

Performance Information for Appropriations

Vote Audit

MINISTER(S) RESPONSIBLE FOR APPROPRIATIONS: Speaker of the House of Representatives (M78)

ADMINISTERING DEPARTMENT: Controller and Auditor-General

MINISTER RESPONSIBLE FOR CONTROLLER AND AUDITOR-GENERAL: Speaker of the House of Representatives

Part 1 - Summary of the Vote

Part 1.1 - Overview of the Vote

The Speaker of the House is responsible for appropriations in the Vote for the 2013/14 financial year covering the following:

- A total of \$9.322 million for the Controller and Auditor-General supporting Parliament in its role of ensuring accountability for public resources, including advice to Select Committees and other bodies, undertaking the Controller function, plus undertaking and reporting on performance audits and inquiries relating to public entities.
- A total of \$68.264 million for providing audit services to public entities, and other audit-related assurance services.

Details of these appropriations are set out in Parts 2-6 below.

Part 1.2 - High-Level Objectives of the Vote

Public entities are accountable to Parliament for their use of the public resources and powers that Parliament has conferred on them. Parliament has also legislated to require independent assurance that public entities are operating, and accounting for their performance, in accordance with Parliament's intentions.

The Public Audit Act 2001 provides for the Controller and Auditor-General (the Auditor-General) to give independent assurance to Parliament and the public on matters of effectiveness and efficiency, waste, probity, and financial prudence.

The audit work carried out by the Auditor-General and the resulting assurance helps public entities to make improvements in their use of the resources and powers entrusted to them and in their accounting to Parliament and the public for their use of these.

The Auditor-General is an Officer of Parliament and is independent of executive Government and Parliament in discharging the functions of the statutory office, but is answerable to Parliament for her stewardship of the public resources entrusted to her. While the Speaker is the Vote Minister for the purposes of appropriations, the Speaker's role in relation to Offices of Parliament is not the same as that of Ministers of the Crown in relation to their departments.

The Speaker cannot contract with or direct the Auditor-General as to how she should discharge her statutory duties. Thus, the explanation of the appropriations for Vote Audit reflects the Auditor-General's perspective of the outputs that will be delivered to Parliament from Vote Audit. The appropriations in this Vote were commended to the Governor-General by the House of Representatives in an address on the recommendation of the Officers of Parliament Committee.

Objectives of the Vote

Outcome	Objective and Output Classes
<p>Trusted public sector</p> <p>New Zealand's ranking in or above the 90th percentile of the Worldwide Governance Indicators is maintained or improved.</p> <ul style="list-style-type: none"> • Most recent results in 2011 show New Zealand maintained its ranking above the 90th percentile. <p>New Zealand's Transparency International Corruption Perceptions Index score is maintained or improved.</p> <ul style="list-style-type: none"> • In 2012, New Zealand's score was 9.0 on a 10-point scale, rating New Zealand first equal in the world with Denmark and Finland. <p>The State Services Commission's Kiwis Count Survey (see Note 1) shows improved or maintained rates of public trust with the public service, and the public's most recent experience with public services.</p> <ul style="list-style-type: none"> • Perceptions of trust in the public sector increased from 74% in June 2012 to 75% in September 2012. Perceptions of trust based on most recent service experience decreased from 42% to 41% over the same period. The variation in percentage points for both questions over this period is not statically significant. 	<p>Independent advice and assurance through our output classes:</p> <ul style="list-style-type: none"> • audit and assurance services • supporting accountability to Parliament, and • performance audits and inquiries.
<p>Appropriately responsible public sector behaviour</p> <p>The percentage of audited financial reports issued for public entities within statutory time frame is improved or maintained.</p> <ul style="list-style-type: none"> • The percentage of audit reports issued within statutory timeframes has increased from 82% in 2009 to 88% in 2012. <p>The State Services Commission's Integrity and Conduct Survey (see Note 2) shows improved or maintained rates of State servants who reported that State service agencies promote their standards of integrity and conduct.</p> <ul style="list-style-type: none"> • The percentage of public servants who reported their agency promotes its standard of integrity and conduct increased slightly between 2007 and 2010 from 50% to 51%. In 2008, 45% said that integrity training is provided by their agency, and this increased to 56% in 2010. <p>The State Services Commission's Integrity and Conduct Survey shows improved or maintained rates of State servants who reported that where they observed misconduct breaches in the past year they reported it.</p> <ul style="list-style-type: none"> • The rates of observed misconduct decreased from 33% in 2007 to 29% in 2010, while the rates of those who said they had observed misconduct and had reported it increased from around 50% in 2007 to 63% in 2010. 	<p>Independent advice and assurance through our output classes:</p> <ul style="list-style-type: none"> • audit and assurance services • supporting accountability to Parliament, and • performance audits and inquiries.
<p>High-performing public sector</p> <p>The State Services Commission's Kiwis Count Survey shows improved or maintained rates of service quality for all public services.</p> <ul style="list-style-type: none"> • Service quality scores for all public services showed a 2-point increase over the quarter from June to September 2012. This quarterly movement is not large enough to be statistically significant. 	<p>Independent advice and assurance through our output classes:</p> <ul style="list-style-type: none"> • audit and assurance services • supporting accountability to Parliament, and • performance audits and inquiries.

