

Vote Audit

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 2020/21 covering the following:

- a total of \$16.676 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 \$94.579 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 \$1.099 million for remuneration expenses for both the Auditor-General and the Deputy Auditor-General, and
- a total of \$2.525 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	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Audit and Assurance Services RDA (M78) This appropriation is limited to audit and related assurance services as required or authorised by statute.	85,573	85,573	94,429
Audit and Assurance Services (M78) This appropriation is limited to audit and related assurance services as required or authorised by statute.	2,450	2,450	150
Total Departmental Output Expenses	88,023	88,023	94,579
Departmental Other Expenses			
Remuneration of Auditor-General and Deputy Auditor-General PLA (M78) 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) 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.	1,926	1,926	2,525
Total Departmental Capital Expenditure	1,926	1,926	2,525
Multi-Category Expenses and Capital Expenditure			
Statutory Auditor Function MCA (M78) The single overarching purpose of this appropriation is to support Parliament in ensuring accountability for the use of public resources.	15,421	15,421	16,676
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.	9,939	9,939	11,040
<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 abroad to support Parliament and governing bodies in holding their executives to account for the use of public resources.	5,482	5,482	5,636
Total Multi-Category Expenses and Capital Expenditure	15,421	15,421	16,676
Total Annual Appropriations and Forecast Permanent Appropriations	106,469	106,469	114,879

Capital Injection Authorisations

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Controller and Auditor-General - Capital Injection (M78)	-	-	1,508

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Information Systems Strategy	Statutory Auditor Function MCA - Performance Audits and Inquiries Departmental Output Expenses	-	423	850	937	1,168
	Statutory Auditor Function MCA - Supporting Accountability to Parliament Departmental Output Expenses	-	333	668	736	917
	Controller and Auditor-General - Capital Expenditure PLA Departmental Capital Expenditure	-	1,508	1,800	1,904	738
Total Initiatives		-	2,264	3,318	3,577	2,823

1.2 - Trends in the Vote

Summary of Financial Activity

	2015/16	2016/17	2017/18	2018/19	2019/20		2020/21			2021/22	2022/23	2023/24
	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	77,586	78,915	83,764	82,720	88,023	88,023	94,579	-	94,579	94,923	97,744	105,376
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	972	1,052	739	1,064	1,099	1,099	1,099	-	1,099	1,099	1,099	1,099
Capital Expenditure	1,100	1,432	968	1,090	1,926	1,926	2,525	-	2,525	3,035	3,533	2,028
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	9,758	9,524	9,425	9,670	15,421	15,421	16,676	-	16,676	17,365	17,530	17,932
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Appropriations	89,416	90,923	94,896	94,544	106,469	106,469	114,879	-	114,879	116,422	119,906	126,435
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 2018 and 2021 include the triennial audits of Local Authorities' long-term plans, which drives higher costs.

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"> • Performance audit and inquiries • Supporting accountability to Parliament
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

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	85,573	85,573	94,429
Revenue from the Crown	-	-	-
Revenue from Others	85,573	85,573	94,429

Estimated actual results do not take into account the effect of Coronavirus disease (COVID-19) on audit fee revenue. The amount of audit work completed to 30 June 2020 is likely to be reduced, which will impact revenue for the year.

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

	2019/20		2020/21
	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%	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%	95%	100%
Number of audit opinions withdrawn	No audit opinions withdrawn	New measure	No audit opinions 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%	82%	At least 85%
Percentage of Ministers who rate our Ministerial letters (reports to them on our annual audits) as at least satisfactory	At least 85%	New measure	At least 85%
Percentage of audit reports that are signed by the applicable statutory deadline	At least 80%	82% (see Note 1)	At least 80%
Percentage of entities with audit reports in arrears as at 30 June	Less than 10%	10% (see Note 1)	Less than 10%

Assessment of Performance	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
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% (see Note 1)	100%
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	100%	92%	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 - These results do not take into account the potential effect of COVID-19 on the timeliness of annual audits.

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 2020/21.

End of Year Performance Reporting

Performance information for this appropriation will be reported in the Auditor-General's 2020/21 Annual Report.

Reasons for Change in Appropriation

The increase in this appropriation for 2020/21 is mainly due to additional fee revenue for the triennial audits of Local Authorities' long term plans which are due to be completed in 2021. 2020/21 budgets also allow for costs associated with investment in technology to support the Office's operations.

Memorandum Account

Name of Memorandum Account	2019/20		2020/21
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Opening Balance at 1 July	1,820	1,820	199
Revenue	85,573	85,573	94,429
Expenses	87,194	87,194	93,133
Transfers and Adjustments	-	-	-
Closing Balance at 30 June	199	199	1,495

Estimated actual results do not take into account the effect of COVID-19 on audit fee revenue. The amount of audit work completed to 30 June 2020 is likely to be reduced, which will impact the financial results for the year.

