



Summary Annual Report 2004-05



It is my pleasure to present this Summary Annual Report for the Office of the Auditor-General for the year ended 30 June 2005. This Summary provides you with highlights of our achievements during the year, and with extracts from our financial report. It gives a sense of the financial and non-financial performance of the organisation.

I am proud of the progress we have made in starting to bring into effect my 5-year strategy. Since receiving more funding on 1 July 2004, we have made great progress with our research and development programme, taken on experienced staff in our performance audit group, and put in place internal systems to ensure we best manage and monitor our business performance and strategy implementation. We continue to be called on to respond to an increasing number of complex enquiries, and to support changes in the working and legislative environments of public entities.

Our work during 2004-05 has established a solid foundation for us to build on.

“In our first full year of implementing my 5-year Strategic Plan, we have made real gains in our research and development programme, and in putting in place the infrastructure needed to support the strategy.”

K B Brady
30 September 2005

Audit Report



AUDIT REPORT

TO THE READERS OF THE SUMMARY FINANCIAL REPORT OF THE CONTROLLER AND AUDITOR-GENERAL FOR THE YEAR ENDED 30 JUNE 2005

We have audited the summary financial report set out on pages 2 and 3.

Unqualified Opinion

In our opinion, the information reported in the summary financial report complies with FRS-79: *Summary Financial Reports* and is consistent with the full financial report from which it is derived and upon which we expressed an unqualified audit opinion in our report dated 30 September 2005.

Basis of Opinion

Our audit was conducted in accordance with New Zealand Auditing Standards. We carry out audit assignments on behalf of the Controller and Auditor-General. The level of work from these assignments is no greater than the level of work prior to our appointment as auditor. Other than the audit and these assignments, we have no relationship with or interests in the Controller and Auditor-General.

Responsibilities of the Controller and Auditor-General and the Auditor

The Controller and Auditor-General is responsible for preparing the summary financial report and we are responsible for expressing an opinion on that report.

CST Nexia Audit
CST Nexia Audit
Chartered Accountants
Manukau City, New Zealand
30 September 2005



Financial Performance and Financial Position*

	2005 Actual \$000	2005 Forecast \$000	2004 Actual \$000
The revenue we earned was:	43,485	42,014	40,812
We received this revenue from the following sources:			
• \$35,302,000 of audit fees from public entities			
• \$8,183,000 from the Crown, which included a funding increase from the previous year of \$2,546,000			
Our total expenditure was:	42,709	41,067	40,654
The amounts spent on each activity are shown on the opposite page. The main things we spent money on were personnel costs (\$20,143,000), fees paid to contracted auditors (\$13,223,000), and other day-to-day operating costs (\$9,343,000)			
All our spending was within the limits set by Parliamentary appropriations			
Our surplus for the year, which is returned to the Crown, was:	776	947	158
Our total assets at 30 June were:	11,111	10,333	10,131
The assets consisted of:			
• Current assets – including cash \$4,313,000, work in progress \$430,000, and receivables \$3,633,000	8,764	8,184	7,911
• Non-current assets – the physical assets we own or lease	2,347	2,149	2,220
Our liabilities at 30 June were:	7,525	6,747	6,545
The liabilities consisted of:			
• Current liabilities – including payables and provisions \$3,531,000, and provision for employee entitlements \$2,491,000	7,071	5,887	5,465
• Non-current liabilities - mostly provision for employee entitlements \$454,000	454	860	1,080
Movements in our taxpayers' funds were:			
Opening balance at 1 July	3,586	3,586	3,586
Surplus for the year (total recognised revenues and expenses)	776		158
Provision for payment of surplus to the Crown	(776)	(947)	(158)
Closing balance at 30 June	3,586	3,586	3,586
Our net increase/(decrease) in cash held was:	1,273	654	1,625
The net cash flows were from:			
• Operating activities	3,005	2,797	2,844
• Investing activities	(1,310)	(1,721)	(1,068)
• Financing activities	(422)	(422)	(151)

* This Summary Financial Report has been extracted from the full financial report. The full financial report, dated 30 September 2005, is in our Annual Report 2004-05 (available on our website, www.oag.govt.nz).

