

The Treasury

Material Related to the Annual Reporting and Audit Time Frames Extensions Legislation Bill Information Release

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| John Ryan

6 July 2021

Hon Grant Robertson
Minister of Finance
Parliament Buildings
Wellington

Hon Nanaia Mahuta
Minister of Local Government
Parliament Buildings
Wellington

Tēnā kōrua Ministers

CONSIDERATIONS ON AUDIT EXTENSIONS BEYOND THE PASSING OF THE LEGISLATION

Thank you for your support to help address auditor shortage issues. The following information (along with my letter of 2 July 2021) responds to the questions raised in your letter of 5 July 2021.

1. *Consultation with affected Crown entities, local authorities, and council-controlled entities to identify any unintended consequences*

I intend to communicate directly with governors and chief executives of Crown entities, local authorities, and council-controlled organisations once Parliament has considered the legislation. My appointed auditors will separately contact all affected public entities to discuss any expected impact for those entities. Affected entities will have the opportunity at this time to identify any unintended consequences, which we can consider when sequencing audits.

2. *Engagement with Parliament on our sequencing of audits*

I intend to publish the way in which we will sequence audits (broadly as set out in my letter of 2 July 2021) once Parliament has considered the legislation. I will also provide this information to the Finance and Expenditure Committee and offer to brief the Committee on the sequencing of audit work.

3. *Engagement with Parliament on possible impacts for annual reviews*

We will work with Parliament on the possible impacts for annual reviews. Historically, the reviews of government departments and state-owned enterprises, which will not be affected by the changes, usually occur pre-Christmas. The reviews of most Crown entities, many of which would be affected by the changes, usually occur post-Christmas. Therefore, we expect that completing Crown entity audits in the extended time frames should broadly align with select committee annual review timelines.

If there are Crown entities of particular interest to a select committee that audit sequencing might create issues for, I am happy to try to accommodate that concern where resources allow.

4. *Engagement with Parliament on long-term solutions to resolving auditor shortages*

I will raise the ongoing auditor shortages with the Finance and Expenditure Committee. As we have discussed, there is no short-term solution to the industry-wide shortage of auditors. We are actively working on a range of longer-term measures, such as having auditors added to Immigration New Zealand's list of

priority workers, planning to recruit a larger number of graduates, and extending the circumstances in which some auditing work can be carried out offshore or through virtual secondments (with due consideration of security risks).

Please do not hesitate to contact me if you would like to discuss any matter in this letter.

Nāku noa, nā

John Ryan

Controller and Auditor-General