CONTROLLER AND AUDITOR-GENERAL
Tumuaki o te Mana Arotake

Parliamentary paper

Public entities' progress in implementing the Auditor-General's recommendations 2012

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Contents

Auditor-General's overview

To assure Parliament and the public about the work of selected parts of the public sector, my Office carries out a range of work to identify how public entities can perform better. We seek to identify good or emerging practices, raise any concerns, and recommend ways that a public entity can perform better, as appropriate.

This progress report looks at how well some public entities have acted on the recommendations that we made in six performance audit reports published in 2009 and 2010. This report is not a full and final assessment.

Public entities are being called on to do more to improve services and to co-ordinate better to avoid duplicating efforts. As the Government and the public sector move towards more co-ordinated approaches, our audit work focuses increasingly on how well public entities work together towards common outcomes. Throughout this report, we see themes about what it takes to work together to achieve effective and efficient results. The main themes are that public entities need to:

- jointly focus on what they seek to achieve;
- co-ordinate their efforts; and
- use information that helps them to understand the costs and results of their decisions.

The experiences of the Department of Internal Affairs in trying to take advantage of the Grants Common Capability Programme and of the National Maritime Control Centre in co-ordinating maritime patrols suggest that there is much for us all to learn.

We encourage public entities to keep making better use of information about the costs and value of services, including analysing trends and using benchmarks. In managing support for students with high special educational needs, the Ministry of Education has improved its understanding of how to collect information about its clients and service delivery. The Ministry has learned that systems that it was piloting worked well for cases with greater investment but were not cost-effective for lesser interventions. The Ministry is considering different frameworks to evaluate these cheaper interventions.

Because of ongoing policy changes, I am not able to form a conclusion about the Ministry of Social Development's case management of sickness and invalids' beneficiaries. However, I consider that good case management is important, and I will come back to this topic in the future.

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Looking at the responses to the six reports, I am particularly pleased that public entities that were not directly involved in our audits have used the reports' lessons and recommendations. For example, many city and district councils use our audit framework to assess and strengthen how they forecast demand for drinking water.

I thank the staff of the public entities that are discussed in this report for their co-operation, and encourage them to continue trying to achieve effective and efficient results. I also encourage them to keep working on the matters that are outstanding.

Lyn Provost
Controller and Auditor-General

27 April 2012

Part 1
Introduction

1.1   The Auditor-General seeks to improve how the public sector performs and to enhance the public's trust in government. We carry out performance audits, inquiries, and other work, such as annual audits, to identify how public entities can perform better.

1.2   We report the results, and make recommendations where appropriate, to give independent assurance to Parliament, central government agencies (such as the State Services Commission and the Treasury), and the public that public entities are:

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

1.3   Public entities decide whether to accept our recommendations and how they will address them. Most seek to improve in the areas that we suggest. Sometimes, a public entity cannot act on our recommendations because of system constraints (such as technology limits) or when changes over time mean that it no longer makes sense to implement our recommendations.

1.4   Sometimes, public entities disagree with our recommendations or do not give priority to acting on them. In these situations, the public entity must explain to Parliament and the public why it has not acted.

The scope of this report

1.5   Our yearly progress reports focus on how well public entities have acted on the recommendations that we made in the reports on our inquiries and performance audits. In this report, we set out our views on the progress that public entities have made in responding to recommendations that we made in 2009 and 2010 in the following reports:

- *Department of Internal Affairs: Administration of two grant schemes* (published in November 2010);
- *Effectiveness of arrangements for co-ordinating civilian maritime patrols* (published in April 2010);
- *Inland Revenue Department: Managing child support debt* (published in July 2010);
- *Local authorities: Planning to meet the forecast demand for drinking water* (published in February 2010);
- *Ministry of Education: Managing support for students with high special educational needs* (published in October 2009); and

- *Ministry of Social Development: Changes to the case management of sickness and invalids' beneficiaries* (published in October 2009).

1.6   In this year's progress report, we are reporting for the second time on two entities that we included in our 2011 progress report. These are the Ministry of Education and the Ministry of Social Development. We noted in last year's report that we would include them again because it was too soon to comment on how effective changes had been or because progress had been slower than expected.

The structure of this report

1.7   For each performance audit, we:

- provide some background information;
- outline the scope of the original performance audit;
- summarise our original findings; and
- assess the public entity's progress in carrying out the Auditor-General's recommendations.

Part 2
Department of Internal Affairs: Administration of two grant schemes

Background

2.1 The Department of Internal Affairs (the Department) aims to contribute to building strong, sustainable communities, hapū, and iwi. To help achieve this aim, the Department administers schemes that provide grants to community organisations. The Department's website says that this is because:

> Strong, sustainable communities, hapū and iwi have the potential to more effectively find solutions to local problems and achieve their own well-being.

2.2 The Department is responsible for administering several grant schemes. Many community organisations, such as clubs, charities, cultural bodies, and small incorporated societies, depend heavily on grants for their operational funding or special projects.

The scope of our performance audit

2.3 This was the fourth in our series of performance audits of public entities that administer grants.[1] We carried out a performance audit to determine whether the Department's administration of grants is consistent with the principles and expectations that we outlined in our 2008 good practice guide *Public sector purchases, grants, and gifts: Managing funding arrangements with external parties*.

2.4 We examined the Department's administration of two grant schemes:

- the Lottery Grants scheme (Lottery);[2] and
- the Community Organisation Grants Scheme (COGS).[3]

2.5 Lottery is funded from the profits of the Lotto products, such as Lotto and Instant Kiwi. In 2010/11, it approved 3311 grants, distributing about $124 million.

