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Parliamentary paper

Annual Plan 2009/10

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Annual Plan 2009/10

Prepared in accordance with section
36(4) of the Public Audit Act 2001.

May 2009

ISSN 1178-8488

Speaker's foreword

In my capacity as Speaker, I am responsible for Vote Audit under the Public Finance Act 1989. I am therefore pleased to introduce the Controller and Auditor-General's *Annual Plan 2009/10*. The document includes a statement of future operating intentions (Statement of Intent) under sections 38(1) and 45G of the Public Finance Act 1989.

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

This *Annual Plan 2009/10*, and its Statement of Intent, indicate how the Auditor-General intends to discharge his duties and apply the resources made available to him in the forthcoming financial year. It gives Parliament an appropriate basis for holding the Auditor-General to account for the performance of his Office during 2009/10.

A handwritten signature in black ink that reads "Lockwood Smith". The signature is written in a cursive style with a long horizontal flourish underneath.

Hon Dr Lockwood Smith MP
Speaker of the House of Representatives

13 May 2009

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Statement of responsibility

The information on future operating intentions of the Controller and Auditor-General for the year ending 30 June 2010 contained in this *Annual Plan 2009/10* has been prepared in accordance with section 36 of the Public Audit Act 2001 and Part 4 of the Public Finance Act 1989.

As Controller and Auditor-General, I acknowledge that, in signing this statement, I am responsible for the information contained in this *Annual Plan 2009/10*.

The forecast financial statements, which include the service performance forecast for each class of outputs, are consistent with the plans considered by the Officers of Parliament Committee when it examined (on behalf of the House of Representatives) the 2009/10 budgetary estimates for the Auditor-General submitted under section 45G of the Public Finance Act 1989.

I certify that the information contained in this *Annual Plan 2009/10* is consistent with existing appropriations and with the appropriations set out in the Appropriation (2009/10 Estimates) Bill.

Signed:



K B Brady
Controller and Auditor-General

3 April 2009

Countersigned:



M J Viviers
Financial Controller

3 April 2009

Auditor-General's overview

I am pleased to present my *Annual Plan 2009/10*. This will be the first year under our new strategic plan (Strategy 2009-12) and will also be the year in which I will complete my term as Auditor-General. While an incoming Auditor-General will bring their own priorities, I want to ensure that the Office's strategies, intentions, and risks are clearly laid out as a basis for them to chart the course for their own term of office. I am confident that we are moving strongly in the right direction and will be in a good position for the transition to a new Auditor-General during 2009.

Our strategy for operating in the current economic environment

My Office has faced many changes and challenges in the past four years, some coming from the changing international environment for accounting and auditing, and others arising at domestic level. However, in the rapidly deteriorating economic conditions, the country as a whole and therefore the public sector and my Office face perhaps the most significant and fundamental challenges we have experienced in many years.

Our Strategy 2009-12 emphasises the need for the Office to generate greater insight from our audit work so that we can support the public sector in responding to economic challenges, while maintaining vital services and building the trust of citizens.

We will step up our efforts to better use the wealth of information and knowledge that we have about the public sector to provide greater insight into and add value to the performance of public entities, individually and collectively. This will give Parliament, the public and public entities the maximum assurance and improvement benefit from our work.

In the face of the changing economic environment, we need to continue to ensure that our audit fees are reasonable and that our audit effort is appropriately directed across the public sector. We are acutely aware that accountability requirements – including those for an audit – are often a burden for smaller public entities.

During the last few years, auditors have been required to do more work and the cost of employing auditors has been steadily increasing, largely as a result of New Zealand adopting international accounting and auditing standards. Wage movements in the wider market for financial and assurance professionals have a major effect on audit fees and we are not yet certain how the current economic conditions might affect audit fees. However, I must continue to ensure that audits are performed well, both now and in the future, which means my audit service providers must be fairly remunerated.

We have systems in place to ensure that audit services are provided at a reasonable cost to public entities. However, much of our annual audit work is set by statute and accounting and auditing professional standards and therefore is largely beyond our control. Further, the public sector audit portfolio is dominated by smaller public entities and subsidiaries of larger public entities, which do not often present significant public risk. They include public entities such as schools, cemetery trusts, and reserve boards.

In my view, we currently give insufficient audit attention to non-financial performance reporting in larger and publicly significant public entities. On the other hand, statutory compliance and audit requirements for smaller public entities may be too onerous. These requirements include adoption of the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). I have expressed my views in the past about the unsuitability of NZ IFRS for the public sector, and will be reporting separately to Parliament on NZ IFRS issues and options in the near future.

