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Parliamentary paper

Annual Plan 2012/13

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Annual Plan 2012/13

including the Auditor-General's
Statement of Intent 2012–2015

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Auditor-General's overview

I am pleased to submit this *Annual Plan for 2012/13*.

Our annual plan focuses on the question: *Our future needs – is the public sector ready?* It's a question that I know is important to Parliament, citizens, public entities, and their staff, and my own staff. I know it's important because choosing this focus was the result of feedback and development of ideas from a wide range of people during several months in 2011. We have shaped our 2012/13 annual plan around the issues that people told us were important to them. By exploring these issues, we aspire to make a lasting difference.

As far as possible, we will draw on all the audit and assurance work we carry out to consider the questions and concerns that were raised with us about the public sector's contribution to New Zealand's future. Our proposed work programme also sets out specific initiatives that call on most of the Auditor-General's reporting responsibilities. We know there is much to gain from sharing our knowledge, so our work will draw on expertise from throughout the Office and the public sector, and also from the academic, non-governmental, and private sector communities.

As well as our work focused on the future, there are several significant and complex inquiries that we will be carrying out over the next few months, and our ongoing development effort toward the five themes that we have been working on during the past two years:

1. the local government reorganisation in Auckland;
2. performance reporting;
3. analysis and reporting of sector information (sector knowledge);
4. changes to financial reporting standards (and, more broadly, auditing standards and regulation of auditors); and
5. adding value through our almost 4000 annual audits, inquiries, and performance audits.

We are currently working on an Auditor-General's Strategy for 2013–17 that we will implement in 2013. The new strategy will take account of ongoing changes in the external environment and in the auditing and accounting professions.

Consultation with Parliament

I consulted the Speaker and parliamentary select committees about my proposed annual work programme. I thank them all for their consideration. The Finance and Expenditure Committee, which co-ordinated the consultation process with select committees, advised me that it had no comments. However, the Finance and

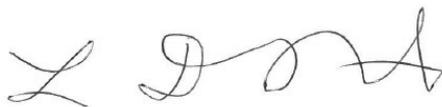
Expenditure Committee referred to me comments that it received from the Social Services Committee, making suggestions about the particular focus of some of the studies we proposed in our draft annual plan. As required by section 36(4) of the Public Audit Act 2001, I have noted on page 15 one set of suggestions (about the analysis of local authorities' long-term plans) that will not specifically be covered by the work we propose this year. I will be responding directly to the Social Services Committee on all its suggestions.

Consultation with Parliament helps me to ensure that the work we do in addition to our annual audit work will be relevant and useful to Parliament, public entities, and the public. It is an important way in which I can continue to ensure that the work of my Office remains relevant and responsive to the needs of my key stakeholders – Parliament and the public.

This *Annual Plan 2012/13* includes my *Statement of Intent 2012–2015* (SOI), which was presented to the House of Representatives at the time of the Budget this year. The SOI includes the forecast financial and service performance for my Office in 2012/13.

Concluding comments

I am committed to making sure that my Office continues to be well positioned to contribute to a more effective and efficient public sector by helping to speed up the learning process around the effective use of public resources. This will include looking at our own operations and processes, to carry out audit work that addresses the change in and growing complexity of the public sector and the higher expectations of the public.



Lyn Provost
Controller and Auditor-General

21 June 2012

Part 1

Introduction

Why is there an Auditor-General?

In New Zealand's system of government, Parliament authorises all government spending and gives statutory powers to public entities.

Public entities are therefore accountable to Parliament for their use of the public resources and powers that Parliament gives them. As part of this accountability, Parliament seeks independent assurance through the Auditor-General that public entities are operating and accounting for their performance in the way that Parliament intended.

The need for independent assurance also covers local government. Local authorities are accountable to the public for how they use the resources they collect through rates and other sources.

It is not the role of the Auditor-General to question the policies of the Government or local authorities.

The role and independence of the Auditor-General

The Auditor-General's role is to assist Parliament to scrutinise the effectiveness, efficiency, and accountability of public entities. To be effective and credible in this role, the Auditor-General must be independent of executive government. To ensure independence, the Auditor-General and the Deputy Auditor-General:

- are appointed by the Governor-General on the recommendation of the House of Representatives;
- report directly to the House of Representatives (and have the power to report to anyone else);
- are paid under a permanent authority from Parliament that does not require the approval of the Government; and
- make requests for funding directly to the Officers of Parliament Committee of the House of Representatives (rather than through the Executive), after which the House commends the sum required to the Governor-General for inclusion in an Appropriation Bill.

Consulting with members of Parliament about the proposed annual work programme is one of the ways in which the Auditor-General is accountable to Parliament.

Public sector audits

The Auditor-General's work is designed to give assurance to Parliament, public entities, and the public that our public entities fairly reflect the results of their activities in their annual reports.

The Auditor-General also keeps an eye on whether public entities are carrying out their activities effectively and efficiently and on matters of waste, probity, legislative compliance, and financial prudence in the public sector.

The Auditor-General reports findings and makes recommendations so that those responsible for making improvements can do so. This includes highlighting examples of good practice that can help improve public sector management and performance.

The above matters are consistent with sections 15, 16, and 19 of the Public Audit Act 2001 (the Act). The "routine" audit processes that give effect to these matters are supplemented by:

- other auditing services, which the Auditor-General may, with the agreement of a public entity, perform for that entity – being any services of a kind that it is reasonable and appropriate for an auditor to perform (under section 17 of the Act); and
- inquiries, which the Auditor-General may carry out into any matter concerning a public entity's use of its resources (under section 18 of the Act).

The appropriate identification, scoping, investigation, and reporting of audits (under sections 15, 16, and 19 of the Act), other auditing services (under section 17 of the Act), and inquiries (under section 18 of the Act) are underpinned by the Auditor-General's auditing standards. The work is facilitated by various processes carried out within the Office of the Auditor-General and by audit service providers contracted to work on behalf of the Auditor-General.

Part 2

About the focus of our proposed work programme

Our proposed work programme addresses the theme *Our future needs – is the public sector ready?* We chose this theme after extensive input and development of ideas from a wide range of people.

Our future needs – is the public sector ready? reflects widespread recognition that public services must change and adapt to help build the future we want. Our broader environment is one of fiscal and resource constraint. The public sector is responding to calls to deliver better public services for less and to transform the ways it delivers public services.

Through our work on this theme, we aspire to make a lasting difference; exploring issues that people told us were important to them about the future and how the public sector is preparing for it. Although the Office cannot give assurance on the broad question of whether the public sector is ready, we have designed this work programme to look at topics that people told us are of interest and/or concern for New Zealand's future.

As far as possible, we will draw on all the audit and assurance work we carry out to consider the questions and concerns raised with us about the public sector's contribution to the country's future. Our 2012/13 work programme also sets out specific initiatives that call upon most of the Auditor-General's reporting responsibilities. We will use our knowledge of public entities and draw on expertise from the public sector and the academic, non-governmental, and private sector communities to carry out our planned work.

We give considerable thought to the content of our work programme to ensure that we apply the available resources to get the best return, and to fulfil the Auditor-General's statutory responsibilities and meet her professional obligations. In particular, to arrive at these topics, we drew on feedback from people inside and outside the Office and our knowledge of recent work done or under way. We also considered how the potential topics would best contribute to the theme.

To sharpen the focus of our work, we propose to consider four cross-cutting themes for each topic: use of technology, capability and skills, prioritisation, and effectiveness and efficiency.

As illustrated in Figure 1, we have grouped our proposed work into three clusters:

- services;
- resources; and
- financial.

We describe the proposed work in each cluster in Figures 2, 3, and 4.

Figure 2
Proposed work in 2012/13 – Services cluster

A common thread of feedback to us was that the public sector needs to plan and deliver effective public services while “future-proofing” services for our changing population and its needs.

Child obesity

Good child health is important for children and families now, and also for continued good health and active contribution to society into adulthood. Almost 30% of New Zealand children between five and 17 years old are classed as obese or overweight. This means New Zealand ranks fifth in the OECD for girls and eighth for boys. There are social disparities between obese and non-obese children, and childhood obesity increases the risk of children developing diseases such as diabetes, heart disease, and asthma when they become adults. Life expectancy may well be limited by the early onset of diseases in adulthood as a result of childhood obesity, which might have implications for the future economic sustainability of New Zealand.

We propose a performance audit to assess how the increasing prevalence of obesity in children is being tackled to improve children’s health now and into their future.

We will consider the possible overlap with the Health Committee’s inquiry into preventing child abuse and improving children’s health outcomes, and the Māori Affairs Committee’s work on determinants of well-being for Māori children, before proceeding with our proposed audit.

Māori education

It is important that the education system serves all students well. Currently, all Māori students do not take part in education as well as they might, nor do some achieve as highly as they could. Many initiatives and programmes are now in place to lift Māori participation, engagement, and achievement, under the Ka Hikitia – Managing for Success Māori Education Strategy and elsewhere.

It is important that these programmes and initiatives are designed to achieve the intended outcomes and are carried out effectively. This may involve “changing hearts and minds” of people in the Ministry of Education, other education sector agencies, schools, early childhood education providers, and other agencies and organisations involved in lifting Māori student achievement.

The Office is preparing a five-year framework for performance audits about education for Māori educational success, to be published in June 2012. We will carry out the first audit in this framework during 2012/13. To guide this process and help construct the framework, we have appointed a Māori Advisory and Reference Group, comprising eminent Māori education experts and representatives. An Advisory Group will continue to guide the Office throughout the five-year Māori education audit programme.

New migrant settlement and contribution

New Zealand depends on migrants to maintain its population and fill skill shortages, even in a time of economic slowdown. The New Zealand settlement strategy includes a goal that the contributions of migrants support economic transformation. The contributions can be by their employment and use of their skills and knowledge, and by stimulating innovation and creativity in New Zealand business. Another contribution can be by strengthening relationships in international markets.

We will carry out a performance audit to assess how well this goal is being achieved, by looking at the employment of immigrants and the use of their skills and knowledge, and their involvement in the establishment of trade links. We will focus on immigrants who potentially face the greatest barriers to finding employment that uses their skills.

Technology-enabled service delivery

New Zealand citizens have been early and enthusiastic adopters of social media. As a result, public organisations are now beginning to use social media. The Government has also signalled a focus on increasing the use of ICT to reduce the cost of services to the public and improve their quality.

We propose a performance audit to explore public entities' current use of social media and identify those conditions critical to its success. We will also examine the effectiveness and efficiency of the investments made in social media.

We plan to do further work in 2013/14 on technology-enabled service delivery.

Ageing population

The proportion of older people in the population is growing at a faster rate than ever before. This is resulting in a major shift in the population structure. The number of New Zealanders aged 65 years and over will exceed one million by the late 2020s. The different profile in the population will put different demands on public services, and present a range of challenges and opportunities for New Zealand's future. In particular, there will be a significant effect on health and social services. There will also be a growth in the older economy as more people over 65 stay in the workforce.

Since 2001, the Ministry of Social Development has had a Positive Ageing Strategy. The strategy includes considering the implications for retirement income, health, employment, housing, and transport.

We propose to carry out a performance audit that will examine whether a cross-section of public entities (including local authorities) are effectively preparing and planning for the projected growth and ethnic composition of older people.

Justice – Reduction of reoffending

The core criminal justice system is described by the Government as a "pipeline" through which offenders flow, from the police to courts to corrections. The Government aims to reduce the flow of criminals by intervening early to reduce offending, and to better control or mitigate criminal behaviour. International research indicates that earlier interventions are more effective and have a greater cost-benefit ratio to the taxpayer, leading to a safer society.

In 2009, several government departments designed a work programme to achieve this reduction in flow. Called "Addressing the drivers of crime", this programme has four workstreams focused on four points in the pipeline where intervention is necessary to reduce pressure further along.

In the context of financial constraint, the justice sector has developed the Justice Sector Sustainability Programme aimed at producing an effective and sustainable sector. For the greatest effectiveness and efficiency, it is important that the agencies involved work together well towards agreed outcomes.

Through a series of audits during the next few years, we propose to assess the overall effectiveness and efficiency of "Addressing the drivers of crime", as well as the effectiveness of each individual workstream. In our first performance audit, we propose to look at activities intended to reduce reoffending, including prisoner employment, drugs and alcohol treatment, cultural programmes, and probation. The audit will assess how successfully changes to service delivery design and activities are reducing re-offending and harm to others by offenders.

Figure 3
Proposed work in 2012/13 – Resources cluster

In this cluster, we look at the natural resources and other assets that support the delivery of public services. We will ask whether the best use is being made of those resources and whether they are being managed so that they will continue giving the service needed from them in the future.

Protecting and maintaining our biodiversity and natural ecosystems

This performance audit is under way. Globally, the increasing loss of biodiversity is a major concern. Much of New Zealand's biodiversity is unique and makes a significant contribution to our quality of life. Our biodiversity and natural ecosystems have considerable economic, social, and cultural value.

The Department of Conservation (the Department) has a lead role in working, together with other agencies, to ensure that the diversity of our natural heritage is protected and our natural ecosystems are healthy. We plan to audit the work of the Department and other agencies to protect and maintain our biodiversity and natural ecosystems.

Biosecurity: Preparedness for, and response to, incursions from unwanted organisms

This performance audit is under way. Certain plants, animals, and associated diseases can be detrimental to our social, economic, and/or physical environment if they become established. The Ministry of Agriculture and Forestry (the Ministry) is responsible for prevention (through border control), surveillance, investigation, and responding to incursions of these unwanted organisms.

We are auditing the Ministry's preparedness for an incursion of unwanted organisms and its systems for responding to an incursion. Our work is examining how the Ministry has responded to some actual incursions. Where appropriate, we are also examining how well the Ministry has worked with industry and other partners as part of the response.

Asset management by district health boards

Asset management is an essential part of public sector governance and operation, and should be part of an organisation's strategic, corporate, service, and financial planning. A complex range of property, plant, and equipment assets underpins the services provided by district health boards (DHBs). These assets need to be managed so that services are effective and efficient, in a way that considers the future utility of the assets.

We propose to audit the leadership the Ministry of Health provides to DHBs in co-ordinating asset management across the sector and integrating it with service delivery, including how this affects asset management practices by DHBs.

Management of significant assets

Many essential community services are underpinned by significant assets, such as infrastructure assets. These assets normally comprise large numbers of components that together constitute a network.

Although individual components have useful lives and require regular maintenance and eventual replacement, the network as a whole is expected to continue to deliver essential community services in the long term.

Public entities are responsible for managing their assets and typically do so through formalised asset management planning processes.

We intend to review asset management of the significant assets throughout the public sector, in both central and local government. We plan to ask our auditors to gather information about asset management as part of their annual audits of selected public entities.

We are interested in better understanding:

- how entities describe and explain the service levels they are aiming to deliver;
- the condition of significant assets; and
- the extent of deferred maintenance and deferred renewals.

Figure 4 Proposed work in 2012/13 – Financial cluster

Finally, people were looking for assurance that the fiscal circumstances of the public sector are being managed to maintain the assets and deliver the services that will be needed for a changing population in the context of the devastation of the Canterbury earthquakes and the wider difficult economic climate.

Analysis of local authorities' long-term plans

During 2011/12, we audited local authorities' 10-year plans as part of the triennial review and updating of these plans. Long-term plans should provide a significant indication of the likely financial and service operations of local authorities alongside their rating and other funding intentions.

We will draw on our base of audit work to assess the future issues facing local authorities and their communities across certain areas of public concern. These areas include the current position and level of local government debt, and the choices local authorities are making about how to balance affordability for the local community with imperatives for economic growth and infrastructure maintenance and improvement.

The Social Services Committee asked that this analysis "look at the degree to which 'social responsibility' is included in ... plans". We have considered this suggestion but, given proposed legislative change, we have decided to retain the focus on financial strategy and sustainability.

The Committee also raised questions about levels of deferred maintenance and renewals, which we think are better covered in our work on Management of significant assets.

New Zealand's Long-term Fiscal Statement

Every four years, the Treasury is required to produce New Zealand's Long-term Fiscal Statement. The Long-term Fiscal Statement provides projections of New Zealand's long-term fiscal position (covering a period of at least 40 years), and identifies and analyses a range of options to address the long-term fiscal position, but, importantly, does not make recommendations.

There have been two long-term fiscal statements produced to date, in 2006 and 2009. The next long-term fiscal statement is planned for 2013.

We intend to review the approach the Treasury has taken to produce New Zealand's Long-term Fiscal Statement. We are interested in better understanding and commenting on:

- the Treasury's long-term fiscal model;
- the key inputs to the model;
- the key assumptions and the sensitivities associated with those assumptions;
- the options available for managing New Zealand's long-term fiscal position; and
- the links between the long-term fiscal model and the information presented in the Long-term Fiscal Statement.

Board reporting by Crown Research Institutes and State-owned enterprises

For Crown Research Institutes and State-owned enterprises, there has been a greater focus on making Boards more responsible and accountable for the companies' direction. Good decision-making at Board level about future strategies, tactics, and operations can be achieved only with the right information, in the right form, at the right time. We propose to review the form and extent of Board reporting on matters about the future issues, opportunities, and risks for these companies (excluding those targeted for mixed ownership).

Canterbury recovery

The recovery and rebuild effort in Canterbury involves significant funding, large-scale projects and contracts, and multiple entities with interacting roles and responsibilities. We propose to carry out a four-stream programme on the Canterbury recovery:

- Procurement and monitoring – The recovery and rebuild effort includes large-scale, significant contracts for the demolition, repair, and rebuild of homes and infrastructure. We will carry out performance audit work on aspects of this procurement and how the procurement is being managed, monitored, and implemented.
- Funding flows – There has been a wide range of new appropriations and funding arrangements put in place to finance the recovery and rebuild. Our work will include mapping the funding flows and considering the controls, the timeliness of funding, and the accuracy and appropriateness of expenditure and monitoring costs.
- Accountability and responsibility – Multiple public entities are involved in the recovery and rebuild effort, and are accountable for large-scale public expenditure. We will map the different agencies involved and their roles and responsibilities, assessing the overall recovery framework against accepted criteria to overview and highlight any risks.
- Insurance – through our work to assess how well insured the public sector is (see next item), we will look specifically at the insurance arrangements of public entities in Canterbury.

How well insured is the public sector?

After the Canterbury earthquakes and other natural disasters, public entities are finding it increasingly difficult to secure adequate insurance for their assets at an affordable cost.

We intend to review the insurance cover in place throughout much of the public sector. We plan to ask our auditors to gather information about insurance as part of their annual audits of public entities.

We are interested in better understanding:

- the nature of insurance cover;
- the extent to which assets are uninsured;
- any significant policy exclusions that mean assets are not covered for certain types of events (for example, earthquake and tsunami);
- the proportion of claims that entities will not be able to recover (that is, the excess under the insurance policy);
- the cost of insurance; and
- the main changes in insurance arrangements in the past couple of years.