2.6 COGS is funded directly by the Government. In 2010/11, it approved 4218 grants, distributing about $14 million to 4271 organisations.

2.7 Locally elected (COGS) or politically appointed (Lottery) committees decide who gets these grants. We did not examine whether the way that the committees reached decisions was appropriate. However, we did review whether the Department provided the committee members with enough guidance and effective systems to help them to follow due process when making decisions.

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1 The reports about our previous audits of three other grant funding bodies (Te Puni Kōkiri, the Foundation for Research, Science and Technology, and New Zealand Trade and Enterprise) are available on our website.

2 *Lottery Grants Board Annual Report 2010/11*, page 4, which is available at www.dia.govt.nz.

3 *Department of Internal Affairs Annual Report 2010/11* and *COGS Profile 2010/11*, which are available at www.dia.govt.nz.

Our findings and recommendations

2.8   We found that the Department's systems and processes were effective in helping the Department to put into practice the principles referred to in paragraph 2.3 during all four main stages of grant administration:

- planning how the grant schemes would work;
- selecting grant recipients (in this case, providing support to those making decisions);
- monitoring how the money is spent; and
- reviewing how effective the grant schemes are.

2.9   However, the Department's electronic grant administration system, Grants Online, had limitations that affected how effectively and efficiently it administered grants. These limitations included:

- difficulty in organising and retrieving information for analysing, evaluating, or reporting;
- lack of features to help workflow; and
- difficulty and expense in changing or improving systems.

2.10   The Department intended to address these limitations by introducing a new system for managing grants and clients in 2011. Because many other improvements depended on this new system, we made a recommendation to help ensure that this project was carried out. In case the project was delayed, we encouraged the Department to plan for and carry out improvements, where possible.

2.11   We considered that the Department could do more to support committees to make their decisions in a more transparent and accountable way. We made three recommendations to help to improve transparency and accountability, and suggested other ways that the Department could improve.

The Department of Internal Affairs' response to our findings and recommendations

2.12   The Department accepted our recommendations and many of our other suggestions. On occasion during our audit, the Department incorporated suggestions from our discussions with the Department's staff into its planning.

2.13   The Department has not yet replaced Grants Online, so other changes that depend on the new system have not been introduced. However, the Department has tried to introduce some of the improvements that our report called for. The Department has made good progress in making the committees' decisions more transparent and recording them better.

Electronic grants administration system to replace Grants Online

2.14   In our report, we identified ways to improve processes that Grants Online did not support well. The Department had also identified many of these. The review and business case for a new business system was thorough. The Department included further suggestions we made during our audit. It intended that the new business system would start by the end of 2010 and be fully implemented by April 2011.

2.15   However, after the vendor was contracted and detailed business requirements were under way, it became clear that customising the system to the Department's needs would take considerably longer and potentially cost more than had been anticipated. In July 2011, the business improvement project was incorporated into an all-of-government project known as the Grants Common Capability Project. In September 2011, the contract with the original vendor was cancelled.

2.16   Since July 2011, work has been under way on a prototype for a new system based on a grants management system already established in the Ministry of Science and Innovation. This prototype builds on work done on system requirements and process improvements, and includes enhancements specific to the grant schemes that the Department administers. In December 2011, the Department finished testing the prototype to work out whether it was suitable for its needs.

2.17   Initial assessment showed that the prototype did not deliver all of the Department's business requirements. At the time of writing, the Department was unlikely to proceed with the prototype and was pursuing other avenues, such as considering another procurement process.

2.18   The Department changed its approach to ensure that the business system supports all the needs of the Government, in line with Cabinet's directions and priorities. The Department expected that this approach would help it to bring the project back within the budget and timeline as revised early in 2011. The work required to assess the prototype and reconsider its options means that the Department will need to review its time frames. Given that these time frames are likely to be extended, the Department will consider other improvements proposed in the business case and in our recommendations.

2.19   There are lessons to be learned from the Department's experience, which could usefully be shared with other public entities that are looking at similar arrangements for joint large-scale projects. Through our regular relationship meetings and the annual audit process, we expect that we will be kept informed about the Department's progress in introducing a new system for managing grants and clients.

Improving record-keeping

2.20   We recommended that the Department improve how it records decisions that Lottery and COGS committees make by:

- working with committees to ensure that they properly record the reasons for approving or declining applications; and
- ensuring that the members of COGS committees complete the information required for the Local Distribution Committee Members' Assessment Tool (the Assessment Tool).

2.21   The Department has reviewed how the Lottery committees keep records and has identified opportunities to improve these practices. The Department has produced guidance (available from February 2012) for advisors, committee co-ordinators, and committee members. This includes guidance about how to record decisions and reasons, and how to tell applicants those decisions. The assessment information will be part of the committee's schedule for making decisions. Lottery committee members are expected to adopt the new recording practices by July 2012. The Department has discussed these changes with the presiding members of the committees and with staff.

2.22   In the 2011/12 funding round, the Department introduced a slightly revised, clearer Assessment Tool for COGS. The Department has also improved the range of COGS decision reasons (for grant or decline). It has updated the Business Process Manual (staff guidance on administering grants), and provided instructions for using the Assessment Tool to staff and members of the Local Distribution Committee.

2.23   The Department has also revised the COGS Handbook for Local Distribution Committees (COGS committee handbook), which now emphasises more strongly the duties of membership, including using the Assessment Tool. Training for members after committee elections reinforced this emphasis. In October 2011, at the meeting of the national Lottery Presiding Members Policy Advisory Group, the Department presented and discussed information about the new guidance material and requirements for recording decisions. The presiding members were to discuss the new recording requirements with their committees.

