

# *Vote Audit*

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

APPROPRIATION ADMINISTRATOR: Controller and Auditor-General

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 2019/20 covering the following:

- a total of \$14.876 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 \$83.467 million for providing audit services to public entities, and other audit-related assurance services. This is largely funded by fee revenue, but includes \$150,000 funded by revenue from the Crown for audits of smaller entities such as cemetery trusts and reserve boards
- a total of \$1.064 million for remuneration expenses for both the Auditor-General and the Deputy Auditor-General, and
- a total of \$1.737 million for the purchase or development of assets for the use of the Controller and 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	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Departmental Output Expenses</b>			
<b>Audit and Assurance Services RDA (M78)</b> This appropriation is limited to audit and related assurance services as required or authorised by statute.	80,500	80,500	81,617
<b>Audit and Assurance Services (M78)</b> This appropriation is limited to audit and related assurance services as required or authorised by statute.	1,550	1,550	<b>1,850</b>
<b>Total Departmental Output Expenses</b>	82,050	82,050	83,467
<b>Departmental Other Expenses</b>			
<b>Remuneration of Auditor-General and Deputy Auditor-General PLA (M78)</b> 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.	1,064	1,064	1,064
<b>Total Departmental Other Expenses</b>	1,064	1,064	1,064
<b>Departmental Capital Expenditure</b>			
<b>Controller and Auditor-General - Capital Expenditure PLA (M78)</b> 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.	1,388	1,388	1,737
<b>Total Departmental Capital Expenditure</b>	1,388	1,388	1,737
<b>Multi-Category Expenses and Capital Expenditure</b>			
<b>Statutory Auditor Function MCA (M78)</b> The single overarching purpose of this appropriation is to support Parliament in ensuring accountability for the use of public resources.	9,854	9,854	<b>14,876</b>
<b>Departmental Output Expenses</b>			
<b>Performance Audits and Inquiries</b> This category 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.	6,576	6,576	9,939
<b>Supporting Accountability to Parliament</b> This category 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.	3,278	3,278	4,937
<b>Total Multi-Category Expenses and Capital Expenditure</b>	9,854	9,854	14,876
<b>Total Annual Appropriations and Forecast Permanent Appropriations</b>	94,356	94,356	101,144

## Capital Injection Authorisations

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Controller and Auditor-General - Capital Injection (M78)	-	-	-

# Supporting Information

## Part 1 - Vote as a Whole

### 1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
Addressing demand and improving timeliness	Statutory Auditor Function MCA - Performance Audits and Inquiries Departmental Output Expenses	-	1,368	2,042	2,042	2,042
Investing in our strategy - increasing impact	Statutory Auditor Function MCA - Supporting Accountability to Parliament Departmental Output Expenses	-	1,169	1,402	1,402	1,402
Investing in our strategy - increasing impact	Statutory Auditor Function MCA - Performance Audits and Inquiries Departmental Output Expenses	-	258	310	310	310
Investing in our capability	Statutory Auditor Function MCA - Supporting Accountability to Parliament Departmental Output Expenses	-	491	422	422	422
Investing in our capability	Statutory Auditor Function MCA - Performance Audits and Inquiries Departmental Output Expenses	-	1,736	1,690	1,690	1,690
<b>Total Initiatives</b>		-	<b>5,021</b>	<b>5,866</b>	<b>5,866</b>	<b>5,866</b>

## 1.2 - Trends in the Vote

### Summary of Financial Activity

	2014/15	2015/16	2016/17	2017/18	2018/19		2019/20			2020/21	2021/22	2022/23
	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
<b>Appropriations</b>												
Output Expenses	76,503	77,586	78,915	83,764	82,050	82,050	83,467	-	83,467	89,659	87,211	89,029
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	950	972	1,052	739	1,064	1,064	1,064	-	1,064	1,064	1,064	1,064
Capital Expenditure	974	1,100	1,432	968	1,388	1,388	1,737	-	1,737	1,145	784	2,726
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	9,012	9,758	9,524	9,425	9,854	9,854	14,876	-	14,876	15,720	15,720	15,720
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Appropriations</b>	87,439	89,416	90,923	94,896	94,356	94,356	101,144	-	101,144	107,588	104,779	108,539
<b>Crown Revenue and Capital Receipts</b>												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Crown Revenue and Capital Receipts</b>	-	-	-	-	-	-	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**

Output expense variations are driven by fluctuations in the amount of audit work completed each year. The financial years ended June 2015, 2018 and 2021 include the triennial audits of Local Authorities' long-term plans, which drives higher costs. During 2015/16, costs were higher due to deferral of completion of some school audits from 2014/15.

