

Vote Audit

APPROPRIATION MINISTER(S): Speaker of the House of Representatives (M78)

DEPARTMENT ADMINISTERING THE VOTE: Controller and Auditor-General (A1)

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

Overview of the Vote

The Speaker of the House of Representatives is responsible for appropriations in the Vote for 2023/24 covering the following:

- a total of just over \$20 million for the Controller and Auditor-General supporting Parliament in ensuring accountability for the use of public resources. This includes providing advice to select committees and other stakeholders, carrying out the Controller function, and carrying out and reporting on performance audits and inquiries relating to public entities
- a total of nearly \$132 million for providing audit services to public entities, and other audit-related assurance services. This includes \$150,000 funded by revenue from the Crown for audits of smaller entities such as cemetery trusts and reserve boards
- a total of just over \$1 million for remuneration expenses for both the Auditor-General and the Deputy Auditor-General, and
- a total of just over \$4 million for the purchase or development of assets for the use of the Controller and Auditor-General.

The Speaker of the House of Representatives is also responsible for a capital injection of nearly \$8 million to the Controller of the Auditor-General.

Details of these appropriations are set out in Parts 2-4.

Details of Appropriations and Capital Injections

Annual Appropriations and Forecast Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Audit and Assurance Services RDA (M78) (A1) This appropriation is limited to audit and related assurance services as required or authorised by statute.	109,155	109,155	118,026
Audit and Assurance Services (M78) (A1) This appropriation is limited to audit and related assurance services as required or authorised by statute.	13,527	13,527	13,833
Total Departmental Output Expenses	122,682	122,682	131,859
Departmental Other Expenses			
Remuneration of Auditor-General and Deputy Auditor-General PLA (M78) (A1) 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.	1,099	1,099	1,099
Total Departmental Other Expenses	1,099	1,099	1,099
Departmental Capital Expenditure			
Controller and Auditor-General - Capital Expenditure PLA (M78) (A1) 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.	3,924	3,924	4,297
Total Departmental Capital Expenditure	3,924	3,924	4,297
Multi-Category Expenses and Capital Expenditure			
Statutory Auditor Function MCA (M78) (A1) The single overarching purpose of this appropriation is to support Parliament in ensuring accountability for the use of public resources.	20,878	20,878	20,027
Departmental Output Expenses			
<i>Performance Audits, Inquiries, and other studies</i> This category is limited to undertaking and reporting on performance audits, inquiries, and other studies 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.	14,419	14,419	13,126
<i>Supporting Accountability to Parliament</i> This category is limited to reporting to Parliament and others as appropriate on matters arising from audits, inquiries, and other studies, reporting to and advising select committees, and advising other agencies in New Zealand and internationally to support Parliament and governing bodies in holding their executives to account for the use of public resources.	6,459	6,459	6,901
Total Multi-Category Expenses and Capital Expenditure	20,878	20,878	20,027
Total Annual Appropriations and Forecast Permanent Appropriations	148,583	148,583	157,282

Capital Injection Authorisations

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Controller and Auditor-General - Capital Injection (M78) (A1)	9,604	9,604	7,738

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Response to COVID-19	Capital Injection	2,000	7,000	7,000	-	-
Total Initiative		2,000	7,000	7,000	-	-

A non-repayable capital injection of \$16 million was approved by the Officers of Parliament Committee in March 2023 to address the increased time and non-recoverable costs of audits arising from COVID-19. \$2 million will be drawn down and applied to the Audit and Assurance Services Memorandum Account in 2022/23, with the remainder to be received in equal instalments in 2023/24 and 2024/25.

1.2 - Trends in the Vote

Summary of Financial Activity

	2018/19	2019/20	2020/21	2021/22	2022/23		2023/24			2024/25	2025/26	2026/27
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Final 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	82,720	85,353	95,161	98,546	122,527	122,527	131,859	-	131,859	131,635	133,935	141,761
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	1,064	1,099	1,011	1,099	1,099	1,099	1,099	-	1,099	1,099	1,099	1,099
Capital Expenditure	1,090	1,520	1,389	2,283	4,079	4,079	4,297	-	4,297	3,178	2,159	2,999
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	9,670	13,409	16,253	16,073	20,878	20,878	20,027	-	20,027	20,182	20,182	20,182
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Appropriations	94,544	101,381	113,814	118,001	148,583	148,583	157,282	-	157,282	156,094	157,375	166,041
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	-	-	-	-	-

Note - where restructuring of the vote has occurred then, to the extent practicable, prior years information has been restated as if the restructuring had occurred before the beginning of the period covered. In this instance Total Appropriations for the Budgeted and Estimated Actual year may not equal Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations in the Details of Appropriations and Capital Injections.

