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# Performance audits from 2008: Follow-up report

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# Performance audits from 2008: Follow-up report

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## Auditor-General's overview

The vision of my Office is that our audit and assurance work improves the performance of, and the public's trust in, the public sector. We aim to do this through giving independent assurance to Parliament, public entities, and the public about whether public entities are:

- carrying out their activities effectively, efficiently, and appropriately;
- using public funds wisely; and
- reporting their performance appropriately.

One of the ways we do this is by carrying out performance audits and reporting on them. Our reports, and the recommendations made in them, identify ways in which public entities can improve their performance.

We evaluate the effect of our performance audits by following up on how the entities have responded to, and implemented, our recommendations. This report sets out the actions public entities have taken in response to the recommendations made in performance audit reports that we published during 2008. It also identifies where work is still needed by the relevant entities to implement our recommendations.

This report also allows us to reflect, as an Office, on the effectiveness of our performance audits and our recommendations. We use this information to improve our processes and increase the value of future performance audits.

Public entities decide whether they accept our recommendations and how to implement them. In most cases, public entities seek to make the improvements we suggest. In other cases, public entities adopt alternative approaches that address the issues underlying our recommendations. This is an appropriate response. There are occasions where an entity cannot implement our recommendations due to system constraints or where the passage of time or changes in circumstance means it no longer makes sense to implement the recommendations as we originally wrote them.

Entities sometimes disagree with our recommendations or do not give priority to implementing them. In these situations, it is up to the entity to explain to Parliament and the public why they have done this.

Overall, we are satisfied with the responses to the findings of the performance audit reports we completed during 2008. Of the 89 recommendations we made in those performance audits, 68% have been implemented or partially implemented, and another 24% are in the process of being implemented.

We are particularly pleased with the response from the New Zealand Agency for International Development (NZAID) and the Guardians of New Zealand Superannuation. We note the special interest that the Foreign Affairs, Defence and Trade Committee took in our report on NZAID and NZAID's response to our recommendations. This interest contributed to a strong response to our recommendations by NZAID. The Ministry of Social Development has also responded well to our recommendations.

Our recommendations, and the entities' responses to these, have contributed to improvements in:

- planning, implementing, monitoring, and evaluating the services and activities carried out by the entities;
- how data was collected and the use of this data to identify risk and improve service delivery;
- data and information reporting;
- providing resources and training to staff to help them carry out their roles more effectively;
- specifying roles both within organisations and in inter-agency situations; and
- prioritising work and risk management.

I expect that the information in this report will be helpful to Parliament and the public in holding public entities to account. It is important that such accountability is expected of the public entities we have audited.

I welcome comments from members of Parliament and the public on the usefulness of the information presented here, and guidance on what information they would like to see included in future reports of this nature.

If readers would like more information about the performance audits discussed in this report, the full text of each performance audit report is available on my Office's website – [www.oag.govt.nz](http://www.oag.govt.nz).

I thank the staff of the public entities discussed in this report for their help in collating this information.



L D Provost  
Controller and Auditor-General

12 April 2010

## Introduction

This report to Parliament sets out the actions taken in response to the findings of 12 performance audits we completed in 2008.

We are publishing this report now because entities have had a reasonable length of time to begin responding to the findings of the performance audits we completed during 2008.

This report is not intended to be a full assessment of the benefits realised from implementing our recommendations. In most cases, the information presented in this report is based on the public entity's representation of the action it has taken and what we have learned during our continuing discussions with the entity. We have matched this information against what we know about the entity from the wider work of our Office to ensure that the information is consistent. We are satisfied that the information in this report fairly reflects, as at March 2010, the responses of the entities to our performance audit reports. All the entities involved have seen and agree with the comments we make in this report.

This follow-up report also allows us to reflect as an Office about the effectiveness of our work. It helps us to identify how we can improve the effectiveness of our performance audits so that they add value through the improvements they promote.

### What is a performance audit?

A performance audit is a significant and in-depth audit covering issues of effectiveness and efficiency. It provides Parliament with assurance about specific issues or programmes and their management by the relevant public entity or entities.

Our mandate allows us to carry out performance audits of any public entity, including central government departments, local authorities, schools, district health boards, and the defence agencies.

We carry out performance audits under section 16 of the Public Audit Act 2001. A performance audit can examine:

- how effectively and efficiently a public entity is working;
- whether a public entity is complying with its statutory obligations;
- any act or omission that might waste public resources; and
- any act or omission that might show (or appear to show) a lack of probity or financial prudence by a public entity or one or more of its members, office holders, or employees.

The product of a performance audit is usually a report to Parliament that will identify good or emerging practices, raise any issues or concerns, and (where necessary) recommend improvements to the public entity's performance. All our performance audit reports are available on our website ([www.oag.govt.nz](http://www.oag.govt.nz)) and distributed free when people request a copy.

## Monitoring responses to performance audit findings

We follow up on the responses that public entities have made to our performance audits, and their progress in implementing our recommendations, to find out if our work has had a positive effect on the public sector. How we follow up on the responses to our performance audit findings varies, and can include:

- informally discussing progress during annual audits and meetings with public entities;
- receiving formal briefings from the management of a public entity on its progress in implementing our recommendations;
- requesting written feedback from public entities on their response to our performance audit report;
- providing information to select committees on our performance audit reports and suggesting lines of enquiry for committees to question public entities about their response;
- following up, during the annual audit, on the issues raised in the performance audit; and
- carrying out a formal follow-up performance audit to find out whether the issues identified in our performance audit have been or are being resolved.

## Responses to the findings of our performance audits

Overall, we are satisfied with the responses to the findings of the performance audits we completed during 2008.

We made 89 recommendations in the performance audit reports that we published during 2008. All of these were accepted or partially accepted by the entities concerned. Of these recommendations:

- 68% have been implemented or partially implemented;
- 24% are in the process of being implemented; and
- 8% have not yet begun to be implemented.

We encourage entities to ensure that they continue to implement the recommendations they are in the process of implementing. We also encourage entities to implement the recommendations they have only partially implemented, or have not yet begun to implement.



We will continue to monitor progress with entities that have not yet fully implemented all our recommendations.

## Additional follow-up work

We noted in our 2007 follow-up report that we would report on the responses to our 2007 performance audit, *Liquor licensing by territorial authorities*, in our 2008 follow-up report. This is included in this report on pages 37-39.

In our 2007 follow-up report, we also noted that we would do further work on the responses by district health boards to our audit of the effectiveness of the “Get Checked” diabetes programme.<sup>1</sup> This work will be reported to Parliament in a separate publication.

We are also exploring options for following up on our 2007 audit about the legislative compliance and performance reporting within statements of corporate intent.<sup>2</sup>

We have not followed up on our 2008 report on the Civil Aviation Authority’s and the Ministry of Transport’s responses to the Coroner’s recommendations on the June 2003 Air Adventures crash. This is because we were satisfied with the entities’ response at the time of our audit.

We have not provided follow-up comment on our 2008 report on *Maintaining and renewing the rail network*. As part of that performance audit, we made a commitment to carry out a follow-up audit in 2010/2011 in order to provide ONTRACK with enough time to implement the changes it is making.

## Structure of this report

In this report, for each of the performance audits we report on, we set out:

- brief background information;
- an outline of the scope of the audit;
- a summary of our audit findings; and
- the entity’s response to our audit.

The information is presented by the title of the performance audit report that we published, and grouped by select committee for the convenience of the Finance and Expenditure Committee, to which the Auditor-General’s reports are now automatically referred. That Committee may wish to bring this report to the attention of the relevant select committees.

1 *Ministry of Health and district health boards: Effectiveness of the “Get Checked” diabetes programme*, published in June 2007.

2 *Statements of corporate intent: Legislative compliance and performance reporting*, published in June 2007.

# Guardians of New Zealand Superannuation: Governance and management of the New Zealand Superannuation Fund

The New Zealand Superannuation and Retirement Income Act 2001 created the New Zealand Superannuation Fund (the Fund) to contribute to the future cost of providing superannuation. This cost is expected to rise considerably in the next 20 to 50 years because of the ageing population. The Guardians of New Zealand Superannuation (the Guardians) are a Crown entity set up to invest the Fund in a way that is prudent and commercial, maximises return without undue risk, and avoids prejudice to New Zealand's reputation.