Focusing on the public interest in our audit work

I am concerned that the demands created by changes within the accounting and auditing profession mean that our audit work has to focus more heavily on public entities' financial statements. This has been at the expense of public-interest audit work based on fuller consideration of the risks and challenges that public entities face in their strategic, governance, and operational contexts.

The proposed changes to my auditing standard on service performance information (AG-4) form a central part of our Strategy 2009-12. We seek to generate greater insight from audit work through taking a stronger focus on issues and risks as they relate to the business of public entities, rather than simply on the financial statements. I expect our audit work to improve our own reporting to Parliament and to encourage improved performance reporting by public entities through supporting Parliament and public entities in assessing the outcomes, impacts, and cost-effectiveness of services.

In response to the main risks and issues I see across the public sector, I have identified several other areas for the Office to focus on in addition to our focus on service performance information. I have selected these areas because they are strongly related to my statutory role and because these concerns tend to be challenging for the public sector and indeed may become more challenging in the prevailing economic conditions. They cover both central and local government, and are areas where, in my view, public sector performance should be improved. The areas of strategic focus are:

- procurement management;

- fraud awareness and minimisation; and
- stewardship and management of infrastructure assets.

I expect our work in these areas to involve the full range of our audit assurance services (annual audits, performance audits, inquiries, and advice and assistance).

Strategic risks and public accountability reporting trends

For several years, we have identified our key strategic risks to be:

- loss of independence;
- audit failure;
- loss of capability; and
- loss of reputation.

The wider economic environment and its effect on the public sector, and the changes in the public sector and the accounting and auditing professions over recent years, mean that these risks are likely to remain, although our recruitment and retention difficulties may ease in the short to medium term.

I note that arrears in issuing audit reports for public entities have been increasing in the last couple of years, from 315 in 2005/06 to 453 in 2007/08. I am concerned by this trend. Accountability cannot be achieved until audited information is made available to Parliament, the public, and others interested in the performance of public entities. In addition, the usefulness of audited information is limited when it is not provided on a timely basis. We are focusing on our own timeliness in completing audit work to ensure that the Office does not unduly contribute to arrears in audit reporting. I hope that we will be able to report improved results in our 2008/09 annual report.

Feedback from Parliamentary Consultation

Under section 36(1) of the Public Audit Act 2001, our proposed work programme is subject to Parliamentary consultation. We sought feedback on two occasions – once on an early draft of our proposed work programme for 2009/10 and again on the statutory *Draft annual plan 2009/10*. Having regard to the requirements of 36(3) of the Public Audit Act, I acknowledge that a number of select committees provided written response to the statutory *Draft annual plan 2009/10* and, while neither the Speaker nor any committee requested any change to our work programme priorities, they provided feedback that mainly supported the approach we have taken to determining the Office's work programme. The feedback included:

- expressions of interest in particular areas of work or studies we identified and requests for information as work progresses;
- guidance on the scope and relative emphasis we should place on some areas of concern. In particular:
 - the scope of our proposed performance audit on water demand management by local authorities in the Auckland region in the light of the current restructuring of Auckland local government. While we have included the proposed performance audit in this plan, we will consider whether it is practical for this work to proceed as the Auckland local government restructuring intentions become clearer;
 - as a result of the recently announced review of legal aid , we have determined not to proceed, at this stage, with a proposed performance audit on the Legal Services Agency; and
- suggestions of potential areas of exploration for studies in future years, including specific suggestions that we:
 - provide assurance that the quality of water in rivers and lakes is being appropriately maintained and monitored, in particular, by regional councils. We are presently considering the scope of the work we could carry out in response to this suggestion; and
 - carry out follow up work on our 2009 report *Department of Corrections: Managing Offenders on Parole*. We intend a follow-up performance audit during 2010/11 and will also monitor progress through our annual audit work.

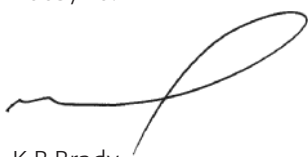
I thank Parliament for this feedback, and will ensure that it is incorporated as we carry out our 2009/10 annual plan and when we scope and prepare our 2010/11 work programme.

I am confident that the performance audits we intend to conduct in 2009/10 are relevant and likely to be useful to Parliament, public entities, and the public.