Note 1 - A redesign of the Kiwis Count survey in 2012 changed the frequency of data collection and some of the questions. Data collection for this revised measure is reported on a quarterly basis.

Note 2 - The Integrity and Conduct survey is conducted every three years, and next results are expected to be available later in 2013.

Part 1.3 - Trends in the Vote

Summary of Financial Activity

	2008/09	2009/10	2010/11	2011/12	2012/13		2013/14			2014/15	2015/16	2016/17
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations												
Output Expenses	69,218	71,123	73,476	79,566	78,109	77,629	77,586	-	77,586	82,667	82,820	84,273
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	716	662	803	848	883	883	883	-	883	883	883	883
Capital Expenditure	1,511	922	852	1,154	4,419	4,419	817	-	817	1,083	1,083	831
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Total Appropriations	71,445	72,707	75,131	81,568	83,411	82,931	79,286	-	79,286	84,633	84,786	85,987
Crown Revenue and Capital Receipts												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Crown Revenue and Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-

Analysis of Significant Trends

Output expenses for the 2012/13 financial year are lower than 2011/12, as 2012/13 does not include audits of Council's long term plans. These audits have a three-year cycle; hence the 2014/15 financial year also includes an allowance for this.

Higher capital expenditure during 2012/13 reflects the fitout of alternative Wellington premises for the Controller and Auditor-General.

Part 2 - Details and Expected Performance for Output Expenses

Part 2.1 - Departmental Output Expenses

Intended Impacts, Outcomes and Objectives

Appropriation - Audit and Assurance Services

The main purpose of an annual audit is to provide independent assurance about the fair disclosure of the financial - and in many instances non-financial - information within annual reports. An audit involves a range of procedures, tests, and management and governance enquiries to support the Auditor-General's opinion.

Annual audits are carried out in keeping with the legislative audit mandate. Recommendations for improvements in matters of effectiveness, efficiency, waste, probity and financial prudence may be raised in our management letters to the governors and managers of public entities. Through annual audits, information and knowledge is gathered about public entities to assist the Auditor-General in advising Parliament and other stakeholders and in determining the performance audits, inquiries and other studies work that is carried out.