## The scope of our audit

Our performance audit aimed to provide independent assurance to Parliament about whether the Guardians were prudently governing and managing the Fund.

We assessed the Guardians' governance and management of the Fund. In particular, we assessed how the Guardians performed in governing, managing, and administering the Fund, and the adequacy of the procedures the Guardians used to reduce risks arising from the rapid growth of the Fund.

Because of the specialised nature of the Fund, the Auditor-General appointed Ernst & Young under section 33(1) of the Public Audit Act 2001 to help with our performance audit.

Our audit did not consider questions about the appropriateness of government contributions to the Fund, or the appropriateness of having such a fund. These are matters of government policy and thus outside the authority of the Auditor-General. We also did not consider the adequacy of the Fund to meet future needs, or the performance of the Fund's investments.

## Our findings

At the time of our audit, the Guardians were putting in place the types of internal control systems, processes, and procedures needed to manage and govern the Fund prudently.

The Guardians' internal controls generally met or exceeded international practice and guidelines for managing investment funds.

At the time of our audit, the Guardians had been operating for only five years. With this in mind, we considered that the achievements of its management and Board in developing often complex operational and governance infrastructure were considerable.

However, we found some areas where the Guardians could make improvements. Our report made 24 recommendations for improvement, five of which we considered high priority. The high-priority recommendations related to:

- preparing a long-term operational strategy;
- adopting a formal Board Charter;
- updating the Guardians' risk management framework;
- independently assessing the scope of the Board's current and future capability; and
- putting in place a transparent process that the Guardians can follow if they are required to set remuneration for specialist skills outside the current approved levels.

The other recommendations for improvement covered areas such as governance, internal audit, risk management, due diligence, segregation of duties, human resources, information technology, and reporting.

## The response to our findings and recommendations

As we conducted our performance audit in 2007, the Guardians were already taking our preliminary findings and recommendations into account as part of their strategic planning. At that time, the Guardians were in the early stages of a long-term role. They were working in a buoyant economic environment with regular and relatively large payments into the Fund expected for the foreseeable future. Our audit noted that the Guardians' internal control and governance processes had matured considerably since the organisation was created in 2001. However, we expected them to continually review their approaches as the organisation grows, and in response to the challenges of a constantly changing investment environment.

Since our audit, the national and international economic climates have changed significantly. With increased pressures on public finances, the Government has suspended automatic payments to the Fund until the Government's operating balance returns to a surplus. A payment of \$250 million will be made in 2009/10, but any future contributions will be considered by the Government annually. This means that the Fund will not grow as quickly as was envisaged at the time of our audit and that the challenges facing the Guardians may have changed as a result.

The Guardians were quick to implement, or meet the intent of, our recommendations. When we contacted them in July 2009, the Guardians told us that they had completed action in response to three of the five high-priority recommendations:

- In response to our recommendation that they should prepare a long-term operational strategy, the Guardians had put in place a three-year Strategic Plan.
- The Board had adopted a formal Board Charter, which is available to the public on the Guardians' website. The Guardians carry out a periodic review of board and board member performance.
- The Guardians' risk management framework continues to be refined to reflect the changing risk environment and business needs. Risk records are reviewed at least quarterly.

In response to our recommendation that the Guardians independently assess the Board's capability, the Guardians told us that they are working to build the Board's capability. The Board's capability-building includes Board visits to peer funds and annual reference days for board members to engage with international advisors on fund governance. The Board has also periodically brought in an independent governance expert to review its performance and capability.

The Guardians have been able to recruit staff with the necessary skills, and believe that their delegations provide enough flexibility to set appropriate remuneration levels for their staff. As a result, they have not put in place a process for setting remuneration for specialist skills outside the approved levels as we recommended in our report. We encourage the Guardians to keep this recommendation in mind and to implement it as soon as they feel it is necessary for them to be able to respond to market conditions.

Of the other 19 recommendations, the Guardians told us that they have completely implemented 15. As at April 2010, the Guardians were in the process of implementing the remaining four recommendations and anticipated soon completing them:

- The two recommendations that relate to the Strategic Asset Allocation (SAA) were to be addressed during the fourth review of the SAA.
- The Guardians have a project under way to address our recommendation to allocate administrative and operational costs to the respective investment classes for which those costs have been incurred.

- In response to our recommendation to prepare policies on risk management, training and development, out-sourcing, and legal compliance, the Guardians were preparing policies on risk management and training and development. They were also completing the policies on outsourcing and legal compliance.

We are satisfied that the Guardians are committed to implementing these recommendations.

# New Zealand Trade and Enterprise: Administration of grant programmes – follow-up audit

New Zealand Trade and Enterprise (NZTE) helps New Zealand businesses to expand and succeed in the global economy. It uses grant and awards programmes to support the development of internationally competitive business performance.

Our 2008 report followed up on a 2004 performance audit of NZTE's administration of grant programmes. The 2004 performance audit was part of a series of performance audits of grants programmes that we have been carrying out. The 2008 follow-up report aimed to provide assurance to Parliament about whether NZTE had responded appropriately to the recommendations we made in 2004, and whether it is effectively and efficiently administering its grant programmes in keeping with the Government's intentions.

## The scope of our follow-up audit

We audited the extent to which NZTE had addressed the areas of concern identified in our 2004 report. In the foreword to the 2004 report, the Auditor-General concluded:

*NZTE has not yet established a framework to ensure that, for each grant programme, consideration has been given to important aspects of grant administration, including the assessment of risk, data collection and reporting, documentation, and monitoring practices.*

Our 2008 follow-up report sampled individual grants from three grant programmes in the 2005/06 and 2006/07 financial years. To audit these programmes, we grouped the 47 recommendations made in our 2004 report into six themes. These themes were:

- an overall framework for administering grant programmes;
- guidance for interpreting, and adhering to, government criteria for grant programmes;
- quality of data collection and reporting;
- documentation standards and guidance;
- assessment of risk; and
- monitoring of grants.

## Our findings

NZTE had responded appropriately to the recommendations we made in our 2004 report. We did not find it necessary to make any formal recommendations in our 2008 follow-up report. However, we suggested some minor improvements that NZTE could make to its grant administration processes. We suggested that NZTE provide its staff with more guidance about assessing risk to ensure consistent risk assessment. We also suggested that NZTE make greater use of its electronic client management system to record monitoring contact with grant recipients and to track whether the recipients were meeting reporting requirements.

## The response to our findings

NZTE viewed the positive findings of our 2008 audit as recognition of the results of a major business improvement project it had carried out since 2004 to improve its administration of grant programmes. NZTE supported our suggestions for minor improvements and said it would incorporate them as part of ongoing refinements to its processes.

Since 2008, NZTE has substantially changed its grant programmes. The three grant programmes that we examined for our 2008 follow-up audit no longer exist. These programmes have been combined to form a new single flexible fund – the International Growth Fund. Many of the suggestions for improvement we made in our 2008 report were specific to the grant programmes we examined and are not relevant to this fund. However, there were some suggestions still relevant to the administration of NZTE's grant programmes in general. From the information NZTE has provided to us, we are satisfied that NZTE has incorporated these suggestions into its processes.

In remodelling its grant programmes, NZTE has made improvements that include:

- Streamlining the grant administration processes by using information already held on a business to assess its eligibility for funding. This makes the process less burdensome for businesses.
- Incorporating risk assessment as a central part of assessing a business's eligibility for the International Growth Fund. A template used to collect information about a business for funding assessment also provides guidance about risk. NZTE is also creating guidance for supporting documents. NZTE will provide training for staff on risk awareness for this fund.
- Providing guidance to staff on interpreting Cabinet criteria and introducing templates that ensure appropriate documentation of decisions relating to the criteria.

# Ministry of Education: Monitoring and supporting school boards of trustees

The Education Act 1989 created boards of trustees (boards) to govern state and state-integrated schools. At the time of our audit, there were about 18,500 trustees, of whom 44% were new to the role after the 2007 board elections. The Ministry of Education (the Ministry) is responsible for supporting and monitoring boards to enable them to govern effectively.

