



CONTENTS

B.28FR(00)

Contents

	<i>Page</i>
Speaker's Foreword	5
Introduction by the Controller and Auditor-General	6
Statement of Responsibility	7

Part One

Purpose, Concerns, Outcomes, Outputs and Organisation	9
---	---

Part Two

Operating Goals and Strategies	15
--------------------------------	----

Part Three

Planned Performance for 2000-2001	21
-----------------------------------	----

Part Four

Forecast Financial Statements for 2000-2001	41
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Speaker's Foreword

I am pleased to introduce the Audit Office's *Forecast Report* for the 2000-2001 financial year.¹

The Audit Office is an independent Office of Parliament and is accountable for its performance to Parliament. The Office's role is to act on behalf of Parliament by assisting it to strengthen the effectiveness, efficiency, and accountability of public entities. The *Forecast Report* indicates how the Controller and Auditor-General intends to discharge his duties and apply the resources made available to him in the forthcoming financial year.

A Bill is before Parliament at present to provide the Controller and Auditor-General with a revised and up-to-date legislative mandate, making him or her an Officer of Parliament on a similar basis to the Ombudsmen and the Parliamentary Commissioner for the Environment. It will also clarify which entities the Controller and Auditor-General is appointed to audit, and how the audit mandate applies to each of these entities. This *Forecast Report* is prepared on the basis of the existing legislative position, and does not anticipate the effects of the new legislation, except to the extent that the Controller and Auditor-General will undertake preparatory work for the legislation coming into effect.

The *Forecast Report* provides information which is more extensive than that required by the Public Finance Act 1989. It gives Parliament an appropriate basis for holding the Controller and Auditor-General to account for the performance of the Audit Office during 2000-2001.



Rt Hon Jonathan Hunt
Speaker of the House of Representatives


22 May 2000

¹ Pursuant to the Public Finance Act 1989, the Speaker is responsible for Vote Audit.

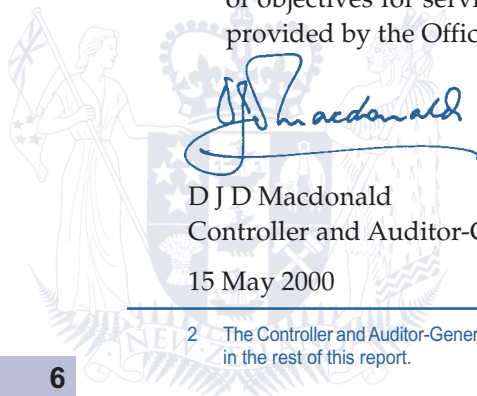
Introduction by the Controller and Auditor-General²

This report is designed to provide a comprehensive description of the projected performance of the Audit Office for 2000-2001. Information is also provided about the purpose and goals of the Office so the Office's 2000-2001 plans can be seen in context. The report is in four parts:

- Part 1 provides a brief explanation of the purpose, concerns, outcomes, outputs and organisation of the Audit Office. Information is included to show how the Office's 2000-2001 plans relate to the purpose of the Office.
- Part 2 provides information about the operating goals of the Audit Office and key strategies that it uses to discharge its statutory duties.
- Part 3 summarises the Audit Office's planned performance for 2000-2001. Plans are presented in relation to:
 - The outputs that will be provided by the Office. These plans show how I intend to discharge my responsibilities as Controller and Auditor-General.
 - The stewardship (organisational management and development, and financial results) of the resources entrusted to the Office. These plans demonstrate how I intend to discharge my responsibilities as Chief Executive.
- Part 4 contains the forecast financial statements of the Audit Office for 2000-2001, and includes detailed statements of objectives for service performance for each output to be provided by the Office.



D J D Macdonald
Controller and Auditor-General
15 May 2000



² The Controller and Auditor-General is sometimes referred to simply as "the Auditor-General" in the rest of this report.

Statement of Responsibility

The forecast financial and other statements for the Audit Office for the year ending 30 June 2001 contained in this report have been prepared in accordance with section 34A of the Public Finance Act 1989.

As Chief Executive of the Audit Department, I acknowledge, in signing this statement, that I am responsible for the forecast financial statements contained in this report. As Controller and Auditor-General, I am also responsible for the forecast output information contained in this report.

The forecast financial statements, which include objectives for output and financial performance, are consistent with the plans considered by the Officers of Parliament Committee when it examined (on behalf of the House) the 2000-2001 budgetary estimates for the Audit Office submitted pursuant to section 17 of the Public Finance Act 1989.

I certify that the information contained in this report is consistent with the appropriations contained in the *Estimates of Appropriations* for the year ending 30 June 2001 that are to be laid before the House of Representatives under section 9 of the Public Finance Act 1989.



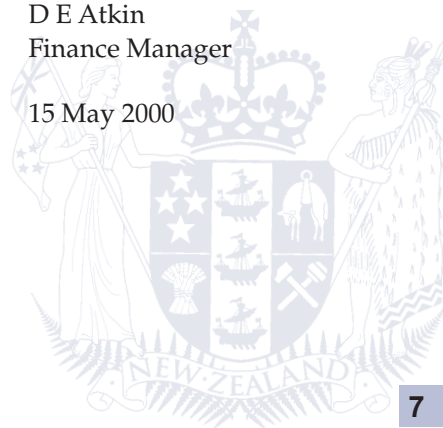
D J D Macdonald
Controller and Auditor-General

15 May 2000



(Countersigned)
D E Atkin
Finance Manager

15 May 2000



Purpose, Concerns and Outcomes

Purpose

The Audit Office exists as a constitutional safeguard to maintain the financial integrity of New Zealand's parliamentary system of government.

The Audit Office plays a key part in the system of checks and balances between Parliament and public entities:

- Public entities are *accountable* to Parliament and to other constituencies for their use of the resources and powers conferred by Parliament.
- The Audit Office provides *assurance* to Parliament and to other constituencies that the entities are operating, and accounting for their performance, in a manner consistent with Parliament's intentions. We also seek to foster *improvement* in their performance and accountability.

The Audit Office, as an Office of Parliament, is *independent* of the Executive Branch of Government.





PURPOSE, CONCERNS, OUTCOMES, OUTPUTS AND ORGANISATION

Part One

Key Concerns

The key concerns of the Office, which are central to the way in which all our auditors undertake any work, are:

- *Authority*: Have activities, resourcing and accountability requirements been undertaken within the authority granted by Parliament?
- *Performance*: Have the activities been undertaken in accordance with Parliament's intentions?
- *Waste*: Have resources been obtained and applied in an economical manner? That is, are the taxpayers' dollars being wasted?
- *Probity*: Are entities meeting parliamentary and public expectations of an appropriate standard of behaviour in the public sector?
- *Accountability*: Have entities given full and accurate accounts of their activities, and of their compliance with Parliament's intentions, through the annual reporting cycle? Are governance and management arrangements suitable to address the concerns identified above?

Desired Outcomes

If the Audit Office has done a good job:

- *Parliament and the public will be confident* that public entities:
 - are delivering what they have been asked to;
 - have operated lawfully and honestly, and have not been wasteful;
 - have fairly reported their performance;and know that, if this is not the case, we will tell them.
- The Government and public entities will effect *improvements* in public sector performance and accountability in areas where we have advised that there is potential for improvement.

Outputs

The Audit Office provides assurance through:

Parliamentary and Public Reports –

Which contain those matters arising from audits that warrant the attention of Parliament or other constituencies.

Controller Certifications –

Which ensure that funds released from the Crown Bank Account are for purposes consistent with Parliament's intentions.

Audit and Assurance Reports –

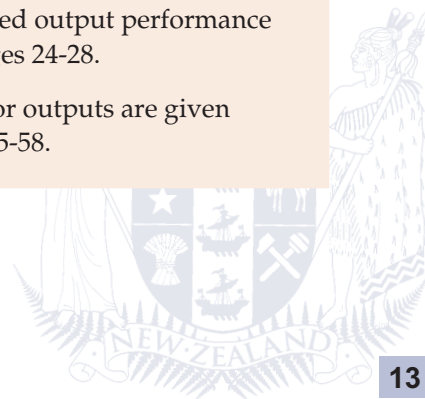
Which express opinions on the financial statements and results of the audit of over 3,800 public entities and also provide further assurance on aspects of management performance at the request of the entities.

Flowing from the conduct of audits, the Audit Office provides advice to:

Parliamentary select committees
Taxpayers and ratepayers
The Government
Audited entities
Related professional bodies.

Further information on planned output performance is given on pages 24-28.

Full details of objectives for outputs are given on pages 45-58.



Organisational Arrangements

The Audit Office consists principally of two people – those holding the statutory offices of Auditor-General and Deputy Auditor-General. But, of course, they need assistance to plan, conduct and report on the results of over 3,800 audits each year. The Audit Office therefore also includes those who are authorised by the Auditor-General to carry out any particular function, duty or power assigned by him. These additional resources may be either staff employed by the Auditor-General or private sector auditing firms.

