

# *Forecast Financial Statements*

## *Controller and Auditor- General*

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## Statement of Forecast Comprehensive Income for the year ending 30 June 2014

	Note	2011/12	2012/13		2013/14
		Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Income</b>					
Crown		10,045	10,045	10,080	10,080
Department(s)		9,202	10,175	8,744	8,574
Other revenue	1	62,560	58,918	60,168	59,815
Gains		56	-	-	-
Interest		-	-	-	-
<b>Total Income</b>		<b>81,863</b>	<b>79,138</b>	<b>78,992</b>	<b>78,469</b>
<b>Expenses</b>					
Personnel		37,559	36,989	37,573	37,723
Operating	2	41,685	40,579	39,516	38,924
Depreciation and amortisation		886	1,204	1,057	1,324
Capital charge		322	366	366	498
Finance costs		-	-	-	-
Other		(38)	-	-	-
<b>Total Expenses</b>		<b>80,414</b>	<b>79,138</b>	<b>78,512</b>	<b>78,469</b>
<b>Net Surplus / (Deficit)</b>		<b>1,449</b>	<b>-</b>	<b>480</b>	<b>-</b>
Other comprehensive income		-	-	-	-
<b>Total Comprehensive Income</b>		<b>1,449</b>	<b>-</b>	<b>480</b>	<b>-</b>

## Statement of Forecast Changes in Taxpayers' Funds for the year ending 30 June 2014

	Note	2011/12	2012/13		2013/14
		Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Balance at 1 July</b>					
General funds		4,021	4,021	4,021	6,221
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
<b>Taxpayers' Funds Opening Balance</b>		4,021	4,021	4,021	6,221
<b>Changes in Taxpayers' Funds</b>					
Comprehensive income for the period		1,449	-	480	-
Repayment of surplus		(1,449)	-	(480)	-
Capital contribution		-	2,200	2,200	-
Capital withdrawal		-	-	-	-
Other		-	-	-	-
<b>Total Changes in Taxpayers' Funds</b>		-	2,200	2,200	-
<b>Balance at 30 June</b>					
General funds		4,021	6,221	6,221	6,221
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
<b>Taxpayers' Funds Closing Balance</b>		4,021	6,221	6,221	6,221

## Forecast Statement of Financial Position as at 30 June 2014

	Note	2011/12	2012/13		2013/14
		Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents		5,481	2,394	4,533	4,515
Debtors and other receivables		6,750	5,794	5,650	5,650
Prepayments		841	185	400	400
Inventories		1,207	1,800	1,200	1,200
Other current assets		-	-	-	-
<b>Total Current Assets</b>		<b>14,279</b>	<b>10,173</b>	<b>11,783</b>	<b>11,765</b>
<b>Non-current Assets</b>					
Property, plant and equipment		1,593	4,692	4,765	4,411
Intangible assets		659	1,108	1,108	907
Other non-current assets		-	-	-	-
<b>Total Non-current Assets</b>		<b>2,252</b>	<b>5,800</b>	<b>5,873</b>	<b>5,318</b>
<b>Total Assets</b>		<b>16,531</b>	<b>15,973</b>	<b>17,656</b>	<b>17,083</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Creditors and other payables		3,018	3,007	2,940	2,739
Repayment of surplus		1,450	-	480	-
Employee entitlements		4,724	3,994	4,818	4,914
Other current liabilities		2,750	2,154	2,600	2,600
<b>Total Current Liabilities</b>		<b>11,942</b>	<b>9,155</b>	<b>10,838</b>	<b>10,253</b>
<b>Non-current Liabilities</b>					
Provisions		-	-	-	-
Employee entitlements		568	597	597	609
Other non-current liabilities		-	-	-	-
<b>Total Non-current Liabilities</b>		<b>568</b>	<b>597</b>	<b>597</b>	<b>609</b>
<b>Total Liabilities</b>		<b>12,510</b>	<b>9,752</b>	<b>11,435</b>	<b>10,862</b>
<b>Taxpayers' Funds</b>					
General funds		4,021	6,221	6,221	6,221
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
<b>Total Taxpayers' Funds</b>		<b>4,021</b>	<b>6,221</b>	<b>6,221</b>	<b>6,221</b>
<b>Total Liabilities and Taxpayers' Funds</b>		<b>16,531</b>	<b>15,973</b>	<b>17,656</b>	<b>17,083</b>