## The scope of our audit

The purpose of this audit was to assess the effectiveness of the Ministry in supporting and monitoring boards in their governance role.

To do this, we examined the extent to which the Ministry was:

- promoting good governance by ensuring that boards were aware of the requirements of the National Education Guidelines;
- monitoring the extent to which boards were aligning their planning and reporting process with the requirements of the National Education Guidelines;
- providing effective resources, training, and support to boards; and
- effectively monitoring, identifying, and supporting boards at risk of poor governance performance, including through statutory interventions.

## Our findings

Overall, the Ministry was providing useful training and support for all boards. It had satisfactory systems in place for supporting boards clearly identified as at risk of poor governance performance. However, we identified several aspects that the Ministry could improve.

We found that the Ministry ensured that boards were provided with information about the National Education Guidelines. However, the Ministry was not systematically reviewing School Charters and Analysis of Variance reports to assess compliance with the guidelines. As a result, opportunities to improve governance were being missed.

The Ministry also needed to improve its monitoring of the support and training needs of boards and the adequacy of the support and training provided to meet those needs. The Ministry needed to better monitor the whole school portfolio so boards at risk of poor performance were identified earlier and more consistently. Once these boards were identified, the Ministry needed to offer support more consistently. The Ministry also needed to improve the monitoring and assessment of the effectiveness of statutory interventions.



We made nine recommendations for improvement. These recommendations related to three areas – monitoring the performance of boards, the support given to boards at risk of poor performance, and the training and support given to boards.

## The response to our findings and recommendations

At the time we presented our report to Parliament, the Ministry told us that it was working to address our recommendations. The Ministry has regularly updated us on its progress. From its December 2009 update, we are satisfied that the Ministry has addressed four out of the nine recommendations in our report. It is working towards addressing the other five.

### Monitoring the performance of boards

The Ministry is preparing proposals to strengthen school planning and reporting requirements as part of putting in place National Standards in Reading, Writing, and Mathematics in 2010. The Ministry also plans to revise the National Education Guidelines to clarify the responsibility of boards to focus on improving student achievement. The Ministry is considering the role of regional offices in supporting schools to focus on this responsibility through the offices' work monitoring and responding to Charters and Analysis of Variance reports.

### Boards at risk

The Ministry has prepared risk indicators for the early identification of boards at risk of poor governance performance. As of February 2010, the Ministry was writing an operational policy for their use. These risk indicators are part of the wider information used when identifying schools that need support or intervention. They cover the areas of finance, personnel, administration and management, student engagement, and property. Some of these indicators appear to point to the performance of the school rather than the performance of the board. However, the Ministry feels that these indicators are appropriate because boards are accountable for the performance of the school.

The Ministry now has clearer monitoring criteria for the statutory interventions of boards. Statutory appointees are now required to report monthly on progress towards outcomes. The Ministry expects that this closer monitoring will lead to shorter intervention times.

## Training and support for boards

After we presented our report to Parliament, the Ministry reviewed its contracts with organisations that provide training and support to boards and identified several problems with the framework for providing this training and support. To address these problems, the Ministry set up a new framework, which was introduced in July 2009. The aim of the new framework is to provide accessible information for all boards. Training and support will be tailored for boards identified as in need or at risk. Core essential services will continue to be provided to all boards. The Ministry told us that an emphasis will be placed on results and outcomes. In Figure 1 below, we present a case study of one of the Ministry's new ways of delivering training to boards – web-based training. This appears to be a constructive initiative. However, it is unclear how the Ministry identified the needs of boards in determining the content of this training.

In our view, the Ministry has made some positive progress towards addressing our recommendations. However, the task is a large one, with almost 2500 separately governed schools. Resourcing the initiatives in an effective and efficient way will also be a challenge. We encourage the Ministry to continue to prioritise work in this area.

### Figure 1

#### Ministry of Education's web-based training for boards of trustees

We recommended that the Ministry strengthen the monitoring and evaluation of the contracts for board training and support. We recommended that they focus on how the support provided through those contracts contributes to improved governance of schools. From the review of its contracts with training organisations, the Ministry identified several problems with the framework for providing training and support to boards. One of these problems was that there was no guarantee of consistency or clarity of the training content because each of the three organisations contracted by the Ministry to provide training created their own training content. The contracts also lacked the flexibility required to address the priorities of the school or the Government.

As a result of the review, the Ministry introduced a new way of providing training to boards – web-based training. This is part of the new framework for providing training and support to boards. The web-based training focuses on the interpretation and analysis of student achievement data at the governance level. It covers setting appropriate targets, budgeting and performance management strategies, and priorities. A focus on these is intended to improve the governance of schools. The Ministry intends to track the effect the training and support is having on improving board governance over time, and is developing measures for this purpose.

The Ministry prepares the content of the training. This ensures that all boards receive consistent information and that the Ministry can amend the content to meet board and Government priorities. The content is presented by contracted trainers.

The training is offered to all trustees. It consists of:

- webinars (web-based seminars); and
- e-workshops.

Webinar sessions can host up to 100 participants from anywhere in the country in a single session.

Two series of webinar training were held in July-August and September-October 2009. These series consisted of up to three webinars a day over two weeks. Trustees from 690 schools participated in this training. The Ministry reports that the response from participants was overwhelmingly positive. Another series of webinars was scheduled for February-March 2010.

E-workshops provide more in-depth and interactive follow-up on the content of webinar presentations. Up to four trustees can participate in each e-workshop. They are able to communicate with one another and the presenter throughout the workshop. A series of e-workshops have been delivered from October 2009.

Both webinars and e-workshops allow participants to ask questions during the session. The Ministry contracts guest presenters to answer these questions and offer guidance to the participants. The guest presenters must have a high level of knowledge of their particular speciality, as well as of the education sector in general and current research and practice.

From its web-based training, the Ministry will measure participants' understanding of the content. It will also identify where boards may need further tailored support. The Ministry told us that it will also track the number of boards that are accessing the training.

# Ministry of Education: Supporting professional development for teachers

The Ministry of Education (the Ministry) has many roles in the design and operation of the parts of the education system relating to professional development for teachers. These roles range from funding providers of professional development to collecting and collating evidence of what is effective professional development for teachers.

## The scope of our audit

We carried out a performance audit of the Ministry's role in the professional development of teachers. Our audit covered the professional development that teachers do after they have graduated from a teacher education programme. We examined teacher professional development for teachers in primary and secondary state and state-integrated schools. Our audit looked only at professional development funded by the Ministry, either directly or indirectly through school operational grants.

We did not audit the effectiveness of individual professional development programmes, but we did examine how the Ministry evaluated the effectiveness of these. We also did not audit professional development for school support staff, early childhood or tertiary educators, or special education teachers.

## Our findings

We found that, overall, the Ministry was ably doing its job in carrying out multiple roles in providing and evaluating teacher professional development. The Ministry has a strong focus on the use of evidence as a guide for effective teacher professional development, but we considered that the Ministry could make greater use of this evidence. We also thought that the Ministry should consider all of its funding sources as a whole when prioritising the funding of professional development initiatives.

We made 11 recommendations, covering:

- setting objectives, sharing information, and supporting professional development;
- risk management, contracting, and evaluation; and
- funding, prioritisation, and value for money.

## The response to our findings and recommendations

We are pleased that the Ministry has accepted our recommendations and is taking steps to address them. These steps are detailed below. We expect that the actions taken by the Ministry so far, and the actions it has planned, will address the issues raised in our report. We encourage the Ministry to ensure that it continues and completes its planned improvements.

### Setting objectives, sharing information, and supporting professional development

We recommended that the Ministry better document and share its approach to professional development for teachers. The Ministry told us that it is carrying out a review of teacher professional development, and the results of the review will be communicated to the schools sector in 2010 after they have been communicated to the Minister of Education. This communication will include informing the sector about the Ministry's infrastructure and resourcing of teacher's professional development. The review will also inform publications about the Ministry's prioritisation criteria and contracting intentions for teachers' professional development.

In addition, the sector has been informed of the line-by-line review decisions and the effect they will have on the provision of School Support Services.