2012-15 Main Impact Measures and Standards	2011/12 Actual (see Note 1)	2010/11 Actual
<p>Public entities prepare quality financial reports. The percentage of public entities' audited financial reports containing modified opinions is reduced (or at least maintained), measured against the previous two years.</p>	Total modified opinions: 70 or 1.8%	Total modified opinions: 111 or 2.8%
<p>Public entities accept management report recommendations and act on them. Public entities' acceptance of audit service providers' management report recommendations is improved (or at least maintained), measured against the previous two years. (In previous years, this was only assessed against Audit New Zealand's management report recommendations.)</p>	Accepted: 74% Rejected: 8% Noted, under consideration, or not responded to: 18%	Accepted: 72% Rejected: 12% Noted, under consideration, or not responded to: 16%
<p>Public entities respond effectively to our recommendations for improvement. Central government entities' management control environment, financial information, and service performance information systems and controls are improved (or at least maintained), measured against the previous two years.</p>	<p>Management Control Environment:</p> <ul style="list-style-type: none"> • Very good: 56% • Good: 39% • Needs improvement: 5% • Poor: 0% <p>Financial systems and controls:</p> <ul style="list-style-type: none"> • Very good: 47% • Good: 47% • Needs improvement: 6% • Poor: 0% <p>Service performance information and associated systems and controls:</p> <ul style="list-style-type: none"> • Very good: 4% • Good: 66% • Needs improvement: 30% • Poor: 0% 	<p>Management Control Environment:</p> <ul style="list-style-type: none"> • Very good: 52% • Good: 41% • Needs improvement: 7% • Poor: 0% <p>Financial systems and controls:</p> <ul style="list-style-type: none"> • Very good: 43% • Good: 51% • Needs improvement: 6% • Poor: 0% <p>Service performance information and associated systems and controls:</p> <ul style="list-style-type: none"> • Very good: 1% • Good: 52% • Needs improvement: 47% • Poor: 0%

Multi-Class Output Appropriation - Statutory Auditor Function

Through annual audit, performance audit, and inquiry work, the Auditor-General has a broad overview of public entities both individually and throughout sectors. The Auditor-General supports Parliament in holding the executive to account for its use of public resources through:

- Services to Parliament - providing assistance and assurance to select committees and other stakeholders
- Controller function - providing assurance to Parliament that spending has been properly incurred within appropriation
- Reports, Studies and Inquiries - reporting on the results of annual audits, performance audits and other studies and inquiring into a public entity's use of resource.

2012-15 Main Impact Measures and Standards	2011/12 Actual (see Note 1)	2010/11 Actual
<p>Entities accept or respond to the recommendations for improvement made in our performance audits, studies and inquiries</p> <p>Every two years, we review how entities have responded to a selection of our reports, studies and inquiries and present the results to Parliament in a combined progress report. Up until last year these reviews were undertaken annually.</p>	<p>In May 2012, we reported to Parliament on how well public entities had acted on the recommendations that we made in six performance audits published in 2009 and 2010. Our report <i>Public entities progress in implementing the Auditor-General's recommendations in 2012</i> showed good progress had been made in implementing most recommendations.</p>	<p>In April 2011, we reported to Parliament on how well five public entities implemented our recommendations. The entities had generally accepted our recommendations, but progress in implementing them had been faster for some recommendations than others.</p>
<p>Parliament, local government and other stakeholders are supported and get value from our advice.</p> <p>The percentage of select committee members who confirm that our advice assists them in their Estimates of Appropriation and financial review examinations. Changes are being considered to the way we assess this measure.</p>	89%	86%

Audit and Assurance Services RDA (M78)

Scope of Appropriation

This appropriation is limited to audit and related assurance services as required or authorised by statute.

Expenses and Revenue

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	68,687	68,207	68,114
Revenue from Crown	-	-	-
Revenue from Other	68,687	68,687	68,114

