



\* INTOSAI is the International Organisation of Supreme Audit Institutions.

## Climate change and the role of local government

In our 2021/22 audits of councils' long-term plans, we looked at how councils factored climate change into their planning and proposed spending decisions, particularly for vulnerable areas and areas with significant infrastructure projects. Building on this work, we are carrying out a performance audit of how councils are responding to climate change.

#### Work under way: Climate change and local government

In 2024/25, we will complete our performance audit of how a selection of councils are putting their climate change strategies, commitments, and plans into action. We will look at how councils identify actions to respond to the effects of climate change, how they are implementing those actions, and how they are reporting progress to their communities.



### Reducing child poverty

Many children throughout New Zealand live in households where meeting everyday needs is a struggle. The Child Poverty Reduction Act 2018 requires the Government to set three-year and 10-year targets for reducing child poverty.

Although most of the Government's nine defined child poverty measures have trended downwards since 2018, data released by Statistics New Zealand for the year ending 2023 shows some measures of child poverty had increased since the previous year.<sup>8</sup>

There are also significant inequities in the rates of material hardship. The latest breakdown shows the percentage of New Zealand European children living in material hardship is 9.4%, Māori children 21.5%, disabled children 22.3%, and Pacific children 28.9%.

The Child and Youth Wellbeing Strategy and associated Programme of Action sets out actions to reduce child poverty. A ministerial review of the Strategy in late 2022 found that although there is strong agreement with the vision and outcomes in the Strategy, implementing it could be better supported. This includes improved co-ordination and alignment across, and between, public organisations and communities, and more intentional steps to embed te ao Māori concepts of well-being.

#### Work under way: Examining the effectiveness of government arrangements to address child poverty

In 2024/25, we will complete a performance audit looking at the effectiveness of government arrangements to address child poverty. We are looking at governance, management, and monitoring and reporting arrangements. We will examine whether these arrangements are effective.

Given the higher rates of child poverty among Māori, Pacific people, and people with disabilities, we are also looking at how well public organisations are engaging with these groups to inform their plans and actions. We want to understand what is working well and the opportunities for improvements.



## Infrastructure resilience

New Zealand remains vulnerable to many hazards and risks, and it is inevitable that the public sector will have to respond to more adverse events in the future. New Zealanders rely on public organisations to appropriately resource and actively maintain arrangements for dealing with emergencies and other crises. This includes planning for critical lifeline infrastructure assets to ensure that they are resilient to both medium- and long-term challenges.

In our work on the government's response to Covid-19, and on emergency management more generally, we have commented on the need for public organisations to proactively engage with the public on their preparedness and response activities. Work to improve response arrangements needs to inform, and be informed by, wider conversations with the public.

As emergency events are likely to become more frequent and severe, the public needs confidence that public organisations are planning for the resilience of our critical infrastructure. The public also needs to understand what level of service is planned from critical lifeline infrastructure organisations during and after an emergency event.

### Planned work: Infrastructure resilience

In 2024/25, we will start a performance audit looking at critical lifeline infrastructure resilience. We want to look at the lifeline utilities responsible for essential services (such as wastewater management, flood protection, or electricity network provision), particularly their plans to restore services after a significant event, what levels of service are planned, how public organisations understand the level of inherent risk in their infrastructure, and how transparent those planned levels of service are to the public.



## Improving access to housing

Research has consistently shown the positive effects of warm, dry, safe, and affordable housing on a range of social outcomes.

In recent years, there has been a significant increase in the number of people waiting for public housing and people in emergency housing. According to government data, there were about 3100 households in emergency housing in December 2023. Of these households, 60% had been in emergency housing for more than 12 weeks. These challenges disproportionately affect Māori and Pacific families.

The Government has set a target to reduce the number of households in emergency housing by 75%. We want to understand what work is under way to do this and how effective it is at meeting housing needs.

#### Planned work: Addressing housing deprivation

In 2024/25, we will start a performance audit looking at the effectiveness of the steps public organisations are taking to improve access to housing, particularly for those communities who disproportionately experience housing deprivation. This could include looking at improvements being made to the emergency housing system and the progress of the 2020 homelessness action plan.



### Access to health services

Timely access to primary health care is critical to supporting health and well-being. Eliminating long waiting lists and having a timeline to achieve this were part of the motivation for the recent health reforms. Targets for waiting lists are also part of the Government targets for the health sector.

There are interdependencies between accessibility of planned care and primary care. Delays in accessing planned care can create additional demand for patient support from general practitioners and emergency departments, which adds to existing pressures.

In 2020, \$282.5 million was provided over three years to improve planned care delivery, address backlogs associated with Covid-19, and reduce waiting lists.

#### Planned work: Assessing progress in reducing waiting lists for planned care

In 2024/25, we will start a performance audit looking what is being done to reduce waiting lists for planned care.\*

As part of assessing how the recent investment in planned care has been managed, we will consider how effectively data is used to identify issues and make appropriate changes to the availability and delivery of planned care. This could include looking at inequities of access to planned care and the extent of any unmet need. Our work might focus on planned care as a whole or look more specifically at a particular service. We may also look at how interdependencies between primary and emergency care and the planned care system are understood and managed.