Concluding comments

It has been my honour and privilege to serve as Auditor-General. I am committed to leaving the Office in good heart and with people of high calibre, just as I inherited from my predecessor, David Macdonald.

While 2009/10 has a number of challenges in store for us, I am confident that we have the systems and processes in place to achieve our strategic and annual plans. Most importantly, in fulfilling the statutory purpose of the Auditor-General, I am fortunate to be working with exceptionally skilled and talented people within the Office of the Auditor-General, Audit New Zealand, and our other audit service providers. We look forward to achieving the objectives of this annual plan during 2009/10.

A handwritten signature in black ink, consisting of a horizontal line that curves upwards and loops back to the left.

K B Brady
Controller and Auditor-General

13 May 2009

Part 1
Achieving our outcomes

Part 1

Achieving our outcomes

Nature and scope of the Auditor-General's functions and operations

The Controller and Auditor-General (the Auditor-General) is an Officer of Parliament. This means that the Auditor-General is answerable to Parliament, and is independent of Government. The Auditor-General is responsible for auditing all public entities in New Zealand – a total of about 4000 public entities – and for reporting to Parliament about the performance of the public sector.

The work of the Auditor-General is carried out by staff in two business units – the Office of the Auditor-General (OAG) and Audit New Zealand, supported by a shared team of corporate services staff – and by contracted auditors from the private sector. We refer to these collective resources as “the Office”.

The Office's purpose is to give independent assurance to Parliament, public entities, and the public about whether public entities are:

- carrying out their activities effectively, efficiently, and appropriately;
- using public funds wisely; and
- reporting their performance appropriately.

Our outcomes

Our vision is that our audit and assurance work improves the performance of, and the public's trust in, the public sector. The outcome that we work toward is building trust in the public sector.

We base our intermediate outcomes on the Auditor-General's legislative audit mandate, set out in the Public Audit Act 2001. Our intermediate outcomes can be described as:

- **Authority:** Have activities been carried out and accountability requirements observed within the authority granted by Parliament?
- **Waste:** Are taxpayers' dollars and public resources wasted? Do governance and management arrangements ensure that resources are obtained and applied efficiently and economically?
- **Probity:** Are public entities meeting Parliament's and the public's expectations of an appropriate standard of behaviour?
- **Performance:** Are services and activities effectively achieving their intended purpose and having the intended effect on outcomes or objectives?
- **Accountability:** Have public entities given full and accurate accounts?

Relationship between our intermediate outcomes and our outputs

To achieve our intermediate outcomes, we primarily gather and analyse information to provide independent advice and assurance through our output classes, which reflect the reporting functions of the Auditor-General under the Public Audit Act 2001. Our output classes are:

- Audit and assurance services;
- Supporting accountability to Parliament; and
- Performance audits and inquiries.

Audit and assurance services

We provide audit and related assurance services as required or authorised by statute. For example, the Auditor-General is required to audit the Financial Statements of the Government, public entities' financial statements, and other information that must be audited for about 4000 public entities, of which about 3500 are schools and other small public entities. In addition, the Auditor-General is required to audit the Long-Term Council Community Plans for all local authorities. The Auditor-General can provide other services that are reasonable and appropriate for an auditor to perform and can also audit other quasi-public entities.

Supporting accountability to Parliament

We provide advice and assistance to Parliament's select committees and other stakeholders, and perform the Controller function. Each year, we prepare 120 to 140 reports to assist select committees with their financial reviews of public entities and Estimates examinations, and 120 to 130 reports to Ministers on the results of annual financial audits. Through the Controller function, the OAG and appointed auditors also provide independent assurance to Parliament that expenses and capital expenditure of departments and Officers of Parliament have been incurred for purposes that are lawful, and within the scope, amount, and period of the appropriation or other authority.

Performance audits and inquiries

We carry out, and report on, performance audits and inquiries of public entities under the Public Audit Act 2001, and respond to 50 to 100 requests each year for approvals of pecuniary interest questions regulated by the Local Authorities (Members' Interests) Act 1968. We aim to carry out 19 to 21 performance audits, special studies, and major inquiries each year. We consider 200 to 300 requests for inquiries each year from taxpayers, ratepayers, and members of Parliament. A few of these requests lead to the Auditor-General carrying out a major inquiry.

How our outputs interrelate

The outputs of the Auditor-General are highly interrelated and complementary.

