



The Controller and Auditor-General Summary Annual Report 2002-03

I take great pleasure in presenting this, the Office's second, Summary Annual Report for the year ended 30 June 2003. I have now completed my first full year as Auditor-General and acknowledge all those who have assisted me in my transition year.

One of my major objectives as Auditor-General is to help improve the accessibility and readability of public entity annual reports. This report is an attempt to lead by example. The Summary Financial Report on pages 2 and 3 conforms to the applicable standard issued by the Institute of Chartered Accountants of New Zealand.



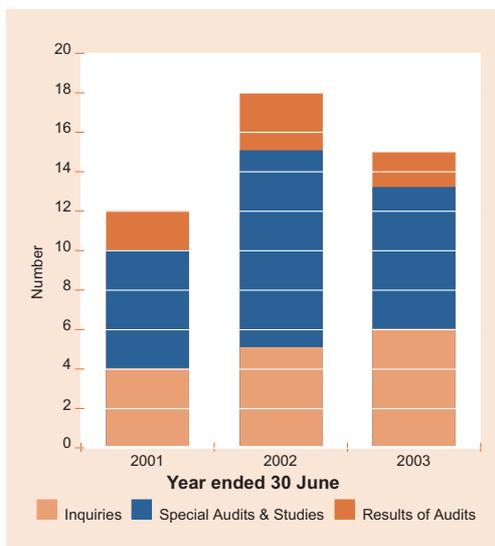
K B Brady
30 September 2003

Highlights of the Year

Making Arrangements for New Audits

Our new legislation – the Public Audit Act 2001 (the Act) – has continued to bed down well. It provides a modern and workable basis for our activities. Ongoing implementation of the Act has been limited to three main activities:

- identifying the scope of our auditing portfolio – in particular, “controlled” entities, of which we have identified 298 additions to our portfolio;
- considering 25 requests from non-public entities to accept appointment as their auditor by arrangement under section 19; and
- reviewing our products and services to ensure that all of our activities comply with the scope of our statutory mandate.



Public Reports Issued

Once again we had a busy and successful year. We issued 15 public reports – covering the results of annual audits, planned performance audits, and unplanned special investigations. Although this was fewer than the 18 issued in the previous year, the nature and complexity of a number of investigations justified the lower number.

A number of the reports have achieved a high public profile, and some have had a notable effect on public sector processes – in particular:

- *Matters Arising from Allegations of Impropriety at Transend Worldwide Limited* (December 2002); and
- *Managing the Relationship Between a Local Authority's Elected Members and its Chief Executive* (July 2002).



THE CONTROLLER AND AUDITOR-GENERAL SUMMARY ANNUAL REPORT 2002-03

Summary Financial Report of the Auditor-General for the year ended 30 June 2003

Financial Performance and Financial Position

	2003 Actual \$000	2003 Budget \$000	2002 Actual \$000
The revenue we earned was: We received this revenue from the following sources: <ul style="list-style-type: none"> \$34,368,000 of audit fees from public entities. \$5,331,000 from the Crown, which included a significant funding increase from the previous year of \$742,000. 	39,699	39,489	37,487
Our total expenditure was: The amounts spent on each activity are shown on the opposite page. The main things we spent money on were personnel costs (\$19,260,000), fees paid to contracted auditors (\$12,075,000), and other day-to-day operating costs (\$8,213,000). <i>All our spending was within the limits set by Parliamentary appropriations.</i>	39,548	39,428	36,808
Our surplus for the year, which is returned to the Crown, was:	151	61	679
Our total assets at 30 June were: The assets consisted of: <ul style="list-style-type: none"> Current assets – including cash \$1,415,000, work in progress \$1,802,000, and receivables \$3,678,000. Non-current assets – the physical assets we own. 	9,276	7,257	9,300
Our liabilities at 30 June were: The liabilities consisted of: <ul style="list-style-type: none"> Current liabilities – including payables and provisions \$2,353,000, and provision for employee entitlements \$2,200,000. Non-current liabilities – mostly provision for employee entitlements \$819,000. 	5,690	3,671	5,714
Movements in our taxpayers' funds were: Opening balance at 1 July. Surplus for the year (total recognised revenues and expenses). Capital contribution from the Crown. Repayment of capital contribution from the Crown. Provision for payment of surplus to the Crown. Closing balance at 30 June.	3,586 151 - - (151) 3,586	3,586 61 - - (61) 3,586	3,586 679 3,586 (3,586) (679) 3,586
Our net increase/(decrease) in cash held was: The net cash flows were from: <ul style="list-style-type: none"> operating activities. investing activities. financing activities. 	949 2,160 (532) (679)	132 1,896 (1,085) (679)	(1,019) (25) (643) (351)

This Summary Financial Report:

- has been extracted from the full Financial Report dated 30 September 2003; and
- cannot provide as complete an understanding as the full Financial Report.

The full Financial Report can be found in Part Five of our *Annual Report 2002-03* (available in hard copy by telephoning 04 917 1500, and on our web site www.oag.govt.nz).