## Statement of Forecast Cash Flows for the year ending 30 June 2014

	Note	2011/12	2012/13		2013/14
		Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Cash Flows from Operating Activities</b>					
<b>Receipts from:</b>					
Crown		10,045	10,045	10,080	10,080
Department(s)		7,998	8,078	7,331	7,075
Other		34,226	32,298	33,438	32,270
Interest		-	-	-	-
<b>Payments to:</b>					
Suppliers		(6,393)	(7,455)	(10,428)	(10,084)
Employees		(36,615)	(36,878)	(37,479)	(37,629)
Capital charge		(314)	(366)	(366)	(498)
Goods and services tax (net)		(5,851)	(4,119)	102	-
Other operating activities		-	-	-	-
<b>Net Cash from Operating Activities</b>	3	3,096	1,603	2,678	1,214
<b>Cash Flow from Investing Activities</b>					
<b>Receipts from:</b>					
Sale of property, plant and equipment		172	43	43	65
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
<b>Purchase of:</b>					
Property, plant and equipment		(953)	(4,144)	(3,921)	(617)
Intangible assets		(201)	(250)	(498)	(200)
Other non-current assets		-	-	-	-
<b>Net Cash from Investing Activities</b>		(982)	(4,351)	(4,376)	(752)
<b>Cash Flow from Financing Activities</b>					
Capital contribution		-	2,200	2,200	-
Other financing cash inflows		-	-	-	-
Repayment of surplus		(916)	(864)	(1,450)	(480)
Capital withdrawal		-	-	-	-
Other financing cash outflows		-	-	-	-
<b>Net Cash from Financing Activities</b>		(916)	1,336	750	(480)
<b>Net Increase / (Decrease) in Cash</b>		1,198	(1,412)	(948)	(18)
Cash at the beginning of the year		4,283	3,806	5,481	4,533
<b>Cash at the end of the year</b>		5,481	2,394	4,533	4,515

## Statement of Significant Assumptions

The forecast financial statements have been compiled on the basis of existing Government policies and after the Controller and Auditor-General consulted with the Speaker and the Officers of Parliament Committee. The main assumptions are that:

- the Controller and Auditor-General's portfolio of entities will remain substantially the same as for the previous year
- the Controller and Auditor-General will continue to deliver the range of products currently provided and will also be in a position to deliver new products, or existing products in new ways, to cope with changing demands
- the scale of annual audits will remain substantially the same. Audits of local authorities' long-term plans will not be carried out in 2013/14
- the balance of activity associated with inquiries and with advice to Parliament and others will continue to vary because of increases in demand and the effects of the Public Audit Act 2001, and
- the Controller and Auditor-General will continue to use audit expertise from both Audit New Zealand and private sector accounting firms.

These assumptions are adopted as at 22 March 2013.

## Statement of Entity-Specific Accounting Policies

The Controller and Auditor-General has applied the accounting policies set out in Statement of Accounting Policies Standard included in this document, except as stated below.

### Reporting Entity

These are the prospective financial statements of Controller and Auditor-General, prepared in accordance with section sections 38, 41(1), and 45G of the Public Finance Act 1989.

The Controller and Controller and Auditor-General is a corporation sole established by section 10(1) of the Public Audit Act 2001, and is an Office of Parliament for the purpose of the Public Finance Act 1989. For the purposes of financial reporting Controller and Auditor-General is a public benefit entity.

### Authorisation Statement

These forecast financial statements were authorised for issue by Lyn Provost, Controller and Auditor-General on 5 April 2013. The Controller and Auditor-General is responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosure.

### Specific Accounting Policies

#### *Income*

Income is measured at the fair value of the consideration received. Income is derived mainly from the Crown for outputs provided to Parliament, from audit fees for the audit of public entities' financial statements, and from other assurance work carried out by Audit New Zealand at the request of public entities.

