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## The Auditor- General's strategic intentions 2014/15 to 2017/18

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# The Auditor- General's strategic intentions 2014/15 to 2017/18

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## Statement of responsibility

I am pleased to present my Office's strategic intentions for 2014/15 to 2017/18, a document that will guide us for the balance of my term as Auditor-General and one year beyond.

I am committed to ensuring that, during the next four years, my Office is strongly positioned to continue promoting transparency and accountability, and to play an important role in influencing and promoting lasting improvements in the public sector's performance.

All of our planning and implementation documents will be aligned to these strategic intentions, including our multi-year themed work programme, and our annual plan.

I acknowledge that I am responsible for the information in *The Auditor-General's strategic intentions 2014/15 to 2017/18*.

A handwritten signature in black ink, appearing to read 'Lyn Provost', written in a cursive style.

Lyn Provost  
Controller and Auditor-General

23 June 2014

## How we are funded

Our Office is funded through Vote Audit, which has two output appropriations – *Statutory Auditor Function* and *Audit and Assurance Services*.

The appropriation for Statutory Auditor Function is largely Crown-funded at about \$9 million a year, and includes two classes of outputs: *Performance Audits and Inquiries* and *Supporting Accountability to Parliament*.

The Audit and Assurance Services appropriation covers carrying out audits and related assurance services as required or authorised by statute. This appropriation is largely funded by audit fees collected directly from public entities. These fees are expected to total between \$70 million and \$80 million a year in the next four financial years. We have established a memorandum account for the Audit and Assurance Services appropriation to enable us to keep audit fees at the lowest possible level over time.

The Auditor-General's and Deputy Auditor-General's salaries are funded under permanent legislative authority, in accordance with determinations of the Remuneration Authority.

## Introduction

The *Auditor-General's strategic intentions 2014/15 to 2017/18* (our Strategic Intentions) sets out the outcomes we seek, and the four strategic objectives we will focus on, during the next four years. The strategic objectives are not mutually exclusive, and they are ambitious. They are intended to strengthen our contribution to improvement in the public sector.

## Our role

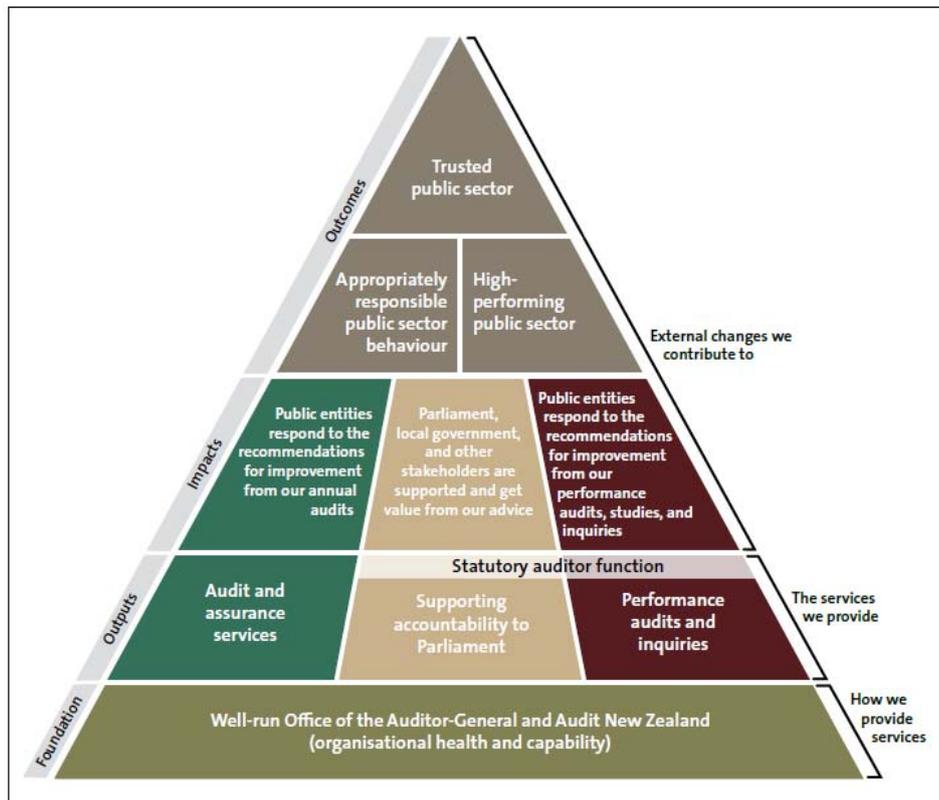
The Auditor-General is an Officer of Parliament who carries out her role independently from executive government and Parliament, but is accountable to Parliament for the public resources she uses to do her job.