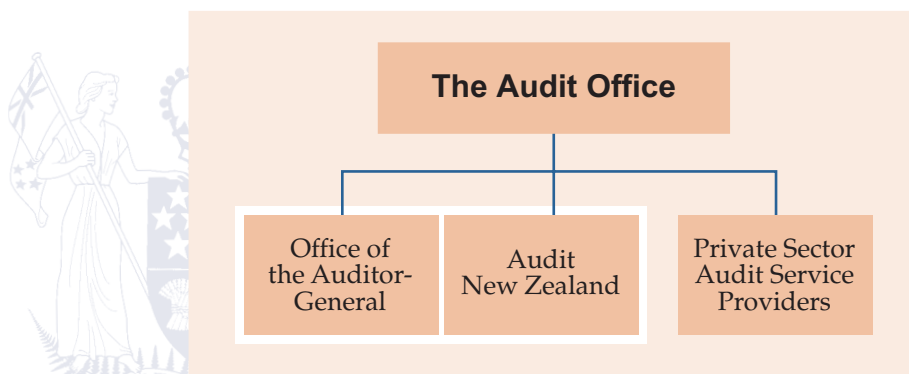
The staff directly employed by the Auditor-General are organised into two business units:

The Office of the Auditor-General³ –

Which is responsible for assisting the Audit Office in strategic audit planning, setting standards, determining who will undertake audits, overseeing auditor performance, carrying out special audits and studies, and parliamentary reporting and advice.

Audit New Zealand –

Which carries out audits that it has won the right to conduct on behalf of the Audit Office in competition with private sector auditors, as well as those audits not awarded under the contestable audit arrangements.



Factors Affecting our Operating Goals and Strategies

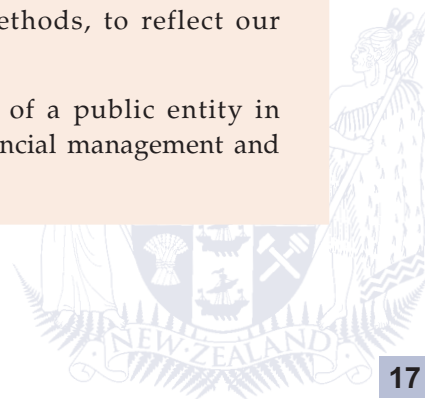
Key factors that are likely to influence our performance over the next 5 years remain as described in our last Forecast Report:

- Ongoing changes in the parliamentary environment, and in community expectations about public sector performance and accountability.
- Continuing change in ways of doing business in and with the public sector, as reform processes and information technology innovations continue.
- Enactment of the Public Audit Bill, making the Auditor-General an Officer of Parliament, and clarifying which entities are to be audited and how the audit mandate applies to each entity.

Part Two

In the light of these key factors, our operating strategies will be primarily directed towards these goals:

- ensuring that we continue to deliver excellent audit services;
- adjusting the emphasis of our audit work, our organisation, and our methods, to reflect our changing environment; and
- being a leading example of a public entity in terms of performance, financial management and accountability.



Operating Goals and Strategies

Goal 1:

To ensure that we continue to deliver excellent audit services.

Strategies:

We will continue to:

Plan and conduct all audits *professionally* and having regard to the *full mandate* of the Office.

Target our audits at critical areas of performance and accountability in the public sector.

We will place particular emphasis on:

Completing all audits that we are required to perform.

Communicating effectively with those who have a key interest in the results of our work.

Goal 2:

To adjust the emphasis of our audit work, our organisation, and our methods, to reflect our changing environment.

Strategies:

We will:

Maintain sound *awareness* of developments and changes in the public sector.

Improve our *mechanisms for learning* as an organisation.

Undertake projects targeted at *increasing our understanding* of specific areas or issues in the public sector, and at *developing suitable audit products* for the changing needs of the sector.



OPERATING GOALS AND STRATEGIES

B.28FR(00)

Goal 3:

To be a leading example of a public entity in terms of performance, financial management and accountability.

Strategies:

We will:

Fulfil a *leadership role* where it is appropriate to do so, particularly in the development of public sector accountability arrangements and performance reporting.

Continue to *practise what we preach* to others.

Operate under a philosophy of *continuous improvement*.

Place additional emphasis on *measuring and reporting achievement* of our goals and desired outcomes.

Be suitably prepared for the coming into force of the revised legislative mandate for the Auditor-General.

Successfully commission, and respond to the findings of, an *external peer review*, to be conducted in the 2000-2001 year.

Maintain a *capability* which delivers excellent *administrative, corporate and technical support* to the Office.

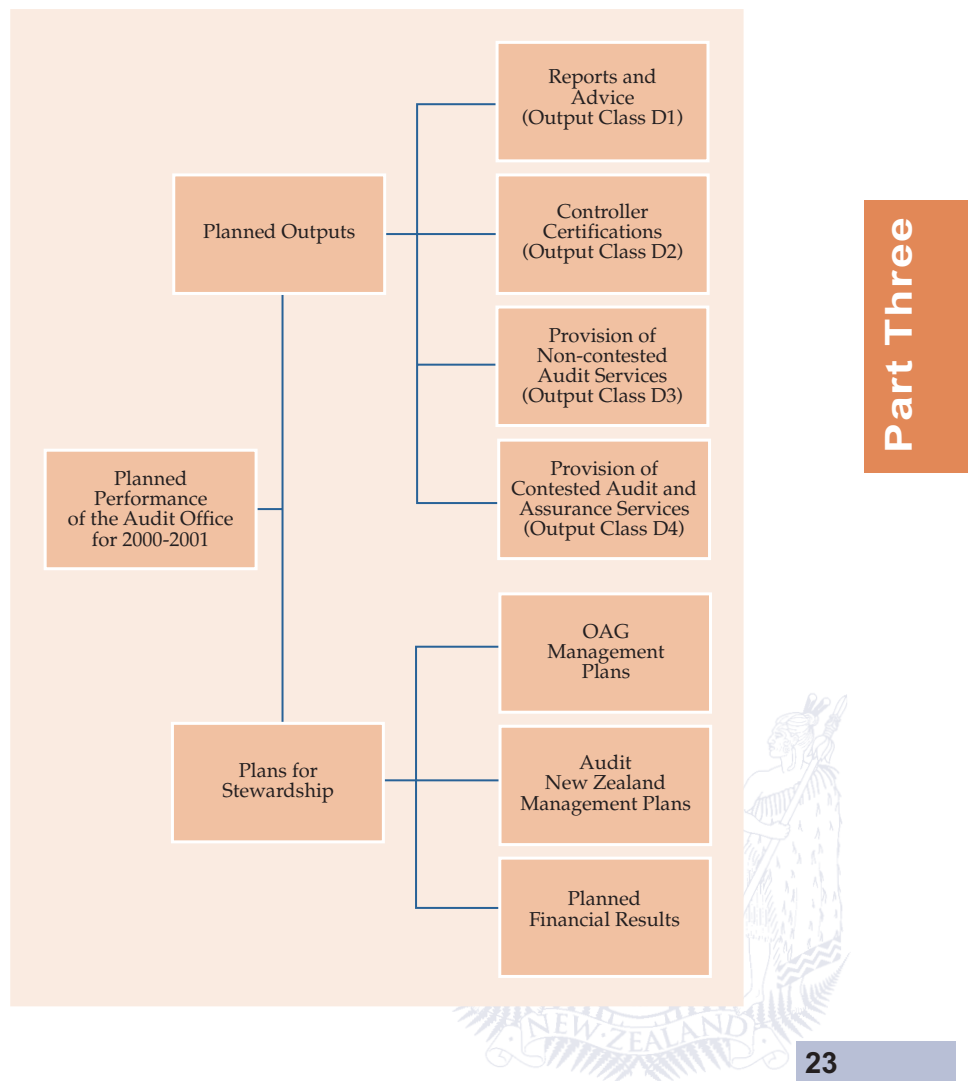
Part Two



Overview

The plans are prepared on the basis of the existing legislative position, and do not anticipate the effects of the proposed public audit legislation, except to the extent that we will undertake preparatory work for the legislation coming into effect.

Elements of the Planned Performance of the Audit Office for 2000-2001



Highlights of Planned Output Performance

The products and services the Office will deliver in 2000-2001 are reflected in four classes of output. Highlights of planned performance for each of these is outlined in the boxes below.

Part Three

Output Class D1 –

Reports and Advice Arising from the Exercise of the Function of Legislative Auditor

- This Output Class is appropriated \$4.043 million⁴, funded mostly by the Crown.
- It incorporates a number of important, and very visible, activities of the Auditor-General, of which the major ones are:
 - Undertaking and reporting on *special audits* of public entity activities. These special audits examine questions such as the entity's performance, the quality of their accountability to Parliament, and the probity of their activities. Subjects for the audits are chosen by a vigorous "strategic audit planning" process, which assesses what subjects might be most useful to pursue.

This activity results in 8 to 10 major reports a year. During 2000-2001, we are likely to be reporting on issues such as governance issues in Local Government, and Police clearance of property crime. A full list of likely subjects is given on pages 46-47. This work is primarily undertaken by a special audits and studies group in the Office of the Auditor-General, and costs up to \$2.353 million.

⁴ All figures are GST-exclusive in Part 3 *Planned Performance for 2000-2001*.