Our work will also include at least four major inquiries:

- the Kaipara District Council's management of the Mangawhai community wastewater scheme;
- aspects of ACC's Board-level governance;
- a citizenship decision; and
- the Ministry of Economic Development's expressions of interest process for proposals to establish an international convention centre.

We expect to report on all of these inquiries during 2012/13.

In addition, we expect to support public entities through a range of legislative and accounting standard changes that will affect their accountability arrangements.

In 2013/14:

- public entities will begin the transition from preparing their financial statements using standards based on International Financial Reporting Standards to standards based on International Public Sector Accounting Standards; and
- legislative changes to the Public Finance Act 1989, the Crown Entities Act 2004, and the Local Government Act 2002 may come into effect.

Looking ahead to 2013/14

A number of areas have emerged while we developed this proposed work programme for 2012/13 that are likely to form the basis of our work programme in 2013/14. The common theme is public sector service delivery, with our work in 2013/14 likely to feature performance audit work on the topics shown in Figure 5.

Figure 5
Likely performance audit work in 2013/14

Continuing our consideration of education for Māori educational success	Continuing our work on the Canterbury recovery and rebuilding
Continuing our consideration of the justice supply chain looking at the overall effectiveness and efficiency of the cross-agency work programme to reduce crime	Case management by the Accident Compensation Corporation and the Ministry of Social Development
Work toward our Auckland service performance reporting responsibility	Local government asset and service-level management
Contracting for outcomes	The e-government strategy

Part 3

Providing assurance

Most of the work of the Office (about 87%) comprises annual audits of the financial reports of public entities. This work is required by statute, and we carry it out in keeping with professional standards. The rest of our work is done under the Auditor-General's other reporting powers, and includes:

- advice to Parliament and select committees in support of financial reviews and Estimate examinations;
- responding to enquiries from ratepayers, taxpayers, and members of Parliament;
- promoting improvement on sector and specific entity matters through our in-depth performance audits and other studies;
- working with the accounting and auditing profession, including contributing to the international auditing community and to the development of accounting and auditing standards; and
- wider assurance and advice, including liaison with government bodies and other agencies in the public sector.

Our annual audits, which provide assurance about the financial statements and, in some instances, the performance statements of public entities, are our core business. They are the foundation for our ability to have a positive influence on public sector performance. Alongside annual audits, our performance audits, inquiries, and special studies allow us to review in depth how a public entity (or several entities) use resources and to suggest opportunities to improve performance where we have considered specific matters.

We plan to maintain the underlying quality of all our annual audits and performance audits and inquiries, and focus on how to add value to the organisations that we audit. We will also focus on improving our reporting and our supporting communications and relationships, and on improving our own effectiveness and efficiency.

Each year, we issue an audit brief for each category of public entities. An audit brief provides instructions for audit emphasis and guidance for the auditors of those entities. Figure 6 shows the categories of entities for which we have issued audit briefs.

Figure 6
Audit brief categories of public entities

Government departments	Crown entities
State-owned enterprises	Crown research institutes
Local authorities	Council-controlled organisations
District health boards	Tertiary education institutions
Licensing trusts	Rural Education Activities Programmes
Energy companies	Port companies
Section 19 entities	Airports
Fish and game councils	Māori trust boards*
Cemetery trustees	School boards of trustees

* Māori trust boards are expected to progressively move out of the mandate of the Auditor-General as a result of the Māori Trust Boards Amendment Act 2011.

In 2012/13, as part of our focused work on *Our future needs – is the public sector ready?*, our audit briefs ask auditors who carry out annual audits to collect information toward our reports on:

- insurance; and
- management of significant assets.

The Public Audit Act 2001 requires us to report the results of our annual audits to Parliament. We do this in two or more reports each year that set out the results of our annual audits of central and local government and in a report every three years on the results of our audits of local authorities' long-term plans.

Our reports to Parliament on the results of annual audits routinely comment on:

- the effectiveness of internal controls;
- the timeliness of financial reporting; and
- financial reporting developments.

We are working towards preparing more sector-specific reports on the results of our annual audits (such as those we prepared for the health and education sectors during 2011/12).

The Auditor-General is the auditor of almost 4000 public entities. Of these, 3500 are small public entities, including 2500 schools. The cost to us of carrying out annual audit work is funded mainly by audit fees paid by the public entities.

The External Reporting Board (XRB) is considering how it might tailor reporting requirements for different types of entities, through the reporting standards that it is developing. This approach will affect the standards for financial and non-

financial performance reporting. We are contributing to the XRB's development work, with the expectation that it will go some way towards improving the fit between entities and their reporting requirements.

For non-financial performance, legislation specifies in some detail whether and how public entities should go about reporting, irrespective of size. We have expressed concern that this prescriptive approach sometimes risks becoming a barrier to progress. Alongside the work on standards, we are contributing to work by the Treasury to look at the legislative requirements and related aspects of public sector management to see what changes might be needed to support sensible progress.

The standards of integrity and accountability within the New Zealand public sector are well-regarded internationally and underpin trust in the government. We make a significant contribution in the wider Pacific region through our work with the Pacific Association of Supreme Audit Institutions (PASAI). PASAI is the official association of supreme audit institutions (government audit offices and similar organisations) in the Pacific region. PASAI is one of the regional working groups belonging to the International Organisation of Supreme Audit Institutions (INTOSAI).

As the current Secretary-General of PASAI, New Zealand's Auditor-General provides leadership and guidance to the Secretariat in carrying out PASAI's long-term strategic plans and work programmes, and advises the PASAI Congress and the Governing Board. The strategic goals of PASAI are to:

- strengthen regional co-operation and co-ordination;
- build and sustain public auditing capability;
- conduct co-operative financial and performance audits; and
- strengthen communication, and advocate transparency and accountability.

The Auditor-General is also actively a member of the Governing Board of INTOSAI, and we actively contribute to a range of INTOSAI projects that are designed to develop guidance for audit offices and similar organisations around the world.

Part 4

About our work

Annual audits

Each public entity is required to prepare and report its annual financial statements and, in many instances, to report on its service performance. The Auditor-General has a statutory duty to audit the information that the public entity must report, as set out in the legislation applying to each public entity. These independent annual audits play an essential role in the stewardship of public resources and corporate governance of public services.

Annual audits account for more than 87% of our annual expenditure. In 2012/13, we expect to provide audit opinions on more than 3900 financial statements, and about 400 performance statements. The audit opinion sums up the auditor's view on the reliability of the audited information.

An annual audit aims to provide assurance to the public about whether a public entity's financial statements (and any other information, such as performance statements, that is required to be audited):

- complies with a recognised framework, usually generally accepted accounting practice; and
- fairly reflects the public entity's performance and position.

Alongside this public assurance, annual audits also provide assurance to managers and governors of public entities about significant matters arising from the audit. We do this by preparing management reports for each public entity to detail our key findings and recommendations, and to give managers and governors an insight into how well their organisation's management systems and controls are working. For example, a management report can include our views on how a public entity is managing its resources and performance, including its policies, practices, and risk management.

As well as auditing the information that is required to be audited, we also assess the public entity's compliance with its main statutory obligations.

Forming an audit opinion on financial and performance statements and their accompanying notes requires the auditor to examine the underlying accounts and records, including the systems and processes used to generate this information. In Figure 7, we give examples of auditing standards that set out what our auditors are expected to do and consider during an annual audit.

Figure 7
Examples of what auditors are required to do and consider during an annual audit

1. The auditor has a responsibility to identify and assess the risks of material misstatement in the financial statements, through understanding the entity and its environment, including the entity's internal controls.

(Auditing Standard 315 (ISA (NZ) 315), Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment; paragraph 1.)

The auditor has a responsibility to design and implement responses to the risks of material misstatement identified and assessed by the auditor in accordance with ISA (NZ) 315 in an audit of financial statements.

(Auditing Standard 330 (ISA (NZ) 330), The Auditor's Responses to Assessed Risks.)

2. The auditor shall, when carrying out the annual audit of the financial and non-financial information of a public entity, take into account the need to maintain alertness and awareness for any indication that:

- (a) the public entity has not applied its resources effectively or efficiently;
- (b) waste has occurred, either caused by the public entity itself or as a result of action or inaction on the part of the public entity; or
- (c) there has been an act or omission that shows or appears to show a lack of probity or financial prudence on the part of the public entity or one or more of its members, office holders, or employees.

(Auditor-General's Auditing Standard 3 (AG-3): Effectiveness and efficiency, waste and a lack of probity or financial prudence; paragraph 8.)

3. The auditor shall obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements.

(Auditing Standard 250 (ISA (NZ) 250), Consideration of Laws and Regulations in an Audit of Financial Statements; paragraph 13.)

We adopt a risk-based approach to gathering and assessing audit evidence, as required by auditing standards. This includes considering both the risk that a balance or disclosure is inherently likely to be wrong and the risk that each public entity's own systems of internal control will fail to pick up significant errors. To address these risks, we look for evidence that balances, results, and disclosures are not materially misstated.

The results of our auditing work, including our understanding of the public entity and its internal control systems, are collated once the audits of the public entities in each significant sector of activity (such as local government) are complete. Comparing the audit results between public entities within each sector then lets us identify and report on any systemic issues.

Performance audits, inquiries, and other studies

The Public Audit Act 2001 provides the Auditor-General with discretion to carry out performance audits and to inquire into a public entity's use of its resources.

Performance audits look at:

- the extent to which activities are carried out effectively and efficiently;
- compliance with statutory obligations;
- any acts or omissions to determine whether waste has resulted or may result; and/or
- any act or omission showing or appearing to show a lack of probity or financial prudence by a public entity or its members, office holders, or employees.

Our **inquiries** work largely reacts to issues of public concern. If there is general public interest in an inquiry, we may publicly report the results.

Our performance audits, inquiries, and other studies (such as those that lead to us publishing good practice guidance) have benefits for the audited entities and for the wider public sector. For example, our work can help to:

- develop methods to evaluate aspects of public sector management;
- encourage beneficial changes and best practice in the performance of public entities; and
- increase understanding of an audited entity, the wider environment in which public entities operate, and/or public sector management.

Our performance audit and inquiries work allows the Auditor-General to consider and provide advice about the above matters in greater depth than is appropriate within the statutory scope of an annual audit.

As well as the proposed new performance audits described earlier, we show in Figure 8 the performance audits that we started in 2011/12 and expect to finish in 2012/13.

Figure 8
Performance audits started in 2011/12 and due to be finished in 2012/13

1	Biosecurity: Preparedness for, and response to, incursions from unwanted organisms
2	Protecting and maintaining our biodiversity and natural ecosystems
3	Response of the New Zealand Police to the Commission of Inquiry into Police Conduct: Third monitoring report
4	Road safety: Enforcement efforts to reduce drink-driving
5	Follow up on effectiveness of arrangements to check the standard of services provided by rest homes

Contributing to the international auditing community, and developing accounting and auditing standards

We make a significant ongoing contribution to the international auditing community. For example, we provide input to the development of accounting and auditing standards and to improving the quality of public sector auditing in the Pacific and beyond.

We take part in a range of national and international organisations, forums, and working groups, which develop guidance and standards for the auditing and accounting professions, and provide advice to public sector practitioners. These groups include:

- the External Report Board's two sub-boards – the New Zealand Accounting Standards Board and the New Zealand Auditing and Assurance Standards Board;
- the Financial Management Working Party of the Society of Local Government Managers; and
- the International Organisation of Supreme Audit Institutions.

Appendix
Statement of Intent 2012–2015

Statement of Intent 2012–2015

Prepared in accordance with Part 4
of the Public Finance Act 1989.

May 2012

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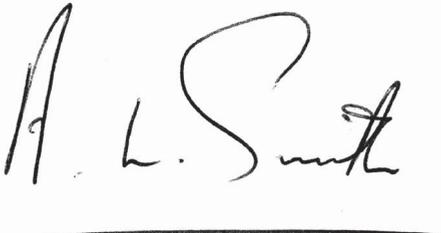
ISSN 1179-7355 (online)

Speaker's foreword

In my capacity as Speaker, I am responsible for Vote Audit under the Public Finance Act 1989. I am therefore pleased to introduce the Controller and Auditor-General's *Statement of Intent 2012–2015* under Part 4 of the Act.

The Controller and Auditor-General is an Officer of Parliament whose role is to assist Parliament in its scrutiny of executive government, to strengthen the effectiveness, efficiency, and accountability of public sector organisations.

Along with the Estimates of Appropriations for Vote Audit, the *Statement of Intent 2012–2015* indicates how the Auditor-General intends to discharge her duties and apply the resources made available to her in the forthcoming financial year. It gives Parliament an appropriate basis for holding the Auditor-General to account for the performance of her Office during 2012/13.



A. L. Smith

Dr The Rt Hon Lockwood Smith MP
Speaker of the House of Representatives

9 May 2012

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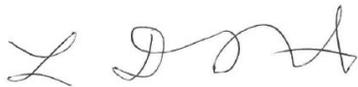
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Statement of responsibility

In signing this statement, I acknowledge that I am responsible for the information contained in the Statement of Intent 2012–2015 for the Controller and Auditor-General.

This information has been prepared in accordance with the Public Finance Act 1989. It is also consistent with the information considered by the Officers of Parliament Committee when it examined (on behalf of the House of Representatives) the 2012/13 budgetary estimates for the Auditor-General. These were submitted under section 45G of the Public Finance Act 1989, with the proposed appropriations set out in the Appropriations (2012/13 Estimates) Bill, as presented to the House of Representative in accordance with section 13 of the Public Finance Act 1989, and with existing appropriations and financial authorities.



Lyn Provost
Controller and Auditor-General
29 March 2012

Countersigned:



Maria Viviers
Financial Controller
29 March 2012

Auditor-General's overview and strategic direction

I am pleased to submit this *Statement of Intent 2012–2015*.

New Zealand continues to “dig deep” to overcome the effects of the tragic Canterbury earthquakes and the weak global economic environment. The country's response to tough times has strengthened the spirit of community within us and highlighted the risks and opportunities for our country's future.

We are fortunate to live in a country where we can openly discuss what we want for our future and the choices we will need to make to have that future. This will be particularly important to the public sector during the next few years as changing needs and increased pressure on the public purse demand a fundamental shift in the way that public services are delivered and public assets are managed.

This is a time for recovery and rebuilding – not simply in Canterbury in a physical sense. It is also a time for New Zealand to make smart choices about the future and to focus on effective, efficient, and sustainable practices.

We all want New Zealand to continue to be a strong and successful country and a great place for our children to live. Our ability to adapt cleverly to the challenges from within and without is the key to that ongoing strength and success. My Office intends to use its full range of resources to provide assurance and insight about the public sector in ways that will contribute to building a strong future.

Theme for 2012/13 work programme

Our work during 2012/13 will focus on the theme *Our future needs – is the public sector ready?*

We chose this theme after seeking input and ideas from a wide range of people inside and outside our Office about the work we could do to make a lasting difference for New Zealanders.

Our future needs – is the public sector ready? reflects widespread recognition that public services need to change and adapt to help build a future we want. The public sector is already responding to calls to deliver better public services for less and to transform the ways that assets are managed and services are delivered.

My Office is in a unique position to take a view of the whole public sector and to explore issues that are important to our future through this theme-focused audit work programme. We will use all of the Auditor-General's auditing and reporting powers, and draw on expertise from the public sector and from the academic, non-governmental, and private sector communities.

Our work will include looking at the roles and responsibilities of those working to rebuild Christchurch, and funding and procurement matters, including monitoring of expenditure and insurance. Other topics we are considering include education for Māori children, health needs, the implications of our ageing population, the justice supply chain, asset management, and long-term planning.

During our work on the theme, my Office will consider its own effectiveness and efficiency, and how we can best add value to the public sector and New Zealand in future.

Ongoing development

Our focus on the future will also include monitoring ongoing development under the five previous themes that we have been working on during the past two years:

1. the local government reorganisation in Auckland;
2. performance reporting;
3. analysis and reporting of sector information (sector knowledge);
4. changes to financial reporting standards (and, more broadly, auditing standards and regulation of auditors); and
5. adding value through our almost 4000 annual audits, inquiries, and performance audits.

We continue to make good progress with our work in Auckland and on performance reporting. We recorded the lessons we learned from our auditing and other work during the amalgamation of eight local authorities in Auckland. This will help the process if local government is reorganised in other parts of New Zealand.

Our work to improve performance reporting includes new ways of sharing collective knowledge and experience within the public sector through workshops and an online space for a group of public entities to share their experiences. It is now timely for us to consider what other information we can provide to help assess performance.

We continue to improve our understanding of public entities' environments, businesses, and risks, and to use this better understanding to create new ways of adding value to the public sector. For example, we made direct contact with users of public services in a series of hui to discuss the results of our performance audit of housing on Māori land.

I remain committed to building on our improved understanding to carry out audit work that addresses the change in, and growing complexity of, the public sector and the higher expectations of the public.

Accounting and auditing standards

We have resumed our involvement in the process to set accounting standards and are keen to ensure the smooth adoption of new public benefit entity standards in New Zealand based on International Public Sector Accounting Standards.

Our international contribution

My Office continues to make a significant contribution to the international audit community, as part of our responsibility for, and commitment to, improving the standard of public sector auditing globally. For example, we have a key support role for public sector auditing in the Pacific and are involved in developing public sector accounting and auditing standards at an international level. I am pleased to say that our input is highly valued and respected by our overseas counterparts.

New strategy for 2013-17

We are currently working on a new Auditor-General's Strategy for 2013–17 to succeed the *Auditor-General's Strategy 2009–12*. We will implement the new strategy in 2013. The new strategy will take account of ongoing changes in the external environment and in the auditing and accounting professions.

Concluding comments

My Office is in good shape and good heart to meet the challenges ahead. We will continue to focus on adding value to the public sector through our audits and other work, and to contribute wherever we can to improving public sector performance to meet the country's changing needs.

I thank select committees for their consideration of my *Draft statement of intent 2012–2015* and acknowledge their thanks for the opportunity to review and comment on it.



Lyn Provost
Controller and Auditor-General

9 May 2012

Part 1

About us

Our purpose

The Controller and Auditor-General (the Auditor-General) carries out audits, performance audits, and inquiries, and reports to Parliament and the public to improve the performance of, and the public's trust in, the public sector.

The Auditor-General's role

The Auditor-General is an Officer of Parliament who carries out her role independent of executive government and Parliament, but is accountable to Parliament for the public resources she uses to do the job.

By law, the Auditor-General is the auditor of all public entities in New Zealand – a total of almost 4000 public entities, such as government departments, central agencies, Crown entities, schools, and State-owned enterprises.