\* Planned care describes medical and surgical services that are not required as an emergency or not funded through the Accident Compensation Corporation.

## Diversion and early interventions with youth across the justice sector

The Government recently announced that it is targeting a 15% reduction in the total number of children and young people with serious and persistent offending behaviour by 2029.

We are interested in how agencies are using early interventions to support young people who are at risk of entering the justice system. This includes interventions that divert young people from the courts.

### Planned work: Diversion and early interventions with youth across the justice sector

If a child or young person is referred to Youth Aid, the child can be given a warning, an “alternative action” (such as reparation, an apology to the victim, or other interventions such as mentoring and short-term community work), or referred to Oranga Tamariki for a family group conference.\*

In 2024/25, we will start a performance audit that looks at the effectiveness of Youth Aid’s alternative action plans. Alternative action is a New Zealand Police diversionary response aimed at lower-level youth offenders. This intervention involves putting in place a plan between the youth, their parents or caregivers, and the New Zealand Police.

\* See Ministry of Justice (2013), “Youth Crime Action Plan 2013-2023: Summary”, at [justice.govt.nz](http://justice.govt.nz).

## Education outcomes

A stable and strong education system keeps students engaged and motivated and supports them to achieve their full potential. However, New Zealand’s education system does not produce equitable outcomes for all students. Poor education outcomes will often affect the student throughout their adult life.

We will publish a report on how well the Ministry of Education uses information to identify, understand, and address educational disparities.

### Work under way: Understanding and addressing educational disparities

In 2024/25, we will complete our performance audit on how effectively the Ministry of Education uses information to promote equitable outcomes for all students in Years 1-13. We will consider how effectively the Ministry understands inequities in student outcomes and how this understanding is used to develop, target, and prioritise responses.



## Supporting strong organisational integrity practices

Operating with integrity is fundamental to maintaining trust and confidence. We will support and influence governors and leaders of public organisations to meet their stewardship responsibilities and uphold integrity in the public sector.

Our work helps maintain the public sector's international reputation as operating with high integrity. Although New Zealand ranks highly in most international measures of integrity, our drop in the 2023 Corruption Perceptions Index ranking shows that we cannot be complacent. Public trust and confidence provide public organisations the social licence to operate.

We want leaders of public organisations to set an appropriate tone from the top and to:

- take a system approach to integrity issues and develop strong organisational practices, including reporting;
- understand te ao Māori perspectives on integrity and what this means for their organisation; and
- be accountable for their own ethical leadership.

In recent years, we have published a range of work to support public organisations to promote stronger integrity practices. This work includes an integrity framework, online tools, blogs, articles, and reports. In 2024/25, we will continue to use this work to influence improved integrity practices.

### Public sector Integrity Day

We will continue to raise awareness of the importance of integrity in the public sector and create opportunities for public organisations to discuss integrity issues. In 2024, we launched the first public sector Integrity Day. This included hosting webinars that featured national and international speakers who addressed current integrity challenges. Building on the success of our first Integrity Day, we will run a similar event in early 2025.

### Performance audits with a focus on integrity

In 2022, we published our integrity framework: *Putting integrity at the core of how public organisations operate*. Since then, we have been regularly monitoring integrity practices across the public sector. To date, we have carried out two integrity audits looking at:

- how councils manage conflicts of interest; and
- how public organisations support integrity practices when they procure goods and services during emergencies.

In 2023/24, we created a performance audit methodology based on the integrity framework. In 2024/25, we will carry out a performance audit using this methodology.

#### Planned work: Establishing a culture of integrity

In 2024/25, we will start a performance audit looking at how public organisations establish a culture of integrity.

Public sector leaders have a critical role in encouraging, supporting, and role modelling the integrity they expect from their people and organisations. Complying with integrity-related policies and rules is important. However, consideration also needs to be given to broader ethical matters. Public sector leaders have a role in demonstrating and promoting that integrity is not just about compliance, but about doing the right thing.

In this performance audit, we will look at how public sector leaders are championing an integrity culture in their organisations. This could include how leaders:

- promote policies and procedures to support and measure integrity in an organisation;
- create an organisational culture of integrity;
- build integrity capability in their organisation; and
- stay up to date with integrity issues, trends, and supporting tools and resources.

This performance audit might focus on an organisation or organisations that have faced recent integrity issues or have an operating context that presents specific challenges to establishing and maintaining a healthy integrity culture. This performance audit might also draw on relevant insights from our ongoing work with the New Zealand Defence Force.



### Operation Respect (New Zealand Defence Force)

Operation Respect, a programme aimed at eliminating inappropriate and harmful behaviours and sexual violence in the New Zealand Defence Force, was launched in 2016. In 2020, the Ministry of Defence commissioned an independent review of the programme. The reviewers recommended that the New Zealand Defence Force request that the Auditor-General carry out an audit of the New Zealand Defence Force's progress on Operation Respect every two years for the next 20 years.

We intend to carry out regular performance audits of Operation Respect to determine how effectively the New Zealand Defence Force is implementing the programme and achieving its outcomes. Over time, this will help the New Zealand Defence Force understand whether the aims of Operation Respect are being achieved.