By law, the Auditor-General is the auditor of all public entities in New Zealand – a total of about 3800 entities. Public entities are accountable for how they use public resources and powers. It is the Auditor-General's job to give independent assurance to Parliament and the public about how public entities account for their performance.

## Our vision

Our Office's vision is that our work improves the performance of, and the public's trust in, the public sector. No other organisation, public or private, has the overview of the whole public sector that we have, which puts us in a unique position to help improve its performance.

**Figure 1**  
Outcomes framework



Everything we do is directed to ensure that New Zealand has a public sector that is trusted, demonstrates responsible behaviour, and is high-performing. These are the outcomes we seek and are shown at the top of our outcomes framework diagram. How we intend to work towards these outcomes during the next four years is outlined in the rest of this document.

## The environment in which we work

Our four strategic objectives are set within a context of ongoing change. Social, economic, and environmental changes throughout the world continue to reshape New Zealand's environment and influence how we respond.

The New Zealand public sector is working towards improving its service delivery and capability, and within the funding available.

During the next four years, we expect the public sector landscape to include expanding use of technology to deliver services and communicate with citizens. We also expect to see further mergers, amalgamations and restructures. The emphasis on collaboration and shared services, including co-operation with private and non-governmental sector organisations to deliver services, is likely to continue.

Legislation and financial reporting standards have significantly changed accountability requirements, and these are being embedded in the public sector's business.

As new arrangements and ways of delivering services are implemented, these changes can put management and financial control environments at increased risk. In this context, it is more important than ever that those in positions of responsibility govern and manage public expenditure well.

In other parts of the public sector the effects of significant change and events are still being realised. Rebuilding earthquake-damaged Canterbury has long-term implications for people's lives as well as the economy. In Auckland, the amalgamation of eight local authorities into one has created new challenges and opportunities for the people of Auckland and the country as a whole.

## How our strategic intentions will focus our work

Just as change has brought challenges and opportunities for the public sector, it has done the same for us as the public sector's auditor. We are using our long tradition of understanding New Zealand's public entities to assess the risks that change can bring. We know the importance of anticipating, preparing for, and planning for change.

Our intention is to position our Office to influence the challenges and opportunities that the next four years bring. We have developed four strategic objectives to take us through to 2017/18. They reflect the outcomes we seek and the changing environment in which we work.

### Our strategic objectives for 2014/15 to 2017/18

Our strategic objectives are to:

1. contribute to a stronger public sector;
2. lead by example as a model organisation;
3. demonstrate our relevance to citizens as stakeholders; and
4. position our Office for the future.

To achieve these objectives, we will need to be smarter in the way we prioritise, organise, and carry out our work. We will strive to be valued, agile, timely and connected.

The four objectives are not of equal weighting. We will continue to devote most of our effort to the first objective, which is the primary purpose of all of our work. The second objective, the performance of our own organisation, is also of major importance. The third and fourth objectives are new areas of focus. Although we do not envisage that they will consume much of our resources, we believe that developing those areas will significantly enhance the performance of our Office in the future.

In the pages that follow, we describe each strategic objective, explain what we intend to achieve, and set out how we will do this during the next four years.

## **Strategic objective 1: Contribute to a stronger public sector**

### **We intend to help strengthen accountability, integrity, and transparency in the public sector.**

Our work gives us direct interaction with and insight into how the public sector is operating and adapting. As well as having direct contact with every public entity each year, we also have an independent reporting role protected by law. We can help strengthen the public sector by using our powers of reporting, and our interaction within and outside the public sector, on matters such as governance, accountability, financial sustainability, and capability.

### **What will we be doing to achieve this?**

Our focus on strengthening the public sector will see us do our core business more effectively and efficiently. We will carry out timely and insightful audits, and provide succinct and direct reporting to Parliament and public entities.

In response to the strong demand for our advice and support to Parliament, we will maintain our support for Committees' financial reviews and examinations of Estimates of Appropriation. We will continue to support accountability bodies and standard-setters, such as central agencies, the External Reporting Board, and Transparency International.

We will continue preparing our auditors to effectively and efficiently implement the changed accounting standards and legislative requirements. We will continue to actively manage our stakeholder relationships, including a regular schedule of relationship visits by senior management.

While we focus on our core business, we intend to do more to:

- better assess our stakeholders' expectations, risks, and needs in relation to our work;
- actively explain and promote the importance of strong governance, accountability, and transparency in the public sector;
- improve the clarity, timeliness of, and insight provided by all levels of our reporting;
- pursue a better understanding of the effect of law changes on our work;
- turn audit knowledge into advice and use it to share examples of good practice to help decision-makers make good quality decisions;

- build public sector capability – for example, by:
  - supporting/advising people on public entities' audit and risk committees;
  - providing advice to public sector governors; and
- reviewing our approach to auditing small public entities.

**How will we demonstrate our progress?**

We will know we are making progress towards achieving a stronger public sector when we see an increase in public entities responding to and acting on our recommendations.