PLANNED PERFORMANCE FOR 2000-2001

Highlights of Planned Output Performance

B.28FR(00)

- Reporting to and *advising parliamentarians* – either in select committees, or as Ministers or individual MPs – on the results of audits and investigations. The bulk of this is done through financial reviews and Estimates examinations, mainly by “Sector Managers” in the OAG, and costs up to \$0.640 million.
- *Responding to enquiries* from taxpayers, ratepayers or individual Members of Parliament on matters which the Auditor-General thinks it appropriate to investigate. Between 250 and 300 of these are received each year, and costs of the work are up to \$0.300 million.
- The quality of this work is ensured by rigorous internal procedures, including peer review and substantiation of major reports. Principles of natural justice are used in the clearance of all public reports, so that public entities and other affected parties have an opportunity to check the factual accuracy and comment on the conclusions drawn in reports (these principles do not automatically apply to advice given to select committees, which is usually given “in camera”).
- More detail on this Output Class is provided in the Forecast Financial Statements, on pages 45-51.

Part Three





PLANNED PERFORMANCE FOR 2000-2001

Highlights of Planned Output Performance

Part Three

Output Class D2 –

Certification of Authority to Release Funds from the Crown Bank Account

- Output Class D2 relates to the Controller function under section 22 of the Public Finance Act 1989. The function is to act as a monitor, on behalf of Parliament, to control the issue of funds from the Crown Bank Account.
- Operationally, this includes monitoring departmental and Crown financial reporting systems to ensure that releases of funds are supported by Parliamentary appropriations and are for lawful purposes. A key part of this activity is checking that warrants issued by the Governor-General for the release of funds, and daily amounts released to departments to fund their activities, are supported by appropriations.
- This Output Class is appropriated \$0.232 million, funded directly by the Crown. More detail on this Output Class is provided in the Forecast Financial Statements, on pages 52-53.





PLANNED PERFORMANCE FOR 2000-2001
Highlights of Planned Output Performance

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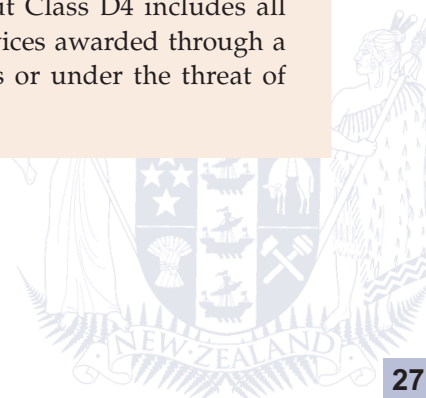
Output Class D3 –

Provision of Non-contested Audit Services

Output Class D4 –

Provision of Contested Audit and Assurance Services

- These two output classes relate to the provision of audit and assurance services to public entities. The Audit Office has a statutory duty to conduct an audit of the financial statements of more than 3,800 public entities. These audits are undertaken either by private sector auditors or by Audit New Zealand.
- Annual audits result in:
 - **Audit Reports** – On whether the financial statements fairly reflect the financial and non-financial performance of these entities.
 - **Management Reports** – To the management and governing bodies of these entities, on issues arising from the audit.
- Audit service providers also provide **other assurance services** to public entities, on their request.
- The nature of the outputs is identical for both classes, and both classes are funded by fees paid by the public entities being audited. The *difference* in output classes relates to the method by which the audit service provider has been selected. Output Class D3 includes only those audits which have not been allocated to audit service providers by a contestable process. Output Class D4 includes all audits or audit-related services awarded through a competitive tender process or under the threat of competition.





PLANNED PERFORMANCE FOR 2000-2001

Highlights of Planned Output Performance

Part Three

- The quality of audit and assurance work done in these two output classes is maintained by:
 - publication of auditing standards and detailed guidance on audit risks and issues;
 - training of audit service providers;
 - OAG involvement when there are difficulties in deciding whether to issue an unqualified or a qualified audit opinion; and
 - a post-audit quality control process which evaluates auditors' work at no more than three-yearly intervals.

This quality assurance work is led by the Accounting and Auditing Policy group in the OAG.

- Output Class D3 comprises the audits of approximately 500 public entities, for which \$4.757 million is appropriated. Output Class D4 covers the remaining 3,300 entities (of which 2,600 are schools), and the appropriation is \$31.333 million. This output class – because it is at least partly demand-driven – is appropriated on a mode B net basis, which means that the output class may without further appropriation incur costs up to, but not exceeding, the amount of revenue generated.
- More detail on these Output Classes is provided in the Forecast Financial Statements, on pages 54-58.



Highlights of Planned Stewardship Performance

The “stewardship” of the Office is concerned with how we plan to ensure that we are a progressive, viable and well-managed public entity. To achieve this, we prepare management and development plans for each of the two business units of the Office:

The Office of the Auditor-General –

Which is responsible for assisting the Audit Office in strategic audit planning, setting standards, determining who will undertake audits, overseeing auditor performance, carrying out special audits and studies, and parliamentary reporting and advice.

Audit New Zealand –

Which carries out audits which it has won the right to conduct on behalf of the Audit Office in competition with private sector auditors, as well as those audits not awarded under the contestable audit arrangements.

We supplement these plans by identifying *key financial indicators* which will demonstrate effective stewardship of our financial resources.

Plans for each of these three areas of stewardship are presented on the following pages.



Objectives for the Management and Development of the Office of the Auditor-General

Description

The OAG is responsible for assisting the Audit Office in developing overall strategy, audit planning, setting standards, determining who will undertake audits, overseeing auditor performance, carrying out special audits and studies, and parliamentary reporting and advice.

The OAG comprises approximately 50 people with an operating budget of \$6.574 million. It is located in Wellington.

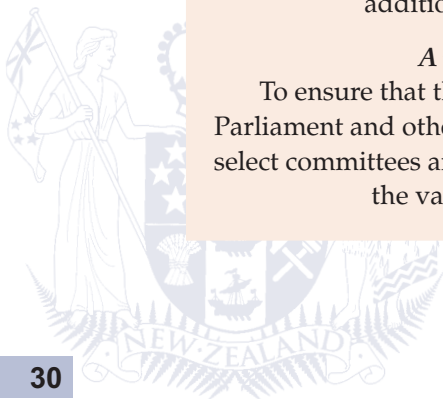
To perform its functions, the OAG has:

A research and planning capability,
to ensure that the focus of around \$36 million of audit effort is well-targeted and meets the needs of Parliament and other constituencies.

A purchasing and quality assurance capability,
to give effect to the strategy for the supply of annual audit services and to ensure the quality of these services.

An operational capability,
to carry out special audits and studies separate from, or additional to, the annual audits.

A reporting capability,
To ensure that the results of audits are reported to Parliament and other constituencies – including advice to select committees and others – in a way which maximises the value from the audit effort.





PLANNED PERFORMANCE FOR 2000-2001
Objectives for Office of the Auditor-General

B.28FR(00)

These capabilities are supported by:

Technical support services,
which provide technical accounting, auditing and legal support to the Audit Office.

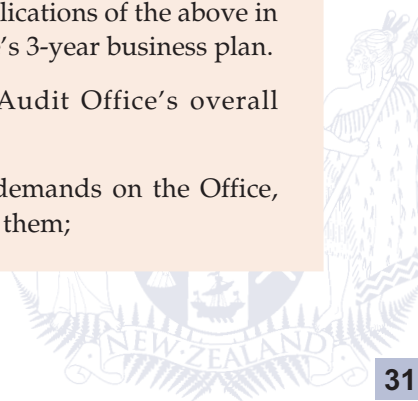
Administrative and corporate services,
which underpin the business of the organisation and fulfil the accountability requirements of the Audit Office.

An organisation and management structure,
which facilitates cost-effective production of the Audit Office's products.

Key Objectives for 2000-2001

Key objectives in managing the OAG during 2000-2001 are to:

- Be ready to implement the Public Audit Act when it comes into force, paying particular attention to the need to:
 - communicate with entities affected by the Act, because the application of the Auditor-General's mandate to them has changed;
 - prepare a public report on the Auditor-General's auditing standards;
 - develop suitable strategies for application of the Auditor-General's full mandate to a wider range of entities; and
 - consider the resource implications of the above in updating the Audit Office's 3-year business plan.
- Continue to develop the Audit Office's overall strategic processes by:
 - evaluating likely future demands on the Office, and possible responses to them;

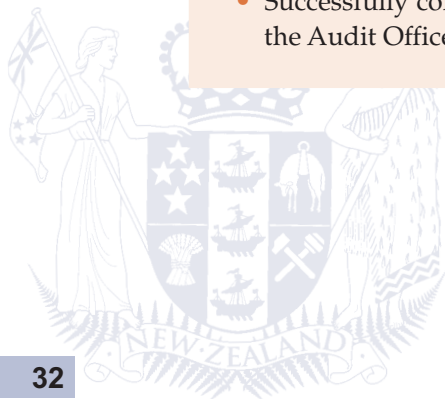


PLANNED PERFORMANCE FOR 2000-2001

Objectives for Office of the Auditor-General

Part Three

- dedicating some resource to research and development on these responses, to ensure that audit products and processes stay relevant in a rapidly changing environment (and that we have suitable capability to actually respond); and
- making further progress on the development of appropriate measurement and reporting on the Office's desired outcomes, capability, and risk management processes (see also the box on the next page).
- Build on the work done in 1999-2000 to communicate effectively with incoming parliamentarians, by implementing an effective process to support select committee consideration of Office reports.
- Continue to reduce the backlog of audits to the point where, as nearly as possible, it includes only audits which are unlikely ever to be completed because records are no longer available.
- Continue to develop our knowledge management systems by:
 - making effective use of our recently developed Intranet and electronic document management system; and
 - improving communications with audit service providers by achieving one or both of making the auditing manual available to them on-line, and providing electronic facilities for receiving audit returns.
- Successfully commission an external peer review of the Audit Office.