Our first performance audit of Operation Respect focused on how effectively the New Zealand Defence Force had designed and reset Operation Respect. In March 2023, we completed this audit and a monitoring report that established a baseline for measuring the New Zealand Defence Force's progress in implementing Operation Respect.

**Planned work: Operation Respect second performance audit**

In 2024/25, we will complete our current performance audit, which we started in late 2023/24. We are looking at how the New Zealand Defence Force is implementing key initiatives in their new Operation Respect strategy and action plan, with a focus on leadership and accountability and the complaints and discipline systems.

## Measuring and monitoring integrity

In 2022/23, we encouraged public organisations to assess their organisation using our integrity framework. However, measuring whether organisations are making improvements in integrity is not easy. Organisations have asked for additional guidance on how to best measure and monitor integrity.

**Work under way: Guidance on measuring and monitoring integrity**

In 2024/25, we plan to publish guidance on measuring and monitoring integrity. We will draw on the work we are doing in our organisation along with insights from developing an integrity-focused performance audit methodology. This work will also involve a literature review, with a focus on auditing culture and existing ethics and integrity assessment tools. Our work will also be informed by examples from public organisations that are implementing the integrity framework.



## Managing conflicts of interest

Properly identifying and managing conflicts of interest is important to maintaining public trust and confidence and avoiding allegations of biased or corrupt behaviours. In the public sector procurements we examine, we regularly find issues in how conflicts of interest are managed.

When Ministers make decisions, it is crucial that there are sufficient and appropriate systems and processes in place to support them in identifying any relevant interests they might have, and to help them manage any actual or potential conflicts that might arise. The Cabinet Manual sets out expectations and processes for how Ministers should manage conflicts of interest. The Department of the Prime Minister and Cabinet plays a key role, working with Ministers to ensure that these processes operate effectively.

In 2024/25, we intend to look at how the conflicts of interest processes in the Cabinet Manual work in practice to support trust and confidence in decisions being made at a Ministerial level.



**Planned work: Ministerial conflicts of interest – how they are being identified and managed**

In 2024/25, we intend to examine and report on the operation and implementation of systems and processes to support Ministers to identify and manage conflicts of interest in their decision-making.



## Cross-cutting work

### Insights into public accountability at the community level

Public organisations that connect with communities are more likely to be trusted by those communities. We have been carrying out work into how public organisations are accountable to communities and the role that accountability plays in supporting public trust and confidence.

**Work under way: Accountability in partnerships between public organisations and communities**

In 2024/25, we will complete a project that looks at accountability arrangements in partnerships between public organisations and communities. Using case studies, we will explore what accountability practices exist, why they are used, how they work, and their role in supporting partnerships between public organisations and communities. We will report our findings.



## Immigration – skilled residence visas

Immigration is important to public services, businesses, and communities. It reunites families and brings skilled workers, students, and people on working holidays into the country. Immigration New Zealand manages the decision-making process for applications for skilled residence visas.

New Zealand's immigration system requires careful management. Migrants' experience of the immigration system matters because it can influence whether they connect to, and decide to settle in, New Zealand. People with the skills that the economy needs for the longer term are in high demand by many countries. At the same time, visa decision-making processes must support New Zealand's safety and security.

**Work under way: Immigration New Zealand – skilled residence visas**

In 2024/25, we will complete a performance audit looking at how effectively Immigration New Zealand is managing its decision-making process for applicants for skilled residence visas. This will include looking at how effectively Immigration New Zealand uses information to improve its performance and to show how the skilled residence visa system is working.

We will highlight any strengths that we find in Immigration New Zealand’s decision-making process about skilled residence visas and, where appropriate, suggest where improvements can be made.



## Cyber security maturity and preparedness

The public sector depends on information and communication technology to do its job. Maintaining the integrity, availability, and confidentiality of information in public sector networks and systems is vital. Protection of information, particularly private information, is important for maintaining trust in public organisations.

Without fit-for-purpose cyber security, New Zealand cannot protect its intellectual property, ensure that government and democratic processes remain free from interference, or maintain its reputation as a stable and secure place to live and do business. In 2023/24, we started a performance audit to see how a range of public organisations responsible for critical infrastructure and/or key services govern their cyber security risk preparedness and response.

**Work under way: Cyber security maturity and preparedness**

In 2024/25, we will complete a performance audit of how well a number of public organisations govern their cyber security risk preparedness and response. This includes known and emerging risks from legacy systems and new technology (including generative artificial intelligence, cloud storage, and “as a service” activities).



## Auckland Council service performance

We regularly produce reports that focus on Auckland Council to meet our requirements under the Local Government (Auckland Council) Act 2009.

**Planned work: Auckland Council review of service performance**

Section 104 of the Local Government (Auckland Council) Act 2009 requires the Auditor-General to review the service performance of Auckland Council and each of its council-controlled organisations from time to time. We are assessing possible topics for this next review.

## Equity of outcomes

The Productivity Commission reported in 2023 that 697,000 New Zealanders experience persistent disadvantage, with sole parents and Pacific peoples experiencing the highest rates, followed by Māori and people with disabilities.<sup>9</sup>

Disparities of outcomes in income, health, and education for parts of the population are long-standing challenges that public organisations have increasingly focused on addressing.