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

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,450	2,450	150
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 2020/21 Annual Report.

Reasons for Change in Appropriation

The decrease in this appropriation for 2020/21 is due to the appropriation reverting to the level of Crown funding for small entities. In 2019/20, the portion of this appropriation that was not funded by the Crown related to the use of Audit and Assurance Services memorandum account funds.

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

	2019/20		2020/21
	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 2020/21 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

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	1,127	1,127	685
Intangibles	419	419	1,688
Other	380	380	152
Total Appropriation	1,926	1,926	2,525

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 2020/21 Annual Report.

Reasons for Change in Appropriation

The increase in this appropriation for 2020/21 is due to the planned investment in technology to support the Office's work.

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

Details of Net Asset Schedule	2019/20 Estimated Actual \$000	2020/21 Projected \$000	Explanation of Projected Movements in 2020/21
Opening Balance	8,047	6,427	
Capital Injections	-	1,508	This capital injection will fund capital expenditure relating to the Office's investment in technology to support its work.
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	(1,620)	1,296	These amounts reflect the forecast movements in the Audit and Assurance Services memorandum account.
Other Movements	-	-	
Closing Balance	6,427	9,231	

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, 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 abroad to support Parliament and governing bodies in holding their executives to account for the use of public resources.

Expenses, Revenue and Capital Expenditure

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	15,421	15,421	16,676
Departmental Output Expenses			
Performance Audits, Inquiries, and other studies	9,939	9,939	11,040
Supporting Accountability to Parliament	5,482	5,482	5,636
Funding for Departmental Output Expenses			
Revenue from the Crown	14,633	14,633	16,233
Performance Audits, Inquiries, and other studies	9,939	9,939	11,040
Supporting Accountability to Parliament	4,694	4,694	5,193
Revenue from Others	788	788	443
Supporting Accountability to Parliament	788	788	443

Estimated actual results do not take into account the effect of COVID-19 on the Office's work programme. This is likely to result in lower costs for the year.

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 2020/21.

Our estimated actual results for the Statutory Auditor Function performance measures do not take into account the potential impact of COVID-19.

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

Assessment of Performance	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
Departmental Output Expenses			
Performance Audits, Inquiries, and other studies			
This category is intended to achieve:			
Percentage of Parliamentary select committees that rate our reports on inquiries, performance audits, and other studies as at least "satisfactory"	New measure	New measure	100%
Percentage of performance audits that substantially meet the Auditor-General's process and reporting quality criteria (as determined by quality assurance review)	100%	100%	100%
Percentage of audited entities that rate our performance audits as at least "satisfactory"	At least 85%	89%	At least 85%
Percentage of performance audits that are concluded and their findings reported within the expected time period	At least 75%	42%	At least 75%
Percentage of inquiries that meet the Auditor-General's process and reporting quality criteria (as determined by quality assurance review)	100%	100%	100%
Percentage of requests for inquiries or self-initiated issues which are considered and a view is reached within 4 weeks	New measure	New measure	At least 90%
Percentage of pieces of inquiry work (except major inquiries) that are concluded within 6 months	100%	80%	At least 90%
Percentage of major inquiries that are concluded and their findings reported within the expected time period	At least 75%	66%	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 1)	At least 90%	96%	At least 90%

Assessment of Performance	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
Supporting Accountability to Parliament			
This category is intended to achieve:			
Percentage of Parliamentary select committees that rate our advice as at least "satisfactory"	100%	100%	100%
Percentage of briefing papers that are submitted to select committees by the agreed deadline	100%	97%	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)	All 9 reports	All 9 reports	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	At least annually	3 reports issued	At least annually

Note 1 - At least 90% within 15 working 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 2020/21 Annual Report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Current Parliament						
Supporting Accountability to Parliament						
Investing in technology to support our work	2020/21	-	333	668	736	917
Investing in our strategy - increasing impact	2019/20	1,169	1,402	1,402	1,402	1,402
Investing in our capability	2019/20	491	422	422	422	422
Performance Audits and Inquiries						
Investing in technology to support our work	2020/21	-	423	850	937	1,168
Addressing demand and improving timeliness	2019/20	1,368	2,042	2,042	2,042	2,042
Investing in our strategy - increasing impact	2019/20	258	310	310	310	310
Investing in our capability	2019/20	1,736	1,690	1,690	1,690	1,690

Reasons for Change in Appropriation

The increase in this appropriation for 2020/21 is due to the policy initiatives listed above.

For the initiatives that commenced in 2019/20, the increases in 2020/21 represent the new ongoing funding levels which will enable the Office to deliver on its strategy in to the future.

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.