Accountability requirements for the Lottery Outdoor Safety Committee

2.24   We recommended that the Department revise its agreement with the Lottery Outdoor Safety Committee to ensure that accountability requirements for recipients of large grants are adequate and appropriate for the size and nature of those grants.

2.25   The Department has set up a new risk assessment framework to be introduced alongside the new business system. Until then, the Department has committed to assess aspects of the new framework that could be introduced before the new business system is fully installed.

2.26   In 2011, the framework was piloted on some funds that handle large grants, including the Lottery Outdoor Safety Fund, the Lottery Marae Heritage and Facilities Fund, the Lottery Environment and Heritage Fund, the Lottery Community Facilities Fund, and the Lottery Regional Community Fund. The Department is considering how the framework should be used until the new business system is in place.[4]

Other improvements

2.27   As well as responding to our recommendations, the Department has acted on some of our suggestions for improvement. These include:

- plans to enhance electronic capability as part of the new business system to allow staff to share information about clients more widely (to be addressed as part of introducing the new system in 2012);
- better guidance in the revised COGS committee handbook and during induction of committee members on expressing priorities that clearly relate to community benefits; and
- encouraging regional staff to improve how they record and report in Grants Online.

2.28   The Department has begun other activities that should support our recommendations and suggestions for improvement. A review of the Community Operations Management Structure has led to a new role being established: Senior Planning and Information Analyst.

2.29   The Lottery Grants Board has asked for a minor review of the Lottery Distribution Committee structure to rationalise committees and to streamline consistency and outcomes between committees. In March 2012, the Department gave initial advice to the Lottery Grants Board.

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4   At the time of writing, the Department had not finished analysing the pilot projects.

Part 3
Effectiveness of arrangements for co-ordinating civilian maritime patrols

Background

3.1 In April 2010, we published a performance audit report called *Effectiveness of arrangements for co-ordinating civilian maritime patrols*. At the time of our 2010 audit, the National Maritime Control Centre (NMCC) was expected to become more effective in co-ordinating maritime patrols as new systems and patrol resources were introduced.

3.2 A core group of six government entities[5] are the main users of maritime patrols (the core agencies), and the major provider is the New Zealand Defence Force (NZDF). The Department of the Prime Minister and Cabinet also has an interest in maritime patrols.

The scope of our performance audit

3.3 Our audit examined how effectively maritime patrols were co-ordinated to support the country's maritime interests. The audit focused on the NMCC, and included the government agencies that use maritime patrols and the providers of patrol aircraft and ships.

Our findings and recommendations

3.4 In general, we found that, although the NMCC had an appropriate framework to effectively co-ordinate maritime patrols, improvements were needed for NMCC to make the most effective use of the better patrol resources.

3.5 We made six recommendations covering three issues:
- improving strategic guidance for the NMCC;
- clarifying the mandate for separate patrol co-ordination arrangements; and
- improving patrol planning and measuring effectiveness.

The response to our recommendations

3.6 We have reviewed the progress that has been made during the last two years to address our recommendations. We found that only one recommendation has been addressed fully. Limited progress has been made addressing the other recommendations. We consider that the public entities involved must focus on preparing a strategy that sets out the main priorities for civilian maritime patrols, with clear deliverables, objectives, and performance targets. We consider that, in the current environment of constrained patrol resources, this strategy is particularly important to ensure that the resources are allocated to provide the greatest benefit.

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5   These entities are the New Zealand Customs Service, the Ministry of Fisheries, the Department of Conservation, the Ministry of Foreign Affairs and Trade, New Zealand Police, and Maritime New Zealand.

3.7 NZDF has had significant delays in bringing the Naval Patrol Force and the upgraded P3 Orion fleet into service and making them available to the NMCC for civilian maritime patrols. For the Royal New Zealand Navy (RNZN), the delay in the delivery of the Naval Patrol Force, together with an ongoing need to fix shortfalls in capability, means that the Naval Patrol Force went into service two years later than planned. The Naval Patrol Force will not operate at full operational capacity until trials are completed. The upgrade of the Royal New Zealand Air Force's P3 Orion fleet has also been delayed.

3.8 Our detailed analysis of the response to our recommendations is set out below.

Improving strategic guidance for the National Maritime Control Centre

3.9 During our 2010 audit, we found that little strategic and operational guidance underpinned the NMCC's *Governance Framework*, despite the framework clearly directing that a maritime patrol strategy be prepared and what the form and content of the strategy should be.

3.10 In 2009, NMCC began a project to produce a high-level strategy in keeping with the NMCC's Governance Framework. Because of the difficulties some agencies had in detailing their strategic objectives, this project was not completed. However, a *National Maritime Coordination Centre Concept of Operations* was agreed and published. The *Concept of Operations* is limited in scope and does not address the requirements of the *Governance Framework*. It lacks specific medium-term strategic goals for maritime patrols.

3.11 The shortfall in the available maritime patrol assets compared to what was assessed as necessary in the *Maritime Patrol Review*[6] makes it more important that the assets are managed and co-ordinated to the country's greatest benefit. It is important to have a high-level strategy that clearly sets out national maritime priorities, with clear deliverables, objectives, and performance targets, to ensure that the civilian patrol assets that are available are allocated to provide the greatest net benefit rather than to meet an individual public entity's operational needs. The core agencies that we spoke to agree that this is particularly important in the current economic environment.

3.12 In our 2010 report, we recommended that the NMCC and the other organisations involved or interested in maritime patrols review the governance of the NMCC Reference Group to ensure that it effectively meets strategic leadership needs and that there are as many benefits from this arrangement as possible.