## **Crown Funding**

Revenue earned from the supply of outputs to the Crown is recognised as revenue when earned.

### **Fee revenue generated by the Office for audits and other assurance work**

Fee revenue is recognised when earned, by reference to the stage of completion of audit and other assurance work, if the outcome can be estimated reliably. Revenue accrues as the audit activity progresses by reference to the value of work performed, and as direct expenses that can be recovered are incurred. If the outcome of an audit cannot be estimated reliably, revenue is recognised only to the extent of the direct costs incurred in respect of the work performed. If there are significant uncertainties regarding recovery, or if recovery is contingent on events outside our control, no revenue is recognised.

### **Fee revenue generated by contracted audit service providers for audits**

Fee revenue generated by contracted audit service providers for audits of public entities is also recognised as the work progresses, based on advice from the contracted audit service providers. Contracted audit service providers invoice and collect audit fees directly from public entities.

## *Expenditure*

### **Expenses of audit service providers**

Fees for audits of public entities carried out by contracted audit service providers are recognised as the work progresses, based on advice from the contracted audit service providers. Contracted audit service providers invoice and collect audit fees directly from public entities.

## *Work in Progress*

Work in progress is stated at estimated realisable value, after providing for non-recoverable amounts. Work in progress represents unbilled revenue.

## *Plant and Equipment*

Individual assets, or group of assets, are capitalised if their cost is greater than \$1,000.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- Furniture and fittings 4 years (25%)
- Office equipment 2.5 - 5 years (20% - 40%)
- IT hardware 2.5 - 5 years (20% - 40%)
- Motor vehicles 3 - 5 years (20% - 33%).

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

### *Output Cost Allocation*

The Office has determined the cost of outputs using allocations as outlined below.

Direct costs are those costs directly attributable to a single output.

Direct costs that can readily be identified with a single output are assigned directly to the relevant output class. For example, the cost of audits carried out by contracted audit service providers is charged directly to output class: Audit and assurance services.

Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output. These costs include: corporate services costs; variable costs such as travel; and operating overheads such as property costs, depreciation, and capital charges.

Indirect costs are allocated according to the time charged to a particular activity.

There have been no changes in cost allocation policies since the date of the last audited financial statements.



# Notes to the Financial Statements

## Note 1 - Other Revenue

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Audit fees - non departments	33,079	30,427	32,251	31,047
Income of contracted audit service providers	29,481	28,491	27,917	28,768
<b>Total</b>	<b>62,560</b>	<b>58,918</b>	<b>60,168</b>	<b>59,815</b>

## Note 2 - Operating Expenses

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Consultants' Fees	166	200	77	100
Overseas travel	283	350	362	350
Domestic travel	2,629	2450	2,611	2,600
Fees paid to contracted auditors for audits of public entities	29,481	28,491	27,917	28,768
Other	9,126	9,088	8,549	7,106
<b>Total</b>	<b>41,685</b>	<b>40,579</b>	<b>39,516</b>	<b>38,924</b>

## Note 3 - Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Surplus	1,449	-	480	-
<b>Add non-cash items</b>				
Depreciation and amortisation	886	1,204	1,057	1,324
Total non-cash items	886	1,204	1,057	1,324
Add/(less) items classified as investing or financing activities				
Loss/(profit) on sale of plant and equipment	(50)	-	-	-
Total items classified as investing or financing activities	(50)	-	-	-
<b>Add/(less) movements in working capital items</b>				
(Increase)/decrease in receivables and prepayments	(1,335)	468	1,541	-
(Increase)/decrease in work in progress	679	200	7	-
Increase/(decrease) in payables and provisions	604	(178)	(530)	(206)
Increase/(decrease) in employee entitlements	871	(79)	94	96
<b>Net movements in working capital items</b>	<b>819</b>	<b>411</b>	<b>1,112</b>	<b>(110)</b>
<b>Add/(less) movements in non-current liabilities</b>				
Increase/(decrease) in employee entitlements	(18)	(12)	29	12
<b>Net Cash from Operating Activities</b>	<b>3,086</b>	<b>1,603</b>	<b>2,678</b>	<b>1,214</b>