

# *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 2021/22 covering the following:

- a total of just over \$18 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 over \$91 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 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.

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	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Departmental Output Expenses</b>			
<b>Audit and Assurance Services RDA (M78) (A1)</b> This appropriation is limited to audit and related assurance services as required or authorised by statute.	92,919	92,919	89,345
<b>Audit and Assurance Services (M78) (A1)</b> This appropriation is limited to audit and related assurance services as required or authorised by statute.	150	150	<b>2,150</b>
<b>Total Departmental Output Expenses</b>	93,069	93,069	91,495
<b>Departmental Other Expenses</b>			
<b>Remuneration of Auditor-General and Deputy Auditor-General PLA (M78) (A1)</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.	1,011	1,011	1,099
<b>Total Departmental Other Expenses</b>	1,011	1,011	1,099
<b>Departmental Capital Expenditure</b>			
<b>Controller and Auditor-General - Capital Expenditure PLA (M78) (A1)</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.	1,672	1,672	4,393
<b>Total Departmental Capital Expenditure</b>	1,672	1,672	4,393
<b>Multi-Category Expenses and Capital Expenditure</b>			
<b>Statutory Auditor Function MCA (M78) (A1)</b> The single overarching purpose of this appropriation is to support Parliament in ensuring accountability for the use of public resources.	17,990	17,990	<b>18,085</b>
<b>Departmental Output Expenses</b>			
<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.	12,026	12,026	11,875
<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.	5,964	5,964	6,210
<b>Total Multi-Category Expenses and Capital Expenditure</b>	17,990	17,990	18,085
<b>Total Annual Appropriations and Forecast Permanent Appropriations</b>	113,742	113,742	115,072

## Capital Injection Authorisations

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Controller and Auditor-General - Capital Injection (M78) (A1)	200	200	2,900

# Supporting Information

## Part 1 - Vote as a Whole

### 1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2020/21 Final Budgeted \$000	2021/22 Budget \$000	2022/23 Estimated \$000	2023/24 Estimated \$000	2024/25 Estimated \$000
Maintaining Capability to Deliver Services	<b>Statutory Auditor Function MCA</b>					
	Performance Audits and Inquiries	-	441	899	1375	1375
	Supporting Accountability to Parliament	-	241	493	754	754
	Appropriation type: Departmental Output Expense					
Total initiatives		-	682	1,392	2,129	2,129

## 1.2 - Trends in the Vote

### Summary of Financial Activity

	2016/17	2017/18	2018/19	2019/20	2020/21		2021/22			2022/23	2023/24	2024/25
	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	78,915	83,764	82,720	85,353	93,069	93,069	91,495	-	91,495	93,070	99,428	98,144
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	1,052	739	1,064	1,099	1,011	1,011	1,099	-	1,099	1,099	1,099	1,099
Capital Expenditure	1,432	968	1,090	1,520	1,672	1,672	4,393	-	4,393	3,645	2,011	1,149
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	9,524	9,425	9,670	13,409	17,990	17,990	18,085	-	18,085	18,878	20,027	20,182
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Appropriations</b>	90,923	94,896	94,544	101,381	113,742	113,742	115,072	-	115,072	116,692	122,565	120,574
<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**

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 and 2024 include the triennial audits of Local Authorities' long-term plans, which drives higher costs and revenue.

## 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*

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	92,919	92,919	89,345
Revenue from the Crown	-	-	-
Revenue from Others	92,919	92,919	89,345

The 2020/21 estimated actual has been adjusted for the effect of COVID-19 on audit fee revenue. COVID-19 has delayed the completion of some audit work which has reduced annual audit revenue expected for 2020/21. The office has also been completing the triennial audits of Local Authorities which generates higher revenue compared to 2019/20. The deferral of some audit work is expected to partially flow into 2021/22 audit revenue.

##### *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*

	2020/21		2021/22
	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%	80%	100%
Percentage of appointed auditors with a quality assurance grade of at least "satisfactory", based on the most recent quality assurance review	100%	87%	100%
Number of audit opinions withdrawn	No audit opinions withdrawn	One audit opinion withdrawn	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 audit reports that are signed by the applicable statutory deadline	At least 80%	At least 80% (see Note 1)	At least 80%
Percentage of entities with audit reports in arrears as at 30 June	Less than 10%	Less than 10% (see Note 1)	Less than 10%



Assessment of Performance	2020/21		2021/22
	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%	75% (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: <ul style="list-style-type: none"> <li>where the audit report statutory deadline is 31 October, within 15 weeks of signing the audit report</li> <li>for all other audits, within 10 weeks of the signing of the audit report</li> </ul>	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 have been impacted and may remain at risk from the ongoing effects of COVID-19.

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 2021/22.

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported in the Auditor-General's 2021/22 Annual Report.

### *Reasons for Change in Appropriation*

Audit fee revenue for 2021/22 will be lower than 2020/21, mainly due to the triennial audits of Local Authorities long term plans which are due to be completed in 2021. 2021/22 budgets also allow for costs associated with investment in technology to support the Office's operations.

### *Memorandum Account*

Estimated actual results take into account the effect of COVID-19 on audit fee revenue. The amount of audit work completed to 30 June 2021 is likely to be reduced, which will impact the financial results for the year.

Name of Memorandum Account	2020/21		2021/22
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Opening Balance at 1 July	199	(1,559)	221
Revenue	94,429	92,919	89,344
Expenses	93,133	91,139	90,613
Transfers and Adjustments	-	-	-
<b>Closing Balance at 30 June</b>	<b>1,495</b>	<b>221</b>	<b>(1,048)</b>

## 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*

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	150	150	2,150
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 2021/22 Annual Report.