We also recommended that the Ministry inform its review of professional development initiatives with evidence of what effective professional development is. The Ministry told us that its 2008 line-by-line review was informed by such evidence, along with the Ministry's own priorities.

At the time of our audit, the Ministry had identified a need for improvement in the capability of providers, schools, and teachers to use student achievement data to inform and track professional development initiatives. We recommended that the Ministry review the range and content of professional development initiatives that it funds for teachers to determine whether it is building enough such capability within the education sector. This was necessary for the Ministry to be able to implement the evidence-based approach to professional development that it was encouraging.

The Ministry told us that its 2008 line-by-line review examined the range and content of professional development programmes, and reduced or terminated those that did not match the Ministry's priorities. However, it is unclear whether

this review also allowed the Ministry to determine whether it is building enough capability within the education sector to implement an evidence-based approach to professional development.

We also recommended that the Ministry make information on the professional development initiatives it funds more easily accessible, which it has done through the Te Kete Ipurangi website (in the Professional Learning section).

### **Risk management, contracting, and evaluation**

We recommended that the Ministry document in its contract files the risks to effective professional development for teachers and the associated risk management activities. Risk should also be actively managed, where possible, for each professional development contract. In response, the Ministry told us that it has improved its risk management for professional development contracts through establishing risk management and contract management policies. It has also implemented staff training in templates, risk management, and sign-off processes.

We also recommended that the Ministry better use the information it collects to identify emerging professional development trends, needs, and issues. The Ministry told us that it has responded to this by using a variety of sources, including reviews by the Education Review Office and Professional Development Best Evidence Synthesis, to identify and analyse trends and issues.

### **Funding, prioritisation, and value for money**

We recommended that the Ministry work to reduce the risk of over-commitment by schools to, or waste in the provision of, professional development initiatives. In response, the Ministry is further reviewing the provision of professional development to schools, separately to its line-by-line review. The Ministry has told us that an approach is being tested that is more focused on each school identifying its individual professional development needs.

We also recommended that value-for-money considerations be included by the Ministry when purchasing or evaluating professional development initiatives. The Ministry has told us that it is carrying out an exercise aimed at addressing prioritisation, over commitment and value-for-money for all teacher professional development. The Ministry also told us that staff are taking a more value-for-money based approach to the contracting process than previously.

The Ministry hopes that these actions will help it to address our recommendation that it include all of its spending on professional development for teachers when deciding the priority of initiatives to fund, and when considering the adequacy of professional development funding. The Ministry is yet to establish a process to specifically address this issue.

We recommended that the Ministry ensure that contract monitoring reports by contracted providers of teachers' professional development are useful and do not create inappropriate compliance costs for professional development providers or itself. The Ministry has expressed a commitment to ensure this.

We also recommended that the Ministry prepare clear guidance for staff about using the provisions in contracts to recover funds for undelivered services from the providers of professional development initiatives for teachers, and ensure that the guidance is followed. The Ministry told us that it has put in place such guidance, together with a procedure to ensure that it is followed.

## Inland Revenue Department: Effectiveness of the Industry Partnership programme

We assessed the effectiveness of the Industry Partnership programme carried out by the Inland Revenue Department (IRD) from February 2002 to November 2006. The programme was focused on reducing the undeclared income from cash transactions in selected industries.

### The scope of our audit

Our April 2008 audit examined:

- the design of the programme;
- the operation of the programme;
- the evaluation of the programme; and
- whether the objectives of the programme were met.

### Our findings

IRD generally performed well in designing, operating, and evaluating the programme. Overall, we found that the programme had some positive benefits for IRD and taxpayers and strengthened IRD's presence in the community. The programme helped inform IRD's work to try to reduce the incidence of industries operating partly or completely outside the tax system (the hidden economy). However, IRD could have given greater attention to bringing into the tax system the people and organisations likely to have undeclared cash incomes.

We found that:

- The programme was in keeping with IRD's compliance model and strategic direction, and the rationale and objectives of the programme were well defined.
- The programme design allowed IRD's "field teams" the flexibility to try fresh approaches to compliance. However, the programme lacked a single, cohesive planning framework to ensure that it was consistently implemented.
- The monitoring and evaluation of results were strengths of the programme, and evaluation of results showed that the programme increased compliance with tax obligations for those industries selected for participation in the programme. However, IRD needed to present more clearly the changes in tax revenue and compliance that were directly attributable to the programme.
- In general, IRD achieved the programme's objectives. However, in our view, as the programme evolved during its five-year life, IRD needed to have set measurable targets and to assess its progress against specific programme objectives.



Because the programme had ended at the time of our audit, our recommendations focused on the broader implications on the work that was done in the programme.

We made two recommendations to IRD. These were that IRD:

- record and reflect the lessons learned from the Industry Partnership programme in specific operational guidance and support resources for staff focusing on the hidden economy; and
- identify, as part of reporting on the results of a specific programme or initiative that might be affected by a range of variables, those factors contributing to the results that are not attributable solely to the programme or initiative.

## The response to our findings and recommendations

From November 2006, the Industry Partnership programme ceased to exist as a specific project or as part of mainstream business resourced with separate Industry Partnership teams. IRD's Customer Insight Group took over some of the functions of the Industry Partnership programme. At the time of our audit, the Customer Insight Group was newly established. It was subsequently restructured, but its functions and staff have been retained and are now located in two other business groups.

IRD told us that, in response to our first recommendation, permanent staff positions in the Assistance Group and Customer & Product Innovation Group have been created. Part of the groups' accountabilities is a focus on compliance risks, including those in the hidden economy, a need identified by the programme. IRD has also told us that information repositories to increase knowledge-sharing capability have been developed on its intranet. Interactive wikis (collaborative websites that can be viewed and edited by IRD staff) have also been created to enable sharing and communication of lessons learned from different initiatives or activities that aim to improve compliance.

IRD told us that, in response to our second recommendation, it has made some improvements in its processes for evaluation and ensuring that only those results directly resulting from a programme are attributed to it. IRD is aware of the complexity of attributing outcomes to specific programmes or initiatives, and is working to continuously improve the ability of its evaluation team to do so. This issue continues to be highly relevant to IRD's work, and we encourage IRD to give ongoing attention to it.

## New Zealand Agency for International Development: Management of overseas aid programmes

The New Zealand Agency for International Development (NZ Aid) was part of the Ministry of Foreign Affairs and Trade (MFAT).<sup>1</sup> It was responsible for managing New Zealand's Official Development Assistance (ODA) programme. For 2007/08, the ODA programme budget administered by NZ Aid was \$428.8 million, an increase of \$70 million from 2006/07.

### The scope of our audit

We examined the effectiveness of NZ Aid's management of overseas aid programmes, given the increases in budget since it was established in 2002. We focused on how NZ Aid planned, implemented, monitored, and evaluated its overseas aid programmes. We specifically looked at how NZ Aid managed three programmes – the Papua New Guinea bilateral programme, the Indonesia bilateral programme, and the Pacific Regional Health programme. For each of the three programmes, we examined six aid projects and initiatives.

The Foreign Affairs, Defence and Trade Committee (the Committee) asked us to report on NZ Aid's progress in implementing the recommendations we outlined in our 2008 performance audit report. In response, we analysed NZ Aid's February 2009 progress report to its internal audit committee and wrote to the Committee about our results. Our analysis provided the Committee with assurance that the progress reported to NZ Aid's internal audit committee was an accurate account of the work that NZ Aid had done in response to our recommendations. That analysis forms the basis for this follow-up report.

### Our findings

Our performance audit made 17 recommendations in the four areas we examined – planning, implementing, monitoring, and evaluating aid programmes. We identified a need for more clarity, consistency, and direction for NZ Aid staff, its contractors, and its development partners.

### The response to our findings and recommendations

Based on our analysis and the work done as part of our 2007/08 and 2008/09 annual audits of NZ Aid, we consider that NZ Aid responded positively and comprehensively to our recommendations. For 11 of our 17 recommendations, NZ Aid either completed work to implement them or incorporated work to address

<sup>1</sup> In April 2009, Cabinet agreed to remove NZ Aid's status as a semi-autonomous body. The International Development Group within MFAT is now delivering New Zealand's Official Development Assistance.

them as part of its “business as usual”. NZAID has partially completed work to implement our other six recommendations.