We will also assess Parliament and public entities' confidence in our work to strengthen the public sector. We will know that our work, and that of others, is having the desired impact by tracking New Zealand's ratings in the worldwide governance indicators and the Transparency International Corruption Perceptions Index. We will use the State Services Commission's Kiwis Count survey to assess New Zealanders' trust in public services, and the quality of those services.

We will use information we gather in the course of our work to make an assessment about improvements in public sector behaviour in the area of accountability for public resources. The State Services Commission's Integrity and Conduct survey will also provide us with information about aspects of public sector behaviour.

We have specific measures and performance targets relating to our work in this area. These can be found in the 2014/15 Budget's Estimates documentation for Vote Audit.

## Strategic objective 2: Lead by example as a model organisation

### **We intend to be agile, adapt to change and lead by example as individuals and as an organisation.**

Staying the same or standing still is not an option for our Office. We know that, in our changing public sector environment, auditing and the role of the auditor are likely to change. International trends, such as rapid advances in technology, are also changing expectations among end-users of audit and assurance information. Our ability to be agile and adapt to change in ways that are productive and cost-effective is essential.

During the next four years, we will focus our skills and creativity to ensure that we are ready for, and continue to play a role in, New Zealand's future. We are an internationally respected audit institution, and we aspire to be even better. We want to lead by example as individuals and as an organisation. We will each take responsibility for building our own personal capability and contributing to our Office's capability, and we will take responsibility for providing staff with a great place to work.

### **What will we be doing to achieve this?**

It is vital that we preserve the strong systems we already have, to maintain our independence and strong ethical base and to address the risks to our work. We will continue to engage high-quality auditors and support them with a sound professional development programme. We place high importance on quality internal communications, continued development of good practice management systems, and being open to review of our processes and practices.

We are committed to an organisational culture where our people are supported and have the capability and opportunity to do their best work. We want to attract and appoint people who have the appropriate skills, values, and attributes to meet our Office's needs and strategic direction. We will recruit in a manner that supports the principles and practices of equal employment opportunities to ensure that we get the best people to do the work.

We intend to continue to lead and participate in discussions within the international and New Zealand auditing professions to ensure that we continue to have an influence, and are able to adapt to changes in the profession.

We have introduced a multi-year work programme for improved resource allocation and planning, and we will continue our theme-based approach to get the greatest effect from our work.

During the next four years, we intend to do more to:

- ensure that we have the right information systems, tools, and processes to support our work, and that we use them to their full extent;
- develop our capability to keep pace with and use new technology and communications tools and channels well (including mobile devices, audio, audio-visual, and social media);
- benchmark and look for opportunities to enhance our main activities and improve our effectiveness and efficiency;
- continuously improve the quality and timeliness of all our work; and
- improve our project management and reporting disciplines.

**How will we demonstrate our progress?**

We will know we are making progress towards being a model organisation when we see that our staff have the capability needed to do their best work, and that our staff engagement is among the highest in the public sector. We will benchmark ourselves, look for opportunities to enhance our main activities and improve our effectiveness and efficiency, and seek feedback from our international colleagues.

Regular staff, client, and stakeholder surveys and periodic peer review will also track our progress towards this objective.

### **Strategic objective 3: Demonstrate our relevance to citizens as stakeholders**

**We intend to demonstrate our relevance by taking account of the views of people who use public services as we go about our work.**

We place high importance on relationships with all of our stakeholders: Parliament, public entities, elected and appointed governors, standard-setters, professional organisations, and our own staff.

We want to increase our focus on citizens as our stakeholders. During the next four years, we intend to better include those who use public services. This may lead to more direct engagement with citizens as we work to better understand and draw attention to aspects of public sector spending, management, service delivery, and performance, to support improvements in the public sector and make a difference to the lives of citizens.

#### **What will we be doing to achieve this?**

Communication is vital to demonstrating our relevance. We place high importance on clear public reporting and following up on our recommendations to public entities to get action in response to our reports. Through our reports and communication, we will continue to encourage the right debates about what we find as auditors, and we intend to better equip our staff to do this. We want to increase the range of ways in which we report. We anticipate social media will become increasingly important as one of our communication channels.

During the next four years, we intend to do more to:

- design and implement a broader engagement model for our dealings with citizens and other stakeholders;
- put more focus on using a range of communication channels to provide insightful and timely reporting;
- make audited accountability information more easily accessible for public use;
- use our significant contribution to the international auditing community to promote improvement opportunities; and
- explore approaches and tools for auditing cross-agency outcomes of importance to New Zealanders.

**How will we demonstrate our progress?**

We want to see our work reach more citizens, and to have the value of our work acknowledged by Parliament, the public, and others. We will use online public and media surveys, as well as stakeholder and client surveys, to track our progress towards demonstrating our relevance to citizens and other stakeholders.