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6   Issued in February 2001 by the Department of the Prime Minister and Cabinet.

3.13   The roles of the NMCC Reference Group and the NMCC Working Group were reviewed. As a result of the review, a single governance body – the NMCC Higher Level Steering Group – replaced the two groups. The Higher Level Steering Group meets quarterly. The Group's role includes providing strategic leadership to the NMCC. The Group is responsible for monitoring and reporting on the NMCC's effectiveness, and reporting to the Officials Committee for Domestic and External Security Co-ordination (ODESC) through the Comptroller of Customs.

3.14   In our 2010 report, we noted that the core agencies had to establish better guidance on an appropriate level of patrolling. We considered that this work was fundamental to supporting a broader evaluation of patrol effectiveness and assessing whether patrol capability adequately meets needs.

3.15   In 2009, in the absence of a high-level strategy, the NMCC introduced the Risk-Based Surveillance Plan. This plan, which is independently reviewed, allocates resources to the maritime areas that the core agencies consider pose the greatest risk to the country's security. It is being introduced gradually throughout all the core agencies. When the plan becomes part of the NMCC's and core agencies' business processes, it will help provide a clearer understanding of the level of surveillance required.

3.16   We recommended that the NMCC, the NZDF, and the core agencies re-assess what they require of civilian patrols to establish better guidance on what patrolling is needed. The level of patrolling should be reconsidered when better information comes in and when needs change.

3.17   Those involved must decide what an appropriate level of patrolling is. A new planning process should better identify core needs.

Clarifying the mandate for separate patrol co-ordination arrangements

3.18   In our 2010 report, we made two recommendations about separate patrol arrangements. The first was that the NMCC and the core agencies review whether separate patrol co-ordination arrangements are needed. If separate co-ordination arrangements are needed, the rationale and mandate for these should be recorded. The second recommendation was that the NMCC monitor any separate patrol co-ordination arrangements and report on their effectiveness to ODESC to ensure that these arrangements do not make patrol co-ordination less effective.

3.19   The NMCC has reviewed the separate patrol arrangements. New Zealand Police and the Ministry of Foreign Affairs and Trade (MFAT) had separate patrols arrangements before NMCC was set up. Now, the New Zealand Police uses the NMCC process for operations that require maritime patrol assets.

3.20   MFAT uses maritime patrol assets to patrol the Pacific and Southern Oceans. Watch groups have been established for both oceans. The Pacific Patrol Watch Group, chaired by the NMCC, provides a forum for co-ordinating the country's patrol activity in the Pacific. In consultation with the Ministry of Fisheries, MFAT chairs the Southern Ocean Watch Group. The NMCC takes part in this group.

3.21   The NMCC considers that these processes would be more effective if they were integrated with the other planning mechanisms. This would give the NMCC more influence on the prioritisation of tasks and how assets are used.

3.22   MFAT told us that its work in the Pacific and Southern Oceans has to be co-ordinated with other countries' patrols and the Southern Ocean fishing season.

3.23   ODESC recently asked the NMCC to carry out a review of the separate patrol arrangements and set out what those patrols are required to do.

Improving patrol planning and measuring effectiveness

3.24   In our 2010 report, we made two recommendations to improve patrol planning and measure its effectiveness. The first recommendation was that the NMCC, the NZDF, and the core agencies work together to better understand the timing of the agencies' patrol needs. This information can then be used to more effectively schedule and plan civilian and military use of maritime patrol aircraft and ships. The second recommendation was that the NMCC ensure that the information it collects on patrols allows it to robustly assess how effectively patrol aircraft and ships are used, so that any gaps or issues that it identifies can be addressed through the appropriate governance mechanism.

3.25   Some progress has been made in addressing our first recommendation. The Risk-Based Surveillance Plan has provided better guidance on where surveillance patrols are required. The plan helps agencies to identify those maritime areas that collectively pose the highest risk to the country. These areas are prioritised and patrol assets are allocated to the areas of highest priority. The core agencies are asked what they require in the identified priority areas. The NMCC and NZDF together decide what patrol and surveillance resources or mix of resources will get the required results. A project is under way to validate and improve this process.

3.26   Limited progress has been made in addressing the second recommendation. The NMCC told us that, although information is collected, it needs better tools for managing data to make this information readily available. To work out what it requires to manage data, the NMCC has begun some related projects.

3.27   The NMCC has completed Investment Logic Mapping (ILM) to upgrade the Multi-Agency Network (Restricted), or MAN-R. The MAN-R is the NMCC's main tool for

managing information. However, the NMCC considers that, for technical reasons, the MAN-R's uses are limited. ILM is the first stage in presenting a business case for funding to upgrade the network.

3.28   In 2010, the NMCC carried out an Information Management Review that made recommendations on how best to manage the information that it receives. It is addressing these recommendations, most of which require the MAN-R to be upgraded first.

3.29   As part of the RNZN's Fleet Focussed Network Enabled Capability (FFNEC), a way of managing information based on Microsoft SharePoint was built for the NMCC. When upgrades to the MAN-R are completed, the FFNEC will allow the NMCC to automate and improve its planning and reporting.

3.30   In March 2012, ODESC directed Customs and the Department of the Prime Minister and Cabinet to produce a five-year development plan for the NMCC that includes funding arrangements. This may supersede the work NMCC does, but will direct and make certain the management requirements of the NMCC.

Strategic effectiveness of maritime patrols

3.31   In our 2010 audit, we found that there was little understanding of how effective maritime patrols are. Because work was under way to improve the measuring and evaluating of patrols' performance, we made no recommendations for improvements. We noted in our report that we would stay abreast of progress with work meant to help to better monitor and evaluate how effective patrols are.