All public entities are accountable for their use of public resources and powers. It is the Auditor-General's job to give Parliament and the public independent assurance about how public entities are operating and accounting for their performance.

The role also includes auditing local authorities, which are accountable to the public for the activities they fund through locally raised revenue. As well as annual audits, the Auditor-General audits local authorities' long-term plans, which are prepared every three years.

Areas of focus

The Auditor-General carries out audits and reports audit findings on:

- effectiveness and efficiency;
- waste;
- probity;¹ and
- financial prudence.

The Auditor-General recommends actions to help improve public sector performance and how performance information is reported to Parliament and the public.

The Public Audit Act 2001 sets out the mandate and responsibilities of the Auditor-General. The Auditor-General's legislative mandate is confined to public entities, for which the Auditor-General:

- must carry out the annual audit requirements of the Public Audit Act 2001 and other statutes (such as the Public Finance Act 1989 and Local Government Act 2002, which set out accountability responsibilities of public entities);

¹ Parliament's and the public's expectation of an appropriate standard of behaviour.

- may carry out other services of a kind that it is reasonable and appropriate for an auditor to perform; and
- may carry out performance audits and inquiries.

The organisation

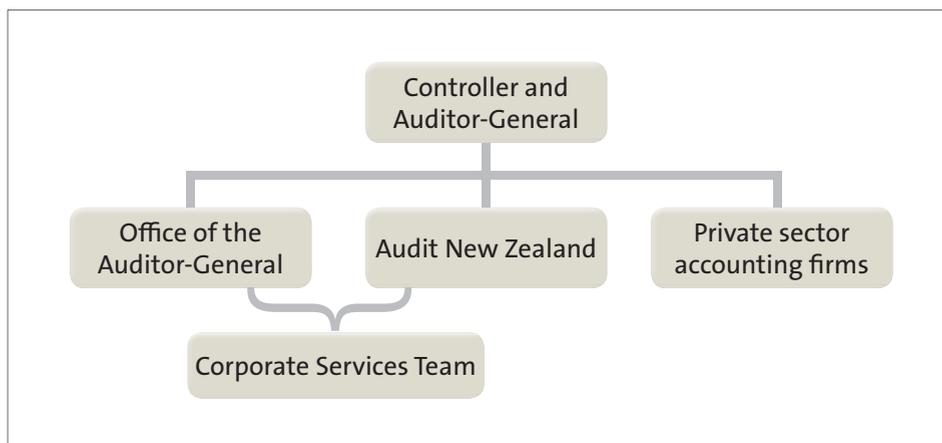
The work of the Auditor-General is carried out by about 350 staff in two business units – the Office of the Auditor-General (OAG) and Audit New Zealand, supported by a shared team of corporate services staff – and by auditors contracted from about 60 private sector accounting firms.

The OAG carries out strategic planning, sets policy and standards, appoints auditors and oversees their performance, carries out performance audits, provides reports and advice to Parliament, and carries out inquiries and other special studies.

Audit New Zealand is the larger of the two business units. It carries out annual audits allocated by the Auditor-General and operates from seven locations around the country. It also provides other assurance services to public entities within the Auditor-General’s mandate and in keeping with the Auditor-General’s auditing standard on the independence of auditors.

Figure 1 shows how all these parts fit together in our operating model.

Figure 1
Our operating model



Our vision and operating intentions

Our vision is to improve the performance of, and the public's trust in, the public sector. In the medium term, our strategy is to generate greater insight and value from our work by improving our understanding of the public entities we audit, using the full range of our resources, customising our reporting, and improving the overall capability and engagement of our staff.

Strategic framework

We aim for three outcomes:

- trusted public sector;
- appropriately responsible public sector; and
- high-performing public sector.

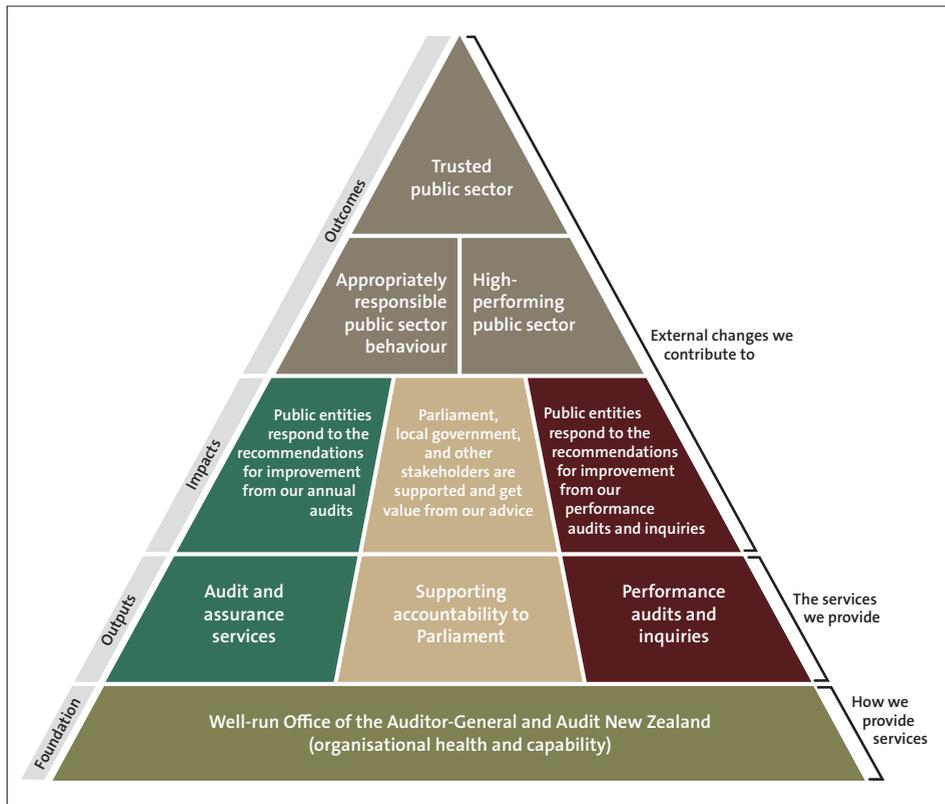
The high-level impacts we seek are that:

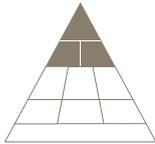
- our annual audits, inquiries, and performance audits encourage public entities to respond effectively to our recommendations for improvement; and
- Parliament, local government, and other stakeholders are supported and get value from our advice.

Our outcomes framework diagram in Figure 2 summarises the outcomes we are seeking, the impacts we aim to make, and the outputs we deliver. It also shows that our work is underpinned by our organisational health and capability, which is achieved through a well-run OAG and Audit New Zealand.

We provide details about the standards we use to measure our achievements and the results of those measures for our outcomes, impacts, and outputs in previous years in the pages after Figure 2.

Figure 2
Outcomes framework



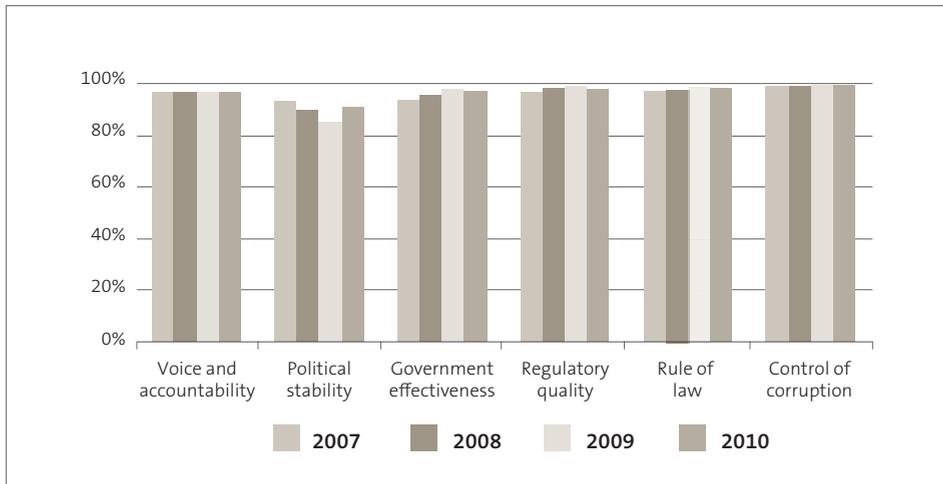


Measures and standards for achieving our outcomes, and previous performance

Trusted public sector

- New Zealand is ranked in the 90th percentile of the Worldwide Governance Indicators.

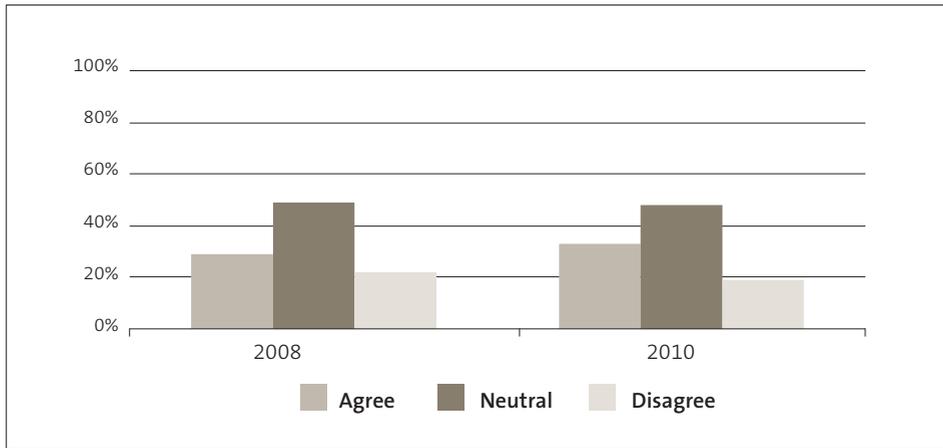
Figure 3
New Zealand's ranking in the Worldwide Governance Indicator, 2007 to 2010*



* Results are published in calendar years, and are not yet available for 2011.

- The State Services Commission’s Kiwis Count Survey shows that the public’s confidence that public servants do a good job is improved (or at least maintained).

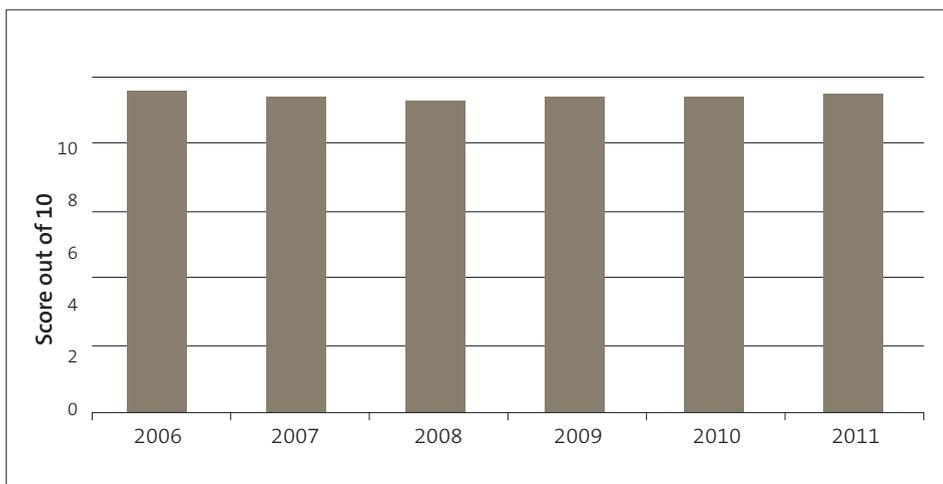
Figure 4
Kiwis Count Survey results in 2008 and 2010*: Public servants do a good job



* Results are published in calendar years, and are not yet available for 2012

- New Zealand’s score on the Transparency International Corruption Perceptions Index is maintained or improved. New Zealand has achieved a high place on the Index since it was started in 1995, and was rated first in the world in 2011.

Figure 5
New Zealand’s score on the Transparency International Corruption Perceptions Index, 2006 to 2011*



* Results are published in calendar years.

Appropriately responsible public sector behaviour

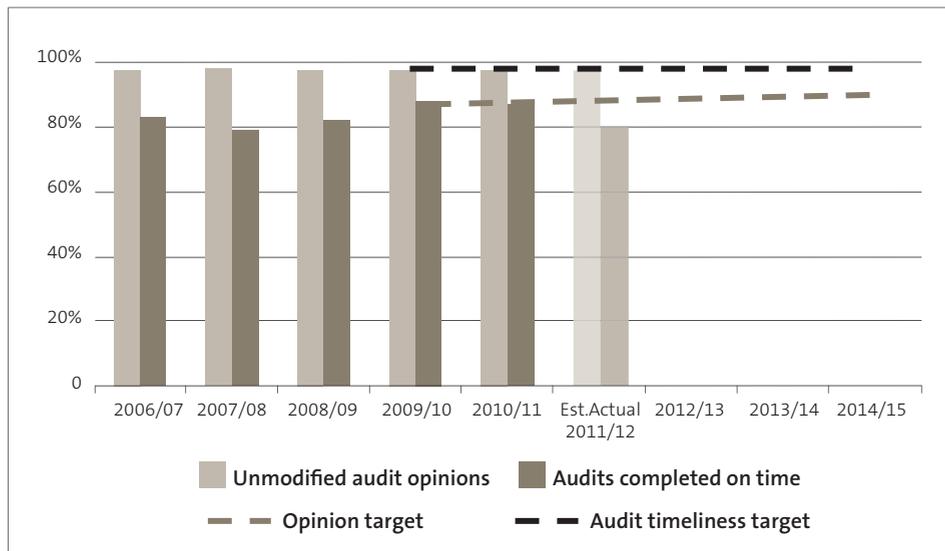
- Public entities’ financial reports fairly reflect their actual performance and are publicly available on time.

Responsible public entities provide public audited financial reports that are on time and fairly reflect their performance.

We collect information about the date an audit is completed and what our opinion says about the public entity’s financial report. That information provides an indication of public entities behaviour. Audits being completed on time is an indicator that public entities are well managed and meeting their reporting responsibilities. For an audit to be completed on time, public entities must provide us the information to be audited on time.

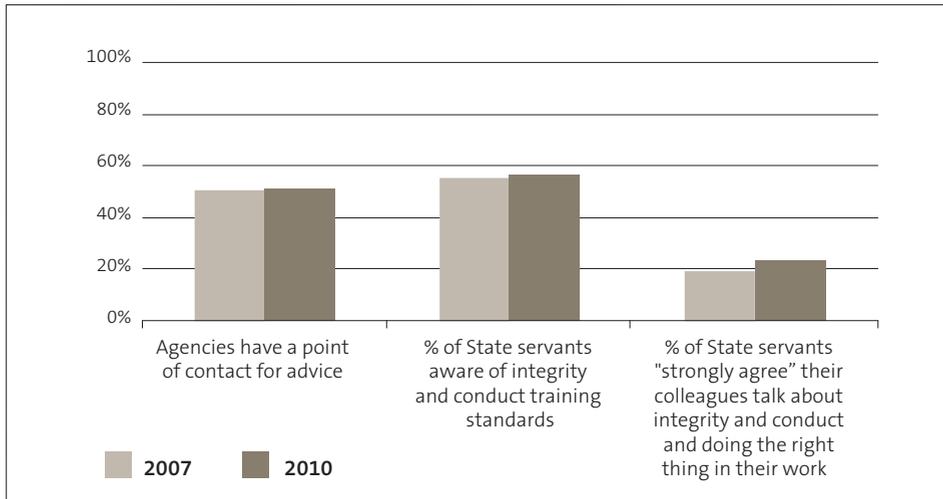
What our audit opinions say about public entities financial reports depends on whether we agree with the information presented about their performance. An unmodified audit opinion is an indicator that public entities are reporting appropriately and in accordance with standards.

Figure 6
Percentage of unmodified audit opinions and audits completed on time



- The State Services Commission’s Integrity and Conduct Survey shows improved (or at least maintained) rates of State servants who reported that State service agencies promote their standards of integrity and conduct.

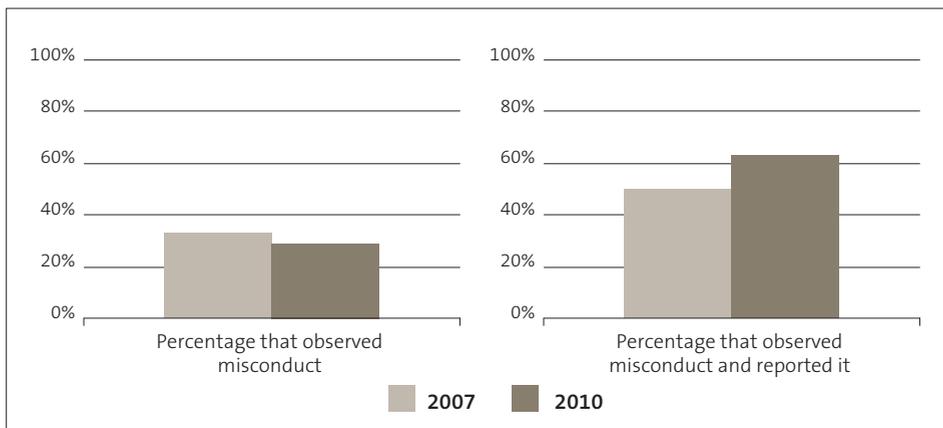
Figure 7
Integrity and Conduct Survey results in 2007 and 2010*: State service agencies that promote their standards of integrity and conduct



* This survey is held every three years, and results are published in calendar years.

- The State Services Commission’s Integrity and Conduct Survey shows improved (or at least maintained) rates of State servants who reported that, where they observed misconduct breaches in the past year, they reported it.

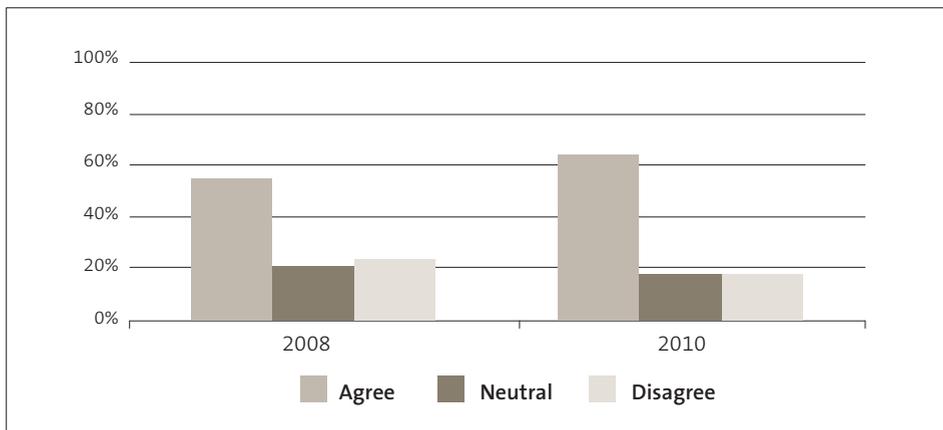
Figure 8
Integrity and Conduct Survey results in 2007 and 2010: State servants’ observation and reporting of misconduct



High performing public sector

- The State Services Commission’s Kiwis Count Survey shows improved (or at least maintained) rates of respondents reporting that their most recent public service experience was an example of good value for tax dollars spent.