### *Reasons for Change in 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. The increase is to fund the forecasted Audit and Assurance Services operating deficit in 2021/22.

### *Memorandum Account*

Name of Memorandum Account	2020/21		2021/22
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Opening Balance at 1 July	199	(1,559)	221
Revenue	94,429	92,919	89,344
Expenses	93,133	91,139	90,613
Transfers and Adjustments	-	-	-
<b>Closing Balance at 30 June</b>	<b>1,495</b>	<b>221</b>	<b>(1,048)</b>

## 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*

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,011	1,011	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 2021/22 Annual Report.

## 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*

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	1,063	1,063	1,850
Intangibles	305	305	2,467
Other	304	304	76
<b>Total Appropriation</b>	<b>1,672</b>	<b>1,672</b>	<b>4,393</b>

#### *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 2021/22 Annual Report.

#### *Reasons for Change in Appropriation*

The increase in intangibles for this appropriation relates to the planned investment in technology to support the Office's work. The increase in property, plant and equipment primarily relates to investment in relocated office premises in 2021/22.

#### *Capital Injections and Movements in Departmental Net Assets*

#### **Controller and Auditor-General**

The increase in this appropriation for 2021/22 is mainly due to the planned investment in technology to support the Office's work and investment in relocated office premises.

**Controller and Auditor-General**

Details of Net Asset Schedule	2020/21 Estimated Actual \$000	2021/22 Projected \$000	Explanation of Projected Movements in 2021/22
Opening Balance	4,663	6,643	
Capital Injections	200	2,900	Capital injections are forecasted to support higher than prior years capital expenditure (\$2 million) and to fund the memorandum account deficit (\$200,000 in 2020/21 and \$900,000 in 2021/22).
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	1,780	(1,268)	Three items will impact the change in the forecast surplus/(deficit): (1) The higher revenue in 2020/21 from completing the triennial audits of Local Authorities is not repeated in 2021/22, hence revenue will be lower in 2021/22; (2) COVID delayed audit fee increases originally planned during 2021/22 hence revenue is not forecast to increase as previously expected; and (3) Costs associated with the planned investment in technology are forecasted to increase from 2021/22.
Other Movements	-	-	
<b>Closing Balance</b>	6,643	8,275	Explained above

# 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*

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Total Appropriation</b>	<b>17,990</b>	<b>17,990</b>	<b>18,085</b>
<b>Departmental Output Expenses</b>			
Performance Audits, Inquiries, and other studies	12,026	12,026	11,875
Supporting Accountability to Parliament	5,964	5,964	6,210
<b>Funding for Departmental Output Expenses</b>			
<b>Revenue from the Crown</b>	<b>17,219</b>	<b>17,219</b>	<b>17,644</b>
Performance Audits, Inquiries, and other studies	12,026	12,026	11,875
Supporting Accountability to Parliament	5,193	5,193	5,769
<b>Revenue from Others</b>	<b>771</b>	<b>771</b>	<b>441</b>
Supporting Accountability to Parliament	771	771	441

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 2021/22.

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	2020/21		2021/22
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Departmental Output Expenses</b>			
<b>Performance Audits, Inquiries, and other studies</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 inquiries, performance audits, and other studies as at least "satisfactory"	100%	100%	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 six months	At least 10%	17%	At least 10%
Percentage of performance audits that are concluded and their findings reported within ten months	At least 70%	50%	At least 70%
Percentage of performance audits that are concluded and their findings reported within 12 months	100%	75%	100%
Percentage of other publications concluded and their findings reported within the expected time period (see Note 1)	At least 75%	50%	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%

	2020/21		2021/22
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Percentage of requests for inquiries or self-initiated issues which are considered and a view is reached within 4 weeks	At least 90%	At least 90%	At least 90%
Percentage of pieces of inquiry work (except major inquiries) that are concluded within 6 months	At least 90%	At least 90%	At least 90%
Percentage of major inquiries that are concluded and their findings reported within the expected time period	At least 75%	At least 75%	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 2)	At least 90%	At least 90%	At least 90%
<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"	100%	100%	100%
Percentage of briefing papers that are submitted to select committees by the agreed deadline	100%	97%	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 and the public on the Auditor-General's exercise of the Controller function for each financial year	At least annually	5 reports issued	At least annually

Note 1 - 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 2 - 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 2021/22 Annual Report.



*Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2020/21 Final Budgeted \$000	2021/22 Budget \$000	2022/23 Estimated \$000	2023/24 Estimated \$000	2024/25 Estimated \$000
<b>Information Systems Strategy</b> <b>Statutory Auditor Function MCA - Performance Audits and Inquiries</b> Departmental Output Expenses	2020/21	423	850	937	1,168	-
<b>Information Systems Strategy</b> <b>Statutory Auditor Function MCA - Supporting Accountability to Parliament</b> Departmental Output Expenses	2020/21	333	668	736	917	-
<b>Information Systems Strategy</b> <b>Controller and Auditor-General - Capital Expenditure PLA</b> Departmental Capital Expenditure	2020/21	1,508	1,800	1,904	738	-
Total Initiatives		2,264	3,318	3,577	2,823	-

*Reasons for Change in Appropriation*

The increase in this appropriation for 2021/22 is to allow 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 2019/20 and will continue over multiple years.