We have previously looked at some of these issues. In 2023/24, we reported on how well the mental health system is meeting the needs of young people. We are currently investigating how data is used to address disparities in educational achievement.

We want to understand the availability of data about equity of outcomes delivered through public services for different groups, including Māori and Pacific communities, disabled people, the rainbow community, and isolated or vulnerable communities. Our interest includes the extent to which goals and outcomes sought by public organisations reflect equity considerations and whether there is adequate reporting of progress towards achieving these goals.

### Planned work: What is the state of reporting on equity?

In 2024/25, we will carry out a scan of the existing information reported by organisations to understand the extent to which it considers equity of public service outcomes for different groups and communities.

This could include looking at whether there are specific equity-related goals being targeted in relation to services, the frameworks used to measure equity of outcomes, and how progress towards equity goals are reported to both the public and Parliament.

We aim to provide a picture of where information is available and where there are gaps, to help us understand the extent to which public organisations are considering equity of outcomes in relation to their services. This work will help identify where we might do future work on equity of outcomes.



<sup>9</sup> Productivity Commission (2023), *A fair chance for all: Breaking the cycle of persistent disadvantage*, at [treasury.govt.nz](https://www.treasury.govt.nz).

### **Tracking the impact from our performance audit work**

Within two years of completing a performance audit, we write to the audited public organisations to see what progress has been made against our recommendations. We publish the organisations' responses on our website. We also use the responses to decide whether any further follow-up work is needed.

In 2024/25, we will consider what type of follow-up is appropriate for the matters raised in these performance audit reports:

- *Auckland Council: Preparedness for responding to an emergency;*
- *How well public organisations are supporting Whānau Ora and whānau-centred approaches;*
- *Meeting the needs of people affected by family violence and sexual violence; and*
- *Leading New Zealand's approach to housing and urban development.*

We will also follow up on the actions identified during our review of personal protective equipment during the early stages of the Covid-19 pandemic.

# Enhancing our impact in te ao Māori

The public sector needs to perform well for all New Zealanders.

Data regularly demonstrates that Māori experience poorer social and economic outcomes and generally have lower levels of trust in government compared to some other population groups.

In 2024/25, we want to continue building the relevance and impact of our work for Māori.

## Accountability framework for Te Wānanga o Raukawa

The Education and Training Amendment Act 2023 established the wānanga-enabling framework, which creates new administrative settings for wānanga to recognise their mana, rangatiratanga, and unique role in the tertiary education system.

### Planned work: Accountability framework for Te Wānanga o Raukawa

In 2024/25, we will continue to work with Te Wānanga o Raukawa on what a new accountability framework will look like for the wānanga and the role of public audit in supporting that framework.

## Māori perspectives on integrity

In 2022, we created an integrity framework for the public sector. Although the framework was partially informed by Māori frameworks, there is more work to do to fully integrate te ao Māori concepts into the integrity framework.

### Work under way: Integrating Māori perspectives of integrity

In 2022/23, we started work to understand more fully what the concept of integrity means and looks like for Māori and how that could be applied in the public sector. In 2024/25, we will publish and promote an updated integrity framework and accompanying guidance that better integrates te ao Māori concepts.



## Meeting public sector Treaty settlement commitments

Public organisations need to meet their legal obligations arising from commitments that the Crown made through Treaty settlements. Te Arawhiti – The Office for Māori Crown Relations is monitoring the Crown’s progress in meeting these commitments.

In 2023/24, we started work looking at how prepared selected public organisations are to carry out their Treaty settlement commitments. Our audit includes looking at the relationships and accountability arrangements between post-settlement governance entities and public organisations with settlement obligations. We will also look at the systems for overseeing and monitoring how the Crown meets Treaty settlement commitments.

This work aims to assist public organisations with monitoring and reporting functions, such as Te Arawhiti and Te Kawa Mataaho Public Service Commission, to identify how they can better support public organisations to meet their Treaty settlement commitments.

### **Work under way: How well-prepared are public organisations to meet Treaty settlement commitments?**

In 2024/25, we will complete a performance audit looking at the system of Treaty settlement commitments. Our work will look at how well public organisations understand the settlement commitments they are responsible for, how well public organisations prepare themselves to meet those commitments, and how assurance and accountability is provided for the performance of public organisations in meeting those commitments.

## The Public Service response to the Public Service Act 2020

In 2020, a new Public Service Act was introduced. The Act requires:

- Public Service leaders to develop and maintain the capability of the Public Service to engage with Māori and to understand Māori perspectives; and
- the Public Service Commissioner, when developing and implementing the newly required leadership strategy, to recognise the aims, aspirations, and employment requirements of Māori and the need for greater involvement of Māori in the Public Service.

To support the Public Service to meet these commitments, Te Arawhiti developed and led the implementation of Whāinga Amorangi. This is a multi-year cross-agency work programme designed to improve the capability of the Public Service in Māori Crown relations. This work was supported by Te Kawa Mataaho Public Service Commission, Te Puni Kōkiri, and Te Taura Whiri i te Reo Māori.

Core Crown agencies were required to prepare plans that describe how they will build the Māori Crown relations capability of their people, relevant to their role and functions. In early 2022, those plans were considered by a panel of experts, hosted by Te Arawhiti.