Service performance

Activity	2005 Actual	2005 Target/Forecast	2004 Actual
Reports and Advice to Parliament and the public:			
• Number of public reports issued	17	19	18
• Number of reports to Select Committees	125	160	153
• Responses to enquiries from taxpayers, ratepayers, and MPs	238	300	179
Cost	\$1,315,000	\$1,114,000	\$5,242,000
Controller function:			
We monitor, on behalf of Parliament, the issue of funds from the Crown Bank Account, to ensure that releases of funds are supported by appropriations, and are for lawful purposes.			
• Number of Controller statements certified	248	245	249
Cost	\$83,000	\$130,000	\$252,000
Audits of entities that have not been offered the opportunity to have the audit tendered:			
• Number of audits completed	319	319	338
• Audits completed within deadlines	48%	80%	44%
• Management reports sent within 6 weeks	97%	100%	100%
• Audit arrears at year end	74	106	115
Cost	\$3,928,000	\$4,110,000	\$3,474,000
Audits of other entities and other audit-related work:			
• Number of audits completed	3,802	3,566	3,732
• Audits completed within deadlines	35%	40%	40%
• Management reports sent within 6 weeks	97%	100%	97%
• Audit arrears at year end	269	240	282
Cost	\$31,229,000	\$29,361,000	\$31,686,000

Highlights for 2004-05

Making real progress in our research and development programme

Our greatest achievement was the significant progress we made in our 3 research and development projects:

- for auditing long-term council community plans;
- determining the audit implications of new legislation in central government; and
- preparing for the introduction of New Zealand equivalents to International Financial Reporting Standards.

Each project was a major piece of work in its own right, and each will continue to need substantial work over coming years.

Increasing our capability to do more performance audits

We received funding to increase the number of staff we employ to carry out performance audits, so that we can produce more performance audit reports over the next 2 years. During 2004-05, we recruited several experienced people to join our performance audit group. This took us longer than we expected, and we were not able to achieve our proposed increase in performance audits. However, we are now well positioned to do so in the coming year.

Enhancing the way we plan our audit and assurance work

We signalled in our strategy our desire to review and enhance our Strategic Audit Planning process, and to consider, for each major issue or risk, which audit tool or combination of audit tools would be most effective.

During 2004-05, we completed a pilot project, and used the results to change our approach. We also aligned our corporate and audit planning cycles.

Improving our management and capability

We continued to look for ways to improve our management and governance of the office, and to enhance the skills and abilities of the people who work for us.

- We fully implemented our project management approach for our research and development projects, major inquiries, and corporate project work.
- We introduced a new stakeholder feedback study, and an office-wide staff survey.
- We reviewed the sector arrangements in the Office of the Auditor-General and Audit New Zealand, to ensure we maximise and co-ordinate our sector efforts.

- We doubled our investment in training and development, and carried out significant professional development in relation to our 3 research and development projects.
- We made good progress in implementing corporate communications, sustainable development, and information technology and systems projects.

Delivering our outputs

We produced 15 performance audits and other studies (our target was 17). It took us longer than expected to recruit and induct new staff in our performance audit group. We returned the unused funding to the Crown.

We completed 4,121 audits of public entities (compared to 4,070 in 2003-04). Fewer entities failed to complete their financial statements by the statutory deadline than in the previous year. There were 20% fewer audits in arrears for entities in the “miscellaneous public bodies” and “audits for which fees will not be charged” groups. We issued 97% of our audit reports and management letters in a timely manner (our target was 100%).

The number of enquiries was far higher than the previous year (238, compared to 179).

Enquiries continue to be increasingly complex, and have a higher public profile. Our timeliness in this area continues to need some improvement.

Maintaining and improving our outcomes

We sought to maintain or improve our desired outcomes.

- New Zealand improved its ranking on the Transparency International Corruption Perceptions Index (second, compared to third equal in 2003-04).
- Public entities accepted more of our recommendations arising from annual audits.
- A pilot study to gather feedback from our stakeholders indicated our work is considered relevant and timely.
- We produced guidance about conflicts of interest, and a report on government publicity and advertising. These reports may reduce the number of enquiries we receive on these topics.
- Overall, we saw entity management remain at similar levels (as evidenced through our comparison of “five management aspects” assessments).