Adjustments to the Summary of Financial Activity Table Due to Vote Restructuring

There have been no restructuring adjustments to prior year information in the Summary of Financial Activity table.

1.3 - Analysis of Significant Trends

Forecast increases in capital expenditure and operating expenses reflect future investment in technology to support the Office's work. Costs also vary with fluctuations in the amount of audit work completed each year. The financial years ended June 2021, June 2024 and June 2027 include the triennial audits of Local Authorities' long-term plans, which drives higher costs and revenue. The forecast revenue and costs of 2022/23 also reflect the impacts caused by COVID-19.

Part 2 - Details of Departmental Appropriations

2.1 - Departmental Output Expenses

Audit and Assurance Services RDA (M78) (A1)

Scope of Appropriation

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

Expenses and Revenue

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	109,155	109,155	118,026
Revenue from the Crown	-	-	-
Revenue from Others	109,005	109,005	117,876

What is Intended to be Achieved with this Appropriation

This appropriation is intended to deliver audit services and other audit-related services to all public entities to provide Parliament and the public with independent assurance that public entities are accounting for their performance, in keeping with Parliament's intentions.

How Performance will be Assessed and End of Year Reporting Requirements

	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Percentage of audit files subject to quality assurance review during the year that achieve a rating of at least "satisfactory"	100%	90%	100%
Percentage and number of appointed auditors with a quality assurance grade of at least "satisfactory", based on the most recent quality assurance review (see Note 1)	100%	95%	100%
Number of audit reports withdrawn	No audit reports withdrawn	No audit reports withdrawn	No audit reports withdrawn
Percentage of public entities that are "satisfied" with the overall quality of their audit service (as determined by responses to our satisfaction survey)	At least 85%	71%	At least 85%
Percentage of audit reports that are signed by the applicable statutory deadline	At least 80%	At least 65% (see Note 2)	At least 80%
Number of entities with audit reports in arrears as at 30 June	Decreasing	Decreasing (see Note 2)	Fewer than 495 (see Note 3)
Percentage of finalised reports to governors about the audit (which incorporate responses from management) that are provided within 6 weeks of signing the audit report	100%	90% (see Note 2)	100%

	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Percentage of Ministerial letters on annual audits that are issued to Ministers and Parliamentary select committees within the expected time period: <ul style="list-style-type: none"> where the audit report statutory deadline is 31 October, within 15 weeks of signing the audit report for all other audits, within 10 weeks of the signing of the audit report 	100%	77% (see Note 2)	100%
Annual independent review confirms the probity and objectivity of the methods and processes we use to allocate and tender audits and to monitor the reasonableness of audit fees	Confirmed	Confirmed	Confirmed

Note 1 - The budget standard for this measure does not include a number target because the number of appointed auditors varies from year to year.

Note 2 - These results remain at risk from the effects of deferral of audits and capacity issues due to the impacts from COVID-19.

Note 3 - To improve the accuracy of reporting, the budget standard for this measure has had a change from 'decreasing' to 'fewer than 495'. This represents approximately 15% of the entities we audit each year and is a more accurate reflection of the performance we want to achieve for this measure, as COVID-19 delays are addressed. It also takes into account the high volume of school audit reports with a statutory timeframe at the end of May each year.

Performance for this appropriation will be assessed by the performance measures listed above. The measures need to be considered in the context of the high-level outcomes outlined in *The Auditor-General's Strategic Intentions to 2028*, and in the context of the *Auditor-General's Annual Plan 2023/24*.

End of Year Performance Reporting

Performance information for this appropriation will be reported in the *Auditor-General's Annual Report 2023/24*.

Reasons for Change in Appropriation

The increase in this appropriation for 2023/24 is mainly due to additional investment in technology and increased resource to support the Office's audit operations.

Memorandum Account

Another non-repayable capital injection of \$16 million was approved by the Officers of Parliament Committee in March 2023 to address the increased time and non-recoverable costs of audits arising from COVID-19. \$2 million will be drawn down and applied to the Audit and Assurance Services Memorandum Account in 2022/23, with the remainder to be received in equal instalments in 2023/24 and 2024/25.

	2022/23		2023/24
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Audit and Assurance Services			
Opening Balance at 1 July	(409)	(409)	(1,236)
Revenue	109,155	109,155	118,025
Expenses	117,682	117,682	126,858
Transfers and Adjustments	7,700	7,700	7,000
Closing Balance at 30 June	(1,236)	(1,236)	(3,069)

Audit and Assurance Services (M78) (A1)

Scope of Appropriation

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

Expenses and Revenue

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	13,527	13,527	13,833
Revenue from the Crown	150	150	150
Revenue from Others	-	-	-

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide for audit and related assurance services. Audits of smaller entities such as cemetery trusts and reserve boards are funded by the Crown.