Our performance audit report noted a lack of comprehensive, clear, and accessible processes and procedures for putting in place and monitoring funding arrangements for delivering aid programmes. NZAID has focused its work to improve its processes and controls for funding arrangements through its Control Environment Strengthening programme. In our view, this was an appropriate approach. NZAID carried out a substantial amount of work as part of the Control Environment Strengthening programme. This aspect of its funding arrangements has improved since we completed our performance audit.

We will continue to assess MFAT’s management control environment and financial information systems and controls to monitor progress through our annual audits. We will report on whether the improvements made are sustained.

As well as the Control Environment Strengthening programme, NZAID had several other internal improvement programmes and projects under way to address various aspects of our recommendations. This work includes the Activity Planning Framework Project, which is intended to streamline staff direction and guidance through the aid planning process. As part of the Activity Planning Framework Project and other initiatives, NZAID prepared staff guidance documents and provided supporting workshops and training sessions. Several of these guidance documents are still draft documents. We encourage NZAID to finalise these documents, and to continue to regularly monitor and review their use and effectiveness with staff.

It is MFAT’s responsibility to ensure that all of the work identified in NZAID’s February 2009 progress report is completed, and to demonstrate that the ongoing work identified as part of its “business as usual” leads to sustained improvement in how aid programmes are managed. That is a responsibility accepted by MFAT, and is identified as a crucial and ongoing topic for scrutiny in its internal audit process.

## Reporting the progress of defence acquisition projects – interim report

The New Zealand Defence Force and the Ministry of Defence (the defence agencies) are responsible for, among other tasks, acquiring new defence capabilities (such as upgraded electronic systems for existing military planes, and new naval vessels or army vehicles). Significant costs, time frames, and risks are involved in projects to acquire those capabilities. To demonstrate how well they are managing these projects, the defence agencies must be able to report clearly how and why costs, time frames, and essential user requirements change as a project progresses.

### The scope of our audit

We started a performance audit in mid-2007 to identify and report changes to costs, time frames, and essential user requirements for the 10 largest and highest-priority defence projects. We were unable to complete the audit as originally intended because we had difficulty obtaining all the detailed information we needed from the defence agencies. However, we were able to compile a high-level summary of how costs and time frames changed for the 10 selected projects. We provided this information in our interim report of June 2008.

### Our findings

The interim report identified issues about the quality, transparency, completeness, and usefulness of the defence agencies' reporting on their major projects. Specifically, we found some significant increases in estimates of costs and time frames between when Cabinet gave approval for a project to begin and when Cabinet gave approval for a contract to be signed.

We also found that the visibility of variations to estimates of costs and time frames, any trade-offs (that is, when capability is reduced to ensure that costs remain within budget), and the reasons for both could be improved. There was also a mismatch between the defence agencies' guidance on managing these projects and their actual practice.

### A staged approach to addressing the interim report's findings

Working collaboratively with the defence agencies, we have taken a staged approach to improving the quality, transparency, and usefulness of the defence agencies' reporting about the progress of their major projects. The objective of this approach is to ensure that the defence agencies are able to show Ministers, Parliament, and other stakeholders that they are appropriately managing their

major projects. The defence agencies have committed to this work, which has spanned the 2008/09 and 2009/10 years.

The first stage involved identifying the information requirements of the defence agencies' internal and external stakeholders. This work was completed in June 2009, and the results were reported directly to the Foreign Affairs, Defence and Trade Committee.

The second stage involved work by the defence agencies to create, with our assistance, a revised reporting framework to meet the needs identified during the first stage. The rationale for revising the reporting framework is to ensure that future reporting to the defence agencies' internal and external stakeholders, including Parliament, provides:

- relevant and timely information that tracks project progress and enables the defence agencies to be appropriately held to account; and
- adequate explanation of the capability development process so that stakeholders can clearly interpret the information and what it tells them about the defence agencies' performance.

The result of this second stage work will be a Major Projects Report produced by the defence agencies. We will provide an overview opinion of this report, having validated the information produced by the agencies. This overview opinion will provide assurance about whether anything has come to our attention that causes us to believe that the information reported has not been fairly disclosed. A pilot of the Major Projects Report, based on the C-130 Life Extension Project, was provided to the Foreign Affairs, Defence and Trade Committee in November 2009. That pilot report will be followed by the first full Major Projects Report, covering a number of projects (to be determined), to coincide with publication of the defence agencies' annual reports for 2009/10.

We are encouraged by the defence agencies' progress to date. We intend to produce an update on the progress of both stages of our work with the defence agencies in the follow-up report about our 2009 performance audits.

## Mental health services for prisoners

Mental health services are provided to sentenced and remand prisoners by three agencies (the agencies) – the Department of Corrections (the Department), the Ministry of Health (the Ministry) and the Regional Forensic Psychiatric Services (RFPS – run by district health boards).

The Department is responsible for primary mental health care that is reasonably equivalent to the standard of health care available to the public. The Ministry is responsible for the strategic direction of mental health services, and RFPS is responsible for providing specialist mental health services for those in the criminal justice system.

### The scope of our audit

We considered the effectiveness of the agencies' systems for delivering mental health services to prisoners. At the time of our audit, these systems were under significant pressure from increasing prisoner numbers and a high demand for in-patient beds.

The audit looked at:

- service planning;
- service delivery; and
- service monitoring and evaluation.

### Our findings

It was difficult for the agencies to plan services to meet the growth in prisoner numbers because they had limited information about the mental health needs of prisoners. The Ministry had limited ability to respond to changes in demand during its five-year planning cycle for forensic care. The agencies had identified their roles and responsibilities for delivering most mental health services. One exception to this was a lack of clarity about which, if any, of the agencies had responsibility for prisoners with personality disorders.

Our audit noted some gaps in service delivery, which included:

- timely access to in-patient services;
- forensic in-patient services for women;
- services for those with mild to moderate mental illness;
- services for prisoners with personality disorders; and
- service responsiveness to Māori.

The agencies were aware of these services gaps and were at varying stages of identifying and introducing improvements.

Systems for managing care between prisons and RFPS needed to improve, particularly when transferring prisoners under forensic care between prisons.

The Department and the Ministry were planning or putting in place improved systems for monitoring and evaluating services. However, at the time of our audit, it was too early to assess the effectiveness of these improvements.

We made eight recommendations for the agencies, and their responses are detailed below.

At the time of our audit, the Department was working with the Ministry and RFPS staff to improve its processes for mental health screening. This involved creating and trialling a mental health screening tool. Although the Ministry was successful in securing funding for this tool, the Department's budget bid was unsuccessful. The Department continues to seek funding for the tool's implementation, and the necessary resources to ensure that it is effective, but the project cannot go ahead until both the Department and the Ministry have funding for it.

## **The response to our findings and recommendations**

We made our eight recommendations on the basis that the mental health screening tool would be implemented after our audit. Because this tool has not been implemented, the Department's ability to implement some of our recommendations has been affected.

Only one of our recommendations has been fully implemented. Implementation of one has stalled because the mental health screening tool is not in place. Two have been partially implemented, and the agencies are in the process of implementing another. Three of our recommendations have not been implemented.

Overall, we are not satisfied with the entities' response to our recommendations. We remain particularly concerned about the risk that services will not keep pace with demand, and the Department's ability to identify prisoners with mental health needs.

### **Identifying trends in prisoners' mental health needs**

We recommended that the Department improve its information for identifying trends in prisoners' mental health needs to support service planning. Implementing the mental health screening tool would have helped with this. However, without the tool, the response to this recommendation has stalled.

Basic screening for mental health issues occurs as part of the Department's initial health assessment process, but without the mental health screening tool there is a risk that prisoners with mental health needs will not be identified or treated. We encourage the Department to improve how it identifies, collects, and records information about prisoners' mental health needs. This would allow it to better quantify and identify needs, then plan and adapt services accordingly.

We consider better mental health screening by the Department to be a priority for improving mental health services. However, the Department has prioritised other work above this. We found no evidence that the Department will be able to improve how it collects data about prisoners' mental health needs until it funds the mental health screening tool.