Improving Measurement of Our Outcomes, Capability, and Risk

One of our management objectives is to develop our measurement and management of outcomes, capability and risk. Our *Third Report for 1999 – The Accountability of the Executive Government to Parliament* – identified these as key areas for development in performance reporting in the public sector generally, and the Office is endeavouring to practise what it preaches.

During 1999-2000, we did considerable development work on the measurement of outcomes and capability, and we will extend this in 2000-2001.

Outcomes:

We have identified, and we will report on, some or all of the following possibilities for better outcome measurement for the Audit Office:

- measuring trends in Office credibility, stakeholder understanding, assurance and confidence;
- use of Office briefing material and recommendations by stakeholders, for example in select committee examinations and reports;
- recording the implementation of audit recommendations by public entities; and
- recording changes in financial systems and practices, and in public entity outcomes, which were influenced by Audit Office reports and recommendations (through methods such as impact evaluation and audit follow up).





PLANNED PERFORMANCE FOR 2000-2001
Objectives for Office of the Auditor-General

Part Three

Capability:

We have adopted as a definition of capability:

Having (access to) a combination of resources and systems which are fit for the purposes of:

- *delivering outputs and results to current specification and customer satisfaction; and*
- *maintaining capacity to identify and cope with likely future requirements.*

We have identified which of our Office goals have major capability dimensions, and started identifying suitable measures for each, in terms of staffing, systems and leadership. We will select, follow through, and report on some or all of these possibilities for better capability measurement for the Office. The core measures starting to emerge are:

- levels of relevant formal qualification in key roles;
- length of time in the job, or in directly relevant jobs;
- level of investment in training and development;
- level of backup for critical functions and roles;
- levels of delivery over time, for both products and support functions;
- level of understanding and commitment to Office vision and role; and
- current and required changes in the Office's skill base.

Risk:

The audit role is fundamentally based on the concept of risk, and auditors automatically think in terms of risk. However, we are more used to applying these concepts to audited entities than to ourselves. During 2000-2001, we will formally consider how we use risk concepts in managing and measuring our own activities, and build this consideration into our future management practices.

Objectives for the Management and Development of Audit New Zealand

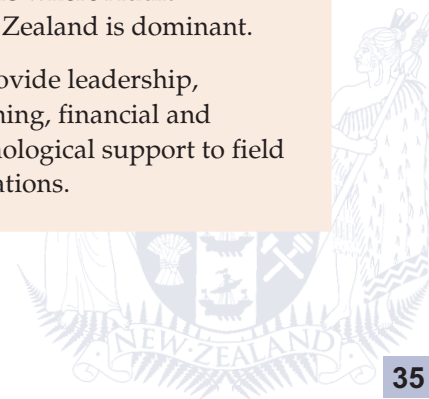
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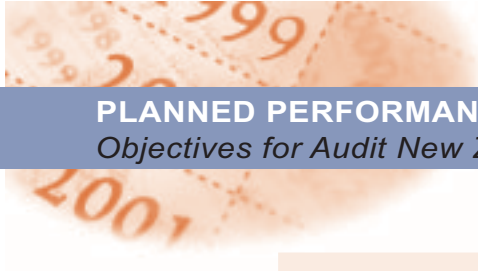
Audit New Zealand carries out audits which it has won the right to conduct on behalf of the Audit Office in competition with private sector auditors, as well as those audits not awarded under the contestable audit arrangements.

Audit New Zealand comprises approximately 240 staff operating from 10 locations. It has an operating budget of \$21.418 million.

To perform its function as an effective and efficient provider of audit services, Audit New Zealand has:

- An operational capability – to carry out audits on behalf of the Audit Office.
- A technical capability – to support field auditors with advice on technical accounting and auditing matters.
- A sectoral capability – to develop consistent and co-ordinated plans, audit approaches and decisions in sectors where Audit New Zealand is dominant.
- A managerial capability – to provide leadership, planning, financial and technological support to field operations.





PLANNED PERFORMANCE FOR 2000-2001
Objectives for Audit New Zealand

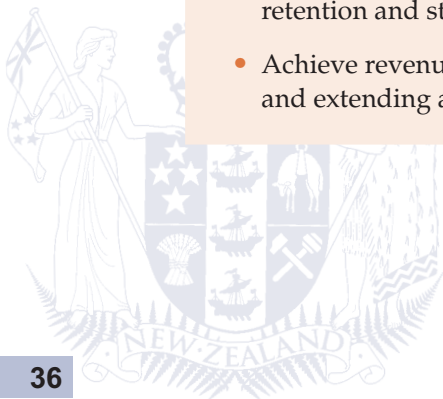
- A human resource capability – to provide systems and processes to ensure that people reach their full potential.
- A professional development capability – to provide training to ensure that professional standards are met and personal development is achieved.
- A quality assurance capability – to ensure adherence to Audit Office and professional standards.

Part Three

Key Objectives for 2000-2001

Key objectives in managing Audit New Zealand during 2000-2001 are to:

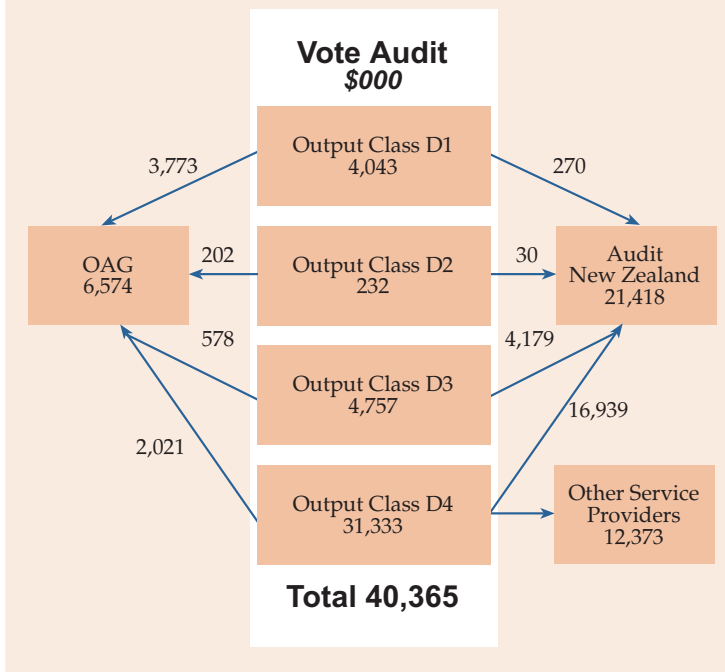
- Take a more strategic approach to managing our business through continuing to communicate a shared understanding of the organisation’s vision, mission and values.
- Increase efficiency and improve client value by implementing electronic audit support tools in conjunction with an updated audit methodology.
- Improve service delivery through client service planning and co-ordination of audit and assurance work throughout the organisation.
- Continue to improve the capability and capacity of the organisation through targeted recruitment, retention and staff development systems.
- Achieve revenue targets by client retention, growth, and extending assurance-based services.



Key Financial Indicators

Overview of Appropriations

Costs of Production of the Audit Office's Output Classes



Part Three

Funding of the Audit Office

In 2000-2001 the Audit Office expects to fund the costs of producing its outputs by receiving \$40.607 million, comprising:

\$4.261 million in revenue from the Crown, and \$0.015 million from other sources, which will be used to fund the costs incurred in the production and delivery of Output Classes D1 and D2.

\$36.331 million in revenue from audited entities, which will be used to fund the costs incurred in the production and delivery of Output Classes D3 and D4.



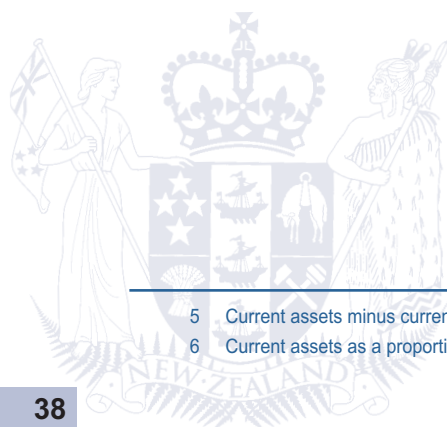
PLANNED PERFORMANCE FOR 2000-2001
Key Financial Indicators

Overview of Financial Results

For the year ending 30 June 2001

	1999-2000		2000-2001
	Budgeted	Estimated Actual	Forecast
	\$000	\$000	\$000
Operating Results			
Total revenue	38,229	38,229	40,607
Comprising:			
Contract audit fees	10,920	10,920	12,373
Crown revenue	4,261	4,261	4,261
Other revenue	23,048	23,048	23,973
Total expenses	37,660	37,660	40,365
Comprising:			
Personnel	16,992	16,992	18,883
Other	9,748	9,748	9,109
Contract auditors	10,920	10,920	12,373
Working Capital			
Net current assets ⁵	887	887	1,423
Current ratio ⁶	124%	124%	148%
Average receivables and work in progress	41 days	41 days	36 days
Average payables outstanding	33 days	33 days	32 days
Cash Flows			
Closing cash balance	479	479	520
Surplus/(Deficit) on operating activities	1,084	1,084	1,205
Net increase/(decrease) in cash held	(714)	(714)	41

Part Three



⁵ Current assets minus current liabilities.