We are interested in how this work has progressed.

### **Planned work: Responding to the Public Service Act 2020**

In 2024/25, we will start a performance audit looking at how Public Service agencies have responded to the responsibilities relating to Māori in the Public Service Act. We will examine how core Public Service agencies have strengthened their capability to support the Crown's relationships with Māori. This will include how the agencies are approaching this work and how they measure and report on its effectiveness.

# 6

## Building on our reputation as a source of trusted information

Trust in governments, media, institutions, and professionals is declining worldwide. Misinformation and disinformation are becoming more prevalent.<sup>10</sup>

Our work can shine a light on matters of public interest regarding public sector performance. We aim to be balanced and fair while fulfilling our independent mandate and carrying out our statutory functions to help Parliament and the public hold public organisations to account.

Across all of our work, we believe we can support trust in government by better communicating and connecting public organisations and the public to the work we do. In 2024/25, we will focus on using our knowledge and reputation better to increase the impact of our work.

Our communications and engagement strategy will set a path to achieve this. The proposed work in this section is intended to increase the value and impact of all of our work.

### Connecting our work to target audiences

We have produced reports, good practice guides, and other material that are relevant to many of the challenges facing public organisations. We want to make our work and data about public sector performance more useful and more easily available to those interested in public sector performance.

#### Planned work: Enhancing the Office's website

The Office's website is the primary access point to our knowledge. Improving access to information through the website is critical for better connecting our audience to our work. In 2024/25, we will begin work to enhance the Office's website so that it best connects our audience to our work.

This will include setting a clear roadmap for improving the design of the website, access to important content, and use of data. This will include using the Office's website to present data from our work in 2023/24 on health reforms and data from proposed work in 2024/25 on equity of access to public services.

<sup>10</sup> See "2024 Edelman Trust Barometer" at edelman.com and the Organisation for Economic Co-operation and Development (2024), *Facts not fakes: Tackling disinformation, strengthening information integrity*, at oecd.org.



The Office has an important role in bringing together those who can benefit most from our work. In recent years, the Office has convened regular and one-off events that bring together expertise and knowledge about good practice in managing the issues we see across the public sector. We have received feedback that this work is very useful for connecting our lessons and guidance to current issues facing those providing public services.

**Work under way: Connecting through events**

In 2024/25, the Office will continue to convene regular and one-off events, including:

- a twice-yearly event summarising the Office's core insights for Tier 2 leaders across the public sector;
- the Office's Audit and Risk Committee Chairs' Forum with eight forums annually;
- a series of events as part of the second annual Integrity Day; and
- hosting and supporting Transparency International Leaders Integrity Forums.

## Leveraging our knowledge and reports on emerging issues

Our work provides a unique view of the trends, challenges, and risks facing the public sector. In 2024/25, we plan to complete seven reports on our observations from the latest completed audits for a range of public organisations. We will also produce several performance audits on important matters of public sector performance. From this work, we will identify key challenges and influence positive change across the public sector. We will continue focusing on recurring matters of concern for the Office that are important to public sector performance and trust: integrity, performance reporting, and procurement.

**Planned work: Amplifying our reports**

In 2024/25, we will establish an active speaking programme for the Office to connect our key work to external events and conferences that reach important audiences. This will include a more prominent role for the Auditor-General and the Deputy Auditor-General.

# 7

## Our international work

There are three main components to our international work:

- As Secretary General of the Pacific Association of Supreme Audit Institutions (PASAI), the Auditor-General supports the capability-building work of the PASAI Secretariat. This work is funded by the Ministry of Foreign Affairs and Trade. Through PASAI, the Office provides peer support services to the Controller and Auditor-General of Samoa and the Director of Audit of the Cook Islands.
- The New Zealand Auditor-General is also the Auditor-General of the governments of Niue and Tokelau.
- We work with the global auditing community through the International Organisation of Supreme Audit Institutions (INTOSAI) to share and build best practice and tackle common problems faced by Supreme Audit Institutions (SAIs).

### Supporting PASAI to improve outcomes for Pacific people

PASAI supports SAIs across the Pacific region to build capacity and capability and advocates for improvements to integrity systems in their countries.

In 2024/25, we will support the PASAI Secretariat and governing board to implement PASAI's new 2024-2034 strategy.

We also have peer support relationships with the Audit Office of Samoa and the Cook Islands Audit Office. These relationships provide specific support and development opportunities for staff in these offices to work closely with our staff. Funding from the Ministry of Foreign Affairs and Trade supports the development of this work.

We will continue to use our influence and reputation to support PASAI by closely collaborating with SAIs and the Secretariat team to advocate for SAI independence and effective public administration systems in the Pacific. We will also work with regional development partners to invest in good governance and robust public financial management systems in the Pacific region. One part of this work will be our quarterly integrity-themed webinar series.

### Progressing audits for the governments of Niue and Tokelau

During 2024/25, we expect the preparation and auditing of the Niue and Tokelau governments' annual accountability reporting to be up to date for the first time in many years. We will focus on maintaining this and supporting work to improve the quality of reporting. We will also increase our work to support Public Accounts Committees to scrutinise the effectiveness of government spending.