Figure 9
Kiwis Count Survey results in 2008 and 2010: Most recent public service experience was an example of good value for tax dollars spent



- The State Services Commission’s Kiwis Count Survey shows improved (or at least maintained) rates of public satisfaction with:
 - their most recent public service experience; and
 - public services experienced in the last year compared with non-government agencies.

Results: Methodology changes in the Kiwis Count Survey between 2008 and 2010 mean that the results are not directly comparable. However, the latest results (2010) confirmed that the public’s satisfaction with their most recent public service experience had improved and that the public’s experiences with public services continue to be rated better than experiences with non-government services.

Managing in a challenging operating environment

The Auditor-General's overview identifies the challenging circumstances that continue to influence the country and this Office. The broader environment of fiscal and resource constraint is coupled with calls for public sector efficiencies and an increasing demand for a fundamental shift in the way that public services are delivered and public assets are managed. However, these challenges also bring opportunities for us to improve the assurance that we provide to Parliament and to make a positive contribution to the future delivery of public services and assets.

Our response to these challenges includes a work programme focused on the theme *Our future needs – is the public sector ready?* This theme reflects widespread recognition that New Zealand's public services must change and adapt to build a future we all want. Through this theme-focused audit work programme, we intend to explore issues important to New Zealand's future and to examine how the public sector is prepared for that future.

Our work will include reporting on the Christchurch earthquake recovery phase, thoroughly analysing local authorities' long-term plans, and examining important elements of future needs and preparedness through our annual audits. Our performance audits will examine specific questions for the future, such as asset management and education for Māori children.

We will also continue to respond to the range of structural governance and legislative changes in the public sector, as well as changes in accounting and auditing standards. Finally, we plan to design and implement a system to improve the sharing of information and insights collected by this Office. We are confident this will add value to our audit work and contribute to improving public sector performance.

Strategic risks and risk management

The Auditor-General faces four ongoing strategic risks. These risks are primarily managed through processes that support the work we do, as shown in Figure 10. In addition, the Office's Audit and Risk Committee, which meets four times a year, regularly reviews the Office's framework for identifying and managing risk.

Figure 10
Our strategic risks and risk management

Risk	Management
<p>1. Loss of independence – Independence underpins the value of the Auditor-General's work and reporting. Losing that independence in fact or appearance, whether by failure on the part of the Auditor-General, her staff, or her appointed auditors to act independently or otherwise, would undermine trust in our organisation.</p>	<p>We manage this risk by applying the Auditor-General's independence standards. The Auditor-General sets a high standard for independence for her employees and the auditors she appoints to carry out audits on her behalf. Monitoring the independence standards, including for the two statutory officers and all employees, is carried out through a system that includes regular declarations of interest and, where necessary, implementing measures to mitigate conflicts of interest.</p> <p>Senior managers in the Office monitor and regularly assess any factors that may threaten auditor independence. We are satisfied that the Office has appropriate plans to reduce the effect of these factors to an acceptable level.</p>
<p>2. Audit failure – the risk that we issue an incorrect audit opinion with material effect or a report that is significantly wrong in nature or process.</p>	<p>The Auditor-General adheres to professional auditing standards, including implementing and complying with the revised quality control standards from the New Zealand Institute of Chartered Accountants and the External Reporting Board, supplemented by the Auditor-General's auditing standards to address public sector matters not covered by general auditing standards.</p> <p>We monitor adherence to auditing standards through external quality assurance regimes (such as participating in New Zealand Institute of Chartered Accountants' practice reviews and, from time to time, international peer reviews). Our internal quality control procedures include carrying out quality assurance reviews of all our appointed auditors and our Office products on a risk basis and to ensure reviews of all auditors and products over a three-year period.</p> <p>Before performance audits are presented to Parliament, a process of external report clearance and internal substantiation and review is observed.</p>
<p>3. Loss of capability – the risk that we are unable to retain, recruit, or access people with the technical and other skills our audit work requires.</p>	<p>We carry out ongoing training and development of our staff and our appointed auditors and their staff on matters necessary for audit work. We provide management programmes, leadership development initiatives, and professional development programmes for our own staff.</p>

4. **Loss of reputation** – the risk that we lose reputation or credibility that affects our ability to maintain effective relationships with stakeholders. This could arise either because of failings in one of the three risk areas listed above or because of external expectations and perceptions about the role of the Office or its findings on any particular matter that has been the subject of audit scrutiny. The Auditor-General's discretionary mandate is broad, and it is inevitable that we will not meet all expectations.

Managing this risk requires the exercise of judgement about where to focus our audit effort and how best to report while also achieving the greatest likelihood of public sector improvement. There are a number of ways this risk is managed in our day-to-day work:

- the Office's Combined Leadership Team meets on a regular basis to discuss issues and feedback from key stakeholders and public entities on our audit work;
- senior staff liaise with public entities and key stakeholders;
- we carry out regular stakeholder and client feedback surveys; and
- we monitor the media to identify where the Office could communicate more effectively about its role and the results of its audit work.

Part 2

Forecast statement of service performance for each of the three years 2012/13, 2013/14, and 2014/15

Output class: Audit and assurance services

The main purpose of an annual audit is to provide independent assurance about the fair disclosure of the financial – and, in many instances, non-financial – information within annual reports. An audit involves a range of procedures, tests, and management and governance enquiries to support our audit opinion.

In carrying out annual audits, auditors may also make observations and/or recommend improvements to matters of effectiveness and efficiency, waste, probity, and financial prudence, in management reports to the governors and managers of public entities. We also use our annual audits to gather information and knowledge about public entities to assist us in advising Parliament and other stakeholders and to help determine the other work we do, such as in our performance audits, inquiries, and good practice guides.

In 2012/13, our annual audits and other assurance services are expected to account for 88% of our total expenditure. Most of the output class involves annual audits for public entities. Annual audits are required by statute. Other work carried out under this output class includes three-yearly audits of local authority long-term plans and various other assurance work that complements the annual audits of public entities.

We will consider several aspects of our theme *Our future needs – is the public sector ready?* during our annual audits and other assurance work in 2012/13. The information we gather will help to inform other parts of our work programme and our reporting, and will feed into planning for annual audits in 2013/14 and 2014/15.

Types of annual audit reporting

The **audit report** is one of the reports from the annual audit process and is addressed to the readers of the financial statements and (where applicable) the statement of service performance. It includes the audit opinion on whether the financial statements (and, where applicable, the performance information) fairly reflect the public entity's performance and financial position. If the financial statements fairly reflect the public entity's financial performance and position (and, where applicable, performance information), the auditor issues an audit report with an unmodified opinion. However, if the auditor identifies a material error or omission in the financial statements or performance information, the auditor issues an audit report with a modified opinion.

The **management report** is addressed to the governing body or the top management of public entities. It sets out any significant issues identified by the auditor during the audit and, where relevant, provides recommendations for improving the public entity's controls, systems, and processes.

If the public entity is subject to financial review by select committees, we report the results of its annual audit to responsible Ministers and select committees. The **financial review report** includes a grading for public entities, based on our assessment of their management control environment, and financial and service performance (where required), systems, and controls.

Our focus

In the next year, within our annual audit and assurance work, we will focus on:

- **Implementing Ministry of Economic Development and External Reporting Board changes** – We will continue to focus on making a positive contribution to the work of the Ministry of Economic Development and the External Reporting Board in setting and implementing accounting and auditing standards. In 2012/13, we will help to prepare public sector entities and our auditors to audit in an environment of new accounting standards. We will also implement a regime equivalent to the auditor regulation that is being introduced with effect from 1 July 2012 for private sector auditors. Auditor regulation relates only to issuer audits. Issuers are legal entities that develop, register, and sell securities for the purpose of financing their operations. Public sector issuer audits are excluded from the new regulation. However, the Auditor-General is required to implement an equivalence regime covering these audits.
- **Performance information** – We are phasing in the Auditor-General's revised auditing standard on reporting performance information. Although we currently apply the new standard on some of our public sector audits, we will apply it on all applicable audits for reporting periods beginning on or after 1 July 2013. We continue to work directly with public entities to help improve performance information and to enable auditors to apply the revised auditing standard to audits of performance information.
- **Sharing sector knowledge** – We will continue with our initiative to better share knowledge. The initiative consolidates and expands on our previous work to help us better understand and use our knowledge about individual public entities, various sectors, and the public sector as a whole. We expect the initiative to extend our ability to be flexible, agile, and adaptive in both the way we work and how we report.

The Vote estimate for the Audit and assurance services output class in 2012/13 is \$69.018 million.

A summary of our current audit portfolio is shown in Figure 11. Our impacts and outputs for Audit and assurance services are summarised in Figure 12. Details of our measures and standards for this output class, and our previous performance, are shown in the pages after Figure 12.

Figure 11
Summary of our current audit portfolio

Sector *	Total audits
Central government	
Government departments	42
State-owned enterprises	103
District health boards	46
Crown Research Institutes	42
Tertiary education institutions	149
Māori Trust Boards	17
Other entities**	306
Central government total	705
Local government	
Local authorities	79
Other Council organisations	191
Electricity line companies	74
Port and airports	55
Licensing trusts	44
Fish and game councils	14
Other entities	247
Local government total	704
Schools	2510
Total for all sectors	3919

* In all of the sectors except government departments and local authorities, we have included any related subsidiaries within the total of the main entities.

** The "Other entities" group in the central government sector includes Rural Education Activity programmes, section 19 audits, "subsidiaries" of government departments, Crown entities not separately identified, Crown agents, and miscellaneous other central government entities.

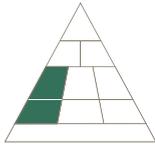
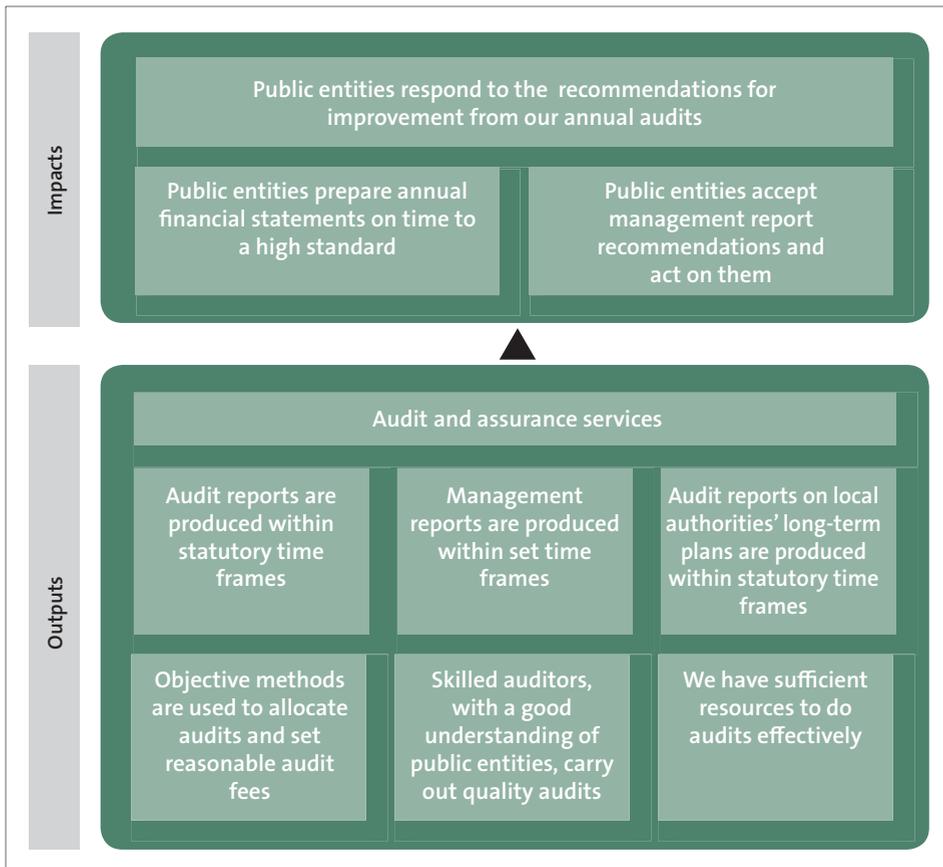


Figure 12
Summary of impacts and outputs for Audit and assurance services



Impact and output measures and standards, and previous performance, for Audit and assurance services

Public entities respond to the recommendations for improvement from our annual audits

- Central government entities’ management control environment, financial information, and service performance information systems and controls are improved (or at least maintained), measured against the previous two years. As part of our annual audit work, we report to entities our observations on their management control environment (MCE), their financial information systems and controls on that system (FISC), and the quality of their service performance reporting, as well as the systems and controls underpinning it (SPIASC). Based on our observations, we issue recommendations for improvement and assign grades accordingly (i.e. Very Good, Good, Needs Improvement, or Poor).

By issuing our recommendations and grades, we aim to contribute to improved financial and non-financial performance reporting and, ultimately, improved performance management in public entities. The movements in the grades themselves provide an indication of the extent to which entities are accepting and responding to our recommendations, resulting in subsequent improvement. For the period of this Statement of Intent, we aim to see a continuing increase in Very Good/Good grades and a continuing decline in Needs Improvement/Poor grades.

Figure 13
Grades for management control environment (MCE), 2008/09, 2009/10, and 2010/11*

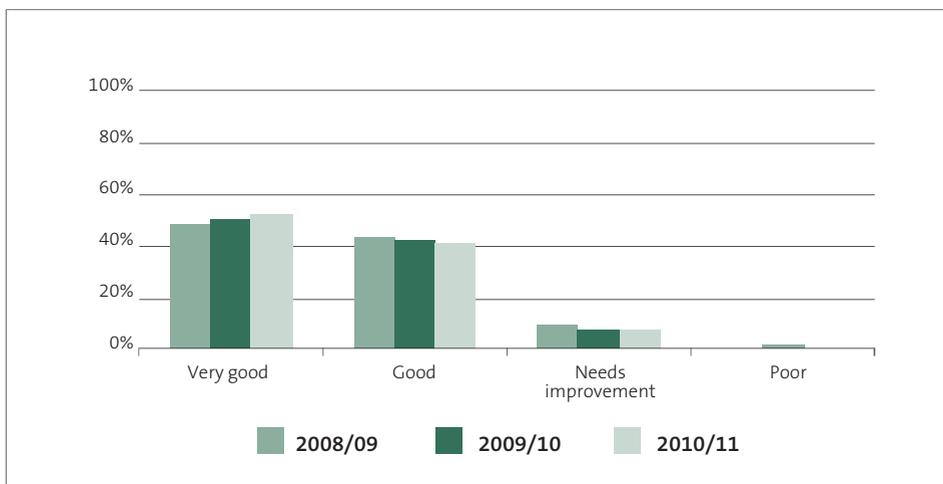


Figure 14
Grades for financial information systems and controls (FISC), 2008/09, 2009/10, and 2010/11*

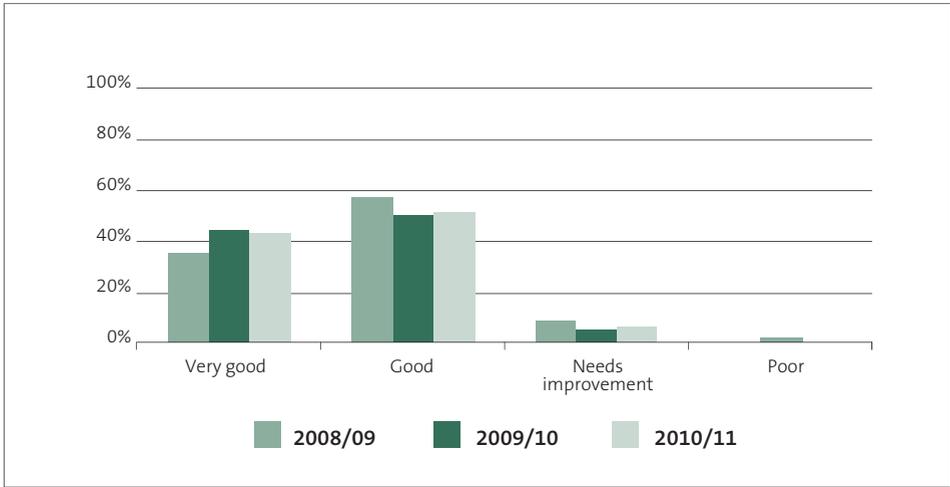
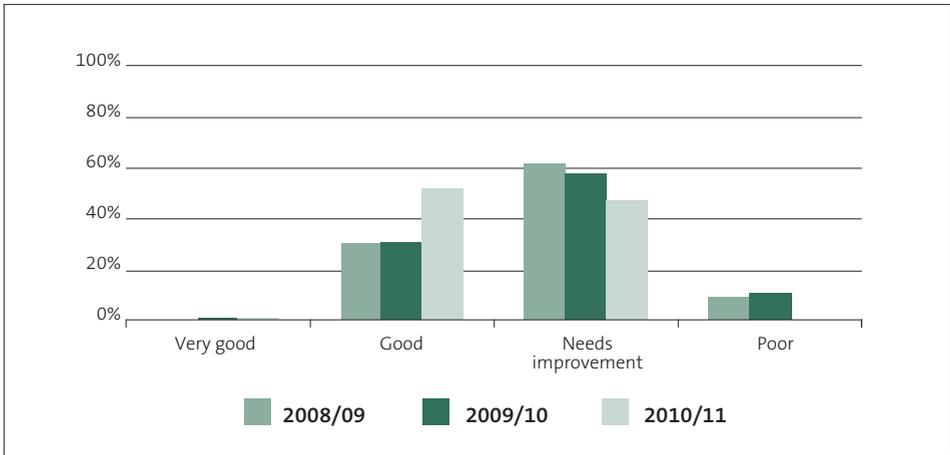


Figure 15
Grades for service performance information and associated systems and controls (SPIASC), 2008/09, 2009/10, and 2010/11*

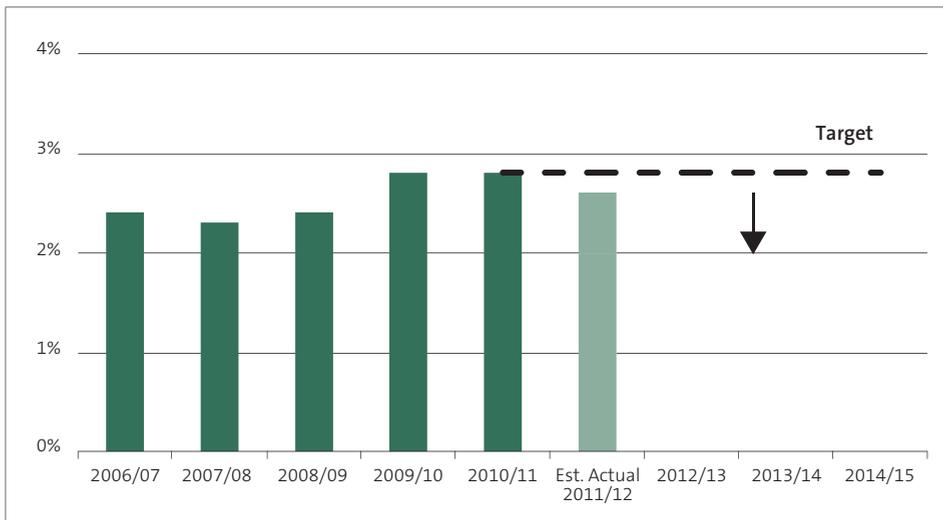


* Figures 13-15 show the year-end period for which the audit is carried out. The 2011/12 year audits and associated grades are completed during 2012/13.