Forecast increases in capital expenditure reflect future investment in the Office's core software systems.

## 1.5 - Relationship between Individual Appropriations and the Work Programmes

Programme of work	Appropriations
Audit information reported by public entities about their performance	Audit and Assurance Services RDA Audit and Assurance Services
Assess public sector performance and accountability Carry out inquiries into matters of public interest Provide advice and support for effective Parliamentary scrutiny Monitor spending against Parliamentary appropriations	Statutory Auditor Function MCA <ul style="list-style-type: none"> <li>• Performance audit and inquiries</li> <li>• Supporting accountability to Parliament</li> </ul>
Reflected across all output classes	Remuneration of Auditor-General and Deputy Auditor-General PLA
Reflected across all output classes	Controller and Auditor-General - Capital Expenditure PLA



## Part 2 - Details of Departmental Appropriations

### 2.1 - Departmental Output Expenses

#### 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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	80,500	80,500	81,617
Revenue from the Crown	-	-	-
Revenue from Others	80,500	80,500	81,617

##### *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 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*

	2018/19		2019/20
	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"	New measure	New measure	100%
Percentage of appointed auditors with a quality assurance grade of at least "satisfactory", based on the most recent quality assurance review	100%	92%	100%
Number of audit opinions withdrawn	New measure	New measure	None
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%	76%	At least 85%
Percentage of Ministers who rate our Ministerial letters (reports to them on our annual audits) as at least satisfactory	New measure	New measure	At least 85%
Percentage of audit reports and opinions that are signed by the applicable statutory deadline	At least 80%	85%	At least 80%
Percentage of entities with audit opinions in arrears as at 30 June	New measure	New measure	Less than 10%
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%	96%	100%

	2018/19		2019/20
	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:- 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	New measure	New measure	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

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 2025 and in the context of the Auditor-General's Annual Plan 2019/20.

We have reassessed the suitability and alignment of our measures with the Auditor-General's strategic intentions to 2025. As a result, this year we introduce a revised suite of performance measures for this appropriation. These will be reported on in the Auditor-General's 2019/20 Annual Report.

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported in the Auditor-General's 2019/20 Annual Report.

### *Memorandum Account*

	2018/19		2019/20
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Audit and assurance services</b>			
Opening Balance at 1 July	1,793	1,793	1,049
Revenue	80,501	80,501	81,617
Expenses	81,244	81,244	82,642
Transfers and Adjustments	-	-	-
<b>Closing Balance at 30 June</b>	<b>1,049</b>	<b>1,049</b>	<b>24</b>

## Audit and Assurance Services (M78)

### *Scope of Appropriation*

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

### *Expenses and Revenue*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,550	1,550	1,850
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 Audit and Assurance Services RDA.

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported in the Auditor-General's 2019/20 Annual Report.

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2019/20 is due to the forecast deficit in the Audit and Assurance Services revenue dependent appropriation. The portion of this appropriation that is not funded by the Crown relates to the use of Audit and Assurance Services memorandum account funds in deficit years.

## 2.2 - 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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,064	1,064	1,064

#### *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 2019/20 Annual Report.

## 2.3 - Departmental Capital Expenditure and Capital Injections

### 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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	484	484	559
Intangibles	448	448	950
Other	456	456	228
<b>Total Appropriation</b>	<b>1,388</b>	<b>1,388</b>	<b>1,737</b>

#### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve the renewal 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 2019/20 Annual Report.

#### *Reasons for Change in Appropriation*

The increase in the property, plant and equipment appropriation for 2019/20 is due to forecast costs of maintaining the Office's IT infrastructure and replacing computer hardware. The increase in the intangibles appropriation for 2019/20 is due to forecast investment in the Office's information systems. The decrease in the other appropriation for 2019/20 is due to a lower number of vehicles being replaced in the 2019/20 year.