## Working collaboratively with INTOSAI and other agencies

We hold responsibilities across several INTOSAI working groups on behalf of PASAI. This includes the Working Group on Environmental Auditing and the IntoSAINT<sup>11</sup> working group.

### Environmental auditing

The Working Group on Environmental Auditing encourages SAIs to assess the effectiveness of government programmes and spending on environmental management and outcomes. We represent PASAI on the Working Group on Environmental Auditing and help to implement its programmes and activities in the Pacific region. In 2024/25, we will support two global climate change audit projects.

The first of these is a global co-ordinated climate change audit that involves eight Pacific SAIs carrying out climate adaptation audits.

The second is supporting Pacific SAIs to contribute to an international assessment of government climate actions in about 100 countries known as the “climate scanner”. In 2024/25, we will support Pacific SAIs to use the climate scanner to assess climate actions by their governments. As stated in Part 4 under **Work under way: ClimateScanner**, we will also use the climate scanner ourselves. The results of both initiatives will be consolidated and reported internationally.

### Integrity

As the PASAI representative on the IntoSAINT working group, we support the ongoing development of the IntoSAINT organisational integrity assessment tool and its implementation across the Pacific region. During 2024/25, we plan to lead work to expand the group of trained IntoSAINT facilitators in the Pacific region and oversee the continued rollout of the IntoSAINT tool to SAIs and other public organisations as part of our contribution to improving the organisational capacity of SAIs.

Building on our integrity work, we will continue to support the work of PASAI through the Auditor-General’s role as Secretary General. PASAI advocates for improvements in governance, accountability, transparency, and integrity with, and on behalf of, SAIs in the Pacific region.

11 IntoSAINT is an organisational integrity assessment tool developed by the International Organisation of Supreme Audit Institutions. It is used to assess the vulnerabilities and the maturity of integrity in public organisations.

**Work under way: Supporting integrity in the Pacific region**

In 2024/25, we will continue to support PASAI's work to strengthen public sector integrity in the Pacific region. This work includes:

- hosting integrity-themed webinars for public sector leaders in the Pacific region on behalf of PASAI;
- contributing to the international working group for IntoSAINT (a tool to assess public sector integrity), representing the Pacific region; and
- helping SAls assess their own integrity and support assessments of public organisations using the IntoSAINT tool.



# Appendix 1

## Response to feedback on our draft annual plan

Section 36 of the Public Audit Act 2001 outlines the requirements for preparing the Auditor-General's annual plan. This includes considering any comments of the Speaker or any committee of the House of Representatives on our draft annual plan 2024/25.

In this Appendix, we describe the feedback we received.

The Finance and Expenditure Committee invited us to discuss our draft plan. The Committee was interested in our planned work to ensure the future sustainability of public sector audit, the auditing of schools, our continued focus on performance reporting, and our interest in long-term issues and challenges, particularly climate change.

The Committee reported that it found our plan well considered and it did not have any changes to propose. The Committee also incorporated some of our focus areas in its scrutiny plan.

The Committee also shared the annual plan with other select committees to consider when discussing their scrutiny plans. We did not receive any feedback from the other select committees.

We received joint feedback from Te Kawa Mataaho Public Service Commission, the Treasury, and the Department of the Prime Minister and Cabinet. Their feedback was supportive of our ongoing and planned work to improve public sector practice and performance, the sharper focus we have brought to our discretionary work, and our desire to influence change in core spending areas. This feedback supported the need to be flexible and responsive to changing circumstances for public organisations.

Other feedback we received from submitters was largely supportive of our proposed work programme and the topics it covers. This included significant interest in our work on influencing improved performance reporting, with requests for more guidance and clarity on what "good" looks like. In response, we have enhanced our work programme on performance reporting to include more guidance on good practice, particularly in areas that have ongoing challenges. We will also examine the quality of reporting by interdepartmental executive boards.

We received feedback about the challenges facing the local government sector. In response, we plan to do more to share our insights and work closely with local government sector groups and carry out work focusing on the governance and oversight of council-controlled organisations.

We received strong support for our work on enhancing our impact in te ao Māori.

## Appendix 1

### Response to feedback on our draft annual plan

We have made some changes in response to feedback on specific work. This includes removing our proposed work looking at integrity system leadership in the sports sector. We made this decision after receiving feedback from Sport New Zealand that suggested we allow time for the new Integrity Sport and Recreation Commission to fully establish itself and progress its work.

Instead, we plan to carry out a performance audit on how public sector leaders establish a culture of integrity in their organisation. This work may focus on an organisation or organisations that have faced recent integrity issues or have an operating context that presents specific challenges to establishing and maintaining a healthy integrity culture.

Although some detailed feedback we received did not result in changes to the planned work, it will inform the scope or approach to the planned work. We will consider this feedback when we carry out more detailed planning for these new initiatives.