### **Incorporating progress reviews in the forensic service planning cycle**

We recommended that the Ministry incorporate progress reviews in its forensic service planning cycle so that it could adapt services in response to changes in demand. The Ministry meets regularly with regional forensic clinical directors (who, through RFPS, deliver forensic psychiatric services), providing an opportunity for changes in demand to be noted. However, we found no evidence that any action in terms of service provision has resulted from noting such changes in demand.

We encourage the Ministry to implement our recommendation. If it does not, there is a risk of services not keeping pace with demand. We note that RFPS is responsible for delivering regional psychiatric services, but the Ministry has a role in overseeing service delivery nationally.

### **Improving mental health awareness training for custodial staff**

We recommended that the Department ensure that its training for custodial staff include enough coverage of the behaviours associated with mental health issues that staff can recognise when to seek input from health staff. At the time of our audit, the Department was reviewing its mental health awareness training for custodial staff. As a result of this review, the level of mental-health-related



content in custodial staff training has increased. This should help custodial staff to better understand mental illness and associated behaviours. We encourage the Department to ensure that its review of At Risk Units is completed promptly, because the Department told us that it is highly likely that the recommendations from the review will address custodial staff's skills and knowledge in the area of mental health.

At the time of our audit, the Department was also piloting a primary mental health care course for its nurses. The Department is awaiting formal evaluation of this course, but informed us that, anecdotally, it is successful. This course is expected to improve nursing staff skills in managing mental health in the primary care setting.

### **Improving prisoner access to services**

We also recommended that the Department look at how it can help prisoners with mild to moderate mental health needs to access the services they need. We found no evidence that the Department has done this. We considered this important because the proposed mental health screening tool had the potential to identify more prisoners with this level of need. It is important that the Department ensure that it does this if the mental health screening tool is implemented in the future.

We note that the Department is required to provide such services at a standard roughly equivalent to that available to the general public. The Department believes that it does so. However, we consider that the combination of the Department's rehabilitative and custodial duties places some responsibility on the Department to ensure that prisoners' needs in this area are met, regardless of the comparable level of access to such services in the community.

### **Transfer constraints and processes**

We recommended that the Department ensure that transfer constraints and transfer processes are followed by staff when prisoners under forensic care are transferred. Department managers now encourage staff more strongly to apply these transfer constraints and follow these processes more strictly. The Department told us that improvements have resulted from this.

### Clarifying agency roles and responsibilities

We recommended that the Department and the Ministry clarify their roles and responsibilities for managing prisoners with personality disorders. There is still no official agreement between the Department and the Ministry on this. However, the agencies are trying to better understand this complex area of clinical practice through the Multiple and Complex Needs project.

This project involves collaborative work between the Department, the Ministry, and RFPS to manage and care for prisoners with multiple and complex needs, including those with personality disorders. We consider the response to our recommendation to be in progress because part of this project will include clarifying who is responsible for managing prisoners with personality disorders.

We note that managing prisoners with personality disorders is a difficult area of clinical practice, and there is unresolved debate about whether it is the responsibility of the Department or RFPS. However, we encourage the entities to complete this project promptly.

### Sharing current data on prison musters and service demand

We also recommended that the Department and the Ministry share current data on prison musters and service demand. This recommendation has been partially implemented in that the Department and the Ministry are sharing this data to meet their joint planning needs and both are comfortable with the level of data sharing between them. However, we continue to have concerns that the Ministry is not using current enough data about service demand in its planning.

### Responsiveness of prisoners' mental health services to the needs of Māori

We recommended that the agencies adapt their monitoring and evaluation processes to ensure that prisoners' mental health services are responsive to the needs of Māori. Since the time of our audit, neither the Ministry nor the Department have adapted their processes. However, the Department is working on a tool for increasing the effectiveness of its response to the needs of Māori.

We are pleased that the agencies have improved other aspects of their mental health services for prisoners, unrelated to our recommendations. Figure 2 discusses these other pieces of work.

**Figure 2**  
**Other work by the agencies to improve mental health services for prisoners**

The Department has introduced a new Health Care Pathway policy as of November 2008. This is to ensure continuity of care, improve health outcomes, and ensure access to health care service for prisoners.

The Department is also conducting a review to identify, evaluate, and recommend a best practice model for the operating and management requirements of At Risk Units, including processes and procedures and the training and management of staff. (At Risk Units are areas of the prison designated for housing prisoners who are at risk of harming themselves or others. Prisoners in At Risk Units are monitored frequently by custodial staff.)

The inter-agency group that existed at the time of our audit has been modified into a two-tier structure. This consists of a high-level strategic group and a national operational group. These groups are intended as platforms for better sharing information between the Department and the Ministry.

# Ministry of Health: Monitoring the progress of the Primary Health Care Strategy

In 2001, the Minister of Health launched the Primary Health Care Strategy (the Strategy). Primary health care covers a broad range of out-of-hospital health services supplied by private and public providers. The Strategy was introduced in response to four main concerns about the health of New Zealanders:

- differences in the health of different groups of people (populations);
- high levels of preventable illnesses;
- high levels of hospital admissions; and
- the existence of barriers to accessing primary health care services.

The Strategy required significant changes to how primary health care was delivered and funded, including the introduction of Primary Health Organisations (PHOs), and significant extra expenditure, increasing from about \$2.6 million in 2002/03 to about \$835 million in 2007/08.

The Ministry of Health (the Ministry) is responsible for carrying out the Strategy, and for monitoring and reporting on its progress.

## The scope of our audit

We carried out a performance audit to assess how well the Ministry was monitoring the Strategy's progress against its goals. We focused on how the Ministry was measuring the progress of the Strategy and how it was reporting on the Strategy's performance. We were interested in whether the Ministry was collecting and presenting the right information to allow Parliament and the public to make an informed judgement about progress against the Strategy. We also audited how the Ministry was using the information it collected to maintain progress, and to develop and evolve the Strategy as needed to ensure its success.

We did not audit whether the Strategy's goals were being achieved or if the Strategy was producing value for money. We did not audit funding or financial information.

## Our findings

The Ministry was actively collecting a large amount of information on the changes made and the effects of the Strategy's implementation. It had begun to report on performance and other indicators as the data became available. However, we were concerned that there were significant gaps in the Ministry's approach to collecting and reporting information about the Strategy. These needed to be addressed to present a coherent and complete picture of performance.

The Ministry had some concerns about our findings, and whether we had given full consideration to the work that it had been doing to monitor and report on the Strategy. The Ministry emphasised that it took a flexible and permissive approach to how it carried out the Strategy.

We made five recommendations to the Ministry. Its response is detailed below.

### **The response to our findings and recommendations**

Overall, we are pleased with the progress that the Ministry has made towards addressing the issues identified in our report. However, we would like to see more consolidated reporting on the performance of PHOs and for this information to be easier to access.

We recommended that the Ministry review its performance measures to ensure that they are complete and that it can assess progress towards all of the Strategy's goals for its first ten years, to 2011. The Ministry is working to develop an implementation priority plan for the Strategy that will include measures that link to the Strategy. We consider that, if properly developed, this plan would meet the intent of our recommendation.

We also recommended that the Ministry regularly produce consolidated reports about progress toward the Strategy's goals and summarise how the information collected was used to ensure that the Strategy will be successful. We recommended that the Ministry produce and publish the first of these reports by 30 June 2009.

In response, the Ministry has modified how it advises the Minister of Health through his annual monitoring report to Cabinet. This advice will now include a wider range of measures, and recommendations about the public release of the advice. Although it did not meet our recommended 30 June 2009 timeframe, we are pleased that the Ministry is planning to give its Minister a broader report. However, the Ministry will have carried out our recommendations only if it publishes a plain English report that consolidates the information it holds about progress toward the Strategy's goals and summarises how it is using the information to ensure that the Strategy will be successful.

We recommended that the Ministry ensure that performance reports for PHOs that have been in the PHO performance programme for more than 15 months are written and published promptly. In response, District Health Boards New Zealand (DHBNZ) published the first series of performance results in September 2009.

