



Timeliness

- The monthly statements from the Treasury will be reviewed and provided to Appointed Auditors for their use in the audit of appropriations within 5 working days of receipt of the statement.
- Where a breach has occurred or may occur, the relevant Ministers will be informed within 2 days of it being verified.

Cost

- The cost will not exceed \$131,000.

Statement of Forecast Service Performance for Output Class D3

Provision of Audit and Other Assurance Services

Description

This output class relates to the conduct of the annual audits of public entity financial reports.

The Auditor-General is the statutory auditor of approximately 4000 public entities.

These audits are undertaken by either Audit New Zealand or private sector auditors.

Output Class D3 is funded mainly by fees paid by the entities being audited or to which other assurance services are being provided.

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.



Performance Measures and Targets for Output Class D3 – Audit and Other Assurance Services

Performance Measures and Targets

Group	Total Entities in Group	Estimated Number of Audits in Arrears as at 30/6/05	Planned Audit Completions in 2005-06	Expected Number of Audits in Arrears as at 30/6/06	Timely Issue of Audit Reports Target ⁹	Timely Issue of Management Reports Target ¹⁰
Government Departments and Offices of Parliament	45	-	45	-	100%	100%
Major Statutory Bodies ¹¹	114	5	114	5	100%	100%
Regional, City and District Councils	86	-	86	-	100%	100%
Other Local Authorities ¹²	441	25	441	25	100%	100%
School Boards of Trustees	2544	250	2594	200	50%	100%
Miscellaneous Public Bodies ¹³	571	80	571	80	75%	100%
Audits for which fees are not directly charged ¹⁴	149	36	185	-	75%	100%
Totals	3950	396	4036	310		

⁹ Audits will be completed and audited financial statements available within statutory deadline or within 5 months of balance date.

¹⁰ Management reports and letters will be issued within 6 weeks of the date of audit report.

¹¹ State-owned Enterprises, Tertiary Education Institutions, Producer Boards, District Health Boards, Crown Research Institutes and major Crown entities.

¹² Licensing Trusts, Airports, LATEs, Energy Companies, Port Companies and Sinking Fund Commissioners.

¹³ Mainly Māori Trust Boards, smaller Crown Entities, and subsidiaries of major Crown entities.

¹⁴ Those entities where there is no statutory right to charge an audit fee or no realistic possibility of obtaining a fee. These entities include Cemetery Trustees, Hall and Reserve Boards, Racecourse Trustees and Patriotic Funds. (From 2004-05, the Crown has funded up to \$190,000 of the cost of these audits.)



Performance Measures and Targets

(continued)

Audits in Arrears

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 presented for audit that relate to 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 bodies 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.

We measure and report 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

Quality Assurance Reviews

We 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 Auditor-General, which incorporate the auditing standards issued by the Institute of Chartered Accountants of New Zealand. These 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. We intend to review the work of 40-50 auditors during the year, the results of which will be reported in our Annual Report for the year ending 30 June 2006.

Stakeholder Satisfaction

As the largest audit service provider (ASP), Audit New Zealand independently administered a survey of its clients’ satisfaction with the quality of work completed. We will measure and report on the levels of satisfaction achieved by Audit New Zealand audits.

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 within deadline also.

We therefore measure:

- 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; and
 - 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

We will report on the trend in types of non-standard audit reports issued up to and including the current year.¹⁵

Cost

	\$000
<ul style="list-style-type: none"> • Cost of services for Output Class D3 – Audit and Other Assurance Services 	34,792

15 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.