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

Details of Net Asset Schedule	2018/19 Estimated Actual \$000	2019/20 Projected \$000	Explanation of Projected Movements in 2019/20
Opening Balance	8,015	7,421	
Capital Injections	-	-	
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	(594)	(875)	The deficit incurred reflects amounts that will be used from the Audit and Assurance Services memorandum account.
Other Movements	-	-	
<b>Closing Balance</b>	<b>7,421</b>	<b>6,546</b>	

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

## 4 - Multi-Category Expenses and Capital Expenditure

### Statutory Auditor Function (M78)

#### *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 and Inquiries*

This category 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 category 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.

#### *Expenses, Revenue and Capital Expenditure*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Total Appropriation</b>	<b>9,854</b>	<b>9,854</b>	<b>14,876</b>
<b>Departmental Output Expenses</b>			
Performance Audits and Inquiries	6,576	6,576	9,939
Supporting Accountability to Parliament	3,278	3,278	4,937
<b>Funding for Departmental Output Expenses</b>			
<b>Revenue from the Crown</b>	<b>9,611</b>	<b>9,611</b>	<b>14,633</b>
Performance Audits and Inquiries	6,576	6,576	9,939
Supporting Accountability to Parliament	3,035	3,035	4,694
<b>Revenue from Others</b>	<b>243</b>	<b>243</b>	<b>243</b>
Supporting Accountability to Parliament	243	243	243

### *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 2025, and the Auditor-General's Annual Plan 2019/20.

We have reassessed the suitability and alignment of our performance measures with The Auditor-General's strategic intentions to 2025. As a result, this year we introduce a revised suite of performance measures for this appropriation. These will be reported on in the Auditor-General's 2019/20 Annual Report.

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

	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
<b>Departmental Output Expenses</b>			
<b>Performance Audits and Inquiries</b>			
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 performance audits, inquiries, and other studies as at least "satisfactory"	New measure	New measure	100%
Percentage of performance audits that meet the Auditor-General's process and reporting quality criteria (as determined by quality assurance review)	New measure	New measure	100%
Percentage of audited entities that rate our performance audits as at least "satisfactory"	New measure	New measure	At least 85%
Percentage of performance audits that are concluded and their findings reported within the expected time period	New measure	New measure	At least 75%
Percentage of inquiries that meet the Auditor-General's process and reporting quality criteria (as determined by quality assurance review)	New measure	New measure	100%
Percentage of preliminary investigations and routine inquiries that are concluded within 6 months	New measure	New measure	100%
Percentage of major inquiries that are concluded and their findings reported within the expected time period	New measure	New measure	At least 75%



Assessment of Performance	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Percentage of requests under the Local Authorities (Members' Interests) Act 1968 for approval of contracts that are responded to within the expected time period	New measure	New measure	See Note 1
<b>Supporting Accountability to Parliament</b>			
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"	New measure	New measure	100%
Percentage of briefing papers that are submitted to select committees by the agreed deadline	New measure	New measure	100%
The monthly Controller reports are provided to the Treasury within 5 working days of receiving the Treasury's monthly reports and statements (for September to June)	New measure	New measure	All 9 reports
We issue a report to Parliament and the public on the Auditor-General's exercise of the Controller function for each financial year	New measure	New measure	At least annually

Note 1 - At least 90% within 21 days from when we receive the necessary information.

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported in the Auditor-General's 2019/20 Annual Report.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
<b>Current Parliament</b>						
<b>Supporting Accountability to Parliament</b>						
Investing in our strategy - increasing impact	2019/20	-	1,169	1,402	1,402	1,402
Investing in our capability	2019/20	-	491	422	422	422
<b>Performance Audits and Inquiries</b>						
Addressing demand and improving timeliness	2019/20	-	1,368	2,042	2,042	2,042
Investing in our strategy - increasing impact	2019/20	-	258	310	310	310
Investing in our capability	2019/20		1,736	1,690	1,690	1,690

### *Reasons for Change in Appropriation*

The increase in appropriation for 2019/20 is due to the following initiatives:

- \$1.368 million for addressing demand and improving timeliness:
  - improving coverage and timeliness of performance audits, and
  - addressing demand and timeliness of the inquiry function.
- \$1.427 million for investing in our strategy - increasing impact:
  - development and publication of new good practice guidance
  - increasing engagement with entities, and
  - better use of data to generate insight and getting ahead of issues.
- \$2.227 million for Investing in our capability:
  - technical development and quality assurance
  - improving core system development
  - expanding the use of technology to support the Office's work
  - enhancing processes and systems to support delivery, and
  - investing in people.