Public entities prepare annual financial statements on time to a high standard

- The percentage of public entities’ audited financial reports containing modified audit opinions is reduced (or at least maintained), measured against the previous two years.

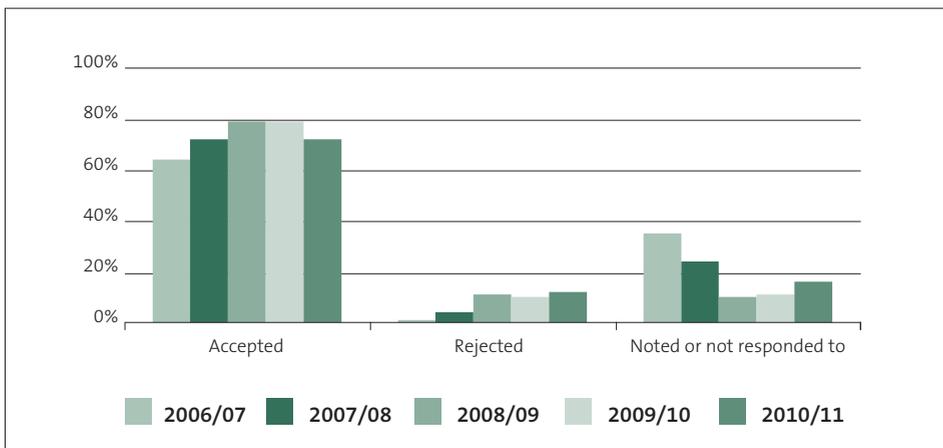
Figure 16
Percentage of audited financial reports that contain modified audit opinions



Public entities accept management report recommendations and act on them

- Public entities’ acceptance of audit service providers’ management report recommendations is improved (or at least maintained), measured against the previous two years. (Note: Before 2011, this has been assessed against only Audit New Zealand’s management report recommendations.)

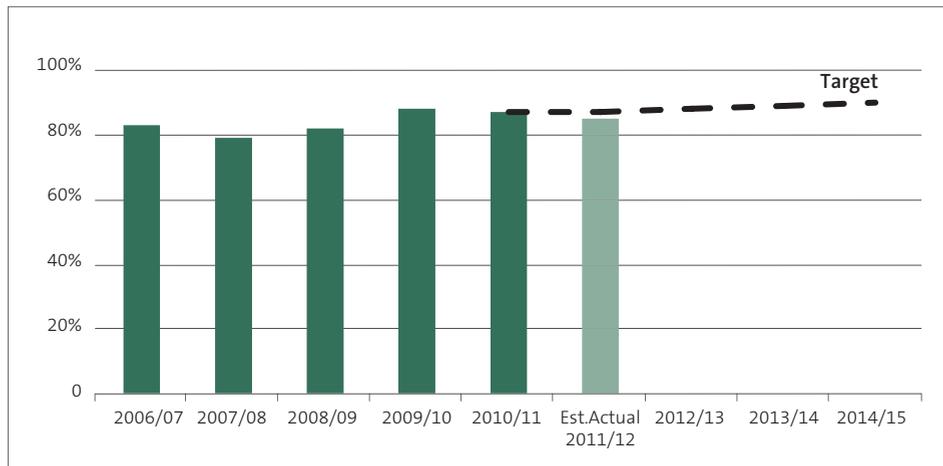
Figure 17
Percentage of management report recommendations accepted by public entities



Audit reports are produced within statutory time frames

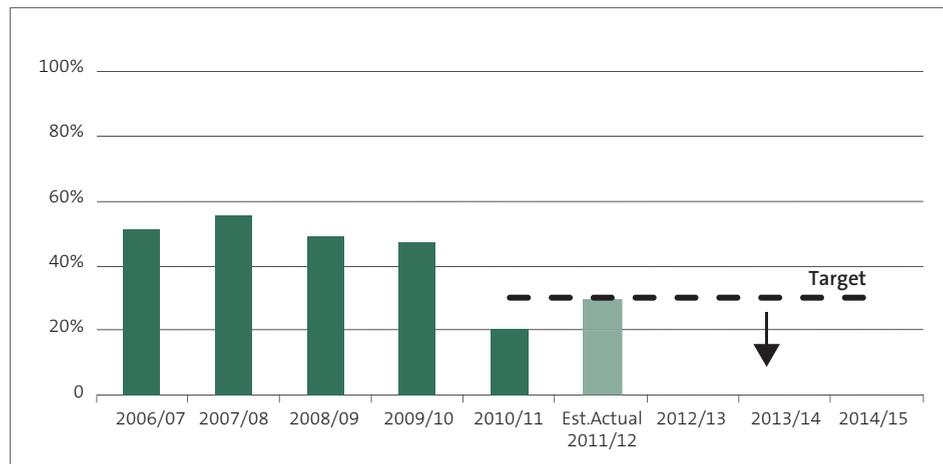
- The percentage of public entities’ audited financial reports issued within the statutory time frame is improved (or at least maintained), measured against the previous two years.

Figure 18
Percentage of audits completed on time



- Less than 30% of the outstanding audit reports at 30 June are because of inaction on our part.

Figure 19
Percentage of outstanding audit reports at 30 June because of our inaction

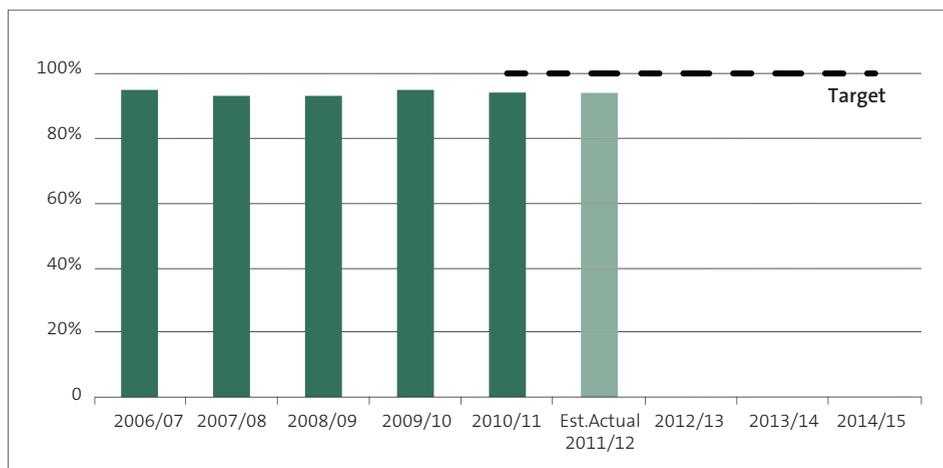


Management reports are produced within set time frames

- All management reports are issued within six weeks of issuing the audit report.

Figure 20

Percentage of management reports issued within six weeks



Audit reports on local authorities' long-term plans are produced within statutory time frames

- No outstanding long-term plan (LTP) audit opinions at 30 June of the year in which LTPs are to be adopted by local authorities are because of inaction on our part. All LTP management reports are issued within six weeks of issuing the LTP audit opinion. Long-term plan audits are carried out on a three-yearly basis. The last LTP audits were carried out in 2008/09, and the next opinions will be issued in 2011/12.

Results: In 2008/09, there were no outstanding audit opinions at 30 June as a result of inaction on our part. 85% of management reports were issued within six weeks of issuing the audit opinion.

Objective methods are used to allocate audits and set reasonable audit fees

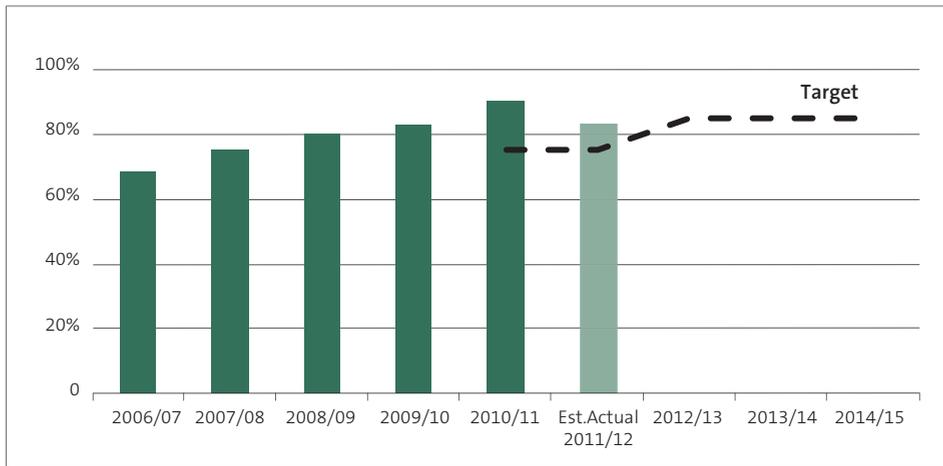
- An annual independent review of our processes confirms the probity and objectivity of the methods and systems we use to allocate and tender audits, and monitor the reasonableness of audit fees.

Result: The review was carried out in 2010/11, and it confirmed that we achieved our forecast standard.

Skilled auditors, with a good understanding of public entities, carry out quality audits

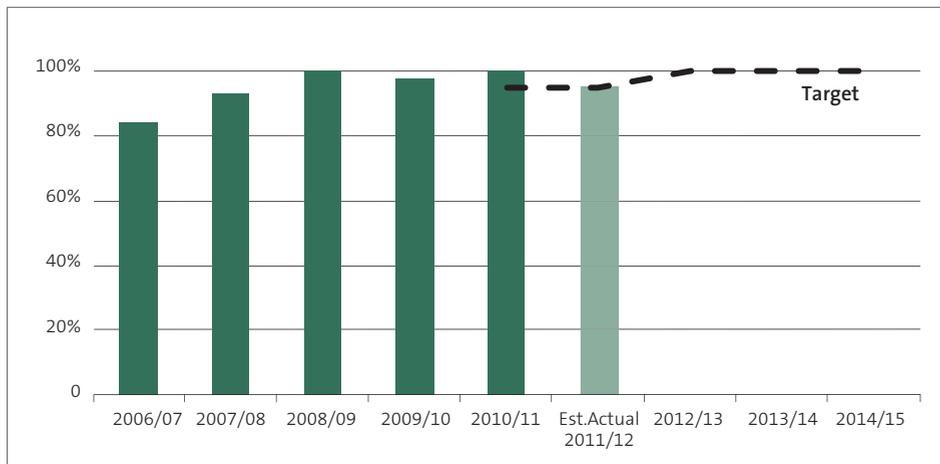
- Client satisfaction survey results show that, overall, 85% of respondents are satisfied with the quality of audit work (including the expertise of staff and the quality of the public entity's relationship with their audit service provider).

Figure 21
Percentage of clients satisfied with the quality of audit work



- Quality assurance reviews for all appointed auditors are completed during a three-year period. Of the auditors reviewed in any given year, 100% achieve a grade of satisfactory or better.

Figure 22
Percentage of auditors achieving a grade of satisfactory or better from quality assurance reviews



We have sufficient resources to do audits effectively

- The Officers of Parliament Committee accepts any significant proposals for an appropriation increase in audit fees and expenses.
Result: 2008, 2010, and 2011 – No significant proposal was made for an appropriation increase in audit fees and expenses.

Output class: Supporting accountability to Parliament

Parliamentary services

Through our services to Parliament, we provide advice and assistance to select committees, Ministers, and individual members of Parliament, as well as to central agencies and other public sector representative groups, to assist them in their work to improve the performance and accountability of public entities.

The main ways in which we provide this advice and assistance is through:

- reports and advice to select committees to assist their financial reviews of government departments and Offices of Parliament, State-owned enterprises, and some Crown entities;
- reports and advice to select committees to assist their examination of the Estimates of Appropriations; and
- reports to responsible Ministers on the results of the annual audits.

We will use our 2012/13 theme *Our future needs – is the public sector ready?* to focus and inform our reports and advice to Parliament.

We also provide advice and assistance through:

- reports to Parliament and other constituencies on matters arising from our annual audits (including at least two reports to Parliament on the results of our audits in central and local government);
- responding to requests and participating in working parties on matters related to financial management and accountability with other stakeholders, including government departments, central agencies, local authorities, professional bodies, sector organisations, and other public entities; and
- working with Auditors-General in other countries to encourage, promote, and advance capability and co-operation in the field of public audit. This includes our role as Secretariat of the Pacific Association of Supreme Audit Institutions, being a member of various committees of the International Organisation of Supreme Audit Institutions, and being executing agent for the Pacific Regional Audit Initiative (funded by the Asian Development Bank, with co-financing from the Japan Special Fund and the Governments of New Zealand and Australia).

The Controller function

The Controller function of the Controller and Auditor-General provides independent assurance to Parliament that expenses and capital expenditure of government departments and Offices of Parliament have been incurred

for purposes that are lawful and within the scope, amount, and period of the appropriation or other authority.

The OAG and appointed auditors carry out standard procedures to give effect to the Controller function in keeping with the Auditor-General's auditing standards and a Memorandum of Understanding with the Treasury. This involves reviewing monthly reports provided by the Treasury, and advising the Treasury of any issues arising and the action to be taken.

Each year, we report to Parliament on the significant issues arising from the operation of the Controller function.

Our focus

In Supporting accountability to Parliament in 2012/13, we will focus on:

- **How well prepared the public sector is to meet our future needs** – We will report to Parliament on the quality of the information about future needs of New Zealanders provided by entities and how the entities intend to address those needs.
- **Performance information** – We will continue to provide advice to parliamentary select committees on how to use performance information from government departments and Crown entities to assess and enquire into effectiveness and efficiency, particularly in a cost-constrained environment. We will also continue to liaise with government departments and Crown entities to help them improve their performance information and use it to consider effectiveness and efficiency.
- **Sharing sector knowledge** – We will make further progress on the better use and presentation of information about sectors within the public sector to Parliament, select committees, and public entities.

In addition, we will continue to support good governance and accountability in the Pacific through our role as Secretariat of the Pacific Association of Supreme Audit Institutions (PASAI) and through the Auditor-General's representation of the PASAI region on the governing board of the International Organisation of Supreme Audit Institutions (INTOSAI).

The Vote estimate for the Supporting accountability to Parliament output class in 2012/13 is \$2.685 million.

Our impacts and outputs for Supporting accountability to Parliament are summarised in Figure 23. Details of our measures and standards for this output class, and our previous performance, are shown in the pages after Figure 23.

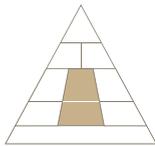


Figure 23
Summary of impacts and outputs for Supporting accountability to Parliament

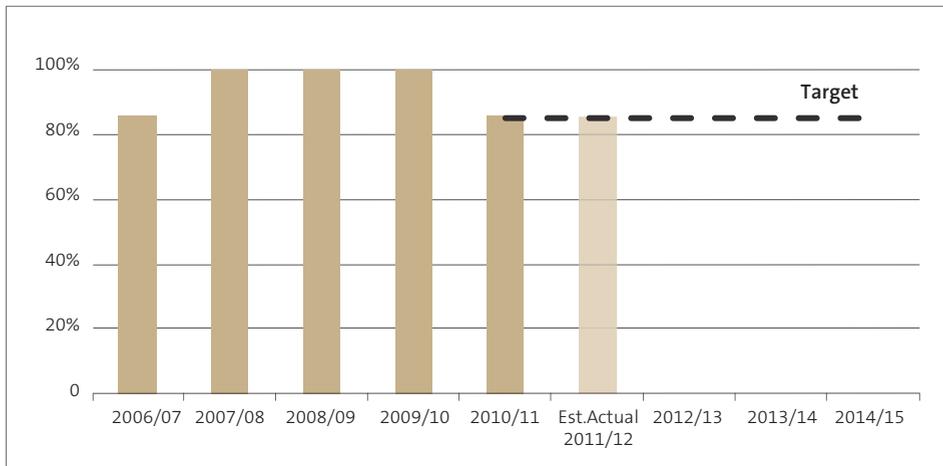


Impact and output measures and standards, and previous performance, for Supporting accountability to Parliament

Parliament, local government, and other stakeholders are supported and get value from our advice

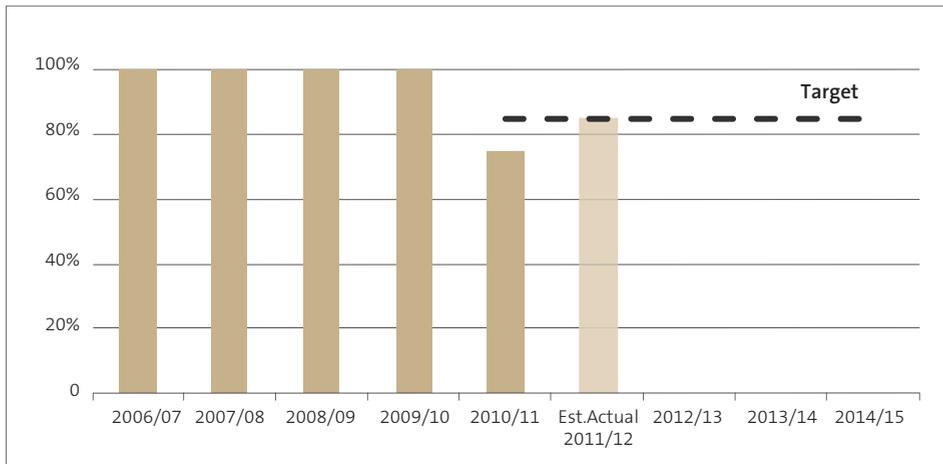
- At least 85% of select committee members confirm that our advice assists them in Estimates of Appropriation and financial review examinations.