⁶ Current assets as a proportion of current liabilities.

Contents

	<i>Page</i>
Introduction	43
Statement of Significant Underlying Assumptions	44
Statement of Objectives for Output Class D1	45
Statement of Objectives for Output Class D2	52
Statement of Objectives for Output Classes D3 and D4	54
Statement of Accounting Policies	59
Statement of Prospective Financial Performance	63
Statement of Prospective Financial Position	64
Statement of Prospective Cash Flows	65
Reconciliation of Surplus in the Statement of Prospective Financial Performance to the Prospective Net Cash Flow from Operating Activities	66
Statement of Prospective Movements in Taxpayers' Funds (Equity)	67
Forecast Details of Physical Assets by Category	68
Prospective GST Status of Departmental Output Classes	69
Forecast Output Class Operating Statements	70
Forecast Financial Indicators	71

Introduction

The Audit Office's forecast financial statements have been prepared in accordance with section 34A of the Public Finance Act 1989 and are consistent with generally accepted accounting practice. The purpose of the forecast financial statements is to facilitate parliamentary consideration of the appropriations for, and planned performance of, the Audit Office. 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 Auditor-General reasonably expects to occur associated with the actions he reasonably expects to take as at the date this information was prepared.

These statements have been prepared also in the context of the budgetary process.

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

Forecasts should be contrasted with projections. Projections are based on one or more hypothetical but realistic assumptions.



Statement of Significant Underlying Assumptions

The forecast financial statements on pages 45-71 have been compiled on the basis of existing government policies and after consultation by the Audit Office with the Speaker and the Officers of Parliament Committee. The main assumptions are:

- That the Audit Office's functions and duties will remain consistent with those set out in section 25 of the Public Finance Act 1977, so that the Office will continue to deliver a range of products which are substantially the same in nature as those provided in previous years.
- That the portfolio of audits for which the Audit Office is statutorily responsible will not change, and so the scale of annual audit reporting will be substantially the same as for previous years.
- That the scale of the Audit Office's activities associated with providing parliamentary reports and advice to other constituencies will be substantially the same as for previous years.
- That the Auditor-General will continue to utilise audit expertise from both Audit New Zealand and the private sector.

These assumptions are adopted as at 15 May 2000.



Statement of Objectives for Output Class D1

Reports and Advice Arising from the Exercise of the Function of Legislative Auditor

Description

Output Class D1 includes the following products and services of the Audit Office:

Reports to Parliament and other constituencies – on matters arising from annual audits, programmed special audits and studies, and unprogrammed special investigations.

Reports and advice to select committees – to assist in their reviews of performance, estimates examinations, or other inquiries for which our assistance is sought.

Reports to portfolio ministers on the results of annual audits.

Responses to enquiries from taxpayers, ratepayers and Members of Parliament.

Advice to government bodies and other agencies – on auditing, accountability, and financial management in the public sector.

Administration of the provisions of the Local Authorities (Members' Interests) Act 1968.

The products and services contained in this class of outputs are either demand-driven (e.g. ratepayer enquiries or advice to select committees), or are subject to the discretion of the Auditor-General as to the particular audit undertaken and reported (e.g. special studies). Given the discretionary element in this class of outputs, we have provided additional detail about our planned activities (see pages 46-51).

Planned Activities and Costs

Reports to Parliament and Other Constituencies

\$000

Results of annual audits:

- Audit results for central government, local government, and selected other sectors
- Specific issues arising from particular audits or in relation to sectors generally

Results of programmed special audits and studies:

- Major audits and studies in progress at 1 May 2000 in the areas of –
 - Governance and risk issues in local government
 - Community participation in local government
 - Management of multi-lateral environmental agreements
 - Police clearance of property crime
 - Property management in the education sector
 - Custodial sentence administration
 - Civil aviation safety audits
- Major audits and studies under consideration for 2000-2001 in the areas of –
 - Capability in the public sector
 - Robustness of forecasts for demand-driven output classes



FORECAST FINANCIAL STATEMENTS FOR 2000-2001
Objectives for Output Class D1

B.28FR(00)

- Contracting arrangements by the Health Funding Authority
- Licensing and enforcement in the commercial transport industry
- Accuracy of social security benefit payments
- Preparedness for the deployment in East Timor
- Governance and risk issues in Crown entities
- Preparedness for emergency management
- Taxpayer audit activity in the Inland Revenue Department
- Border control risk management procedures
- Crown management of Treaty settlements
- Monitoring of gaming machines
- The use of benefit-cost analysis in government investment decisions
- Service delivery in government departments
- Franchising of water services in Papakura

Matters arising from special investigations⁷ initiated in response to particular concerns brought to the attention of the Audit Office during 2000-2001

2,353

Part Four

⁷ Spare capacity is not held for such investigations. The extent of the resource usage on unprogrammed enquiries will impact directly on the resource availability for other planned activities.

FORECAST FINANCIAL STATEMENTS FOR 2000-2001
Objectives for Output Class D1

Planned Activities and Costs (continued)

Reports and Advice to Select Committees⁸

\$000

Advice to select committees to assist their financial reviews of:

- Government departments and Offices of Parliament
- State-owned enterprises and Crown entities

Advice to select committees to assist their examination of estimates

Advice or assistance (as requested) for other inquiries conducted by select committees

600

Reports to Ministers

\$000

Reporting the results of audits to portfolio ministers

40

Responses to Enquiries from Taxpayers, Ratepayers and Members of Parliament

\$000

Acknowledgement, investigation⁹ and reporting the results of enquiries directed to the Audit Office by:

- Taxpayers
- Ratepayers
- Members of Parliament

300

⁸ The extent and cost of these activities is largely determined by the demands made by select committees.

⁹ Not all enquiries will result in an investigation. Enquiries assessed as warranting investigation may be considered either at the time of the next annual audit or by way of an immediate, specific inquiry.

FORECAST FINANCIAL STATEMENTS FOR 2000-2001
Objectives for Output Class D1

B.28FR(00)

Advice to Government Bodies and Other Agencies

\$000

Responding to specific requests from, and participating in working parties on matters related to financial management and accountability with, organisations including:¹⁰

- Central agencies
- Government departments, local authorities and other public sector entities
- Professional bodies, such as the Institute of Chartered Accountants of New Zealand
- Sector organisations, such as Local Government New Zealand and the Society of Local Government Managers
- Foreign delegations
- Other audit institutions and related organisations, such as INTOSAI

700

Administration of the Provisions of the Local Authorities (Members' Interests) Act 1968

\$000

Responding to specific requests in relation to the Audit Office's powers to:¹¹

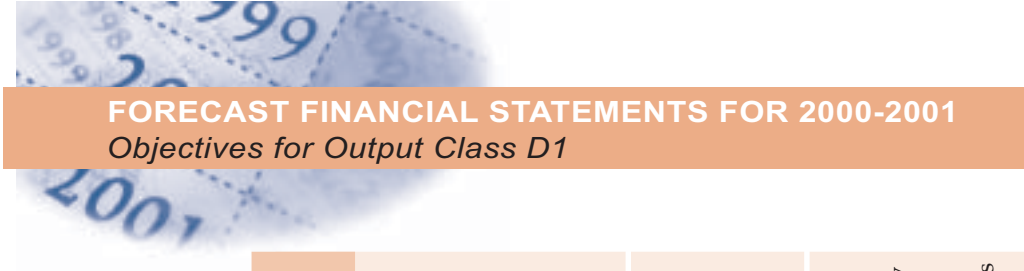
- Approve increased limits for contract payments
- Grant dispensations in certain circumstances from the prohibition against discussing and voting where members have a pecuniary interest
- Consider alleged breaches of the Act

50

10 The cost associated with each area of advice is difficult to predict with any reliability, as it is largely demand-driven. Accordingly, the cost of these activities has been estimated based on past experience.

11 This activity is demand-driven. The nature and extent of the activity is determined by the number and complexity of the requests made to the Audit Office.

Performance Measures and Standards



FORECAST FINANCIAL STATEMENTS FOR 2000-2001
Objectives for Output Class D1

Output	Quantity ¹²	Cost ¹² \$000	Timeliness	Quality
1. Reports to Parliament and other constituencies, comprising: <ul style="list-style-type: none"> • results of annual audits • results of programmed special audits and studies • results of unprogrammed special investigations. 	At least 2 reports At least 6 reports	2,353	Reports to Parliament will be completed in a manner which ensures the subjects being reported are timely and relevant.	All reports will be prepared with due professional care and be subject to: <ul style="list-style-type: none"> • internal peer review • substantiation • entity confirmation of factual accuracy.
2. Reports and advice to select committees, comprising: <ul style="list-style-type: none"> • financial reviews • estimates examinations • other reports. 	110 reports 40 reports 20 reports	600	Reports presented at least 2 days before an examination, unless otherwise agreed with the committee.	All select committees will be surveyed as to their satisfaction with the quality of our reports and advice.
3. Reports to Ministers on the results of annual audits.	110 reports	40	Reports to portfolio ministers before select committee scrutiny of departmental and Crown entity performance.	All reports and advice will be prepared with due professional care by an appropriately qualified person and, where the circumstances require it, be subject to:

...continued on next page.