# Appendix 2

## Summary of the public organisations we audit, as at 1 June 2024

| Organisation categories  | Number of organisations |
|--|-------------------------|
| Councils   | 78                      |
| Airports (including related entities)  | 24                      |
| Energy companies (including related entities)  | 34                      |
| Port companies (including related entities)  | 18                      |
| Other council-controlled organisations <sup>1</sup>  | 153                     |
| Licensing and community trusts (including related entities)  | 29                      |
| Other local government organisations <sup>2</sup>  | 55                      |
| <b>Total local government</b>  | <b>391</b>              |
| Financial Statements of the Government   | 1                       |
| Government departments (including related entities)  | 53                      |
| State-owned enterprises and mixed-ownership companies (including related entities)                           | 28                      |
| Crown Research Institutes (including related entities)   | 13                      |
| Schools (including related entities)   | 2479                    |
| Tertiary education institutions (including related entities and workforce development councils) <sup>3</sup> | 43                      |
| Other Crown entities <sup>3</sup>  | 102                     |
| Administering bodies <sup>4</sup>  | 37                      |
| Fish and game councils (including related entities) <sup>5</sup>   | 15                      |
| Other central government organisations <sup>6</sup>  | 114                     |
| Rural Education Activities Programmes  | 14                      |
| <b>Total central government</b>  | <b>2899</b>             |
| Government of Niue (including related entities) <sup>7</sup>   | 9                       |
| Government of Tokelau (including related entities) <sup>7</sup>  | 2                       |
| Public Audit Act section 19 audits <sup>8</sup>  | 2                       |
| <b>Total</b>   | <b>3303</b>             |

1. These are council-controlled organisations as defined in the Local Government Act 2002 (other than those that are airports, energy companies, or port companies).
2. These are related to councils but are not council-controlled organisations – for example, organisations exempted from being council-controlled organisations under the Local Government Act.
3. These are statutory Crown organisations (Crown agents, autonomous Crown organisations, and independent Crown organisations) listed in Schedule 1 of the Crown Entities Act 2004 and Crown entity companies listed in Schedule 2 of the Crown Entities Act.
4. These are administering bodies and reserves boards listed in Schedule 4 of the Public Finance Act 1989.
5. These are the New Zealand Fish and Game Council, 12 regional fish and game councils, the New Zealand Game Bird Habitat Trust Board, and the Game Animal Council, all listed in Schedule 4 of the Public Finance Act.
6. These are other central government organisations that do not have their own specific category. The majority are statutory organisations established under specific legislation, as well as other organisations listed in Schedule 4 of the Public Finance Act that are not categorised as reserve boards or fish and game councils.
7. The governments of Niue and Tokelau (including related entities) are audited by the Office because the New Zealand Auditor-General also holds the role of Auditor-General for these countries.
8. These are entities audited under an arrangement in accordance with section 19 of the Public Audit Act 2001.

# Appendix 3

## Estimated timing for the completion of our 2024/25 work programme

### Strengthening our core assurance role

Ongoing work:

- Ensuring the completion of quality and timely audits of schools (working with central government).
- Climate reporting assurance (working with local and central government).
- Audit New Zealand Practice Improvement programme.

| Initiative  | Working with       |
|---|--------------------|
| Planned work: Observations from our central government audits (including the Controller function and the Government's financial statements) | Central government |
| Planned work: Insights into local government: 2023 audits   | Local government   |
| Planned work: Insights into local government: 2024 audits   | Local government   |
| Planned work: Results of the 2023 school audits   | Central government |
| Planned work: Results of the 2023 audits of tertiary education institutions   | Central government |
| Planned work: Licensing trusts  | Other              |
| Planned work: Crown Research Institutes   | Central government |
| Planned work: The energy sector   | Other              |
| Planned work: Health regulatory agencies  | Central government |
| Planned work: Half-year Controller update   | Central government |

Note: In the "Product" column, "other" could include a letter, article, good practice guide, or research report.



|  | Product       | Expected completion in 2024/25 |    |    |    | To be completed in 2025/26 |
|--|---------------|--------------------------------|----|----|----|----------------------------|
|  |               | Q1                             | Q2 | Q3 | Q4 |                            |
|  | Sector report |                                | ◆  |    |    |                            |
|  | Sector report | ◆                              |    |    |    |                            |
|  | Sector report |                                |    |    | ◆  |                            |
|  | Sector report |                                | ◆  |    |    |                            |
|  | Other         |                                |    | ◆  |    |                            |
|  | Other         |                                |    |    | ◆  |                            |
|  | Other         |                                |    |    | ◆  |                            |
|  | Sector report |                                |    |    | ◆  |                            |
|  | Other         |                                | ◆  |    |    |                            |
|  | Report        |                                |    | ◆  |    |                            |

## Increasing our impact with public organisations

Ongoing work:

- Influencing improved performance reporting (working with local and central government).
- Advice and support to Parliament and select committees (annual reviews and Estimates briefings, working with central government).