Figure 24
Percentage of select committee members who confirmed that our advice assists them in Estimates of Appropriations and financial review examinations



- At least 85% of other stakeholders we survey rate the advice they receive from us as 4 or better on a scale of 1 to 5 for relevance and usefulness.

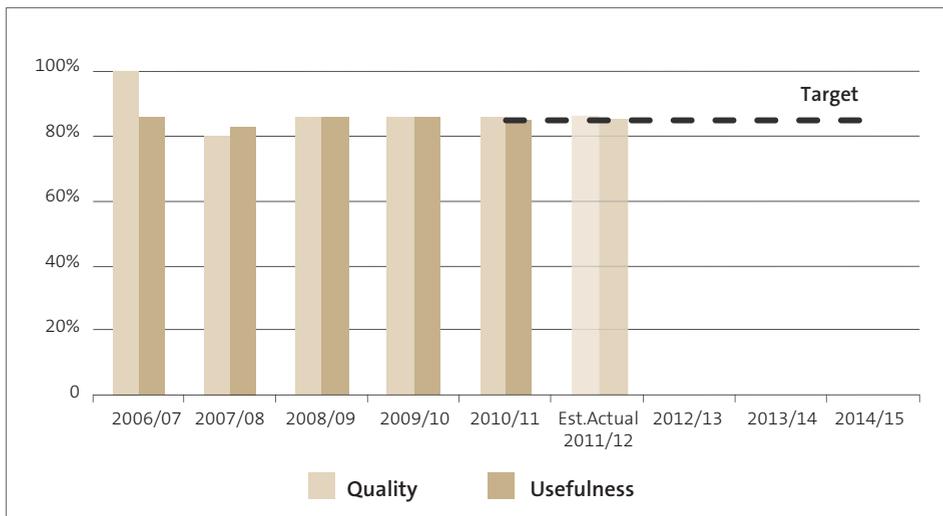
Figure 25
Percentage of other stakeholders who rated our advice as 4 or better on a scale of 1 to 5 for relevance and usefulness



Quality advice and timely advice is given to Parliamentary select committees

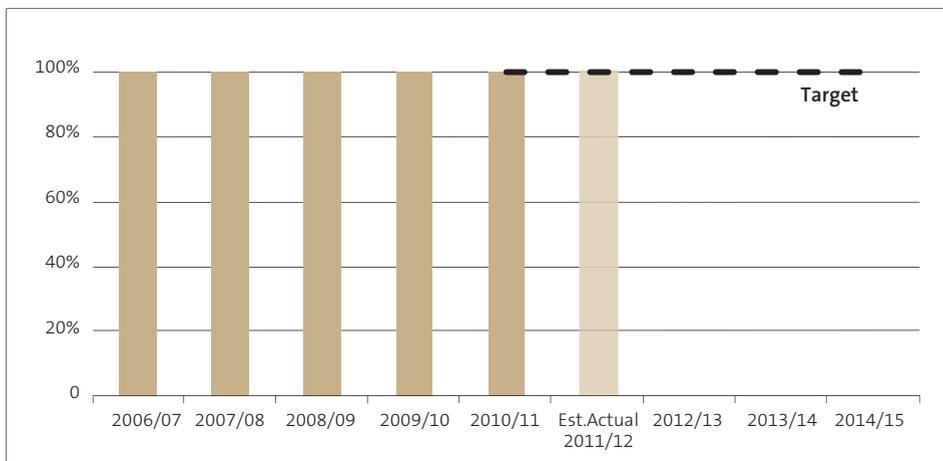
- At least 85% of select committee members we survey rate the advice they receive from us as 4 or better on a scale of 1 to 5 for quality and usefulness.

Figure 26
Percentage of select committee members who rated our advice as 4 or better on a scale of 1 to 5 for quality and usefulness



- Reports and advice are given to select committees and Ministers at least two days before an examination, unless otherwise agreed.

Figure 27
Percentage of reports and advice given to select committees and Ministers at least two days before an examination, unless otherwise agreed



- An internal review of a sample of financial review, Estimates of Appropriations, and Ministerial reports confirms that they meet relevant standards and procedures, including that reports are consistent in their framework and approach, and are peer-reviewed in draft. (The nature, extent, and frequency of the quality assurance review are based on risk. The review is carried out during a three-year period.)

Results: A review in June 2011 confirmed that the appropriate systems are in place and they operate effectively. 2009 and 2010 – There was no internal review in these years. 2008 – Confirmed by an internal review of a sample of reports.

Controller function is carried out effectively

- Internal quality assurance is carried out to gain assurance that our policies, procedures, and standards for the Controller function have been applied appropriately. (The nature, extent, and frequency of the quality assurance review are based on risk. The review is carried out during a three-year period.)

Results: 2011/12: An internal review is in progress and expected to be completed in May 2012. No internal review was carried out in 2010/11.

- Monthly statements provided by the Treasury are reviewed for the period September to June inclusive.* Advice of issues arising and action to be taken is provided to the Treasury and appointed auditors within five working days of receipt of the statement.

Results: 2006 to 2011: All monthly procedures were followed and agreed time frames achieved.

*This action is based on the requirement in section 65Y of the Public Finance Act 1989 for the Treasury to submit reports to the Auditor-General following the preparation (under section 31A) of financial statements of the Government “after the end of each month (except for the first two months and the last month) in each financial year”.

Output class: Performance audits and inquiries

The Public Audit Act 2001 provides the Auditor-General with discretion to carry out performance audits to look at:

- the extent to which activities are carried out effectively and efficiently;
- compliance with statutory obligations;
- any act or omission that result or may result in waste; and/or
- any act or omission showing or appearing to show a lack of probity or financial prudence by a public entity or its members, office holders, or employees.

The Act also gives the Auditor-General the ability to inquire into any matter concerning a public entity's use of its resources. The Auditor-General can carry out inquiries either on request (for example, when correspondence from the public draws attention to potential issues) or on her own initiative.

Our inquiry work is largely reactive to issues of public concern. Each year, we usually receive:

- 200 to 300 external requests for inquiries; and
- 50 to 100 enquiries under the Local Authorities (Members' Interests) Act 1968.

The Auditor-General must also respond to requests for approvals about pecuniary interest questions regulated by the Local Authorities (Members' Interests) Act.

Our performance audit and inquiry work allows the Auditor-General to consider and provide advice about the above matters in greater depth than is appropriate within the statutory scope of an annual audit. Each year, we publish some 20 or more reports on performance audits, major inquiries, and other studies. We also publish reports on the results of annual audits for the central and local government sectors.

Our focus

Through our performance audits, we will focus on our theme *Our future needs – is the public sector ready?*, looking at specific questions that people tell us are important parts of the future they want. These questions will cover areas such as education services for Māori children, child health needs, and the implications of our ageing population.

The Vote estimate for the Performance audits and inquiries output class in 2012/13 is \$6.587 million.

Our impacts and outputs for Performance audits and inquiries are summarised in Figure 28. Details of our measures and standards for this output class, and our previous performance, are shown in the pages after Figure 28.

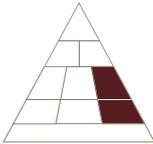
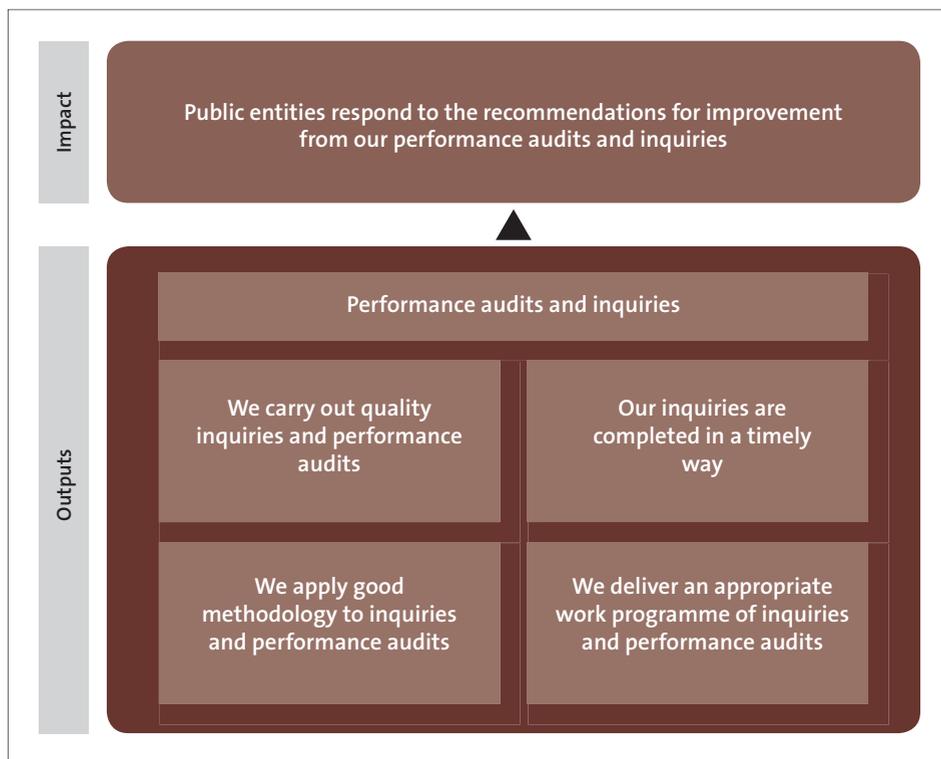


Figure 28
Summary of impacts and outputs for Performance audits and inquiries



Impact and output measures and standards, and previous performance, for Performance audits and inquiries

Public entities respond to the recommendations for improvement from our performance audits and inquiries

- Entities accept or respond to the recommendations made in our performance audits. Each year, we review how entities have responded to a selection of our reports and present the results to Parliament in our annual follow-up report.

Results: 2010/11 – In April 2011, we reported to Parliament on how well five public entities implemented our recommendations. The entities had generally accepted our recommendations, but progress in implementing them had been faster for some recommendations than others. For those entities, and for other public entities, communicating results is an ongoing challenge.

A selection of our performance audit reports were reviewed each year from 2006 to 2010, and the results were presented to the Officers of Parliament Committee. The reviews concluded that our recommendations had been accepted by the relevant public entities and either had been implemented or were being implemented.

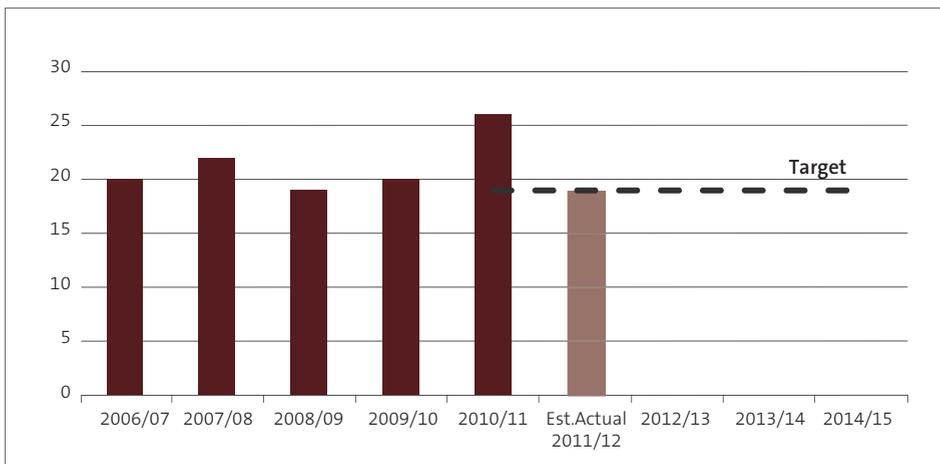
- Entities take action in response to concerns identified in inquiry reports, as assessed by follow-up on a sample of sensitive and major inquiries carried out in the previous year.

Results: 2011 – We followed up on three inquiries. In all cases, the entities accepted our comments and took action to address the concerns. 2010 – We followed up on four of our 13 inquiries within these categories from the previous year that contained recommendations or suggestions for action. There was a high acceptance of our views and comments, which were contributing to significant change. 2009 – We followed up on four of the 11 inquiries within these categories from the previous year that contained recommendations or suggestions for action. In all instances, we were satisfied with the action taken.

We carry out quality inquiries and performance audits

- We complete 19 to 21 reports on matters arising from performance audits and other studies, and inquiries.

Figure 29
Completed reports on matters arising from performance audits and other studies, and inquiries



- Each year, independent reviews of two performance audits are carried out. These reviews confirm the quality of the reports in terms of the presentation of administrative and management context, report structure, presentation, and

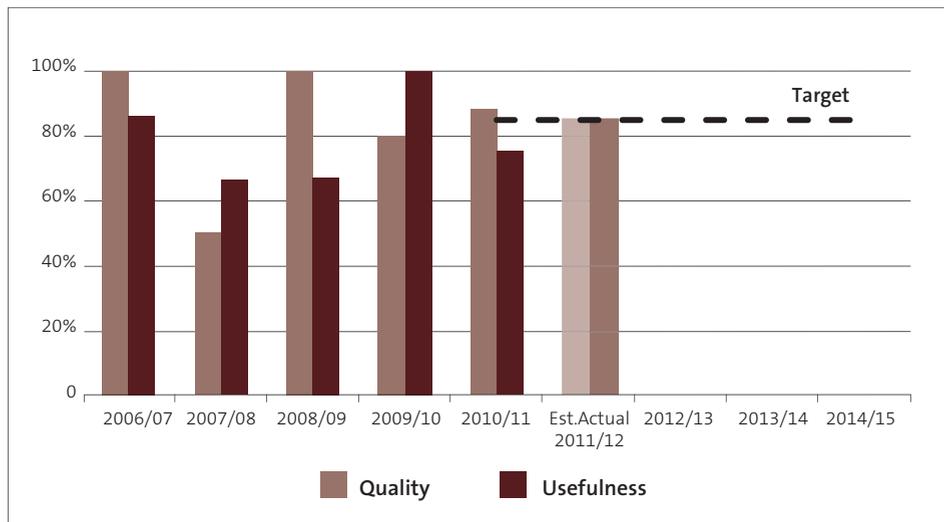
format (including use of graphics and statistics), and the reasonableness of the methodology used and the resulting conclusions and recommendations

Results: 2010/11 – Two of our reports were independently reviewed by a panel of reviewers used by the Australasian Council of Auditors-General (ACAG) and two New Zealand reviewers. Overall, the reviewers’ ratings showed that one report was rated higher than reports from other audit offices that the ACAG panel had reviewed during the past three years, and higher than the average for our reports reviewed during the past three years. The other report was rated below the average for reports from other offices and below the average score for our reports.

2007 to 2010 – Independent reviews of two performance audits confirmed the quality of reports and provided feedback on areas for us to improve.

- At least 85% of the stakeholders that we seek feedback from rate our performance audit reports (relevant to their sector or interest) as 4 or better on a scale of 1 to 5 for quality and usefulness.

Figure 30
Percentage of select committee, local government, and other stakeholders who are satisfied with the quality and usefulness of our performance audit reports



- Responses to requests for inquiries and our administering of the Local Authorities (Members’ Interests) Act 1968 requests are in keeping with relevant policies, procedures, and standards, as confirmed by internal quality assurance review. (The nature, extent, and frequency of the quality assurance review are based on risk. The review is carried during a three-year period.)

Results: 2010/11 – Reviews were completed for both the general inquiries and Members’ Interests inquiries systems, and confirmed that requests are carried out in keeping with relevant policies, procedures, and standards. No internal quality assurance review was done in 2008/09 or in 2009/10.

Our inquiries are completed in a timely way

- 80% of our findings on inquiries are reported to the relevant parties within:
 - three months for routine inquiries;
 - six months for significant inquiries; and
 - 12 months for major inquiries.

Figure 31
Percentage of findings on routine inquiries reported to relevant parties within three months

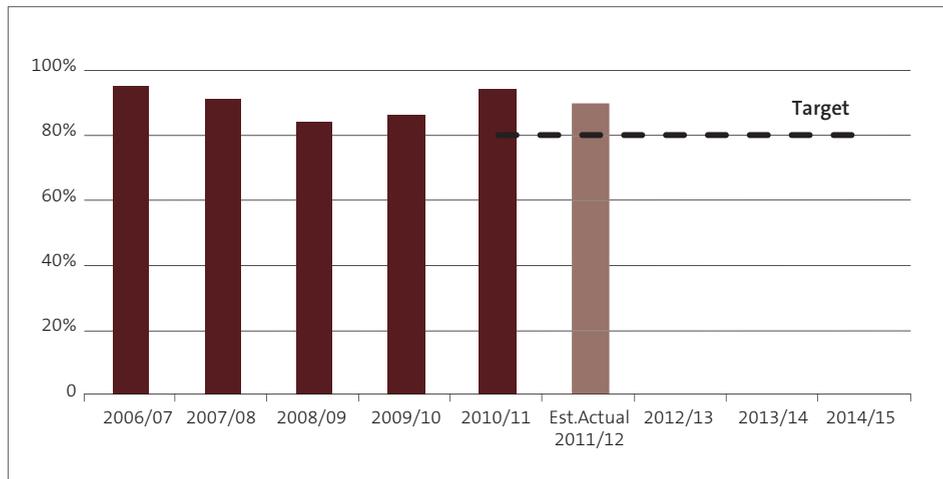
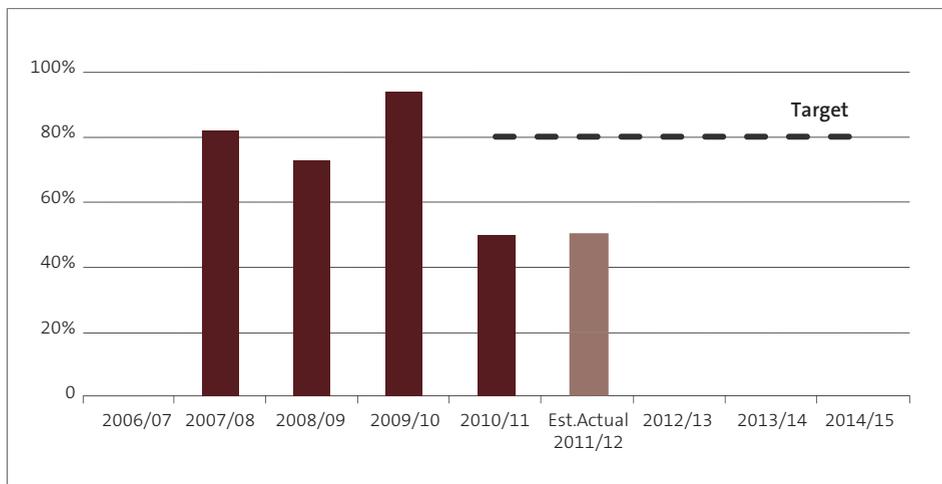


Figure 32
Percentage of findings on significant inquiries reported to the relevant parties within six months

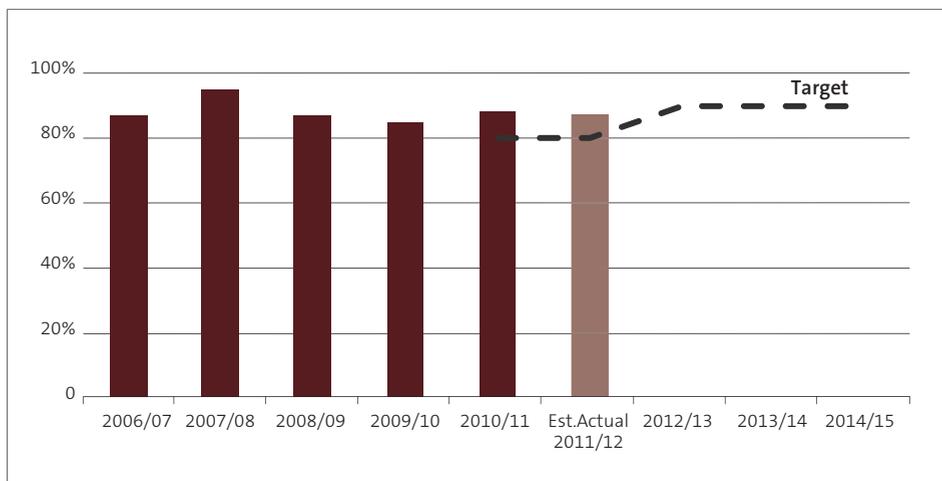


Results for major inquiries: 2008 – No major inquiries were carried out. 2009 – Two major inquiries; both reported within 13 months. 2010 – Five major inquiries; four reported within 12 months. 2011 – Three major inquiries; one reported within 12 months.