FORECAST FINANCIAL STATEMENTS FOR 2000-2001
Objectives for Output Class D1

B.28FR(00)

Output	Quantity ¹²	Cost ¹² \$000	Timeliness	Quality
				<ul style="list-style-type: none"> • internal peer review • substantiation • entity confirmation of factual accuracy.
4. Responses to enquiries from: <ul style="list-style-type: none"> • taxpayers • ratepayers • Members of Parliament. 	60 enquiries 180 enquiries 60 enquiries	300	An initial response within 5 working days. Cleared within 30 working days, unless otherwise advised.	
5. Advice to government bodies and other agencies.	On demand	700	As requested.	
6. Administration of provisions of the Local Authorities (Members' Interests) Act 1968.	80 enquiries	50	An initial response within 5 working days. Cleared within 30 working days, unless otherwise advised.	
TOTAL		4,043		

¹² The quantity of reports and enquiries handled, and their consequent cost, are largely demand-driven. Accordingly, these figures have been estimated based on past experience.

Part Four

Statement of Objectives for Output Class D2

Certification of Authority to Release Funds from the Crown Bank Account

Description

Output Class D2 relates to the Controller function under section 22 of the Public Finance Act 1989. The function is to act as a monitor, on behalf of Parliament, to control the issue of funds from the Crown Bank Account.

Operationally, this includes monitoring departmental and Crown financial reporting systems to ensure that releases of funds are supported by appropriations and are for lawful purposes.

Performance Measures and Standards

Quality

The Controller and Auditor-General will ensure that:

- Warrants and controller statements will only be certified once correct documentation is provided by the Treasury to support the certification of a warrant or the release of funds from the Crown Bank Account.
- Issues from the Crown Bank Account will only be certified if the issue is supported by appropriation by Parliament or other lawful authorities granted by Parliament.
- All payments not within a warrant from the Governor-General will be refused.



FORECAST FINANCIAL STATEMENTS FOR 2000-2001
Objectives for Output Class D2

B.28FR(00)

Quantity

Number of warrants and controller statements expected to be certified:

- 15 warrants
- 240 controller statements.

Timeliness

- All valid certifications will be provided promptly; i.e. before 12 noon on the day presented by the Treasury for certification.

Cost

The cost will not exceed \$232,000.



Statement of Objectives for Output Classes D3 and D4

Provision of Audit Services

Description

These two output classes relate to the provision of audit services to public entities. The Audit Office has a statutory duty to conduct an audit of the financial statements of more than 3,800 public entities.

Annual audits result in:

Audit Reports – On whether the financial statements fairly reflect the financial and non-financial performance of these entities.

Management Reports – To the management and governing bodies of these entities, on issues arising from the audit.

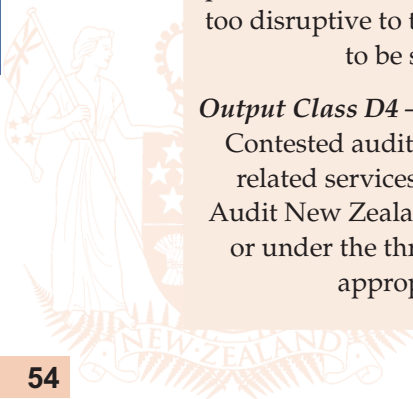
The nature of the outputs is identical for both classes. The difference in output classes relates to the method by which the audit service provider has been selected:

Output Class D3 – Non-contested Audit Services

Non-contested audit services relate to those audits which have not been allocated to audit service providers by a contestable process. These are audits of national sensitivity; or where the Auditor-General considers that subjecting particular audits to contestability at this time is potentially too disruptive to the entity; or those audits which have yet to be subject to competitive tender.

Output Class D4 – Contested Audit and Assurance Services

Contested audit services relate to those audits or audit-related services awarded to private sector auditors or Audit New Zealand through a competitive tender process or under the threat of competition. This output class is appropriated on a mode B net basis.



Output Class D3 – Non-contested Audit Services

Performance Measures and Standards

Group	Total Entities in Group	Estimated Number of Audits in Arrears as at 30/6/2000	Planned Audit Completions in 2000-2001	Expected Number of Audits in Arrears as at 30/6/2001	Timely Issue of Audit Reports ¹³	Timely Issue of Management Reports ¹⁴
Government Departments and Offices of Parliament	21	–	21	–	100%	100%
Major Statutory Bodies ¹⁵	65	18	68	15	100%	100%
Other Local Authorities ¹⁶	60	40	70	30	100%	100%
Miscellaneous Public Bodies ¹⁷	148	55	158	45	75%	100%
Audits for which fees will not be charged ¹⁸	171	470	291	350	75%	100%
Totals	465	583¹⁹	608	440		

Target: To reduce the level of audit arrears by 25% by 30 June 2001.

¹³ Audits will be completed and audited financial statements available within statutory deadline or within 5 months of balance date.

¹⁴ Management reports and letters will be issued within 6 weeks of the date of the audit report.

¹⁵ State-owned Enterprises, Tertiary Education Institutions, Producer Boards, Hospitals and Health Services, Crown Research Institutes and major Crown Entities.

¹⁶ Licensing Trusts, Airports, LATes, Energy Companies, Port Companies and Sinking Fund Commissioners.

¹⁷ Mainly other smaller Crown Entities and Business Development Boards.

¹⁸ Those entities where there is no statutory right to charge an audit fee or no realistic possibility of obtaining a fee. These entities are Reserve Boards, Cemetery Trustees and Provincial Patriotic Societies.

¹⁹ An estimated 230 entities have audits in arrears, mostly for a number of years, and the 470 audits in the final category represent only 121 entities. Most have not prepared financial statements for the periods involved.

Output Class D4 – Contested Audit Services

Performance Measures and Standards

Group	Total Entities in Group	Estimated Number of Audits in Arrears as at 30/6/2000	Planned Audit Completions in 2000-2001	Expected Number of Audits in Arrears as at 30/6/2001	Timely Issue of Audit Reports ²⁰	Timely Issue of Management Reports ²¹
Government Departments and Offices of Parliament	29	–	29	–	100%	100%
Major Statutory Bodies ²²	71	4	75	–	100%	100%
Regional, City and District Councils	86	–	86	–	100%	100%
Other Local Authorities ²³	345	40	355	30	100%	100%
School Boards of Trustees	2,654	580	2,734	500	50%	100%
Miscellaneous Public Bodies ²⁴	186	25	191	20	75%	100%
Totals	3,371	649²⁵	3,470	550		

Target: To reduce the level of audit arrears by 15% by 30 June 2001.

²⁰ Audits will be completed and audited financial statements available within statutory deadline or within 5 months of balance date.

²¹ Management reports and letters will be issued within 6 weeks of the date of the audit report.

²² State-owned Enterprises, Tertiary Education Institutions, Producer Boards, Hospitals and Health Services, Crown Research Institutes and major Crown Entities.

²³ Licensing Trusts, Airports, LATes, Energy Companies, Port Companies and Sinking Fund Commissioners.

²⁴ Mainly other smaller Crown Entities and Maori Trust Boards.

²⁵ An estimated 630 entities have audits in arrears, mostly schools whose audits for the 31 December 1999 year are not expected to be completed at 30 June 2000.

Performance Measures and Standards (continued)

Outstanding Audits

The number of audits to be completed during the year will fluctuate according to the readiness of each entity to present its financial statements for audit. The number of audits actually finished during the year will relate mainly to those financial statements due in the year, plus some not presented for audit in earlier years. Where entities have not presented their financial statements for audit in previous years, the term “audit arrears” is used to describe the outstanding audits. Most arrears are from small entities such as school boards of trustees, cemetery trustees, or minor subsidiaries of a parent body. Because an entity might have arrears for a number of years, the number of audit entities with arrears is lower than the arrears numbers shown.

The Office measures and reports the number of audit entities with one or more audits in arrears as at each balance date, as well as the total number of audits in arrears.

Performance Measures of Quality

The Auditor-General will ensure that audits are conducted with due professional care – ensuring that standards of appropriateness, quality, efficiency and independence are adhered to as set out in the auditing standards issued by the Institute of Chartered Accountants of New Zealand and (where additional standards are required) other standards approved by the Auditor-General for application to public sector audits. These other standards recognise the particular requirements of the public sector and are designed to cover the audit of service performance information, legislative compliance, waste, and probity matters.

Compliance with these standards is tested by a programme of quality assurance reviews conducted by the Office of the Auditor-General. The programme seeks to review every approved auditor at least once during their 3-year contract period. The Office intends to review the work of 50 auditors during the year, the results of which will be reported in our Annual Report for the year ending 30 June 2001.

FORECAST FINANCIAL STATEMENTS FOR 2000-2001

Objectives for Output Classes D3 and D4

Performance Measures of Timeliness

Completion of audits is influenced largely by the quality of records and financial statements subject to audit. The Auditor-General expects, however, that the majority of audited entities will meet the statutory deadlines for completing their annual financial statements, so as to allow completion of the audits also within deadline.