3.32   We listed four specific actions that we considered would help to more comprehensively evaluate how effective patrolling has been. These were:

- to complete the strategic and annual planning content specified in the NMCC's *Governance Framework*;

- to set better guidance on what an appropriate level of patrolling might be, as a starting point for monitoring and evaluating the use of new and upgraded aircraft and ships (this relates to the second recommendation);

- to collect better information through changes introduced in the new patrol planning system to help us to better assess the planning and tasking of patrols; and

- to ensure that collected information helps identify knowledge gaps, testing assumptions, and monitoring requirements so that unmet needs or future requirements are identified and supported with robust evidence (this relates to the final recommendation).

3.33   Little progress has been made on these four actions.

Part 4
Inland Revenue Department: Managing child support debt

Background

4.1 Under the Child Support Act 1991, the Inland Revenue Department (Inland Revenue) is responsible for ensuring that parents take financial responsibility for their children when a relationship ends and the parents are unable to come to a voluntary arrangement for child support payments.

4.2 Child support money is paid as monthly child support payments, usually by the liable parent (that is, the non-custodial parent). Debt will start accumulating unless a liable parent pays the full amount they owe, on time, every month. As well as the amount of money owed by the liable parent, a range of penalties (payable to the Crown) are imposed. When a debt is not paid, the penalties compound.

4.3 Total child support debt at 30 June 2009 was $1.56 billion (comprising $540 million for unpaid child support assessments and $1.02 billion for unpaid penalties).

The scope of our performance audit

4.4 Our audit examined Inland Revenue's:

- strategy for managing child support debt;
- approach to making sure parents understand the child support scheme and their financial obligations;
- child support payments penalty regime; and
- monitoring and prioritising of child support debt.

Our findings and recommendations

4.5 We found that the penalty regime is inflexible and does not help to effectively and efficiently manage child support debt. We made four recommendations to help Inland Revenue to control the growth of child support debt, to do more to prevent debt, and to address the effect that the penalty regime has on debt.

Inland Revenue's response to our findings and recommendations

4.6 Inland Revenue accepted our recommendations, and has made satisfactory progress on all of them. Inland Revenue will fully address the recommendations when it successfully carries out a plan to collect child support debt, and completes a review of all customer notices and communication about child support debt.

4.7   In October 2011, the Minister of Revenue's Child Support Amendment Bill was introduced in Parliament. At the time of writing, it is before Parliament. If passed, the proposed legislation will help to fully address the recommendations. The proposed amendments include major changes to the child support scheme's penalty regime.

Child support debt strategy

4.8   We recommended that Inland Revenue update its child support debt strategy to better promote voluntary compliance by parents and better reflect the effect the penalty regime has on debt levels.

4.9   Inland Revenue has told us that it is introducing a plan for its child support work for 2011-15. The plan focuses on six areas:
- understanding customers so that Inland Revenue can tailor its responses to them;
- encouraging customers to comply and self-manage their payments;
- managing non-compliance in a timely manner;
- enhancing the capability of staff and resources allocated to child support debt;
- managing information to make sound decisions; and
- enhancing external collaboration to help and compel customers to meet their obligations.

Information for parents entering the child support scheme

4.10   We recommended that Inland Revenue provide all parents entering the child support scheme with information that clearly and consistently informs them about their rights and responsibilities, and how the scheme works.

4.11   Inland Revenue has completed an audit of the information available for child support customers on its website. Inland Revenue's intent was to refresh and update the website content informed by this audit's findings. Inland Revenue told us that the Canterbury earthquakes delayed this work.

4.12   Inland Revenue plans to review all its customer notices and communication after proposed changes in the Child Support Amendment Bill pass through Parliament.

4.13   Inland Revenue plans to change its information technology system, beginning in January 2013. This should allow changes to the content and style of child support notices to be made more easily.

Information for parents in the child support scheme

4.14   We recommended that Inland Revenue identify information that parents are likely to need to understand their continuing obligations while they are in the child support scheme and ensure that this information is made readily available to them.

4.15   Addressing this recommendation depends largely on Inland Revenue's audit and review work (see paragraphs 4.11 and 4.12).

4.16   Inland Revenue told us that, since our audit, changes to the Individuals and Families workspace on the Inland Revenue website give child support customers the ability to update and revoke estimates of their income and update changes in their circumstances. The technology allows this information to be provided over a secure connection.

Penalty regime

4.17   We recommended that Inland Revenue assess whether the child support penalty regime makes it more difficult for parents to comply with child support obligations.

4.18   We note that the Child Support Amendment Bill, if passed through Parliament (see paragraph 4.7), will come into effect over two years and will require significant changes to Inland Revenue's systems and processes. Inland Revenue will make these changes in two phases:

• Phase 1 – from 1 April 2013, introducing the revised child support formula; and

• Phase 2 – from 1 April 2014, introducing all other changes.

4.19   Inland Revenue told us that it continues to improve its information system after an internal review of its computer systems and processes for managing child support debt.

4.20   We will keep a watching brief on Inland Revenue's progress in turning its planning into action.

4.21   We note that the passage of the Child Support Amendment Bill through the Parliamentary processes is a critical step towards Inland Revenue's planned changes.

Part 5
Local authorities: Planning to meet the forecast demand for drinking water

Background

5.1 Access to good quality water is essential to our health and well-being. In a country that has reliable annual rainfall, many lakes, rivers, and streams, and a small population, the public expects supplies of drinking water to be secure for years to come.