Our inquiries are completed in a timely way

- For enquiries under the Local Authorities (Members’ Interests) Act 1968, we complete 90% of enquiries within 30 working days.

Figure 33
Percentage of enquiries under the Local Authorities (Members’ Interests) Act 1968 completed within 30 working days



We apply good methodology to inquiries and performance audits

- Our performance audit methodology reflects good practice for carrying out such audits, as assessed every second year by the Australian National Audit Office.

Results: 2010/11 – The Australian National Audit Office (ANAO) reviewed two performance audits and found that they met most of the review criteria and were generally conducted in keeping with key OAG processes and practices.

2008/09 – The ANAO reviewed two performance audits and confirmed areas in which the quality of our reports is strong and noted areas for us to improve.

2006/07 – The ANAO reviewed two performance audits and endorsed the quality of the reports.

- Internal quality assurance reviews on selected performance audit reports confirm that reports are prepared in keeping with the performance audit methodology. (The nature, extent, and frequency of the quality assurance review are based on risk. The review is carried out during a three-year period.)

Results: Internal review in 2010/11 confirmed that appropriate systems and controls are in place and that reports are prepared in keeping with the performance audit methodology. There was no internal review in 2008/09 or 2009/10.

Internal review in 2007/08 confirmed that appropriate systems and controls are in place and that reports are prepared in keeping with the performance audit methodology.

We deliver an appropriate work programme of inquiries and performance audits

- Select committees and other stakeholders are satisfied with the proposed work programme of performance audits (as indicated by feedback on our draft annual work programme.)

Results: 2011 – Feedback received from select committees and other stakeholders mainly supported our proposals and approach, with a specific suggestion that in future years we look at the performance of the New Zealand Police in road safety enforcement. 2007 to 2010 – Feedback received from select committees and other stakeholders mainly supported our proposals and approach.

Part 3

Organisational health and capability

To ensure that we can achieve our outcomes, impacts, and outputs, we need a strong foundation of skilled people working together in a well-run organisation.

Our core expertise is in auditing, and public governance and management. Underlying this expertise are our technical skills (for example, in accounting and auditing) and the exercise of our professional judgement. We are able to apply this by:

- listening to, and knowing about, the public entities we audit, our stakeholders, and the public sector so that we understand their expectations and the context for our work, and know the effect of our work; and
- building our individual and collective expertise, experience, and judgement so that we can strengthen our contribution to improving public sector performance.

Our people

After a period of employment stability during the global recession, we are experiencing higher turnover of staff and the return to an environment where our people and their skills are in high demand among domestic and overseas organisations. We will continue to work on our staff-retention activities and also continue to recruit experienced staff from within New Zealand and overseas.

We use a number of indicators to measure the engagement, capability, and effectiveness of our people. Many of these indicators come from surveys of public entities we have audited and surveys of our staff. We aim to improve or at least maintain these results during the next three years. We summarise our measures and standards for organisational health and capability in Figure 34, and show details with our previous performance in the pages following Figure 34.

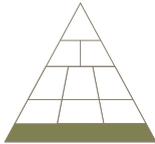


Figure 34
Summary of measures and standards for organisational health and capability

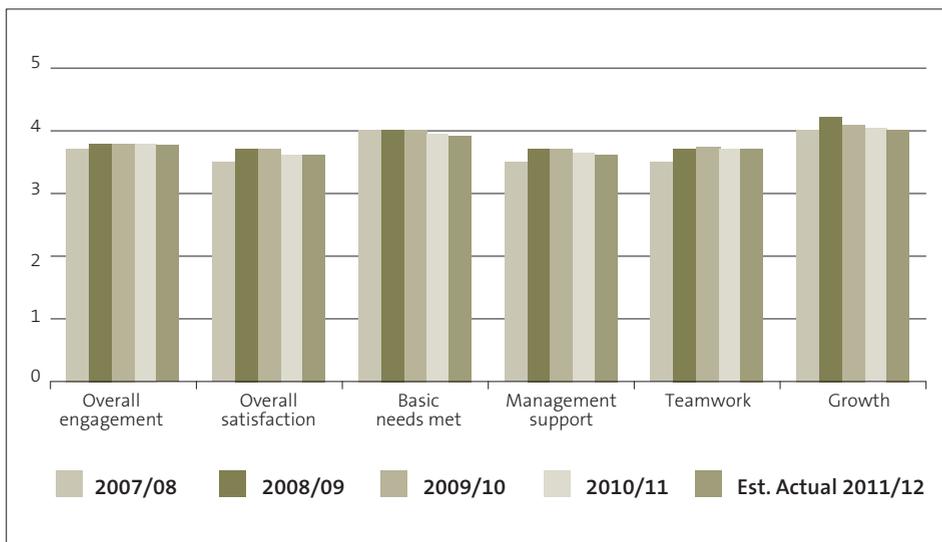


Measures and standards, and previous performance, for organisational health and capability

Staff are engaged and satisfied

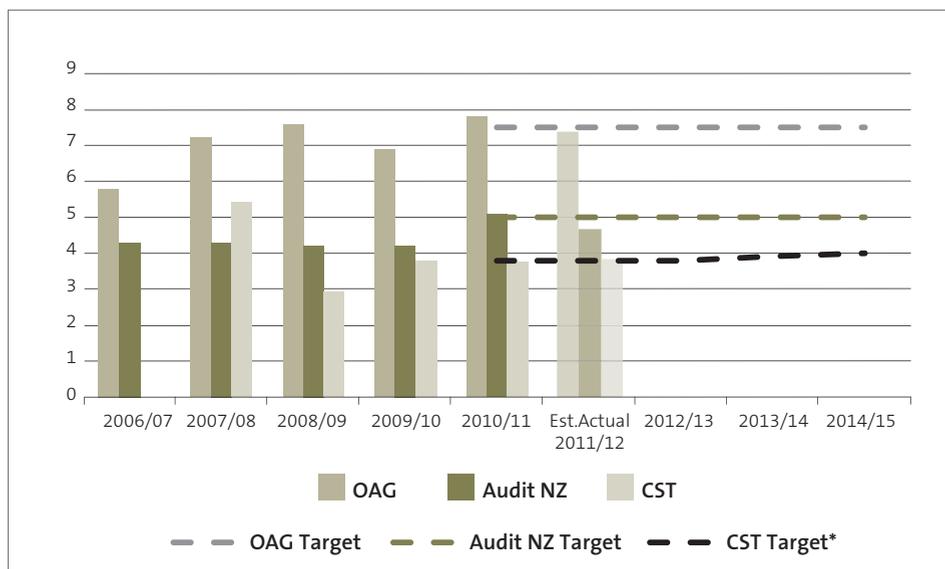
- Improve (or at least maintain) the engagement and satisfaction of our staff measured against the previous two years.

Figure 35
Gallup Survey's staff engagement scores



- Improve (or at least maintain) the average years of experience of our staff measured against the previous two years.

Figure 36
Average number of years staff have been employed by the Office

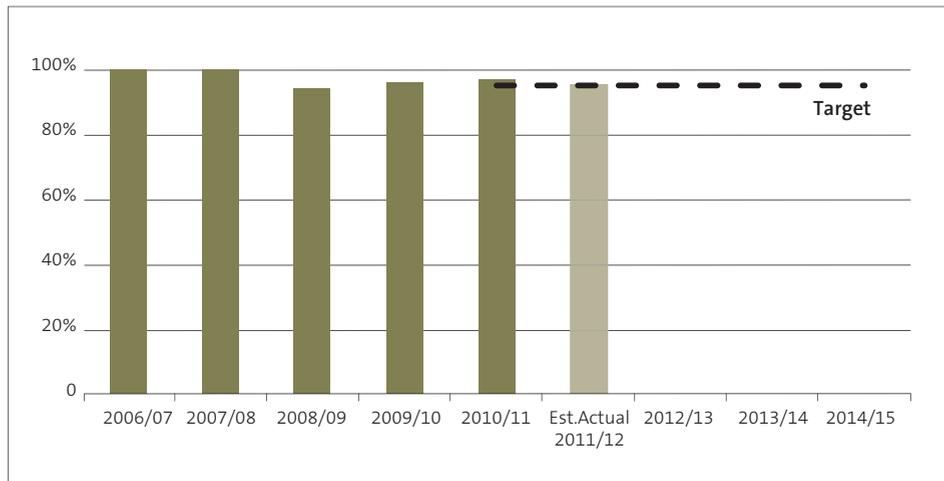


* Corporate Services function is shared between the OAG and Audit New Zealand business units. From 2008, the statistics for Corporate Services staff are shown separately. In previous years, these staff were distributed between the two business units.

Audit staff have high levels of expertise

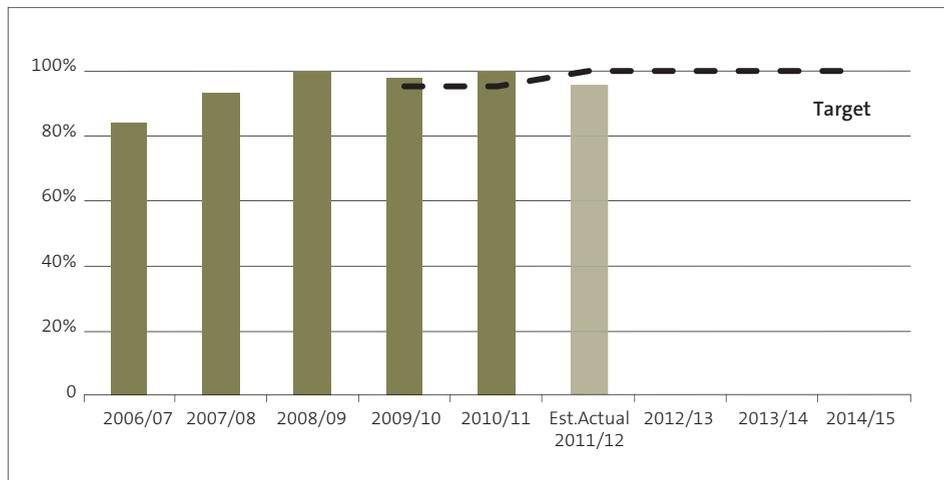
- Achieve a pass rate of staff undertaking accreditation examinations of not less than 95%.

Figure 37
Percentage of audit staff passing NZICA accreditation examinations



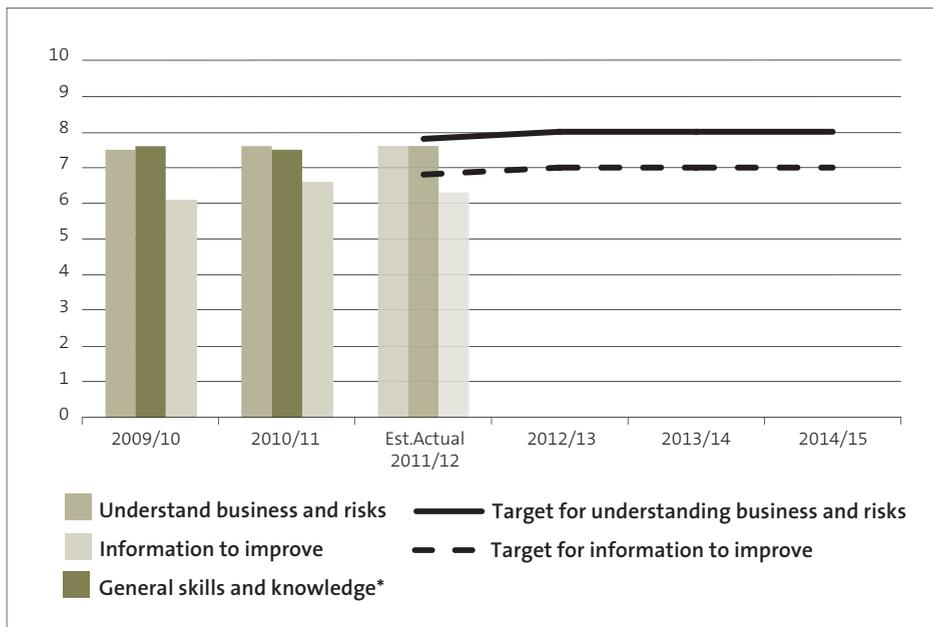
- Quality assurance review for all appointed auditors are completed during a three-year period. Of the auditors reviewed in any given year, 100% achieve a grade of satisfactory or better.

Figure 38
Percentage of auditors achieving a grade of satisfactory or better from quality assurance review



- Client survey feedback shows that auditors’ knowledge of entities’ business and operating context is improving, and that auditors are investing in work to understand that context. Our clients give us improved (or at least maintained) ratings (on a scale of 0 to 10) compared with the previous two years for their auditors’:
 - understanding of the client’s business and the risks that clients face;
 - general skills and knowledge required to conduct their audit; and
 - provision of information to help clients identify and promote improvement in their operations.

Figure 39
Ratings for expertise of Audit New Zealand staff



* No specific target set for general skills and knowledge.

Audit staff have high levels of expertise: Auditing performance information

- Our quality assurance reviews of our audit and assurance work confirms that auditors are carrying out the requirements of AG-4 (revised).

Results: Our quality assurance reviews of our audit and assurance work confirms that auditors are carrying out their requirements for performance information in keeping with the Auditor-General’s auditing standards and our attestation that performance statements fairly reflect the achievements of the entity.

During 2010/11, a quality assurance review was carried out of a selection of local authority audits (the first sector where AG-4 (revised) applies). The review found that auditors understood the new requirements and were suitably trained to audit performance information in keeping with AG-4 (revised).

Equal employment opportunities

The Office's programme for addressing equal employment opportunities is through its recruitment and employment policies. The principles of equal opportunity are embedded in the Office's policies and procedures. In particular, our recruitment programme aims to attract and appoint the best people, who have the appropriate skills, values, and attributes to meet the Office's needs, objectives, and strategic direction. We recruit in a manner that provides equal employment opportunity to Māori, women, ethnic or minority groups, and people with disabilities.

Recruitment and employment decisions and practices (such as feedback from exit interviews) are monitored to confirm that policies are applied. Managers are made aware of, and given support to fulfil, our good employer obligations through specific programmes and courses and one-on-one coaching.

Our staff profile shows a good level of diversity, which we expect to maintain during the next three years.

Business practices

We have an extensive quality assurance programme for all our outputs and services. This programme indicates an acceptable level of quality. Nevertheless, we continue to work on improving this.

Our internal audit function uses the services of an external expert to advise our management team on the internal audit programme. The expert agrees the internal programme with our independent Audit and Risk Committee, supervises the internal audit activities, and presents the findings to the Committee.

Office accommodation

In 2011/12, we continued to make progress on addressing our long-term property needs in Wellington and Auckland, but we have been less successful in Christchurch.

The Officers of Parliament Committee agreed to our business case for capital funding in Budget 2011 for the fit out of refurbished premises for all our Wellington staff. This will allow us to achieve our long-term objective of having our OAG and Audit New Zealand Wellington staff in the same building. We expect this project to be completed in 2013.

The lease on our Auckland premises will expire in 2012. We are currently considering options for our Auckland staff and expect to complete new arrangements this year.

The Canterbury earthquakes have caused considerable disruption to Audit New Zealand operations in Christchurch, where our staff have been working from temporary premises since February 2011. Although these premises meet our basic requirements, the effectiveness and efficiency of our people have been affected. We have been actively seeking suitable long-term premises in the Christchurch area throughout 2011/12, but have not been successful. We will continue this search in 2012/13.

New information management system

The Auditor-General is in a unique position in the New Zealand public sector. Auditors, on the Auditor-General's behalf, carry out audits every year on every single public sector entity throughout the country.

We also carry out performance audits, inquiries, and research work, and we frequently visit and correspond with public entities. In doing so, we not only collect significant financial and performance information about those entities but also build up significant insight into the public sector and how well public entities are operating.

This means that the Auditor-General has a range of information available that does not exist in a single place anywhere else. The Auditor-General recognises the significant value that this information and insight could bring to improving the performance of the public sector. Therefore, she is keen to make the collection, analysis, and use of this information and insight as effective and efficient as practicable. To this end, the Auditor-General is considering how we can best collect, store, analyse, share, reuse, and report on the information we hold.

With this objective in mind, we have issued a Request for Proposal seeking a solution that will allow our staff to effectively and efficiently make full use of the rich collection of information we already have and to be able to contribute new information quickly and easily. We recognise that this may take some years to achieve.

We expect that implementing a suitable information management system will be a focus for us in 2012/13. However, we also rely on information technology to complete all our work. To ensure an effective, efficient, and customer-focused service, our audit staff working in the field use specialist auditing and remote access and communications tools. In the OAG, the audit status database system is used to manage the allocation, tracking, and reporting of audits. We continue to maintain and enhance these systems.