The results document the combined achievements of all of each district health board's PHOs, against a series of indicators, for the six months up to 31 December 2008. These results will be updated regularly and published one month after performance payments have been made to PHOs. The results as at 30 June 2009 were published on the DHBNZ website in March 2010, although they were not easy to find on the website.

PHOs are meant to be accountable to their communities. One of the ways they can do this is by reporting their performance against relevant indicators. The Ministry understands that PHOs are reporting their own performance information publicly. DHBNZ is going to propose to the PHO Performance Programme Governance Group (the Governance Group) how this information can be made more easily and collectively available. DHBNZ has a website where this information will be available, once decisions have been made by the Governance Group on the format of the release of the information.

In March 2010, information on performance, by PHO, was released by the Ministry of Health under the Official Information Act. We understand that the Governance Group will continue to regularly release such information. We welcome this, because we consider that public access to the reports about individual PHOs' performance (for example, through the Ministry's or district health boards' websites and accountability documents) still needs to improve.

We also recommended that the Ministry work with district health boards and PHOs to review, by 30 June 2009, the PHO performance programme so that performance results are published once PHOs are eligible for performance payments. We are not aware that any progress has been made with this.

We note that the PHO environment is currently undergoing changes that may affect how PHO performance is reported. We encourage the Ministry to ensure that, throughout these changes, it continues to report and promote relevant performance measuring and reporting.

# Liquor licensing by territorial authorities

Under the Sale of Liquor Act 1989 (the Act), each of the 73 territorial authorities (city and district councils) has the status of a District Licensing Agency (DLA). DLAs are responsible for considering applications and issuing licences for the sale and supply of liquor to the public.

## The scope of our audit

In November 2007, we carried out a performance audit of how 12 selected territorial authorities were managing their liquor licensing responsibilities under the Act.

## Our findings

In our 2007 report, we identified four aspects that territorial authorities needed to improve:

- strengthening compliance monitoring;
- increasing staff resources;
- working more closely with regulatory partners or the hospitality industry; and
- improving performance reporting.

All the agencies we dealt with during the audit endorsed our findings and the issues we raised for consideration by territorial authorities.

We encouraged each territorial authority to review its own liquor licensing practices against the better practice framework outlined in our 2007 audit report, noting that some territorial authorities had already done this. Acknowledging that such changes could take time to consider and put in place, we said that we would seek information on each authority's response to our 2007 report during 2009.

## The response to our report

We asked territorial authorities to tell us whether they had used our report to improve the four aspects outlined above.

We also asked territorial authorities to tell us how they had used our report to confirm, review, or change existing practices. We received responses from 34 territorial authorities.

The responses from the 34 territorial authorities show that our 2007 report has been, and continues to be, well used. In general, the responses reflect a commitment to ongoing improvement, and we hope that our report will

continue to serve as a useful source of reference for the sector. Since our report was published, there has been increased awareness of the effect that liquor has on society; in particular, the contribution its harmful use has on crime and public health. There has also been greater scrutiny placed on the access to, and availability of, liquor. Local authorities play an important role in regulating the supply and sale of liquor, and in working to reduce alcohol abuse by ensuring compliance with liquor licensing requirements and the Act.

Most of the territorial authorities (26 of the 34) had used our report to review their practices, and half had changed their practices in response to our report. Some authorities said our report had provided useful assurance about their existing practices or had contributed to ongoing improvement. Three of the authorities told us they had made some changes in direct response to feedback from our audit team after our team's visit. Some of the 34 authorities had used our report to help draft or review their liquor policies or strategies. Eight authorities had tightened their regulatory practices to better comply with the provisions of the Act.

### **Compliance monitoring**

Of the 34 authorities, 14 had strengthened their compliance monitoring in response to our report; in most cases through a better assessment of risk. This should improve both the effectiveness and efficiency of monitoring activity, enabling authorities to better target licensees and premises requiring more frequent inspections.

### **Staff resources**

Ten of the 34 authorities had increased their staff resources in response to our report, or had sought additional resources. This will enable those authorities to increase monitoring of compliance and strengthen enforcement. However, four other authorities told us that limited staffing continued to prevent them from carrying out monitoring and enforcement activity as they would like.

### **Relationships with regulatory partners or the hospitality industry**

Fifteen of the 34 authorities were working more closely with their regulatory partners (the New Zealand Police and Public Health units within district health boards) in response to our report, or were planning to do so.



### Performance reporting

Our 2007 audit found limited reporting on performance, with measures focused on levels of activity (such as numbers of inspections) rather than on trends in compliance and improvements in community outcomes. Eight authorities told us they had improved their performance reporting, or were planning to do so, with four of those having made improvements in response to our report. Given the findings of our audit in 2007, we encourage local authorities to continue to review the relevance and usefulness of their performance reporting.

# Housing New Zealand Corporation: Maintenance of state housing

State housing is the largest publicly owned property portfolio in the country. In 2008, the portfolio had an estimated value of \$15.2 billion. Ensuring that state housing stock is well-maintained is important for protecting the value of these properties. It is also important for the tenants who use them. Housing New Zealand Corporation (the Corporation) is the agency responsible for maintaining state housing.

## The scope of our audit

We carried out a performance audit focusing on the effectiveness of the Corporation's systems and processes for maintaining state housing. Specifically, we examined how the Corporation plans for maintenance, manages maintenance work, and monitors and evaluates maintenance work. We did not assess the current condition of state housing.

## Our findings

We found that the Corporation had comprehensive and effective processes and procedures for maintaining state housing properties. However, it did not have an adequate system that provided detailed information on the condition of its properties. As a result, it did not have a reliable basis for measuring and managing its overall workload.

The Corporation had identified this issue and was introducing a new Asset Management Framework. The Asset Management Framework was intended to:

- define a new property quality standard;
- measure the condition of all the Corporation's state housing properties against this standard;
- identify maintenance shortfalls and estimate costs to bring properties up to the standard;
- generate high-quality information for preparing prioritised business plans, budget bids, and targeted maintenance programmes; and
- replace existing benchmarks and systems with a realistic basis for measuring and reporting on the condition of the properties.

We made three recommendations about this Framework. These were for the Corporation to:

- record detailed and specific information about the condition of state housing properties that could be used in planning maintenance work;

- include tools for accurately measuring and costing the overall maintenance workload; and
- include systems to plan effective management of the overall maintenance workload.

## The response to our findings and recommendations

The Corporation accepted all of our recommendations and is working towards having its new Asset Management Framework in place by July 2010.

The Corporation is finalising a property quality standard that will be used to guide property inspections and provide consistent, detailed information about the condition of state housing properties. The Corporation expects the standard to be approved by the end of the 2009/10 financial year.

A new property inspection survey has been developed to assess compliance against the new standard. This survey began in December 2009 and will eventually replace the current Property Maintenance Assessment System. Information from property inspections will be recorded in a database. An information technology and reporting solution to allow the survey data to be analysed and reported on is currently under development, with the first reports expected in May 2010. The Corporation told us that it will use this analysis to inform and plan the maintenance programme that will start from July 2010.

The Corporation told us that database information will provide it with an overall view of maintenance needs and associated costs. It will be able to use this information to prioritise and make decisions about the maintenance workload.

This work is important for the Corporation's ability to manage its maintenance workload effectively. Because of this, we will examine the Corporation's response in more detail once this work is complete and in use.

# Ministry of Social Development: Preventing, detecting, and investigating benefit fraud

The Ministry of Social Development (the Ministry) is responsible for providing policy advice and services for improving the social well-being of New Zealanders. This includes safeguarding the integrity of the social security benefits system, which makes payments amounting to billions of dollars a year. To protect the integrity of the benefits system, the Ministry must effectively counteract benefit fraud – attempts by some people to receive or keep receiving benefits that they are not entitled to.

## The scope of our audit

We carried out a performance audit to assess the effectiveness of the Ministry's systems, policies, and procedures for preventing, detecting, and investigating benefit fraud. We wanted to ensure that the Ministry had assessed the risk of benefit fraud, and had implemented procedures to minimise and respond to those risks. We also wanted to see that the Ministry had effective fraud detection and investigation procedures.

We did not look at how the Ministry's debt collection and minimisation activities related to benefit fraud, or how the Ministry deals with internal fraud.