How Performance will be Assessed and End of Year Reporting Requirements

Performance for this appropriation will be assessed through the performance measures listed under the Audit and Assurance Services RDA.

End of Year Performance Reporting

Performance information for this appropriation will be reported in the *Auditor-General's Annual Report 2023/24*.

Reasons for Change in Appropriation

The increase in this appropriation for 2023/24 is for funding the expected increase in the forecasted Audit and Assurance Services operating deficit in 2023/24 and to allow a buffer to mitigate uncertainty in the timing of audit revenue and costs caused by COVID-19.

2.2 - Departmental Other Expenses

Remuneration of Auditor-General and Deputy Auditor-General PLA (M78) (A1)

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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,099	1,099	1,099

What is Intended to be Achieved with this Appropriation

This permanent appropriation provides payment to the Auditor-General and Deputy Auditor-General as determined by the Remuneration Authority.

How Performance will be Assessed and End of Year Reporting Requirements

The Auditor-General and Deputy Auditor-General lead the performance of the Office. The performance of the Office's activities, including the above payment, is reflected in the information for departmental output and multi-category appropriations.

End of Year Performance Reporting

Performance information for the Office will be reported in the *Auditor-General's Annual Report 2023/24*.

2.3 - Departmental Capital Expenditure and Capital Injections

Controller and Auditor-General - Capital Expenditure PLA (M78) (A1)

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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	2,148	2,148	2,671
Intangibles	1,776	1,776	1,626
Other	-	-	-
Total Appropriation	3,924	3,924	4,297

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the replacement and creation of assets that support the delivery of the Controller and Auditor-General's operations.

How Performance will be Assessed and End of Year Reporting Requirements

Expenditure is in accordance with the Controller and Auditor-General's capital asset management plan.

End of Year Performance Reporting

Performance information for this appropriation will be reported in the *Auditor-General's Annual Report 2023/24*.

Reasons for Change in Appropriation

The increase in this appropriation for 2023/24 is mainly due to the planned investment in technology to support the Office's work as part of the Information Systems Strategic Plan. The increase in property, plant and equipment includes additional fitout costs for the Office's property portfolio.

*Capital Injections and Movements in Departmental Net Assets***Controller and Auditor-General**

Details of Net Asset Schedule	2022/23 Estimated Actual \$000	2023/24 Projected \$000	Explanation of Projected Movements in 2023/24
Opening Balance	7,812	8,889	
Capital Injections	9,604	7,738	In Budget 2023, a non-repayable capital injection of \$16 million was approved to adjust the Audit and Assurance Memorandum Account and address the impacts of COVID-19 on the completion of audits in 2021/22 and 2022/23 undertaken by the Office's in-house audit provider, Audit New Zealand. \$7 million will be drawn down and applied to the Audit and Assurance Services memorandum account in 2023/24. An additional capital injection of \$738,000 will be drawn down in 2023/24 to fund planned investment in the Office's technology as part of the Information Systems Strategic Plan.
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	(8,527)	(8,833)	The deficit in 2023/24 reflects updated forecasts for the Audit and Assurance Services Memorandum Account.
Other Movements	-	-	
Closing Balance	8,889	7,794	

Part 4 - Details of Multi-Category Expenses and Capital Expenditure

4 - Multi-Category Expenses and Capital Expenditure

Statutory Auditor Function (M78) (A1)

Overarching Purpose Statement

The single overarching purpose of this appropriation is to support Parliament in ensuring accountability for the use of public resources.

Scope of Appropriation

Departmental Output Expenses

Performance Audits, Inquiries, and other studies

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

Expenses, Revenue and Capital Expenditure

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	20,878	20,878	20,027
Departmental Output Expenses			
Performance Audits, Inquiries, and other studies	14,419	14,419	13,126
Supporting Accountability to Parliament	6,459	6,459	6,901
Funding for Departmental Output Expenses			
Revenue from the Crown	20,508	20,508	19,657
Performance Audits, Inquiries, and other studies	14,419	14,419	13,126
Supporting Accountability to Parliament	6,089	6,089	6,531
Revenue from Others	370	370	370
Supporting Accountability to Parliament	370	370	370

What is Intended to be Achieved with this Appropriation

This appropriation is intended to support Parliament in ensuring accountability for the use of public resources through:

- Services to Parliament - assistance and assurance to select committees and other stakeholders.
- Controller function - assurance to Parliament that government spending has been properly authorised by Parliament.
- 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 resources.

How Performance will be Assessed for this Appropriation

Performance for this appropriation will be assessed through the performance measures listed below. The measures need to be considered in the context of *The Auditor-General's Strategic Intentions to 2028*, and the *Auditor-General's Annual Plan 2023/24*.