The Office therefore measures:

- The number (and percentage) of audit reports issued within statutory deadlines during the reporting period, or within 5 months of balance date if there is no statutory deadline. It should be noted that not all sectors perform uniformly well. Consequently, the performance standards for each group of entities are:
 - 100% for government departments, Offices of Parliament, major statutory bodies, regional, city and district councils, and other local authorities.
 - 75% for miscellaneous public bodies, and audits for which fees will not be charged.
 - 50% for school boards of trustees.
- The number (and percentage) of audit management reports issued within 6 weeks of issuing the audit report. The performance standard for this measure is 100%.

Performance Measures of Effectiveness

The Office will report on the trend in types of non-standard audit reports issued up to and including the current year²⁶.

Cost

	\$000
• Cost of services for Output Class D3 – Non-contested Audit Services	4,757
• Cost of services for Output Class D4 – Contested Audit Services	31,333

²⁶ Non-standard audit reports are those where the auditor has:

- qualified the audit opinion due to a disagreement or a limitation on scope;
- drawn attention to a breach of law; or
- drawn attention to a fundamental uncertainty.

Statement of Accounting Policies

Reporting Entity

These are the forecast financial statements of the Audit Office prepared pursuant to section 34A of the Public Finance Act 1989.

The Audit Office comprises the Auditor-General, the Deputy Auditor-General, and those resources provided by the Audit Department.

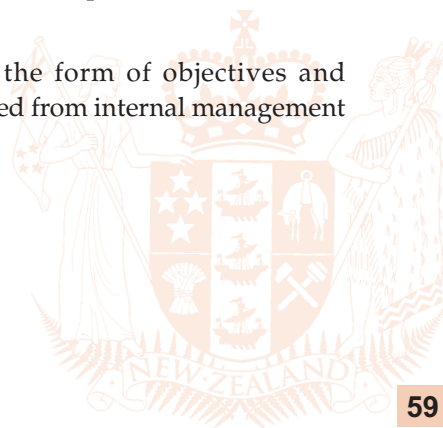
The Audit Department is a department of state established by section 15 of the Public Finance Act 1977 to provide resources to the Audit Office to enable it to perform its functions and duties. The Auditor-General is the Chief Executive of the Audit Department. Departmental activities include the work undertaken by private sector auditing firms on contract to the Auditor-General.

The activities of the Audit Office and the Audit Department are reported here as one entity, referred to as “The Audit Office”, consistent with the definition of that term in section 2 of the Public Finance Act 1989.

Measurement Base

Generally accepted accounting practice is used to measure and report the activities and financial position of the Audit Office on an historical cost basis.

Non-financial information, in the form of objectives and performance measures, is prepared from internal management information.



Accounting Policies

Revenue

The Audit Office derives revenue from the Crown for outputs provided to Parliament, from audit fees for services to third parties, and from interest on its bank deposits with the New Zealand Debt Management Office of the Treasury.

Expenses

The salaries of the Auditor-General and the Deputy Auditor-General, which are a charge against a permanent appropriation in terms of sections 18 and 21 of the Public Finance Act 1977, are recognised as expenses of the Audit Office.

Output Cost Allocation

Definitions

- *Direct costs* are those costs which are directly attributable to a single output.
- *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.

Method of Assigning Costs to Output Classes

- 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 contract audit service providers is charged directly to output class D4.
- Indirect costs are allocated according to the time charged to a particular activity.

Receivables and Work in Progress

Receivables and work in progress are stated at estimated realisable value, after providing for non-recoverable amounts.

Leases

The Audit Office leases office premises and office equipment. As all risks and ownership are retained by the lessor, these leases are classified as operating leases. Operating lease costs are expensed in the period in which they are incurred.

Physical Assets

The initial cost of a physical asset is the value of the consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use.

All physical assets costing more than \$500 are capitalised.

Depreciation

Depreciation of physical assets is provided on a straight-line basis so as to allocate the cost of the assets, less their residual value, over their expected useful lives. The estimated useful lives are:

Furniture and fittings	4 years
Office equipment –	
Computer hardware and software	2.5 years
Other office equipment	4 years
Motor vehicles	5-7.5 years

The cost of leasehold improvements is capitalised and amortised over the estimated remaining useful lives of the improvements.

Provision for Employee Entitlements

Annual leave and time off in lieu of overtime worked are recognised as they accrue to employees based on current rates of pay. Long service leave and retiring/resigning leave are recognised on an actuarial basis. In calculating the present value of the estimated future cash outflows, the assumptions used in valuing the Government Superannuation Fund liability have been adopted.



FORECAST FINANCIAL STATEMENTS FOR 2000-2001

Accounting Policies

Foreign Currency

Foreign currency transactions, relating primarily to subscriptions and travel, are paid for at the New Zealand dollar exchange rate at the date of the transaction.

Financial Instruments

Financial instruments primarily comprise bank balances, receivables and payables. Revenue and expenses in relation to all financial instruments are recognised in the Statement of Prospective Financial Performance.

Goods and Services Tax (GST)

Amounts in these forecast financial statements are reported exclusive of GST, except for Payables and Receivables in the Statement of Prospective Financial Position, which are GST-inclusive.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Payables or Receivables (as appropriate).

Income Tax

The Audit Office, as an institution of the Crown, is exempt from the payment of income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.

Changes In Accounting Policies

There have been no changes in accounting policies, including cost allocation accounting policies, from those contained in the annual financial statements of the Audit Office for the year ended 30 June 1999 as laid before the House of Representatives under section 39 of the Public Finance Act 1989.

Statement of Prospective Financial Performance²⁷

For the Year Ending 30 June 2001

Description of Statement

The Statement of Prospective Financial Performance details the revenue and expenses relating to all outputs (goods and services) produced by the Audit Office. A statement showing the revenue and expenses of each output class appears on page 70.

	1999-2000		2000-2001
	Budgeted ²⁸	Estimated Actual ²⁹	Forecast
	\$000	\$000	\$000
<i>Continuing Activities</i>			
Revenue			
Crown	4,261	4,261	4,261
Departments	6,947	6,947	6,952
Other	27,021	27,021	29,394
Total Revenue	38,229	38,229	40,607
Expenses			
Personnel costs	16,992	16,992	18,883
Operating costs	19,792	19,792	20,052
Depreciation	637	637	1,131
Capital charge	239	239	299
Total Output Expenses	37,660	37,660	40,365
Surplus	569	569	242

27 Prepared in accordance with section 34A(3) of the Public Finance Act 1989.

28 Budgeted figures incorporate both the Main Estimates and Supplementary Estimates appropriations for 1999-2000.

29 The amounts in this column reflect actual results to 29 February 2000 and the forecast results for the remaining four months to 30 June 2000.

Statement of Prospective Financial Position

As at 30 June 2001

Description of Statement

The Statement of Prospective Financial Position reports the total assets and liabilities of the Audit Office. The difference between the assets and liabilities is called Taxpayers' Funds.

	<i>Budgeted Financial Position as at 30/6/2000 \$000</i>	<i>Estimated Actual Financial Position as at 30/6/2000 \$000</i>	<i>Forecast Financial Position as at 30/6/2001 \$000</i>
Taxpayers' Funds			
General funds	2,386	2,386	3,586
Total Taxpayers' Funds	<u>2,386</u>	<u>2,386</u>	<u>3,586</u>
Represented by:			
Current Assets			
Cash and bank balances	479	479	520
Prepayments	312	312	312
Work in progress	1,163	1,163	1,163
Receivables	2,647	2,647	2,407
<i>Total Current Assets</i>	<u>4,601</u>	<u>4,601</u>	<u>4,402</u>
Non-current Assets			
Physical assets	1,969	1,969	2,633
<i>Total Non-current Assets</i>	<u>1,969</u>	<u>1,969</u>	<u>2,633</u>
Total Assets	<u>6,570</u>	<u>6,570</u>	<u>7,035</u>
Current Liabilities			
Payables and provisions	1,807	1,807	1,757
Provision for payment to the Crown	569	569	242
Provision for employee entitlements	1,338	1,338	980
<i>Total Current Liabilities</i>	<u>3,714</u>	<u>3,714</u>	<u>2,979</u>
Term Liabilities			
Provision for employee entitlements	470	470	470
<i>Total Term Liabilities</i>	<u>470</u>	<u>470</u>	<u>470</u>
Total Liabilities	<u>4,184</u>	<u>4,184</u>	<u>3,449</u>
Net Assets	<u>2,386</u>	<u>2,386</u>	<u>3,586</u>

FORECAST FINANCIAL STATEMENTS FOR 2000-2001
Cash Flows

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Statement of Prospective Cash Flows

For the Year Ending 30 June 2001

Description of Statement

The Statement of Prospective Cash Flows summarises the cash movements in and out of the Audit Office during the year. It takes no account of money owed to the Office or owing by the Office, and therefore differs from the Statement of Prospective Financial Performance.

