

29 May 2020

The Office of the Auditor-General
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Strategy&PerformanceTeam@oag.parliament.nz

Re: IIA NZ Feedback on the OAG Draft Plan 2020 - 2021

The Institute welcomes the opportunity to provide feedback on the draft annual plan and broadly support the plan as outlined. We have made some general observations as well as provided specific assurance related feedback in Part 4 of the draft plan.

We hope it is helpful to you in finalising your plan.

General Comments and Questions

Publications and guidance regarding ensuring good communication and independence along with questions Audit and Risk Committees should ask, would be helpful for the industry.

Part 2 of the Draft Plan

On page 11 we note that it is great that OAG continues to support audit committees. Our observation and suggestion is that it is noted that these audit committees are supported by internal audit and assurance capabilities and should be encouraged by the OAG.

Part 3 of the Draft Plan

We noted no reviews or focus on the efficiency and effectiveness in reducing harm regarding WorkSafe. We specifically ask as New Zealand has a high rate of mental health related issues¹ and therefore, would expect and hope to see a focus on reducing harm from bullying² and harassment, mental health actions and improvement as well as ensuring physical safety and compliance with regulations (not an exhaustive list).

Part 4 of the Draft Plan

Page 18/19 – It is great to see the focus on COVID-19 in both the response and management of expenditure. We would suggest that in addition to the COVID-19 focus, focus is also provided on how joined up agencies are managing fraud risks.

General observation – a lot of focus and attention on the readiness and preparedness, but not much on the reporting and effectiveness testing.

Feedback on some of the topics:

How well is the public sector improving the lives of New Zealanders?

| Priority areas we are commenting on | Comments/ Feedback |
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| Achieving reductions in family violence | There are several key projects outlined by the Ministry of Justice to address the family violence and sexual violence in NZ. The joint venture project is one of these projects, however not the only one. Key questions we have: |

¹ “About one in five New Zealanders experience some form of mental illness or distress each year. The social and economic costs are significant. The annual cost of serious mental illness, including addiction, is an estimated \$12 billion each year. Suicide rates continue to increase, and our suicide rate for young people remains among the worst in member countries of the Organisation for Economic Co-operation and Development (OECD)” – page 14

² “Although we remain above the OECD average, New Zealand’s levels of achievement in education are declining in some aspects. The latest Programme for International Student Assessment (PISA) report suggests that the main reasons for this include disproportionate rates of bullying, poor learning environments, truancy, deteriorating attitudes towards reading, and negative attitudes towards school” – page 13.

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| | <ul style="list-style-type: none"> • How was it decided that this was the only project to be included in the programme during 2020/21? Especially given some of the other projects address other key areas that are of interest to the OAG such as partnership with Māori and related communities. • In 2021/22 and 2022/23 it appears all focus is on the joint venture still, with no reference to any of the other projects? Is this coverage sufficient to provide judgment and draw conclusion on the public sector as a whole? |
| Improving housing outcomes | <ul style="list-style-type: none"> • The homelessness action plan is planned for the period 2020 – 2023. We believe that it would be prudent to review progress during the 2020/2021 year to ensure the project and plan is progressing as expected, instead of waiting until 2021/2022 to commence this review. |
| Improving health outcomes | <ul style="list-style-type: none"> • NZ has an initiative to be smoke-free by 2025 which appears to be one the Government's key initiatives – should OAG be analysing and reporting on the progress of this initiative and action taken to ensure that we are on track for achieving this goal? • There are also a few specific goals e.g. reduce smoking, reduce hazardous drinking, improve oral health etc. should the programme include analysis of the progress on these initiatives? |
| Improving education outcomes | <p>We are pleased to see the focus on tertiary system performance and how the sector is planning to reduce risk and exposure, as we are aware of ongoing concerns and issues for the Tertiary Education Commission in this area.</p> <ul style="list-style-type: none"> • What was/ is the impact of COVID on the education sector? E.g. ability to do remote learning is potentially reducing need to travel, pay for accommodation and additional lecturers/ mentors? Virtual universities and no more physical universities? Hybrid mix? How are these concerns and public queries being addressed especially where it will impact the education outcomes? • Focus appears to be on the intermediate, college and university level students. Is this intentional? E.g. what about early learning? Research often suggests that early intervention at these points may have more success later on? • First year free study for students? We expected to see a focus on the impact of the free study year e.g. increase in student numbers, continuity of study post-year one etc. |

How well is the system working as a whole?

| Priority areas we are commenting on | Comments/ Feedback |
|--|--|
| Resilience and climate change | <ul style="list-style-type: none"> • Reviews are all focused on the preparedness for crisis and climate change, planning for risks and required action as well as preparation for recovery. What about the recovery assessment e.g. what was taxpayers' money used for, what were the outcomes of the recovery actions taken and, was the money used for the intended and proposed purpose? • The government provides several grants and loans for various reasons and purposes e.g. Provincial Growth Fund and Waste Minimisation. Should OAG consider what assessment are undertaken to give out grants and assess the successes of these projects, their wider contribution to New Zealand's sustainability. Could we consider a review focused on waste minimisation fund- like projects to provide an environmental view on this? |
| Integrity in public organisations | <ul style="list-style-type: none"> • Should there be considerations given to the management of NZ sensitive and private information in our current and potentially ongoing environment? During COVID-19, a number of Departments and Ministries were operating from home and off-site locations – how did they ensure the safe keeping of NZ sensitive and private information? • The same applies to the use of cloud-based applications considering more and more Departments and Ministries are adopting cloud applications and systems. |

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| | <ul style="list-style-type: none"> The development of integrity tools and supporting resources is very welcome. We would suggest that the OAG should examine the key elements of an effective integrity systems – of which Internal Audit can play a part. It would also be useful for the OAG to look at NZ’s integrity systems in the context of prevailing legislation (enabling or barrier), Transparency International’s top-ranking CPI results and whether our reality of high integrity matches the perception. |
| <p>Procurement</p> | <ul style="list-style-type: none"> We expected to see a review or reviews with a focus on the use and application of the All-of-government Procurement rules? Are these rules being enforced and applied correctly and consistently? Are they having the intended benefits and outcomes? Why specifically focus on the NZDF in terms of managing significant services contracts? We understand that these are significant in terms of, if they were to fail or not be delivered properly, it would have a major impact on the NZDF’s ability to deliver services. However, we would argue that several other agencies have a similar situation for example Corrections, Customs, NZTA. As a general question, we would like to know how you work with the various agencies to develop the plan to avoid duplication of efforts and reviews, and to ensure coordination with these agencies. |

Sharing insights about what good looks like.

- How accessible is the information and easy to find for the users? Have we asked the users of the insights and good practice guides if it is relevant, frequent enough and sufficient in terms of details and content?
- Page 55 – Sharing insights about the role of Internal Audit in performance of public sector would be an interesting research topic. Topics for good practice guides should include an updated conflicts of interest resource, plus materials to inform whistleblowing / integrity processes and what effective governance looks like in public service departments where there are no boards, and the head is both CE and governor in one.

Thank you for the opportunity to comment. The Institute is more than happy to meet to discuss the content included if that would be helpful.

Yours Sincerely



Steve Downes
Chief Executive