What is Intended to be Achieved with each Category and How Performance will be Assessed

Assessment of Performance	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Departmental Output Expenses			
Performance Audits, Inquiries, and other studies			
This category is intended to provide Parliament with assurance about how well public entities use resources and manage a range of matters and programmes, making recommendations where we consider improvements can be made.			
Percentage of Parliamentary select committees that rate our reports on inquiries, performance audits, and other studies as at least "satisfactory"	100%	Not assessed (see Note 1)	100%
Percentage of performance audits that substantially meet the Auditor-General's process and reporting quality criteria (as determined by quality assurance review) (see Note 2)	100%	100%	100%
Percentage of audited entities that rate our performance audits as at least "satisfactory"	At least 85%	100%	At least 85%
Percentage of performance audit work that was concluded and had findings reported within six months (see Note 3)	At least 10%	33% (see Note 4)	At least 10%
Percentage of performance audit work that was concluded and had findings reported within 10 months (see Note 3)	At least 70%	40% (see Note 4)	At least 70%
Percentage of performance audit work that was concluded and had findings reported within 12 months (see Note 3)	100%	47% (see Note 4)	100%
Percentage of other publications concluded and their findings reported within the expected time period (see Note 5)	At least 75%	62%	At least 75%
Percentage of inquiries that meet the Auditor-General's process and reporting quality criteria (as determined by quality assurance review)	100%	Not assessed (see Note 6)	100%
Percentage of requests for inquiries or self-initiated issues which are considered and a view is reached within 4 weeks	At least 90%	95%	At least 90%
Percentage of pieces of inquiry work (except major inquiries) that are concluded within 6 months	At least 90%	95%	At least 90%

Assessment of Performance	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Percentage of major inquiries that are concluded and their findings reported within the expected time period	At least 75%	100%	At least 75%
Percentage of requests under the Local Authorities (Members' Interests) Act 1968 for approval of contracts that are responded to within the expected time period (see Note 7)	At least 90%	At least 90%	At least 90%
Supporting Accountability to Parliament			
This category is intended to provide advice and assistance to Parliament and our other stakeholders to assist them in their work to improve the performance and accountability of public entities. Our Controller function provides independent assurance to Parliament that public money has been spent within authority and lawfully.			
Percentage of Parliamentary select committees that rate our advice as at least "satisfactory"	100%	Not assessed (see Note 8)	100%
Percentage of briefing papers that are submitted to select committees by the agreed deadline	100%	100%	100%
The monthly Controller reports (for the months of September to May) are provided to the Treasury within 5 working days of receiving the Treasury's monthly reports and statements	All 9 reports	All 9 reports	All 9 reports
We issue a report to Parliament on the Auditor-General's exercise of the Controller function for each financial year	At least annually	Achieved	At least annually
We issue reports to the public on the Auditor-General's exercise of the Controller function	Two per year	Two	Two per year

Note 1 - This survey is carried out every two years. The most recent Stakeholder survey was carried out in 2021/22.

Note 2 - When last assessed. The Australian National Audit Office carries out an external peer review of our performance audit function every two years. The most recent external review was in 2021/22. Our Quality Assurance team carries out an internal peer review of our performance audit function every three years. The most recent internal review was in 2019/20. The next internal review is planned to be carried out by 30 June 2023.

Note 3 - To improve the accuracy of reporting, minor wording changes were made to this measure. To report on our broader range of performance audit related work, "Performance audits" was changed to "Performance audit work". For grammatical purposes, the wording of the measure is now expressed in the past tense.

Note 4 - We expect to publish 15 pieces of performance audit work in 2022/23. Of those, we expect five will be completed within six months, six will be completed within 10 months, and seven will be completed within 12 months.

Note 5 - This reflects: research reports; sector reports and letters; good practice guides; and any other publications that have been published on our external website, that have not already been reported elsewhere.

Note 6 - No quality assurance review was planned for 2022/23. The next quality assurance review is being considered for 2023/24.

Note 7 - At least 90% within 15 working days from when we receive the necessary information.

Note 8 - This survey is carried out every two years. The most recent Stakeholder survey was carried out in 2021/22.

End of Year Performance Reporting

Performance information for this appropriation will be reported in the *Auditor-General's 2022/23 Annual Report*.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Information Systems Strategy	2020/21	2,706	3,467	3,084	1,924	2,997

Reasons for Change in Appropriation

The increase in this appropriation for 2022/23 allows the Office to maintain capability to deliver its strategic intentions.

The initiatives relating to investment in technology represent the Crown funded part of the Office's Information Systems Strategic Plan which will enable the implementation of systems and tools to support the work of the Office. Those initiatives commenced in 2020/21 and will continue over multiple years.