Introduction

The articles in this report deal principally with the results of our audits of the 1997-98 financial statements of the Government and its departments, and with related matters arising in the course of those audits. The first six articles are in this category.

The sixth article in particular (on pages 49-62) addresses the important matter of departments maintaining the requisite standards of financial and service performance during organisational change. The article:

- describes and comments on organisational changes involving the Ministries of Agriculture and Forestry, the Department of Conservation, and Land Information New Zealand; and
- draws conclusions from our observations about some key requirements for future restructuring arrangements.

The seventh article (on pages 63-86) sets out the results of our follow-up review of how ready public sector organisations are to meet the potential risks arising from their computer chip-controlled electronic equipment being adversely affected by the Year 2000 problem. Our overall findings are that – while much progress has been made since we last reported in December 1997 – two essential tasks that many entities have yet to address are:

- drawing up a programme for testing systems and applications; and
- developing business continuity plans for Year 2000 contingencies.

Our analysis indicates that many entities have continued to under-estimate the extent of the problem and the work involved to address it. This applies in particular to a significant proportion of Hospital and Health Services (formerly Crown Health Enterprises) and regional and territorial local authorities.

The final article (on pages 87-104) reports the results of a special review we carried out of how – in these times of difficult international trading conditions and fluctuating exchange rates – state-owned enterprises (SOEs) were managing the foreign exchange risk that they face from those factors. Generally, we found that those SOEs most affected were managing their risks as we expected them to. The notable exception, however, was Solid Energy New Zealand Limited, which is reliant on exports for a significant proportion of its annual revenue. In our view, the company had not managed its foreign exchange risk at all well and is facing the prospect of having to bear substantial losses on that account.