



INTOSAI Working Group on Environmental Auditing – New Zealand paper on improving audit impact

BACKGROUND

In recent years we have used a multi-year approach to preparing our work programme. This enables us to look at themes and trends and comment more strategically about the challenges faced by the public sector. Consequently, we have not undertaken any major environmental audits since Biodiversity (2012), and Biosecurity (2013). However, we followed-up progress on both of these reports in 2015.

In 2015 our theme was “Governance and Accountability” and we chose to do special study into co-governance arrangements in the environmental sector. We did the work as a study rather than a performance audit. Many of the arrangements are quite recent and it is too soon to evaluate their effectiveness in managing or improving natural resources.

Co-governance is an evolving area in New Zealand, although such arrangements may become increasingly commonplace to meet the challenges of sustainable development. In New Zealand, most arrangements arise from negotiations between the Crown and indigenous people. These agreements provide some redress for historical grievances, and recognise indigenous interests in natural resources. The study identifies what works well and what does not, and sets out principles that would be useful to those setting up and using these arrangements in the future.

Because we have not undertaken any performance audits on environmental topics recently, we have focused this paper on what our office is trying to do to increase our impact more broadly. This paper discusses why our office chose to move to a longer-term work programme to increase the impact of our work. We are in the fortunate position of being able to do between 16 and 20 major pieces of work in a financial year. However, we think that some of the approach described here is scalable for smaller audit offices.

METHODOLOGY

Before we adopted our theme-based approach, we delivered a disparate range of performance audits and other products in any one financial year.

We knew that we were not harnessing the cumulative knowledge of our people, including our financial auditors.

In combination, this meant we underused our unique vantage point that lets us look across all public sector entities. We felt that there was a strong reason for us to be a better information broker on bigger picture matters of importance to New Zealanders. We decided to design our

work programme to bring together insights into common issues, good practice examples and to provide a stimulus for improvement.

Since 2012/13 we have grouped the work of our office (including performance audits) under themes. Our themes in the first five years were:

- 2012/13 Our future needs – is the public sector ready?
- 2013/14 Service delivery
- 2014/15 Governance and accountability
- 2015/16 Investment and asset management
- 2016/17 Information

Each year, we review the multi-year work programme, adjusting as necessary to reflect significant changes in the public sector, emerging issues and trends. We keep a focus on the longer-term, adding a further year to the programme each year. We have just reconfirmed our intent to focus on Water in 2017/18. Our current plan is to use Sustainable Development as our focus in 2018/19. Both of those topics will involve a stronger environmental focus than our themes to date.

At the start of each annual cycle, sector scans and workshops bring together the hard facts, knowledge and intelligence from across our work. For the first time this year, we also commissioned a social research agency to get the citizen perspective on our theme.

The workshops help us to identify cross-cutting issues across sectors, and begin to set priorities.

We then scope the potential topics. Topic sponsors share the preliminary investigations at a further cross-office workshop, where we test and refine the proposed interventions.

At this stage, we have started to think about what we might expect to comment on in a *Reflections* overview report on our theme – and testing whether the topics stack up to give us good coverage.

A *Reflections* report provides a themed summary of work across the Office (including annual audits, inquiries, parliamentary reports, briefings to select committees and our research agenda). The aim is that the *Reflections* reports give us added lift from individual pieces of work on a common theme, and helps us recognise our potential as an information broker and improvement stimulator.

IMPACT AND RESULTS

External impacts

Our *Reflections* reports have been well received. Our latest one, on Governance and Accountability, is on its third print run. The interest in these reports is from a much broader stakeholder base than our traditional reports to Parliament, and confirms the value of short reports in terms of impact.

We use our *Reflections* reports to engage directly with citizens at formal speaking events, and in other informal settings. Our “Staff as Ambassadors” project supports staff to understand the important messages as a way to engage with citizens – be they official groups, friends, or family.

We are also using short video presentations to summarise the reports we publish, and other communication methods such as staff blogs.

The added benefit of a five-year work programme is that at any point, entities know we are giving exposure to three themes. The three themes will be the earlier year's theme in our "reflections" work, delivery of the current year's theme and planning for the next. Signposting the two outlying years also appears (anecdotally) to promote entities to improve ahead of our audit work.

Internal impacts

SYNERGY WITH OUR APPOINTED AUDITORS

The five-year work programme cycle enables us to signpost to appointed auditors at an early stage what we require of them before they plan annual audit. The annual audit briefs are the primary means for communicating our expectations for the annual audit of entities in the public sector. The audit briefs ask appointed auditors to be alert to matters relevant to the theme areas that we have signalled in the multi-year work programme, and to share relevant intelligence with the relevant sector manager.

For example, the 2015/16 audit brief asked auditors to provide examples of entities' use of information to include in our *Information* overview report. We also used this information to build a collection of case studies that OAG staff and Appointed Auditors can access to share with their entities.

USE OF RESOURCES

The annual update of the work programme gives an early opportunity for our Leadership Team to rank topics, for example on significance, risk, level of interest in performance, value and impact, and financial materiality.

We are then able to testing against business unit capacity to deliver the programme. This means we are beginning to get better at managing workflow to avoid bottlenecks, but we are not there yet.

We can work proactively to build knowledge and capability to support delivery before the theme year. For example, planning this far ahead enables us to identify where we might need external expertise, or where we might need to create an up skilling programme for our staff.

CHALLENGES AND BARRIERS

It has been challenging to move from a focus on entities to a focus on themes. For example, traditional expectations may have been that we would deliver one education report, one health report and one justice report every year within the total programme of work. Apart from that, the change has introduced more opportunities than barriers.

We think the five year work program approach could be used for environmental audit topics to increase impact.

LESSONS LEARNED

1. The first year was more difficult. For example, we did not have a clear view at the beginning about what "Our Future Needs – is the public sector ready?" would look

like. This meant it was hard stitching together the individual products into a coherent *Reflections* report. It takes two cycles to switch properly from annual planning to five-year planning.

2. Important work does not have to be side-lined because it doesn't match the theme.
3. Being inclusive of all staff and creating opportunities for dialogue builds understanding. This increases buy-in to the work plan, which in turn increases impact.
4. There is value in having a method that encourages you to look ahead.
5. Concentrating limited resources in one year can lead to more impact than spreading those resources thinly across five years.