Annual audits are our major output, accounting for about 87% of our expenditure. The main purpose of an annual audit is to provide independent assurance about the fair disclosure of the financial – and in many instances non-financial – information within annual reports. An audit involves a range of procedures, tests, and management and governance enquiries to support our opinion. Our annual audit work contributes to the accountability and authority aspects of our legislative audit mandate.

In carrying out annual audits, we look to varying degrees at the other aspects of our legislative audit mandate, and recommendations on these matters may appear in our management letters to the governors and managers of public entities. However, we also use our annual audits to gather information and knowledge about public entities. This knowledge helps determine the work we do in our performance audits, inquiries, and good practice guides. Through this discretionary work, the Office considers issues of performance, waste, probity, and authority in greater depth than is appropriate within the statutory scope of an annual audit.

The major focus of our output class for supporting accountability to Parliament is reporting and providing advice to Parliament and others. This involves using what we have found in all aspects of our audit work. The support we provide promotes accountability to Parliament and the public, and promotes improvement within the public sector.

Our operating environment

The accounting and auditing profession

The Accounting Standards Review Board's decision to adopt NZ IFRS has had a significant effect on the public sector and our work during the past four years. While the transition to NZ IFRS is now mostly complete, we expect an ongoing level of adjustment and review of the standards. Further, in our view some of the standards (which were written to be applied by large profit-oriented public entities) do not adequately acknowledge differences between the public and private sector.

The 4000 or so public entities that we audit range from large government departments, Crown entities, and State-owned enterprises to very small local bodies, such as cemetery trusts and reserves boards. All public entities, regardless of size and function, are required to prepare annual financial statements, usually in keeping with generally accepted accounting practice, and often to report other

information about their performance. The Auditor-General is required to audit the information that a public entity is required to report. The specific reporting required for an annual audit is set by statute for the different types and categories of public entities.

The change to NZ IFRS has increased the complexity of preparing and auditing financial reports. This has put pressure on the financial management capability of the public sector, and has contributed to a high demand for financial and audit expertise in the public sector. The combination of complexity and shortage of expertise is affecting the overall performance of the public sector in meeting statutory requirements for public accountability.

New Zealand's system of public sector accountability has long been an international model, and should be preserved. However, accountability requirements – including those for auditing – are often a burden for smaller public entities and have increased since the introduction of NZ IFRS. We are aware that not all countries share New Zealand's universal requirement for annual audits of all public entities and that other jurisdictions have different accountability models for smaller public entities. We consider it is timely to ask whether there is justification for a more differentiated model of accountability for public entities.

Financial restraint and the operating environment for public entities

The *Pre-Election Fiscal Economic Update* in 2008 and other forecasts since have anticipated deficits in the Financial Statements of the Government for most of the next 10 years, and there is increased pressure on the public sector to be cost-effective and to explore alternative methods of service delivery. We expect continued evolution in, and questioning of, ways of providing services, with greater expectation of collaboration among public entities and finding other ways of delivering public services through non-government and private sector partners.

Financial pressure will also increase the importance of good quality internal performance management information and external performance reporting by public entities. They will be expected to demonstrate the effect and benefits of their outputs and chosen methods of service delivery.

For some time, there has been general public concern about asset development and management – particularly network utility assets, because of their critical importance to communities throughout New Zealand. It is vital for the public to have confidence that these assets and other important services, such as health and welfare services, will continue to be available and will meet changing community needs. Arrangements are becoming more complex for asset management and service delivery, and for associated information and reporting.

This raises questions about risks to the public sector and the performance of public entities and to the integrity of decision-making, financial management, and governance in an era of changing demographic and employment dynamics. Arrangements need to take account of a range of factors such as inter-generational equity, short-term and long-term well-being, and value for money in terms of community outcomes.

Although we are currently experiencing financial constraints, there is also a need to focus on long-term asset and service needs and to address these needs in decision-making, financial management, and service performance.

In the current economic conditions, it is widely anticipated that there will be increasing attempts by individuals to fraudulently or corruptly use public resources for personal gain. While the more extreme forms of fraud or corruption do not appear prevalent in New Zealand, we are concerned that increasing pressure on public money for public services might be needlessly lost through fraud and corruption. New Zealand continues to have a high ranking as a “clean” country in recent Transparency International surveys, but we should not be complacent, given the wider economic conditions.