5.2 Local authorities – city and district councils – are responsible for supplying drinking water to about 87% of the country's population and for managing water supply infrastructure estimated in 2009 to be worth $11 billion. There are many challenges involved in supplying good quality drinking water now and forecasting future demand. Some councils face more challenges than others, depending on a variety of environmental, economic, and social factors.

The scope of our performance audit

5.3 Our audit looked at whether eight councils were managing their drinking water supplies effectively enough to meet the likely future demand for drinking water.

5.4 We selected a representative sample of eight councils for the audit. These were:
- Tauranga City Council;
- Opotiki District Council;
- South Taranaki District Council;
- Kapiti Coast District Council;
- Nelson City Council;
- Tasman District Council;
- Christchurch City Council; and
- Central Otago District Council.

5.5 We did not include any councils in the Auckland region as part of our audit because of the re-organisation of Auckland local authorities. At the time of writing, we are carrying out work looking at how effectively Auckland water services are managed.

Our findings and recommendations

5.6 We found that all eight local authorities in our sample were able to ensure the security of supply of drinking water. However, in some instances, continuing to provide security of supply depended on better forecasting and planning, and upgrading infrastructure. We found that some pressures, such as competition for water, the need to consume less, and the cost of upgrading infrastructure, were likely to become more challenging.

5.7   Only three of the eight local authorities were managing their drinking water supplies effectively to meet future demand for drinking water. Nelson City Council, Tasman District Council, and Tauranga City Council had detailed forecasting techniques that were likely to be accurate enough. They had planned well to meet forecast demand and followed their planning strategies consistently. As a result of this, they were well placed to meet the forecast demand for drinking water in their districts.

5.8   The other five local authorities had further work to do (for some, a lot of work) to make their forecasts more accurate and to carry out their strategies to meet demand. However, the local authorities knew what they had to do and were making progress. As long as they keep improving, these local authorities should be better placed within the next 10 years to meet the forecast demand for drinking water.

5.9   Our report made eight recommendations and encouraged all local authorities to consider each of these recommendations and to act on them where appropriate.

Local authorities' progress in improving how they manage demand for water

5.10   In October 2011, we surveyed all 67 city and district councils to find out what progress they had made in acting on the eight recommendations in our 2010 performance audit report. Forty-nine local authorities (73%) responded to our survey.

The responses of local authorities to our recommendations

5.11   Our survey of city and district councils to assess progress with the recommendations in our 2010 report showed that, of the 49 local authorities that responded:

- 35 (71%)[7] had considered whether the information they used to prepare water demand forecasts was accurate and up to date;
- 41 (84%) were using accurate and up-to-date information in their forecasts of demand;
- 41 (84%) either had verified the reliability of drinking-water demand forecasts or were doing so;
- 33 (67%) were evaluating the costs and benefits of demand strategy options; and
- 39 (80%) were defining targets for performance measures and measuring progress against them.

7   Percentages are of the number of respondents to our survey.

5.12   Twelve local authorities had prepared comprehensive demand management plans, and another 26 were preparing such plans. About half of these plans (complete or in progress) to manage demand included strategies for sustainable development. Examples of such strategies included encouraging rainwater and grey water for non-potable use and promoting water-efficient showerheads and other devices.

5.13   Good progress has been made in supplying drinking water more efficiently. Since February 2010, 36 local authorities (73%) have reduced the amount of water that is unaccounted for to an acceptably low level.

5.14   Progress in carrying out independent benchmarking has been slow. We encourage local authorities to work faster to measure progress in supplying drinking water more efficiently.

5.15   We reviewed how well the local authorities that we had audited (except for Christchurch City Council) had acted on our recommendations.

5.16   The local authorities have made good progress in addressing our recommendations. Most of our recommendations have been or are being addressed.

5.17   Although Christchurch City Council was included in our 2010 performance audit, we have not followed up how well it has responded to our recommendations. The damage to Christchurch's water infrastructure in the earthquakes of 2010 and 2011 is a significant challenge for the Council in planning the supply of drinking water to its community.

5.18   The two local authorities that we had identified as needing to improve most (South Taranaki District Council and Central Otago District Council) have made good progress. Both of these local authorities now use accurate, up-to-date information on water consumption to prepare drinking water demand forecasts and have verified that their forecasts of demand for drinking water are reliable. They have improved the efficiency of drinking water supplies by reducing the amount of water that is unaccounted for to an acceptably low level.

Conclusion

5.19   Accurately forecasting demand for water is essential in long-term planning and has implications for the water infrastructure that communities require. Evaluating water asset requirements, infrastructure needs, and other funding demands throughout all council activities is an important prioritisation process that will be finalised as councils prepare their 2012–2022 long-term plans. These plans are to be completed and adopted by 30 June 2012.

5.20   A number of local authorities have told us that they have used our audit framework to assess how well they forecast demand for drinking water. We encourage any council that has not yet used our framework to do so.

Part 6
Ministry of Education: Managing support for students with high special educational needs

Background

6.1 The Ministry of Education (the Ministry) supports more than 30,000 children with high special educational needs.[8] The Ministry provides:

- specialist advice;
- access to therapists, equipment, and materials;
- extra help in the classroom; and
- adapted programmes.

6.2 This is the second report on the Ministry's progress against our recommendations. In our 2011 progress report, we noted that, for some recommendations, it was too soon to judge whether the Ministry's actions were effective, because of the long-term nature of changes made. In this year's report, we comment on further progress.

The scope of our performance audit

6.3 Our audit in 2009 considered how well the Ministry managed the four initiatives it had set up to support school-aged children with the highest needs. These initiatives were the:

- Ongoing and Reviewable Resourcing Schemes (ORRS);
- School High Health Needs Fund;
- Severe Behaviour Initiative; and
- Speech Language Initiative.