Output Performance Measures and Standards

Performance Measures	2012/13		2013/14
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<p>Audit reports produced within appropriate timeframe. Less than 30% of the outstanding audit reports at 30 June are because of inaction on our part.</p>	Less than 30% due to inaction on the Office's part.	Less than 30% due to inaction on the Office's part.	Less than 30% due to inaction on the Office's part.
<p>Audit reports produced within appropriate timeframe. The percentage of public entities' audited financial reports issued within the statutory timeframe is improved or maintained, measured against the previous two years.</p>	Percentage improved or maintained.	Percentage improved or maintained.	Percentage improved or maintained.
<p>Management reports produced within appropriate timeframes. All management reports are issued within six weeks of issuing the audit report.</p>	100%	93%	100%
<p>Audit reports on local authorities' long term plans produced within appropriate timeframes. No outstanding LTP audit opinions at 30 June of the year in which LTPs are to be adopted by local authorities are because of inaction on our part. LTP audits are carried out on a three-yearly basis.</p>	The next round of LTP audits to be carried out in 2014/15, except for Christchurch City Council which will produce and adopt a three year plan for which there is no audit required.	The next round of LTP audits to be carried out in 2014/15.	The next round of LTP audits to be carried out in 2014/15.
<p>Management reports on local authorities' long term plans produced within appropriate timeframes. All LTP management reports are issued within six weeks of issuing the LTP opinion. LTP audits are carried out on a three-yearly basis.</p>	The next round of LTP audits to be carried out in 2014/15, except for Christchurch City Council which will produce and adopt a three year plan for which there is no audit required	The next round of LTP audits to be carried out in 2014/15.	The next round of LTP audits to be carried out in 2014/15.
<p>Objective method for allocating audits and reasonable audit fees. An annual independent review of our processes confirms the probity and objectivity of the methods and systems we use to allocate and tender audits, and monitor the reasonableness of audit fees.</p>	Confirmation by an annual independent review of our processes.	Confirmation by an annual independent review of our processes.	Confirmation by an annual independent review of our processes.
<p>Skilled auditors with a good understanding of public entities doing quality audits. Client satisfaction survey results show that overall 85% of respondents are satisfied with the quality of audit work (including the expertise of staff and the quality of the entity's relationships with their audit service provider).</p>	85% satisfaction rate overall.	85% satisfaction rate overall.	85% satisfaction rate overall
<p>Skilled auditors with a good understanding of public entities doing quality audits. Quality assurance reviews for all appointed auditors are completed during a three-year period.</p>	100% of auditors reviewed in the year achieve a result of "satisfactory" or better.	100% of auditors reviewed in the year achieve a result of "satisfactory" or better.	100% of auditors reviewed in the year achieve a result of "satisfactory" or better.
<p>Sufficient resources to do audits. The Officers of Parliament Committee accepts any significant proposals for an appropriation increase in audit fees and expenses.</p>	The Officers of Parliament Committee accepts any significant proposals for an appropriation increase in audit fees and expenses.	The Officers of Parliament Committee accepts any significant proposals for an appropriation increase in audit fees and expenses.	The Officers of Parliament Committee accepts any significant proposals for an appropriation increase in audit fees and expenses.

Audit and Assurance Services (M78)

Scope of Appropriation

This appropriation is limited to the performance of audit and related assurance services as required or authorised by statute for smaller entities such as cemetery trusts and reserve boards.

Expenses and Revenue

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	150	150	150
Revenue from Crown	150	150	150
Revenue from Other	-	-	-

Output Performance Measures and Standards

Refer to the output performance measures and standards which apply to the main audit and assurance services output class.

Statutory Auditor Function MCOA (M78)

Scope of Appropriation

Performance Audits and Inquiries

This output class is limited to undertaking and reporting on performance audits and inquiries relating to public entities under the Public Audit Act 2001 and responding to requests for approvals in relation to pecuniary interest questions regulated by the Local Authorities Members' Interests Act 1968.

Supporting Accountability to Parliament

This output class is limited to reporting to Parliament and others as appropriate on matters arising from audits and inquiries, reporting to and advising select committees, and advising other agencies in New Zealand and abroad to support Parliament and governing bodies in holding their executives to account for the use of public resources.

Explanation for Use of Multi-Class Output Expense Appropriation

The basis for this multiclass output appropriation is the two output classes use the same resources and contribute to the same outcome.

Expenses and Revenue

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	9,272	9,272	9,322
Performance Audits and Inquiries	6,587	6,587	6,587
Supporting Accountability to Parliament	2,685	2,685	2,735
Revenue from Crown	9,047	9,047	9,047
Performance Audits and Inquiries	6,587	6,587	6,587
Supporting Accountability to Parliament	2,460	2,460	2,460
Revenue from Other	225	225	275
Performance Audits and Inquiries	-	-	-
Supporting Accountability to Parliament	225	225	275