| Initiative  | Working with                        |
|---|-------------------------------------|
| Planned work: Our observations from auditing the New Zealand Health Plan  | Central government                  |
| Planned work: Systems and processes for measuring and reporting performance against the Government targets for the justice sector | Central government                  |
| Planned work: Principles and approaches to the assessment of value for money  | Local and central government, other |
| Planned work: Strategic finance – how well set up are public organisations to plan for and deliver value for money?               | Local and central government        |
| Planned work: Reporting on long-term plan audits  | Local government                    |
| Work under way: ClimateScanner  | Central government                  |
| Work under way: Climate change and local government   | Local government                    |
| Work under way: Examining the effectiveness of government arrangements to address child poverty                                   | Central government                  |
| Planned work: Infrastructure resilience   | Central government                  |
| Planned work: Addressing housing deprivation  | Central government                  |
| Planned work: Assessing progress in reducing waiting lists for planned care   | Central government                  |
| Planned work: Diversion and early interventions with youth across the justice sector  | Central government                  |
| Work under way: Understanding and addressing educational disparities  | Central government                  |
| Planned work: Establishing a culture of integrity   | TBC                                 |
| Planned work: Operation Respect second performance audit  | Central government                  |
| Work under way: Guidance on measuring and monitoring integrity  | Local and central government        |
| Planned work: Ministerial conflicts of interest – how they are being identified and managed                                       | Central government                  |
| Work under way: Accountability in partnerships between public organisations and communities                                       | Local and central government, other |
| Work under way: Immigration New Zealand – skilled residence visas   | Central government                  |
| Work under way: Cyber security maturity and preparedness  | Central government                  |
| Planned work: Auckland Council review of service performance  | Local government                    |
| Planned work: What is the state of reporting on equity?   | TBC                                 |

|  | Product           | Expected completion in 2024/25 |    |    |    | To be completed in 2025/26 |
|--|-------------------|--------------------------------|----|----|----|----------------------------|
|  |                   | Q1                             | Q2 | Q3 | Q4 |                            |
|  | Other             |                                |    |    | ◆  |                            |
|  | Performance audit |                                |    |    | ◆  |                            |
|  | Report            |                                | ◆  |    |    |                            |
|  | Performance audit |                                |    |    |    | ◆                          |
|  | Sector report     |                                |    |    | ◆  |                            |
|  | Other             |                                | ◆  |    |    |                            |
|  | Performance audit | ◆                              |    |    |    |                            |
|  | Performance audit | ◆                              |    |    |    |                            |
|  | Performance audit |                                |    |    | ◆  |                            |
|  | Performance audit |                                |    |    | ◆  |                            |
|  | Performance audit |                                |    |    | ◆  |                            |
|  | Performance audit |                                |    |    |    | ◆                          |
|  | Performance audit | ◆                              |    |    |    |                            |
|  | Performance audit |                                |    |    |    | ◆                          |
|  | Performance audit |                                |    |    | ◆  |                            |
|  | Other             | ◆                              |    |    |    |                            |
|  | Report            |                                |    |    | ◆  |                            |
|  | Report            |                                | ◆  |    |    |                            |
|  | Performance audit |                                | ◆  |    |    |                            |
|  | Performance audit |                                | ◆  |    |    |                            |
|  | Report            |                                |    | ◆  |    |                            |
|  | Report            |                                |    |    | ◆  |                            |

| Initiative  | Working with       |
|---|--------------------|
| Follow-up on performance audit: Auckland Council: Preparedness for responding to an emergency                         | Local government   |
| Follow-up on performance audit: How well public organisations are supporting Whānau Ora and whānau-centred approaches | Central government |
| Follow-up on performance audit: Meeting the needs of people affected by family violence and sexual violence           | Central government |
| Follow-up on performance audit: Leading New Zealand’s approach to housing and urban development                       | Central government |

Note: In the “Product” column, “other” could include a letter, article, good practice guide, or research report.

## Enhancing our impact in te ao Māori

| Initiative  | Working with                        |
|---|-------------------------------------|
| Planned work: Accountability framework for Te Wānanga o Raukawa                                   | Other                               |
| Work under way: Integrating Māori perspectives of integrity                                       | Local and central government        |
| Work under way: How well-prepared are public organisations to meet Treaty settlement commitments? | Local and central government, other |
| Planned work: Responding to the Public Service Act 2020   | Central government                  |

Note: In the “Product” column, “other” could include a letter, article, good practice guide, or research report.

## Building on our reputation as a source of trusted information

Ongoing work:

- Enhancing the Office’s website.
- Connecting through events (working with local and central government, other).
- Amplifying our reports (working with local and central government, other).

## Our international work

Ongoing work:

- Supporting integrity in the Pacific region (working with other).

|  | Product | Expected completion in 2024/25 |    |    |    | To be completed in 2025/26 |
|--|---------|--------------------------------|----|----|----|----------------------------|
|  |         | Q1                             | Q2 | Q3 | Q4 |                            |
|  | Other   | ◆                              |    |    |    |                            |
|  | Other   |                                | ◆  |    |    |                            |
|  | Other   |                                |    |    | ◆  |                            |
|  | Other   |                                |    | ◆  |    |                            |

|  | Product           | Expected completion in 2024/25 |    |    |    | To be completed in 2025/26 |
|--|-------------------|--------------------------------|----|----|----|----------------------------|
|  |                   | Q1                             | Q2 | Q3 | Q4 |                            |
|  | Other             |                                |    |    | ◆  |                            |
|  | Other             | ◆                              |    |    |    |                            |
|  | Performance audit |                                |    | ◆  |    |                            |
|  | Performance audit |                                |    |    |    | ◆                          |



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