6.4 Our audit examined how the Ministry:

- determined the level of need for its support;
- provided guidance for parents/caregivers and schools about its services;
- assessed applications and referrals for support;
- allocated resources to support students; and
- monitored and reviewed how effective its support for students was.[9]

Our findings and recommendations

6.5 Our original finding was that the Ministry managed the four initiatives reasonably well. The Ministry was improving its business systems and its quality of service. However, we made recommendations to address:

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8 At the time of our report, this figure was about 20,500. The Ministry told us that this number has since increased to more than 30,000.

9 We did not audit support provided by "special schools". These are schools that provide support for children with high special educational needs in a day school or residential school setting, or as a satellite unit on the site of another school.

- the consistency of approach in providing guidance (to applicants and staff), assessing applications, and allocating resources;
- comprehensive understanding of the level of need for high-needs support;
- allocating resources fairly and equitably;
- the timeliness of delivering services for the Severe Behaviour Initiative and Speech Language Initiative; and
- effective and accurate gathering, aggregating, and analysing of information about the students receiving support (including about their progress) to help the Ministry to assess how effective its interventions are.

The Ministry of Education's response to our findings and recommendations

6.6   In our 2011 progress report, we noted that changes were to be made in delivering special education as a result of the Review of Special Education 2010 and the subsequent announcement by the Ministry and the Associate Minister of Education of the plan *Success for All – Every School, Every Child*.[10] Also, changes have been made since 2009 to resourcing, funding arrangements, and the structure of ORRS (now called the Ongoing Resourcing Scheme – ORS).

6.7   In our 2011 progress report, we also noted that the Ministry had made good progress in addressing most of our recommendations. The Ministry's consistency, timeliness, data integrity, and managing of staff capacity have continued to improve.

6.8   We consider that the improvements during the last few years have helped to make the Ministry's support for students with high special educational needs more timely, fair, and consistent. It is important that the Ministry continue its efforts to ensure that these children are identified, included, and supported to achieve as well as they can in their education. It is also important for the Ministry to continue to find ways to gather quality information so that it knows whether its interventions and support make a difference.

Understanding the need better

6.9   The Ministry has identified ways to better understand how much high needs support is required. In particular, the Ministry told us that it was communicating well with schools and communities where children in need of support may not always have been identified. The Ministry was doing this by partnering with non-governmental organisations, including iwi organisations, to deliver services under the Positive Behaviour for Learning initiative. The approach under Positive Behaviour for Learning is a systemic, wrap-around approach including school, whānau, and community. The Ministry told us that initial data gathered indicate

10   This report is available at www.minedu.govt.nz.

that it is a cost-effective model for providing support for children with challenging behaviour.

6.10   At the end of 2011, the Ministry set up a new framework for the Resource Teachers: Learning and Behaviour service.[11] This was to improve the consistency of service provided by Resource Teachers: Learning and Behaviour, through contracting with lead schools and improving management, professional leadership, and governance for Resource Teachers: Learning and Behaviour. The Ministry told us that the new structure is more collaborative, incorporating co-referral practices between the Ministry's Special Education practitioners and school-based Resource Teachers: Learning and Behaviour. Children can now be assessed at any point along the continuum of needs to determine the appropriate support that needs to be provided.

6.11   Information from Positive Behaviour for Learning partner organisations and from Resource Teachers: Learning and Behaviour assessments may enhance the Ministry's understanding about how much need there is so that it can plan appropriately for likely demand for its support. Importantly, it may help to ensure that the system identifies all children who need its support.

Improving consistency in guidance and delivering services

6.12   Improvements to guidance show that the Ministry has taken seriously our recommendations for improving help for prospective applicants and ensuring that this help is consistent. These improvements include:

- streamlining application processes for students with very high needs;
- better access to the ORS guidelines online, with collated information and forms on the Ministry's website by April 2012;
- in response to requests, a hard copy services and information folder for distributing through district offices;
- revised guidelines (including, for some criteria for eligibility, profiles of older children) to go online by April 2012; and
- education programmes for prospective applicants, to ensure that those applying are clear about what information to provide for the verifiers.

6.13   The Ministry told us of other measures that it is carrying out to ensure that services are delivered consistently. These measures are:

- a dedicated website with guidance and resources for educators (the Ministry is considering setting up another website focusing on behaviour);[12]

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11   The Resource Teachers: Learning and Behaviour service employs specialist teachers who support students with moderate special educational needs. These specialist teachers are employed by clusters of schools (managed by a "lead school") and often refer students with higher special educational needs to the Ministry.

12   SEOnline, seonline.tki.org.nz.

- a clear "service promise" leaflet given to all new clients that sets out what parents, educators, and others can expect of the Ministry's services, and monitoring performance against this promise through the annual client satisfaction survey and the ongoing service survey;
- a new system to gather, monitor, and report on feedback about services;
- an updated complaints process, including providing information to parents;
- a more efficient and effective complaints process for Ministry staff to follow to help resolve complaints and disputes between parents and schools;
- yearly sampling in every district to check the consistency of decision-making; and
- a national re-referral process for parents and educators.

Gathering and recording information better

6.14   We noted in our previous reports that, in some instances, a culture change among Ministry staff was needed to improve record-keeping and service delivery practices. The Ministry told us that district offices' efforts to ensure that standards of practice are observed meant that far fewer clients wait more than 90 days for service. Short-term contracting of specialist practitioners has helped to reduce waiting lists in some areas.