## Our findings

We found that, overall, the Ministry has good systems, policies, and procedures in place to prevent, detect, and investigate benefit fraud. However, we considered that the Ministry could make better use of its intelligence and data-matching functions to identify areas of emerging risk and potential instances of fraud. We also considered that the Ministry should regularly review its activities to ensure that it is targeting the highest risks and allocating the right priorities to potential instances of fraud. We also recommended that the Ministry upgrade its computerised case management system.

We made eight recommendations in our report.

## The response to our findings and recommendations

We are pleased that the Ministry has accepted our recommendations and taken a proactive approach to addressing our concerns. We consider that the actions taken by the Ministry so far, and the actions planned for the future, will address the issues raised in our report.

## Preventing benefit fraud

We recommended that the Ministry periodically carry out assessments of emerging fraud risks in the social security benefits system, and use the findings to guide and target its management of fraud prevention activities. In response, the Ministry's intelligence unit has carried out fraud risk assessments for the range of benefits administered by the Ministry. Also, the Ministry is participating more in cross-agency intelligence groups, and intelligence from these and other inter-agency contacts are incorporated into its data-matching programme. The risk assessments and other profiling work are used to target the Ministry's new Integrity Intervention Programme, which is a risk prevention and early detection programme. The Ministry intends to continuously refine this programme and feed the results into future risk profiling and detection work.

We also recommended that the Ministry regularly and formally evaluate its benefit fraud prevention activities, and use this evaluation to help target benefit fraud detection and investigation activities. In response, the Ministry has established a dedicated Integrity Intervention Unit to manage the Integrity Intervention Programme. The Ministry has also implemented a new fraud workflow model incorporating case studies of high-value cases as an ongoing, interactive learning tool.

## Detecting benefit fraud

We recommended that the Ministry regularly and formally evaluate the effectiveness of its data-matching activities for detecting benefit fraud. We also recommended that the Ministry use fraud risk assessments of emerging benefit fraud risks to help evaluate and target its data-matching activities.

In response, the Ministry reviewed its existing data matching programmes to see if they were meeting performance expectations and to identify what it could improve. The Ministry has started a work programme to implement these improvements. The Ministry has also investigated how it can use its data-matching programmes for new purposes.

We also recommended that the Ministry use its Intelligence Unit to periodically analyse its client databases to ensure that detection programmes are targeting risks. In response, the Intelligence Unit is carrying out ongoing analysis of the Ministry's databases. This has led to several different activities, including risk assessment development and identification and mitigation of emerging fraud trends.

### Investigating benefit fraud

We recommended that the Ministry periodically sample allegations of benefit fraud that are not assigned for investigation, to confirm that they were actually of a low priority. In response, the Ministry has made changes to how it manages, assesses, and prioritises allegations of fraud. More resources have been allocated to high-risk fraud, with medium-risk and low-risk cases being managed in a central unit. The Ministry is tracking the outcomes of these cases to ensure that it is rating cases accurately.

We also recommended that the Ministry upgrade its computerised benefit fraud case management system to improve the overall functionality and usability of the system. In response, the Ministry has identified which aspects of the system need to be upgraded, but is hampered by the system's limitations. The Ministry is working on a concept for a new fit-for-purpose system, which it hopes to have operational by December 2010.

We also recommended that the Ministry regularly and formally review the results of individual benefit fraud cases to identify any emerging trends or risks in the benefits system. In response, the Ministry has implemented a process whereby all cases illustrating exceptional features are reviewed to inform integrity improvements.

# The Accident Compensation Corporation's leadership of the implementation of the national falls prevention strategy

In June 2003, the Government launched the New Zealand Injury Prevention Strategy (NZIPS). The NZIPS was a response to the significant cost of injuries and fatalities, the lack of a clear and consistent strategic direction for injury prevention activities, and the need for co-ordination between government agencies. The NZIPS has six groups of priorities, and each group has its own lead agency or agencies. One of these groups is falls prevention. The national falls prevention strategy was published in August 2005.

The Accident Compensation Corporation (ACC) is responsible for leading the implementation of the national falls prevention strategy (the Strategy). It published an implementation plan in December 2006.

## The scope of our audit

We carried out a performance audit during 2007 and early 2008, to assess how well ACC was leading the implementation of the Strategy. At the time of our audit, the implementation of the Strategy was still in its early stages.

We focused on how ACC had prepared the implementation plan, and how it was using the plan to lead and promote the implementation of the Strategy. This was both within ACC and through the large number of government agencies and non-government organisations with an interest in falls, injuries from falls, and falls prevention.

We also assessed progress against the Strategy implementation plan, and how ACC was monitoring progress and evaluating results.

## Our findings

ACC had drawn up an implementation plan through a consultative and managed process. The plan contained an appropriate mix of specific and more general objectives and actions, and provided a useful basis for implementing the Strategy. It defined responsibilities and set out a progress reporting system, the expected results, and time frames for achieving results.

ACC had also established a useful framework for ongoing implementation of the Strategy.

However, progress with the implementation of the Strategy had been uneven. Reporting described activities rather than, for example, any reduction in the number of recorded falls. We noted in our report that ACC was considering the need for more meaningful progress reporting and a closer focus on selected priorities.

ACC had established accountability relationships with government agencies to promote co-ordinated injury prevention. However, we found some evidence of variable commitment by those partners to implementing the Strategy. In the longer term, this poses a risk to achieving the Strategy's goals.

We recommended that ACC:

- draw up a protocol with those agencies responsible for actions in the implementation plan, to guide work on the national falls prevention strategy; and
- give priority to finalising a comprehensive and results-oriented evaluation framework and methodology.

## **The response to our findings and recommendations**

ACC identified specific actions to address our two recommendations. These actions were to strengthen the accountability framework for implementing the Strategy, and to draft a comprehensive monitoring and evaluation framework. From the information ACC has provided, we are satisfied that ACC is actively addressing our two recommendations.

### **Protocol**

We recommended that ACC draw up a protocol with those agencies responsible for actions in the implementation plan, to guide work on the Strategy. In response, ACC had established a Chief Executives' Injury Prevention Forum. The Forum was to provide a framework for planning, decision-making, and reporting for agencies with shared accountability for injury prevention. The Forum agreed to a new Memorandum of Understanding (MoU) which expanded its decision-making role. The MoU also more effectively promoted co-ordinated planning and decision-making by those government agencies with responsibilities for achieving the NZIPS outcomes.

ACC told us that it has also set up a Steering Group to strengthen the engagement of those agencies with key responsibilities for falls prevention. The members of this group are senior managers with the authority to make decisions on behalf of their organisations on matters relating to implementation of the falls prevention strategy. ACC was using this group to promote collaboration and collective decision-making.



## **Evaluation framework**

We recommended that ACC give priority to finalising a comprehensive and results-oriented evaluation framework and methodology. ACC had drawn up a monitoring and evaluation framework in consultation with an advisory group from the sector. This framework was being used by Steering Group members to record each agency's achievements in working towards the implementation of the Strategy. Early in 2010, ACC was intending to collate this feedback in a single evaluation report of its own.

At the time of this report, ACC was about to publish a guide for community groups to complete an injury prevention project. This was to include advice on how to measure the effectiveness of the project in achieving its goals and objectives.

ACC had also replaced the website it uses for reporting progress with activities identified in its falls strategy implementation plan, to show more clearly any current and/or ongoing work. It had also replaced its electronic mailbox to respond more effectively and promptly to queries about the Strategy and its implementation.



# Publications by the Auditor-General

Other publications issued by the Auditor-General recently have been:

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- Draft statement of intent 2010–2013
- Effectiveness of arrangements for co-ordinating civilian maritime patrols
- Auditor-General's inquiry into certain types of expenditure in Vote Ministerial Services – Part 1
- Local authorities: Planning to meet the forecast demand for drinking water
- Central government: Results of the 2008/09 audits
- Auckland City Council: Management of footpaths contracts
- Investigation into conflicts of interest of four councillors at Environment Canterbury
- Effectiveness of arrangements to check the standard of services provided by rest homes
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- Ministry of Social Development: Changes to the case management of sickness and invalids' beneficiaries
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- How the Ministry of Education managed the 2008 bus tender process
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