THE CONTROLLER AND AUDITOR-GENERAL SUMMARY ANNUAL REPORT 2002-03

Summary Financial Report of the Auditor-General for the year ended 30 June 2003

Service Performance

Activity	2003 Actual	2003 Target/ Budget	2002 Actual
Reports and advice to Parliament and the public:			
• Number of public reports issued	15	12	18
• Number of reports to Select Committees	205	160	157
• Responses to enquiries from taxpayers, ratepayers, and MPs	162	300	274
Cost	\$4,955,000	\$4,958,000	\$4,650,000
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	245	245	245
Cost	\$238,000	\$278,000	\$244,000
Audits of entities that have not been offered the opportunity to have the audit tendered:			
• Number of audits completed	401	371	400
• Audits completed within deadlines	45%	80%	47%
• Management reports sent within 6 weeks	97%	100%	96%
• Audit arrears at year end	117	200	169
Cost	\$3,658,000	\$5,963,000	\$4,513,000
Audits of other entities and other audit-related work:			
• Number of audits completed	3791	3416	3250
• Audits completed within deadlines	37%	60%	35%
• Management reports sent within 6 weeks	96%	100%	96%
• Audit arrears at year end	255	160	374
Cost	\$30,697,000	\$28,229,000	\$27,401,000

Audit Report

To the readers of the Summary Annual Report of the Controller and Auditor-General for the year ended 30 June 2003

We have audited the Summary Annual Report of the Controller and Auditor-General for the year ended 30 June 2003 as set out on pages 1 to 4, in accordance with New Zealand Auditing Standards.

In our opinion, the information reported in the Summary Annual Report complies with FRS-39 *Summary Financial Reports*, and is consistent with the Financial Statements from which it is derived and upon which we expressed an unqualified audit opinion in our report dated 30 September 2003.

For a better understanding of the scope of our audit, this report should be read in conjunction with our audit report on the Financial Statements. We completed our work for the purposes of this report on 30 September 2003.

Curran Sole & Tuck

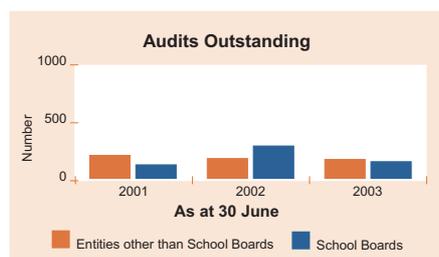
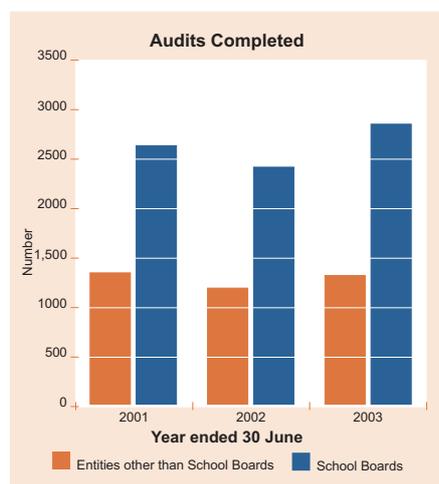
Curran Sole & Tuck
Chartered Accountants
Manukau City



THE CONTROLLER AND AUDITOR-GENERAL SUMMARY ANNUAL REPORT 2002-03

Other Key Results

Financial Report Audits



About 85% of what we do relates to financial report audits of the more than 3800 public entities within our portfolio.

Audits Completed and Outstanding

We completed 4192 audits of public entities in 2002-03 (3650 in 2001-02). The two main reasons for the increase are:

- more controlled entities subject to our audit; and
- the reduction in audits in arrears.

Audits in arrears at the end of the year decreased from 543 to 372 at 30 June 2003, attributable to a reduction in the audits for which no fee is charged and audits of School Boards of Trustees.

Timeliness of Issuing Audit and Management Reports

Our target is that an audit should be completed within any statutory deadline, and a report on the audit issued to the entity's management within six weeks of audit completion. Our performance in 2003 in issuing management reports was slightly better overall than the previous year. We intend to review these performance measures to reflect more appropriate targets for the future.

Responding to Enquiries

Our performance in respect of timeliness did not meet the standards we set ourselves. To do better in 2003-04, we have reviewed our policies and procedures and are working on improving our workflow management.

Outcomes of What We Do

Our business is to help Parliament and the public feel confident about the performance of public entities, and to identify areas where entities can improve. Some key outcomes from what we have done this year have been:

- Changes in public sector processes (see examples at the bottom of page 1).
- Select Committees, in their reports to the House, have taken up 72% of the issues that we have raised in our briefings.

Our involvement in international and national forums has been influential on accounting and auditing standards – in particular, ensuring public sector interests are protected in the adoption of International Financial Reporting Standards. Through our audits, the quality of management in the public sector continues to improve as measured by our 'Five Management Aspects' of financial and service performance management.

Management Performance, and Maintaining Our Capability

We put significant effort into improving how we work, and establishing the right capability for the future. Key developments this year included:

- setting up an Audit Committee and an internal audit function to strengthen internal governance;
- completing the first phase of the on-line Audit Status Database and making the *Manual for Audit Service Providers* available through our web site;
- in Audit New Zealand, implementing a new leadership programme to enable early identification of future capability.

We enhanced our statutory Annual Plan by much earlier consultation with Select Committees and incorporating a Statement of Intent.