Output Performance Measures and Standards

Performance Measures	2012/13		2013/14
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Supporting Accountability to Parliament - Parliamentary Services			
Appropriate work programme of inquiries and performance audits Select committees and other stakeholders are satisfied with the proposed work programme.	As indicated by feedback on our draft work programme	Feedback received generally supportive. We considered all comments for improvement and included most of these.	As indicated by feedback on our draft work programme
Quality advice is given to Parliamentary select committees, local government and other stakeholders Select committees and other stakeholders we survey rate the quality and usefulness of the advice they receive from us through our Statutory Auditor work as four or better on a scale of one to five.	At least 85%	At least 85%	Changes being considered to the way we assess this measure.
Quality advice is given to Parliamentary select committees, local government and other stakeholders Performance audit reports meet quality expectations in terms of the sufficiency of administrative and management context, report structure, presentation, and format (including use of graphics and statistics), and the reasonableness of the methodology used, and the resulting conclusions and recommendations.	Confirmation by independent internal quality assurance reviews on two selected performance audit reports.	Confirmation by independent internal quality assurance reviews on two selected performance audit reports.	Confirmation by independent internal quality assurance reviews on two selected performance audit reports.
Relevant standards and quality processes are used to carry out our Statutory Auditor functions Internal quality assurance is carried out to gain assurance that our policies, procedures and standards for our Statutory Auditor functions have been applied appropriately and that they meet relevant standards and procedures. Review is carried out over aspect of our Statutory Auditor functions at least once every three years. The nature, extent, and frequency of these reviews are based on risk.	Confirmation by internal review of Statutory auditor functions.	Confirmation by internal review of Statutory auditor functions.	Confirmation by internal review of Statutory auditor functions.

Performance Measures	2012/13		2013/14
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<p>Relevant standards and quality processes are used to carry out our Statutory Auditor functions</p> <p>Our performance audit methodology reflects good practice for carrying out such audits.</p>	Assessed every second year by the National Audit Office of Australia through a review of two of our performance audits.	We estimate that the ANAO will identify areas where our performance methodology is strong and reflects good practice, and that they will offer useful advice on where we can improve our methodology.	Assessed every second year by the National Audit Office of Australia through a review of two of our performance audits.
<p>Our advice and enquiries are carried out in a timely way</p> <p>Reports and advice are given to select committees and Ministers at least two days before an examination, unless otherwise agreed.</p>	100%	100%	100%
<p>Our advice and enquiries are carried out in a timely way</p> <p>Our findings on inquiries are reported to the relevant parties on a timely basis.</p>	Within three months of 80% of "routine" inquiries, within six months for 80% of "significant" inquiries, and within 12 months for 80% of "major" inquiries.	Within three months for 80% of "routine" inquiries, within six months for 80% of "significant" inquiries, and within 12 months for 83% of "major" inquiries.	Within three months of 80% of "routine" inquiries, within six months for 80% of "significant" inquiries, and within 12 months for 80% of "major" inquiries.
<p>Our advice and enquiries are carried out in a timely way</p> <p>Enquiries under the Local Authorities (Members' Interests) Act 1968 are completed within 30 working days.</p>	80%	75%	90%
<p>Controller function is carried out effectively.</p> <p>Monthly statements are reviewed for the period September to June inclusive. Advice or issues arising and action to be taken is provided to the Treasury and appointed auditors within five working days of receipt of the statement from the Treasury.</p>	Procedures followed and agreed time frames achieved.	Procedures followed and agreed time frames achieved.	Procedures followed and agreed time frames achieved.

Note 1 - The nature, extent, and frequency of the quality assurance review is determined based on risk. The review is carried out during a three-year period.

Part 5 - Details and Expected Results for Other Expenses

Part 5.1 - Departmental Other Expenses

Remuneration of Auditor-General and Deputy Auditor-General PLA (M78)

Scope of Appropriation

This appropriation is limited to remuneration expenses for both the Auditor-General and the Deputy Auditor-General as authorised by clause 5 of the Third Schedule of the Public Audit Act 2001.

Expenses

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	883	883	883

Part 6 - Details and Expected Results for Capital Expenditure

Part 6.1 - Departmental Capital Expenditure

Controller and Auditor-General - Capital Expenditure PLA (M78)

Scope of Appropriation

This appropriation is limited to the purchase or development of assets by and for the use of the Controller and Auditor-General, as authorised by section 24(1) of the Public Finance Act 1989.

Capital Expenditure

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	3,617	3,617	389
Intangibles	498	498	200
Other	304	304	228
Total Appropriation	4,419	4,419	817

Reasons for Change in Appropriation

Planned capital expenditure for 2012/13 includes the fit-out project for the Controller and Auditor-General's move to alternative Wellington premises.