

31 May 2019

The Office of the Auditor General

Attention Margaret Graham

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Re: IIA NZ Feedback on the OAG Draft Annual Plan 2019 – 20

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 specific assurance related feedback that we hope is helpful to you in finalising your plan.

Section 3, Part 1 – Theme-based work

Views about the coverage and value of the proposed second-year programme of procurement work in 2019/20

It would be beneficial to understand why those reviews proposed in the second-year programme have been selected and an indication as to why these are prioritised as the highest risk items for OAG to review?

Views about the topics proposed for 2020/21, and about priorities for our procurement work

The Provincial Growth Fund and the work by Housing NZ should align to ensure houses are being planned for areas where provincial investment is being made. It would be beneficial to see if this is clear from the longer term strategies for both, and also how this links to planning for supporting infrastructure.

There is some alignment across the plan (Provincial Growth Fund and performance measurement) which could come through more strongly, and the output of this work could provide some strong messages to support areas of interest like Governance, Conflicts of Interest, Integrity and Ethics;

Substantial resource is being devoted to Defence procurement. Could it be covered in a different way to free resources for other work?

Views about the value of the proposed work in 2019/20 on improving the lives of New Zealanders

There are only two areas for review in 2019/20, compared with 11 for Procurement. Is this the correct mix and emphasis given current government priorities?

Section 3, Part 2 – Issues of ongoing interest

Views about topics for us to consider for examination as part of our work on ethics and integrity, local government risk management, and Auckland Council (review of service performance).

It is very encouraging that the OAG has a strong interest in integrity and ethics. Ethics and integrity are a useful anchor for all sorts of related topics including conflicts of interest. Interesting to note that the underlying causes of public sector frauds referred to as a concern in the Transparency International ranking decline are not noted as specifically influencing OAG review work or the focus for updating guidance information.

Integrity and ethics could come through in the plan more strongly within section 3. It gets no mention in the themes work but could/should be a significant consideration of procurement activity and audit work more generally. A focus on Tone at the Top is an area that internal audit contributes as part of the control

framework mandate. Ethics and integrity reviews as well as having responsibility to ensure that the design of work to include 'alerts to fraud' can be an important part of any organisation's assurance.

The subject of ethics and integrity focuses on fraud and corruption. This could be widened to encompass ethics and integrity in a more day to day sense about how we do business. There are improvements to be made in business practice, i.e. in the understanding and management of conflicts of interest, before we address issues as serious as fraud and corruption. Conflict of interests continue to be an area where governance and management struggle to appropriately address and resolve these situations.

The risk management work in local government is likely to resonate across the wider public sector, so there is potential for much wider learning.

Learnings from the IRD Transformation – it would be good to highlight and share good practice (should any be highlighted). Comparisons of other large transformation programmes – for example, ACC, Immigration, Customs, MSD would also serve as useful reference comparisons – either now or in future periods.

Views about other issues for us to consider in future

Some potential reviews to consider in future:

- Delivery of the Fees Free programme.
- Lessons learned from financial management of Institutes of Technology and Polytechnics.

Section 3, Part 4 – Sharing good practice

Views on areas for us to consider, focusing on sharing good practice

This section is vague, and only really says that you will update the 2007 conflict of interest guidance. The SSC has also refreshed this information recently, so will the OAG be considering this update in its work? There is potential to work with the SSC to educate those in senior roles about conflicts, a joint approach and alignment may have more weight.

We encourage you to update current guidance on conflicts of interest (noting it is from 2007) and consider providing additional guidance in areas not addressed, or areas where guidance – while still relevant, is often dated.

It would be good to see some examples of the guidance that you plan to update. This could be linked to the priorities outlined in your proposed programmes of work.

Section 3, Part 4 – Sharing good practice

Views on areas for us to consider focusing on influencing improvements to the public sector accountability system

Ideas to consider:

- The impact performance reporting is having on service delivery improvement.
- Effectiveness of Governance Boards/Audit Committees. What does good/really good look like? Where are areas where governance has not performed well as it might have and what's the underlying themes for these inadequacies?

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.