Parliament’s and public entities’ expectations of us

Feedback from public entities, select committees, and other stakeholders gives us insight about the opportunities for the Office’s reporting function to contribute to public sector accountability and performance, and the public’s trust in the public sector. Our stakeholder and client satisfaction surveys consistently show positive results but reinforce a need for us to continue to take a business focus in our audit work so that we can identify issues and help provide solutions, and share best practice and other beneficial information. Public entities tell us that to take this approach we will need to enhance our legislative, sector, and public entity knowledge, and maintain the skills of our auditors and the consistency of our audit teams to provide timely communication.

Our strategic direction – managing in our operating environment

The changes in the accounting and auditing profession and general public sector environment in recent years have meant that our annual audit work has had to focus more heavily on financial statements, and particularly on compliance with the new NZ IFRS requirements. The increased focus on financial statements has been at the expense of our attest on service performance information and the wider public-interest purposes of our audit work.

At the same time, public sector audit fees have been increasing to keep pace with the wider international pressure on assurance services. There have been two main factors driving audit fees in recent years – increased audit costs because audits under NZ IFRS take longer and, until recently, increased international demand for accounting and assurance expertise, which caused wage costs to increase.

While we continue to anticipate difficulty recruiting people with the public sector audit and assurance expertise that we require, we hope that wage pressure will ease and that staff retention will improve in 2009/10. Such a situation could enable us to do more to address feedback from public entities and other stakeholders.

While there has been general stability in statutory arrangements for public accountability since 2002-04¹, there have been considerable flow-on audit implications arising from these changes. The need for development work – in particular, to address our statutory responsibility to attest to service performance information for many public entities – is likely to be increased by the anticipated financial pressure during 2009-12. We have been telling government departments, Crown entities, and local authorities that, from 2009-11, we intend to phase in an adjustment to the scope of our audit attest and our supporting audit work in attesting to service performance reports.

Deciding whether funds have been spent wisely and with due probity will be more challenging in an environment of longer-term focus and governance, and of collaborative delivery and funding arrangements between public entities and with private sector and non-governmental sector entities. Issues about procurement, governance, conflicts of interest, and misuse of resources can be complex, so responses need to be developed and understood in the context of the wider purpose of each arrangement. This requires us to use careful judgement within our audit and inquiry work.

Consequently, our Strategy 2009-12 is to generate greater insight and value from our work. We will do this by:

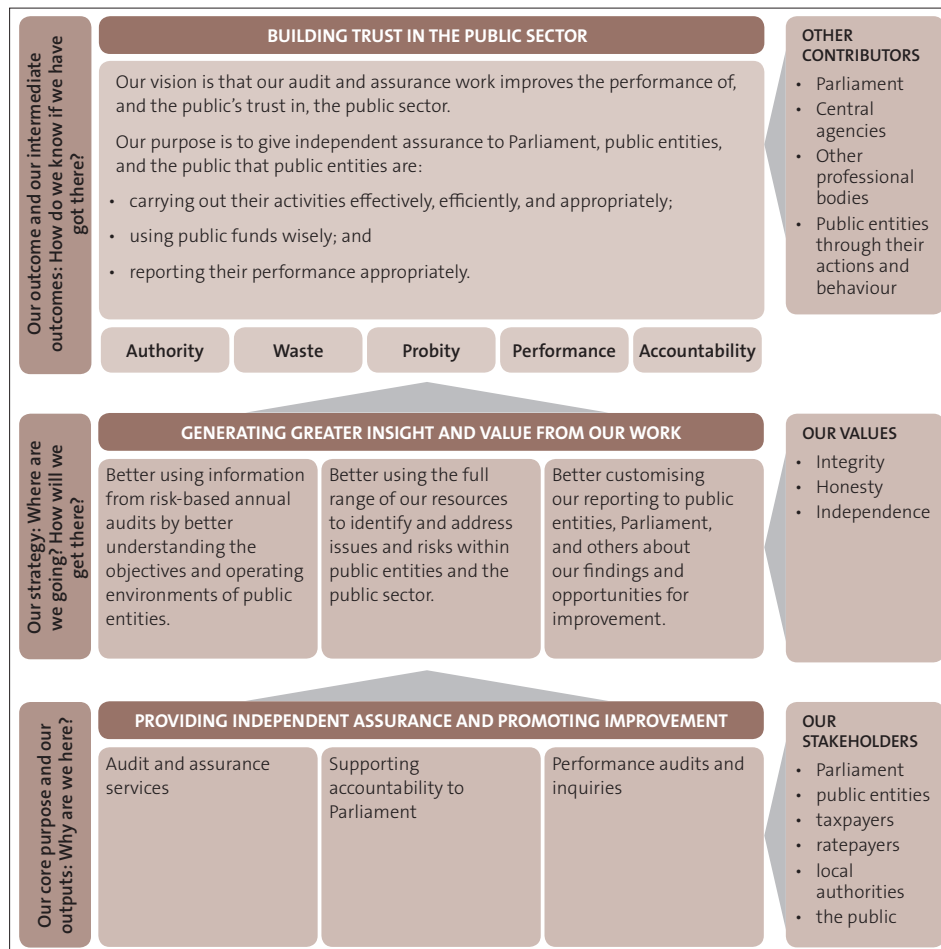
- Better understanding the objectives and operating environments of public entities so that we can base annual audit work on a broader view of public entity risk (as well as financial statement risk). We intend to put in place a broader approach to risk assessment so that we can generate better information about the effectiveness, efficiency, and appropriateness of public entities' activities. In particular, we aim to achieve this through annual audits, which are our major output and the basis for gathering information and building knowledge about all public entities.