Part 4

Forecast financial statements for 2012/13

The Controller and Auditor-General's forecast financial statements have been prepared in keeping with sections 38, 41(1), and 45G of the Public Finance Act 1989 and are consistent with generally accepted accounting practice. The purpose of the forecast financial statements is to facilitate Parliament's consideration of the appropriations for, and planned performance of, the Controller and Auditor-General. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the information presented here and that the variations may be material.

These forecast financial statements have been prepared on the basis of assumptions as to future events that the Controller and Auditor-General reasonably expects to occur, associated with the actions she reasonably expects to take, as at the date that this information was prepared.

It is not intended that this published material will be updated.

Statement of significant underlying assumptions

The forecast financial statements on pages 59-75 have been compiled on the basis of existing government policies and after the Controller and Auditor-General consulted with the Speaker and the Officers of Parliament Committee. The main assumptions are that:

- The Controller and Auditor-General's portfolio of entities will remain substantially the same as for the previous year.
- The Controller and Auditor-General will continue to deliver the range of products currently provided and will also be in a position to deliver new products, or existing products in new ways, to cope with changing demands.
- The scale of annual audits will remain substantially the same, and audits of most local authorities' long-term plans are not carried out in 2012/13.
- The balance of activity associated with inquiries and with advice to Parliament and others will continue to vary because of increases in demand and the effects of the Public Audit Act 2001.
- The Controller and Auditor-General will continue to use audit expertise from Audit New Zealand and private sector accounting firms.

These assumptions are adopted as at 29 March 2012.

Statement of accounting policies

Reporting entity

The Controller and Auditor-General is a corporation sole established by section 10(1) of the Public Audit Act 2001, is an Office of Parliament for the purposes of the Public Finance Act 1989, and is domiciled in New Zealand.

The Controller and Auditor-General's activities include work carried out by the Office of the Auditor-General (OAG) and Audit New Zealand (referred to collectively as "the Office"), and contracted audit service providers. The Office has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Measurement base

The forecast financial statements have been prepared on a historical cost basis. The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars. The functional currency of the Office is New Zealand dollars.

Statement of compliance

This Statement of Intent complies with Financial Reporting Standard No. 42: *Prospective Financial Statements*.

The forecast financial statements for 2012/13 comply with the applicable financial reporting standards, which include NZ IFRS and other applicable financial reporting standards, as for a public benefit entity.

Changes in accounting policies

There have been no changes from the accounting policies adopted in the last audited financial statements.

Accounting policies

Income

Income is measured at the fair value of the consideration received. Income is derived from the Crown for outputs provided to Parliament, from audit fees for the audit of public entities' financial statements, and from other assurance work carried out by Audit New Zealand at the request of public entities.

Crown funding is recognised in the period to which it relates.

Fee revenue is recognised when earned by reference to the stage of completion of audit and other assurance work, if the outcome can be estimated reliably. Revenue accrues as the audit activity progresses by reference to the value of work performed, and as direct expenses that can be recovered are incurred. If the outcome of an audit cannot be estimated reliably, revenue is recognised only to the extent of the direct costs incurred for the work performed. If there are significant uncertainties regarding recovery or if recovery is contingent on events outside our control, no revenue is recognised.

Fee revenue generated by contracted audit service providers for audits

Fee revenue generated by contracted audit service providers for audits of public entities is also recognised as the work progresses, based on advice from the contracted audit service providers. Contracted audit service providers invoice and collect audit fees directly from public entities.

Expenditure

Expenses of audit service providers

Fees for audits of public entities carried out by contracted audit service providers are recognised as the work progresses, based on advice from the contracted audit service providers. Contracted audit service providers invoice and collect audit fees directly from public entities.

Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. All leases entered into by the Office are operating leases.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Capital Charge

The capital charge is recognised as an expense in the period to which the charge relates.

Financial instruments

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, unless they are carried at fair value through profit or loss, in which case the transaction costs are recognised in the surplus or deficit.

Cash and cash equivalents

Cash includes cash on hand and highly liquid short-term deposits with banks.

Work in progress

Work in progress is stated at estimated realisable value, after providing for non-recoverable amounts. Work in progress represents unbilled revenue.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and, where appropriate, subsequently measured at amortised cost using the effective interest rate, less impairment changes.

Impairment of a receivable is established when there is objective evidence that the Office will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. Overdue receivables that are renegotiated are reclassified as current (that is, not past due).

Plant and equipment

Plant and equipment consists of furniture and fittings, office equipment, information technology hardware, and motor vehicles. Plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

Additions

Individual assets, or group of assets, are capitalised if their cost is greater than \$1,000.

The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Office and the cost of the item can be measured reliably.

In most instances, an item of plant and equipment is recognised at its cost. If an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Office and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all plant and equipment, at rates that will write down the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- Furniture and fittings 4 years (25%)
- Office equipment 2.5 to 5 years (20% to 40%)
- Information technology hardware 2.5 to 5 years (20% to 40%)
- Motor vehicles 3 to 5 years (20% to 33%).

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

Intangible assets

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs that are directly associated with the development of software for internal use by the Office are recognised as an intangible asset. Direct costs include the software development and employee costs.

Staff training costs are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date when the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful life and associated amortisation rate of computer software is estimated at between 2.5 and 5 years (20% to 40%).

Impairment of non-financial assets

Plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through either continued use or disposal. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

An intangible asset that is not yet available for use at balance date is tested for impairment annually.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The impairment loss is recognised in the surplus or deficit. Any reversal of an impairment loss is also recognised in the surplus or deficit.

Creditors and other payables

Creditors and other payables are initially measured at fair value and, where appropriate, subsequently measured at amortised cost using the effective interest method.

Income in advance

Income in advance is recognised where invoiced audit fees exceed the value of time allocated within work in progress to public entities.

Employee entitlements*Short-term employee entitlements*

Employee entitlements that the Office expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave and time off in lieu earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Office recognises a liability for sick leave to the extent that future absences are expected to be greater than the sick leave entitlements earned in the future. The amount is calculated based on the unused sick leave entitlements that can be carried forward at balance date, to the extent that the Office anticipates that these unused entitlements will be used by staff to cover those future absences.

The Office recognises a liability and an expense for bonuses where it is contractually obliged to pay them or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlements information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, time off in lieu of overtime worked, and vested long service leave are classified as a current liability. Non-vested long service leave and retiring/resigning leave expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Obligations for contributions to the Auditor-General's Retirement Savings Plan, KiwiSaver, and the Government Superannuation Fund are accounted for as defined contribution plans and are recognised as an expense in the surplus or deficit as incurred.

Taxpayers' funds

Taxpayers' funds are the Crown's investment in the Office and are measured as the difference between total assets and total liabilities.

Commitments

Expenses yet to be incurred on non-cancellable contracts that have been entered into on or before balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the Statement of commitments at the value of that penalty or exit cost.

Goods and Services Tax

All items in the financial statements, including appropriation statements, are stated exclusive of Goods and Services Tax (GST), except for receivables and payables in the Forecast statement of financial position, which are stated on a GST-inclusive basis.

If GST is not recoverable as input tax, it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Forecast statement of financial position. The net GST paid to, or received from, the IRD, including the GST for investing and financing activities, is classified as an operating cash flow in the Forecast statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The Office is exempt from paying income tax in terms of section 43 of the Public Audit Act 2001. Accordingly, no charge for income tax has been provided for.

Output cost allocation

The Office has determined the cost of outputs using allocations as outlined below.

Direct costs are those costs directly attributable to a single output.

Direct costs that can readily be identified with a single output are assigned directly to the relevant output class. For example, the cost of audits carried out by contracted audit service providers is charged directly to output class: Audit and assurance services.

Indirect costs are all other costs. These costs include payroll costs, variable costs such as travel, and operating overheads such as property costs, depreciation, and capital charges.

Indirect costs are allocated according to the time charged to a particular activity.

There have been no changes in cost allocation policies since the date of the last audited financial statements.

Judgements and estimations

The preparation of these financial statements requires judgements, estimations, and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The assessment of work in progress value is the most significant area where such judgements, estimations, and assumptions are made.

Forecast statement of comprehensive income for the year ending 30 June 2013

This statement reports the revenue and expenses relating to all outputs (goods and services) that we produce. A supporting statement showing the revenue and expenditure of each output class is on page 75.

	2011/12		2012/13
	Budgeted*	Estimated actual	Forecast
	\$000	\$000	\$000
Income			
Crown funding	10,000	10,045	10,045
Audit fees – Departments	10,388	9,460	10,175
Audit fees – Other	32,789	32,746	30,427
Income of contracted audit service providers	28,674	28,674	28,491
Total income	81,851	80,925	79,138
Expenditure			
Personnel costs	37,568	37,378	36,989
Operating costs	14,269	12,786	12,088
Depreciation and amortisation	1,071	901	1,204
Fees paid to contracted auditors for audits of public entities	28,674	28,674	28,491
Capital charge	269	322	366
Total expenditure	81,851	80,061	79,138
Total comprehensive income for the year	0	864	0

* Budgeted figures reflect the Main Estimates of Appropriations for 2011/12.

Forecast statement of movements in taxpayers' funds (equity)

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for the year ending 30 June 2013

	2011/12		2012/13
	Budgeted \$000	Estimated actual \$000	Forecast \$000
Taxpayers' funds brought forward at 1 July	4,021	4,021	4,021
Surplus for the year	-	864	-
Provision for repayment of surplus to the Crown	-	(864)	-
Capital contribution	2,200	-	2,200
Taxpayers' funds at 30 June	6,221	4,021	6,221

Forecast statement of financial position as at 30 June 2013

This statement reports the total assets and liabilities. The difference between the total assets and total liabilities is called taxpayers' funds.

	Budgeted as at 30 June 2012 \$000	Estimated actual as at 30 June 2012 \$000	Forecast as at 30 June 2013 \$000
Taxpayers' funds			
General funds	6,221	4,021	6,221
Total taxpayers' funds	6,221	4,021	6,221
Represented by:			
Current assets			
Cash and cash equivalents	4,379	4,222	2,046
Prepayments	185	180	185
Work in progress	2,200	2,000	2,000
Debtors and other receivables	5,601	5,794	5,794
Total current assets	12,365	12,196	10,025
Non-current assets			
Plant and equipment	1,646	1,407	4,692
Intangible assets	1,280	886	1,108
Total non-current assets	2,926	2,293	5,800
Total assets	15,291	14,489	15,825
Current liabilities			
Creditors and other payables	4,783	5,153	5,153
Repayment of surplus	-	864	-
Employee entitlements	3,707	3,865	3,865
Total current liabilities	8,490	9,882	9,018
Non-current liabilities			
Employee entitlements	580	586	586
Total non-current liabilities	580	586	586
Total liabilities	9,070	10,468	9,604
Net assets	6,221	4,021	6,221

Forecast statement of cash flows for the year ending 30 June 2013

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This statement summarises the cash movements in and out during the year. It takes no account of money owed to, or owing by, the Office, and therefore differs from the Forecast statement of comprehensive income.

	2011/12		2012/13
	Budgeted \$000	Estimated actual \$000	Forecast \$000
Cash flows from operating activities			
Receipts from the Crown	10,000	10,045	10,045
Receipts from Departments	8,104	7,419	8,078
Receipts from other public entities	34,911	34,542	32,298
Payments to suppliers	(10,043)	(8,303)	(8,219)
Payments to employees	(37,459)	(37,268)	(36,878)
Capital charge paid	(269)	(322)	(366)
Net GST paid	(4,205)	(4,178)	(4,119)
Net cash flow from operating activities	1,039	1,935	839
Cash flows from investing activities			
Receipts from sale of plant and equipment	92	72	43
Purchase of plant and equipment	(950)	(722)	(4,144)
Purchase of intangible assets	(850)	(430)	(250)
Net cash flow from (used in) investing activities	(1,708)	(1,080)	(4,351)
Cash flows from financing activities			
Capital contribution	2,200	-	2,200
Repayment of surplus to the Crown	(500)	(916)	(864)
Net cash flow from (used in) financing activities	1,700	(916)	1,336
Total net increase/(decrease) in cash held	1,031	(61)	(2,176)
Cash at the beginning of the year	3,348	4,283	4,222
Cash at the end of the year	4,379	4,222	2,046

* The Forecast statement of cash flows does not include the contracted audit service provider audit fees because these do not involve any cash transactions within the Office.

Reconciliation of surplus in the Forecast statement of comprehensive income to the forecast net cash flow from operating activities for the year ending 30 June 2013

This reconciliation discloses the non-cash adjustments applied to the surplus reported in the Forecast comprehensive income statement on page 67 to arrive at the net cash flow from operating activities disclosed in the Forecast statement of cash flows on page 70.

	2011/12		2012/13
	Budgeted \$000	Estimated actual \$000	Forecast \$000
Surplus	-	864	-
Non-cash items			
Depreciation and amortisation	1,071	901	1,204
Total non-cash items	1,071	901	1,204
Working capital movements			
(Increase)/decrease in receivables and prepayments	(166)	(284)	0
(Increase)/decrease in work in progress	-	114	0
Increase/(decrease) in payables	95	300	(365)
Increase/(decrease) in current employee entitlements	29	-	-
Total net working capital movements	(42)	130	(365)
Investing activity items			
Loss/(profit) on disposal of assets	-	40	-
Total investing activity items	-	40	-
Movements in non-current liabilities			
Increase/(decrease) in employee entitlements	10	-	-
Net cash flow from operating activities	1,039	1,935	839

Statement of forecast capital expenditure for the year ending 30 June 2013

This statement discloses the forecast capital expenditure for the 2012/13 financial year (incurred in accordance with section 24 of the Public Finance Act 1989), which is primarily routine replacement and upgrade of the Office's information technology, office equipment, and furniture and fittings.

	Actual June 2008	Actual June 2009	Actual June 2010	Actual June 2011	Budget June 2012	Estimated actual June 2012	Forecast June 2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Plant and equipment							
Furniture and fittings	125	63	42	4	210	40	3,453
Office equipment	7	20	15	43	10	0	100
Motor vehicles	382	184	406	396	380	361	216
Computer hardware	114	318	258	333	350	321	375
Intangible assets							
Computer software	151	927	200	76	850	430	250
Total	779	1,512	921	852	1,800	1,152	4,394

Forecast details of non-current assets by category as at 30 June 2013

	As at 30 June 2012		Forecast position as at 30 June 2013		
	Budgeted net book value \$000	Estimated actual net book value \$000	Cost \$000	Accumulated depreciation \$000	Net book value \$000
	Plant and equipment				
Furniture and fittings	265	58	5,663	2,367	3,296
Office equipment	2	25	370	287	83
Motor vehicles	848	845	1,336	578	758
Computer hardware	531	479	2,504	1,949	555
Intangible assets					0
Computer software	1,280	886	4,010	3,262	748
Total	2,926	2,293	13,883	8,443	5,440

Forecast appropriation statement for the year ending 30 June 2013

This statement breaks down the expenditure reported in the Forecast statement of comprehensive income on page 67 and the Forecast output class operating statements on page 75 with the corresponding appropriations appearing in Part B1 of Vote Audit for 2011/12 in the *Estimates of Appropriations* (parliamentary paper B.5, Vol. 1).

	\$000
Appropriations for output expenses	
Legislative auditor (multi-class output appropriation)	
Supporting accountability to Parliament	2,685
Performance audits and inquiries	6,587
Total legislative auditor	9,272
Audit and assurance services (revenue-dependent appropriation)	68,868
Audit and assurance services – Crown-funded small entity audits	150
Total appropriations for output expenses	78,290
Other expenses to be incurred by the Office	
Remuneration of the Auditor-General and Deputy Auditor-General	848
Total other expenses	848
Total	79,138

Forecast output class operating statements for the year ending 30 June 2013

	Revenue Crown \$000	Revenue Depts \$000	Revenue Other \$000	Total Revenue \$000	Total Expenses \$000	Surplus \$000
Output expenses						
Audit and assurance services (revenue-dependent appropriation)						
Scope: This appropriation is limited to the performance of audit and related assurance services as required or authorised by statute. The Auditor-General is required to audit the financial statements of the Government, public entities' financial statements, and other information that must be audited. The Auditor-General is also enabled to perform other services reasonable and appropriate for an auditor to perform and to audit other quasi-public entities.						
	-	9,950	58,918	68,868	68,868	0
Audit and assurance services						
Scope: This appropriation is limited to the performance of audit and related assurance services as required or authorised by statute for smaller entities such as cemetery trusts and reserve boards.						
	150	-	-	150	150	-
Statutory auditor function (multi-class output appropriation)						
Basis – these output expenses use the same resources and contribute to the same outcome.						
Supporting accountability to Parliament						
Scope: This output class is limited to reporting to Parliament and others as appropriate on matters arising from annual and appropriation audits, reporting to and advising select committees, and advising other agencies on the requirements of parliamentary and related accountability systems, to support Parliament in its holding the Executive to account for its use of public resources.						
	2,460	225	-	2,685	2,685	-
Performance audits and inquiries						
Scope: This output class 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.						
	6,587	-	-	6,587	6,587	-
Total output expenses	9,197	10,175	58,918	78,290	78,290	0
Other expenses to be incurred by the Office						
Remuneration of the Auditor-General and Deputy Auditor-General						
	848	0	0	848	848	0
Total operating expenses	10,045	10,175	58,918	79,138	79,138	0

Publications by the Auditor-General

Other publications issued by the Auditor-General recently have been:

- Fraud awareness, prevention, and detection in the public sector
- Institutional arrangements for training, registering, and appraising teachers
- New Zealand Qualifications Authority: Assuring the consistency and quality of internal assessment for NCEA
- Statement of Intent 2012–2015
- Public entities' progress in implementing the Auditor-General's recommendations 2012
- Draft annual plan 2012/13
- Local government: Results of the 2010/11 audits
- Severance payments: A guide for the public sector
- Health sector: Results of the 2010/11 audits
- Central government: Results of the 2010/11 audits (Volume 2)
- New Zealand Blood Service: Managing the safety and supply of blood products
- Central government: Results of the 2010/11 audits (Volume 1)
- Education sector: Results of the 2010/11 audits
- Managing the implications of public private partnerships
- Cleanest public sector in the world: Keeping fraud at bay
- Annual Report 2010/11
- Transpower New Zealand Limited: Managing risks to transmission assets
- The Treasury: Implementing and managing the Crown Retail Deposit Guarantee Scheme
- Managing freshwater quality: Challenges for regional councils
- Local government: Improving the usefulness of annual reports

Website

All these reports, and many of our earlier reports, are available in HTML and PDF format on our website – www.oag.govt.nz. Most of them can also be obtained in hard copy on request – reports@oag.govt.nz.

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We offer facilities on our website for people to be notified when new reports and public statements are added to the website. The home page has links to our RSS feed, Twitter account, Facebook page, and email subscribers service.

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