	1999-2000		2000-2001
	Budgeted	Estimated	Forecast
	\$000	Actual	\$000
		\$000	
Operating Activities			
Cash received from:			
The Crown	4,261	4,261	4,261
Departments	6,947	6,947	6,952
Others	18,744	18,744	18,711
Cash disbursed on:			
Production of outputs	(28,629)	(28,629)	(28,420)
Capital charge	(239)	(239)	(299)
Net Cash Flow from Operating Activities	1,084	1,084	1,205
Investing Activities			
Cash received from:			
Sale of physical assets	217	217	180
Cash disbursed on:			
Purchase of physical assets	(1,386)	(1,386)	(1,975)
Net Cash Flow from Investing Activities	(1,169)	(1,169)	(1,795)
Financing Activities			
Cash received from:			
Capital contributions	-	-	1,200
Cash disbursed on:			
Payment to the Crown	(629)	(629)	(569)
Net Cash Flow from Financing Activities	(629)	(629)	631
Total net increase/(decrease) in cash held	(714)	(714)	41
Add Opening cash balance at 1 July	1,193	1,193	479
Closing cash balance at 30 June	479	479	520

Reconciliation of Surplus in the Statement of Prospective Financial Performance to the Prospective Net Cash Flow from Operating Activities

For the Year Ending 30 June 2001

Description of Statement

This reconciliation discloses the non-cash adjustments applied to the Surplus reported in the Statement of Prospective Financial Performance on page 63 to arrive at the Net Cash Flow from Operating Activities disclosed in the Statement of Prospective Cash Flows on page 65.

	1999-2000		2000-2001
	<i>Budgeted</i>	<i>Estimated Actual</i>	<i>Forecast</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Surplus	<u>569</u>	<u>569</u>	<u>242</u>
Non-cash Items			
Depreciation	<u>637</u>	<u>637</u>	<u>1,131</u>
Total Non-cash Items	<u>637</u>	<u>637</u>	<u>1,131</u>
Working Capital Movements			
(Increase)/Decrease in prepayments	26	26	-
(Increase)/Decrease in receivables	(42)	(42)	240
(Increase)/Decrease in work in progress	827	827	-
Increase/(Decrease) in payables	(307)	(307)	(50)
Increase/(Decrease) in current employee entitlements	<u>(626)</u>	<u>(626)</u>	<u>(358)</u>
Total Net Working Capital Movements	<u>(122)</u>	<u>(122)</u>	<u>(168)</u>
Net Cash Flow from Operating Activities	<u>1,084</u>	<u>1,084</u>	<u>1,205</u>

FORECAST FINANCIAL STATEMENTS FOR 2000-2001
Movements in Taxpayers' Funds (Equity)

B.28FR(00)

Statement of Prospective Movements in Taxpayers' Funds (Equity)

For the Year Ending 30 June 2001

Description of Statement

The Statement of Prospective Movements in Taxpayers' Funds combines information about the Surplus with other aspects of the financial performance of the Audit Office to give a degree of measure of comprehensive income. This statement, together with the Statement of Prospective Financial Position, provides information for assessing the return on investment in the Audit Office.

	1999-2000		2000-2001
	<i>Budgeted</i>	<i>Estimated Actual</i>	<i>Forecast</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Taxpayers' Funds brought forward at 1 July	<u>2,386</u>	<u>2,386</u>	<u>2,386</u>
Movements during the year			
Operating Surplus	<u>569</u>	<u>569</u>	<u>242</u>
<i>Total Recognised Revenues and Expenses for the Year</i>	<u>569</u>	<u>569</u>	<u>242</u>
Flows to and from the Crown			
Capital contribution	-	-	1,200
Provision for payment to the Crown	<u>(569)</u>	<u>(569)</u>	<u>(242)</u>
	<u>(569)</u>	<u>(569)</u>	<u>958</u>
Taxpayers' Funds at 30 June	<u><u>2,386</u></u>	<u><u>2,386</u></u>	<u><u>3,586</u></u>

Part Four

FORECAST FINANCIAL STATEMENTS FOR 2000-2001
Physical Assets

Forecast Details of Physical Assets by Category

As at 30 June 2001

	<i>As at 30 June 2000</i>		<i>Forecast Position as at 30 June 2001</i>		
	<i>Budgeted Net Book Value \$000</i>	<i>Estimated Actual Net Book Value \$000</i>	<i>Cost \$000</i>	<i>Accumulated Depreciation \$000</i>	<i>Net Book Value \$000</i>
Furniture and fittings	740	740	3,200	2,000	1,200
Office equipment	763	763	4,176	3,343	833
Motor vehicles	466	466	900	300	600
Totals	<u>1,969</u>	<u>1,969</u>	<u>8,276</u>	<u>5,643</u>	<u>2,633</u>



FORECAST FINANCIAL STATEMENTS FOR 2000-2001
GST Status of Departmental Output Classes

B.28FR(00)

Prospective GST Status of Departmental Output Classes

For the Year Ending 30 June 2001³⁰

<i>Departmental Output Classes</i>	<i>GST- Exclusive (DFR) \$000</i>	<i>GST \$000</i>	<i>GST- Inclusive (Vote) \$000</i>
Mode B Gross			
D1 Reports and advice arising from the exercise of the function of legislative auditor:			
• Annual appropriation	3,639	455	4,094
• Other appropriation	404	-	404
	<u>4,043</u>	<u>455</u>	<u>4,498</u>
D2 Certification of authority to release funds from the Crown Bank Account	232	29	261
D3 Provision of non-contested audit services	4,757	625	5,382
Total Mode B Gross Output Classes	<u>9,032</u>	<u>1,109</u>	<u>10,141</u>
Mode B Net			
D4 Provision of contested audit and assurance services	31,333	3,917	35,250
Total Mode B Net Output Classes	<u>31,333</u>	<u>3,917</u>	<u>35,250</u>
Total Departmental Output Classes	<u><u>40,365</u></u>	<u><u>5,026</u></u>	<u><u>45,391</u></u>

30 The forecast financial statements in this report present expenses (and revenue) exclusive of GST, in accordance with generally accepted accounting practice. When appropriated by Parliament, these expenses are inclusive of GST, in accordance with legislation. Thus:

- The GST-exclusive amounts for each departmental output class correspond to "Total Expenses" for 2000-2001 appearing in the Forecast Output Class Operating Statements on page 70, while the aggregate amount for all four output classes corresponds to "Total Output Expenses" for 2000-2001 in the Statement of Prospective Financial Performance on page 63.
- The GST-inclusive amounts for each departmental output class correspond to the bolded annual appropriations for 2000-2001 appearing in Part B1 of Vote Audit of the 2000-2001 Main Estimates (parliamentary paper B.5 Vol I).

Part Four

Forecast Output Class Operating Statements³¹

For the Year Ending 30 June 2001

Departmental
Output Class

Mode B Gross

D1 Reports and advice arising from the exercise of the function of legislative auditor.

Reports to Parliament and other constituencies on matters arising from annual audits, special audits and studies, special investigations, advice to select committees, taxpayer, ratepayer, and Members of Parliament enquiries, administration of the Local Authorities (Members' Interests) Act 1968, and advice to government bodies on auditing, accountability and financial management.

D2 Certification of authority to release funds from the Crown Bank Account.

Certificate that all funds released from the Crown Bank Account are for lawful purposes and are supported by an appropriation.

D3 Provision of non-contested audit services.

Conduct of audits and reporting thereon for audits not subject to allocation to audit service providers by the contestable process.

Total Mode B Gross Output
Classes

Mode B Net

D4 Provision of contested audit and assurance services.

Conduct of audits and assurance services awarded to audit service providers as a result of a competitive tender process or under the threat of competition.

Total Mode B Net Output
Classes

Totals

	Revenue Crown \$000	Revenue Depts \$000	Revenue Other \$000	Total Revenue \$000	Total Output Expenses \$000	Surplus \$000
	4,029	-	15	4,044	4,043	1
	232	-	-	232	232	-
	-	1,667	3,330	4,997	4,757	240
	4,261	1,667	3,345	9,273	9,032	241
	-	5,285	26,049	31,334	31,333	1
	-	5,285	26,049	31,334	31,333	1
	4,261	6,952	29,394	40,607	40,365	242

31 Details of the forecast performance for each class of outputs are set out on pages 45-58.

FORECAST FINANCIAL STATEMENTS FOR 2000-2001
Financial Indicators

B.28FR(00)

Forecast Financial Indicators

For the Year Ending 30 June 2001

	1999-2000		2000-2001 Forecast
	Budgeted	Estimated Actual	
	\$000	\$000	\$000
Operating Results			
Revenue: other	27,021	27,021	29,394
Output expenses	37,660	37,660	40,365
Surplus before capital charge	808	808	541
Surplus	569	569	242
Working Capital			
Net current assets ³²	887	887	1,423
Current ratio ³³	124%	124%	148%
Average receivables and work in progress	41 days	41 days	36 days
Average payables outstanding	33 days	33 days	32 days
Resource Utilisation			
Physical assets:			
Total physical assets at year-end	1,969	1,969	2,633
Additions as % of physical assets	70%	70%	75%
Taxpayers' Funds			
Level at year-end	2,386	2,386	3,586
Forecast Net Cash Flows			
Surplus/(Deficit) on operating activities	1,084	1,084	1,205
Surplus/(Deficit) on investing activities	(1,169)	(1,169)	(1,795)
Surplus/(Deficit) on financing activities	(629)	(629)	631
Net increase/(decrease) in cash held	(714)	(714)	41

Part Four

³² Current assets minus current liabilities.

³³ Current assets as a proportion of current liabilities.