6.15   As noted in our previous reports, having sound information about its clients and services is important for strategic planning and ensuring that the Ministry meets needs as best it can. In our 2011 progress report, we noted that the Ministry was piloting new systems for gathering information about its clients and the way it delivers services, which it hoped to introduce nationally between 2011 and 2013.

6.16   The Ministry told us that the Case Management System for recording accurate case data has been piloted in five districts (three from the beginning of 2011 and two from October 2011). The reliability of the data is improving, and staff in these districts are gradually becoming adept at using the system. However, it is too early to determine the effects on efficiency. The remaining 11 districts will be brought on to the Case Management System progressively during the first six months of 2012.

6.17   The Ministry told us that the Goal Attainment Scaling pilots (for the Severe Behaviour Initiative and the Speech Language Initiative) worked well for cases with greater Ministry investment, but showed that this system for measuring outcomes is not cost-effective for cheaper interventions. The Ministry noted that it had put in place different evaluation frameworks for its Intensive Behaviour and Language programmes, and is considering other ways of measuring outcomes in less intensive cases.

Part 7
Ministry of Social Development: Changes to the case management of sickness and invalids' beneficiaries

Background

7.1 In 2007/08, the Ministry of Social Development (the Ministry) spent about $1.8 billion on sickness benefits and invalids' benefits. In December 2008, there were 83,501 people receiving an invalid's benefit and 50,896 people receiving a sickness benefit.

7.2 We carried out a performance audit to assure Parliament and the public that the Ministry – through its service delivery arm, Work and Income – was effectively managing sickness and invalids' beneficiaries.

The scope of our performance audit

7.3 Our performance audit focused on how the Ministry assessed a person's eligibility for a sickness or invalid's benefit following the Working New Zealand changes that were introduced in September 2007. Our audit was completed during the last quarter of 2008 and the first quarter of 2009. We also looked at how effectively the new approach to comprehensive case management helped sickness and invalids' beneficiaries into work or provided them with ongoing support and services.

Our recommendations

7.4 In October 2009, when we published our performance audit report, the planned changes had begun but were not being delivered consistently. Our report contained 18 recommendations, covering three main themes:

- working out eligibility for sickness and invalids' benefits – this included obtaining better quality information through the medical certificates, and using the regional health advisors and medical disability providers more effectively when assessing eligibility (especially for long-term and complex problems);

- comprehensive case management – this included more actively identifying and working with sickness and invalids' beneficiaries to provide work planning and employment-focused services if the information available suggested that they were ready to return to work; and

- monitoring the changes and evaluating how effective they were.

The Ministry of Social Development's response to our recommendations

7.5   In last year's progress report, we noted that a comprehensive package of reforms had been introduced since our 2009 report. The package is known as Future Focus.

7.6   The package has been introduced in two stages, with the first changes being implemented in September 2010. The medical certificate used for sickness and invalids' benefit applications was changed to collect more information about the person's capacity for work and to ensure that people received the right benefit for their circumstances.

7.7   On 1 May 2011, the second set of changes under Future Focus for sickness beneficiaries was introduced. These changes required:

- sickness beneficiaries to have an additional medical reassessment eight weeks after they start receiving the sickness benefit, so that Ministry staff can gather more relevant information about a person's progress and ability to re-enter the workforce;

- Ministry staff to carry out a compulsory review of all sickness beneficiaries who have received the benefit for longer than 12 months (when appropriate, this will include a second medical opinion);

- sickness beneficiaries who have been assessed as able to work part-time (15 to 29 hours a week) to look for suitable part-time work; and

- graduated sanctions (progressively reducing the amount of benefit paid) if sickness beneficiaries do not meet their obligations.

7.8   On 1 November 2011, the Government announced that New Zealand's welfare system would be reformed over the next three years. Under the reforms, three benefits (Jobseeker Support, Sole Parent Support, and Supported Living Payment) will replace all of the current main benefit payments (including the sickness and invalids' benefits). These reforms are to be progressively implemented from July 2012, and it is planned that all changes will be in place by late 2013.

7.9   The Ministry told us that the welfare reforms will include reshaping case management practice.

7.10 In this changing policy environment, we are not able to form a conclusion about progress in improving comprehensive case management of sickness and invalids' beneficiaries. We still consider that it is important that there is active case management through regular and effective contact with people who receive a benefit because of sickness. In her future work programme, the Auditor-General will look again at how cases are managed.

Publications by the Auditor-General

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

- Local government: Results of the 2010/11 audits
- Severance payments: A guide for the public sector
- Health sector: Results of the 2010/11 audits
- Central government: Results of the 2010/11 audits (Volume 2)
- New Zealand Blood Service: Managing the safety and supply of blood products
- Central government: Results of the 2010/11 audits (Volume 1)
- Education sector: Results of the 2010/11 audits
- Managing the implications of public private partnerships
- Cleanest public sector in the world: Keeping fraud at bay
- Annual Report 2010/11
- Transpower New Zealand Limited: Managing risks to transmission assets
- The Treasury: Implementing and managing the Crown Retail Deposit Guarantee Scheme
- Managing freshwater quality: Challenges for regional councils
- Local government: Improving the usefulness of annual reports
- New Zealand Transport Agency: Delivering maintenance and renewal work on the state highway network
- Government planning and support for housing on Māori land
- Inquiry into the use of parliamentary travel entitlements by Mr and Mrs Wong
- The Emissions Trading Scheme – summary information for public entities and auditors
- Planning to meet the forecast demand for drinking water in Auckland
- Appointing public sector auditors and setting audit fees

Website
All these reports, and many of our earlier reports, are available in HTML and PDF format on our website – www.oag.govt.nz. Most of them can also be obtained in hard copy on request – reports@oag.govt.nz.

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