We will seek wider public input as we plan our annual work programmes, so that our work continues to be relevant and timely.

We have specific measures and performance targets for our stakeholders' views on our work. These can be found in the 2014/15 Budget's Estimates documentation for Vote Audit.

## **Strategic objective 4: Position our Office for the future**

### **We intend to address fundamental questions and issues about, and explore options for, the future of auditing and accountability in the public sector.**

Our relevance and strength as an audit institution, and potentially New Zealand's good reputation for transparency and accountability, will depend on how well we anticipate, prepare for, and respond to the changes around us.

There is a growing expectation gap between what people think a public sector auditor does and what we actually do. Public sector auditing provides assurance in an environment where there are many complex and inter-related issues. We expect that this environment will become even more complex and create even higher expectations of auditors. We will focus on narrowing this expectation gap to ensure that the role of the public sector auditor is better understood by our key stakeholders.

In the next four years, we intend to examine what auditing will look like in the future and take steps to clarify expectations, so that we are strongly positioned to continue our support to Parliament.

### **What will we be doing to achieve this?**

We place high importance on keeping ourselves informed about, and able to influence, developments in auditing and accountability, through our contribution to the international auditing community, and our collaborative work with other auditors. We will continue the contribution we make from a public sector perspective to the External Reporting Board and other standard-setters internationally and relevant professional bodies. We know that our contribution to relevant legislative and administrative changes is valued.

We will continue the significant contribution we make to the international auditing community through sharing our skills, knowledge, and expertise with other audit bodies throughout the world, and in particular within the Pacific region. We will maintain our role as Secretary-General of the Pacific Association of Supreme Audit Institutions (PASAI), and the Auditor-General will continue to represent PASAI on the governing board of the International Organisation of Supreme Audit Institutions (INTOSAI). We will continue to take part in international auditing conferences, be involved in peer reviews of other audit organisations and host international visitors.

During the next four years, we intend to plan and test a range of "change scenarios" to improve public sector auditing. This may include identifying,

discovering, or inventing alternative methods and tools. For example, we intend to explore how best to encourage and promote financial sustainability and integrated reporting in the public sector.

**How will we demonstrate our progress?**

We will know we are making progress towards positioning ourselves for the future when we see that we are valued for the contribution and insight we bring to developments in auditing and accounting practices both in New Zealand and internationally. We will also use feedback on our international reputation, and from the External Reporting Board, other standard-setters internationally, and relevant professional bodies, to help track our progress.

## Conclusion

We are a relatively small organisation with a vital role to play in influencing and promoting lasting improvements in the public sector's performance. We are fortunate to have an organisation of talented, committed, and hard-working staff and appointed auditors from the private sector to implement the strategic objectives described in *The Auditor-General's strategic intentions 2014/15 to 2017/18*.

We are confident that, in our current operating environment, we have a clear direction and focus for the next four years, so that our Office can contribute even more to improving the performance of, and the public's trust in, the public sector.

# Publications by the Auditor-General

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

- Annual Plan 2014/15
- Setting up Central Agencies Shared Services
- Home-based support services for older people
- After-hours services
- Watercare Services Limited: Review of service performance
- Local government: Results of the 2012/13 audits
- Inquiry into the Plumbers, Gasfitters, and Drainlayers Board: Follow-up report
- Reflections from our audits: *Our future needs – is the public sector ready?*
- Health sector: Results of the 2012/13 audits
- Schools: Results of the 2012 audits
- New Zealand Customs Service: Managing Trade Assurance capability risks
- Central government: Results of the 2012/13 audits (Volume 2)
- Additional work on Solid Energy New Zealand Limited
- Inquiry into property investments by Delta Utility Services Limited at Luggate and Jacks Point
- The Auditor-General's Auditing Standards 2014
- The Treasury: Learning from managing the Crown Retail Deposit Guarantee Scheme
- Department of Internal Affairs and grants administration

## Website

All these reports, and many of our earlier reports, are available in HTML and PDF format on our website – [www.oag.govt.nz](http://www.oag.govt.nz). Most of them can also be obtained in hard copy on request – [reports@oag.govt.nz](mailto:reports@oag.govt.nz).

## Notification of new reports

We offer facilities on our website for people to be notified when new reports and public statements are added to the website. The home page has links to our RSS feed, Twitter account, Facebook page, and email subscribers service.

## Sustainable publishing

The Office of the Auditor-General has a policy of sustainable publishing practices. This report is printed on environmentally responsible paper stocks manufactured under the environmental management system standard AS/NZS ISO 14001:2004 using Elemental Chlorine Free (ECF) pulp sourced from sustainable well-managed forests. Processes for manufacture include use of vegetable-based inks and water-based sealants, with disposal and/or recycling of waste materials according to best business practices.

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