¹ For example, the Local Government Act 2002, the Crown Entities Act 2004, and the 2004 amendments to the Public Finance Act 1989.

- Better using the full range of our resources (including annual audits, performance audits, inquiries, and other assurance services) to identify and address issues and risks within public entities and the public sector. Through annual audits, we have contact every year with every public entity in New Zealand. This is a unique position for gaining insight about the state of the public sector. However, an annual audit is primarily to provide assurance about the fair disclosure of information by each public entity. We intend to use the Auditor-General's discretionary reporting mandate to focus more on risks and issues that arise from annual audits that may relate to public entities, groups of public entities, or the public sector as a whole. We would then apply what we learn to our annual audit work and to specific entity-focused feedback to help public entities improve their performance. Public entities vary significantly in their purpose, size, and complexity, and the nature and public effect of their activities, so our efforts to identify risk and manage our information and knowledge within and across the public sector needs to be proportionate to these factors.
- Better customising our reporting to public entities, Parliament, and other stakeholders about our audit findings and opportunities for improvement. The Auditor-General's discretionary reporting powers are broad so we want to ensure that our reporting is relevant and timely so that Parliament, the public, and public entities can get the maximum assurance and improvement benefit from our work. Our reporting will be informed by our efforts to better understand risks for public entities, and from better integrating and deploying the Auditor-General's discretionary auditing and reporting powers around these risks. We envisage generating greater insight from our work by better customising our reporting to public entities, Parliament, and others about our audit findings and opportunities for improvement. This will involve changing the way we report, depending on the issue, the audience, and the most effective method of delivery.

Figure 1 summarises our outcomes, our outputs, and our Strategy 2009-12.

Figure 1
Our outcomes, outputs, and Strategy 2009-12



Main measures and standards for achieving our outcomes

Our measure for the degree of trust in the public sector is that New Zealand's score in the annual Transparency International Corruption Perception Index is maintained or improved during the next three years. In 2008, New Zealand's score was 9.3, and we were ranked first equal on the index with Denmark and Sweden.

We assess progress towards our intermediate outcomes by using information that we gather:

- during the course of delivering our services; and
- through the results of research commissioned by the State Services

Commission (SSC), specifically the Integrity and Conduct Survey², the New Zealanders' Experience Research Programme³, and the Kiwis Count Survey⁴.

Main measures and standards for 2009-12

	2007/08 Actual	2006/07 Actual
Waste		
The biannual Kiwis Count Survey shows improved (or at least maintained) rates of respondents reporting that their most recent public service experience was an example of good value for tax dollars spent.	55% agree 21% neutral 24% disagree	The survey was not carried out in 2006/07.
Probity and Authority		
The biannual Integrity and Conduct Survey shows improved (or at least maintained) rates of State servants who reported that: <ul style="list-style-type: none"> State service agencies promote their standards of integrity and conduct; and where they observed misconduct breaches in the past year, they reported it. 	The survey was not carried out in 2007/08	50% Of the 33% who reported they observed misconduct, more than half reported it.
The biannual Kiwis Count Survey shows improved (or at least maintained) rates of public trust in public services.	29% agree 49% neutral 22% disagree	The survey was not carried out in 2006/07.
Performance		
The biannual Kiwis Count Survey shows improved (or at least maintained rates) of public satisfaction with: <ul style="list-style-type: none"> their most recent public service experience; and public services experienced in the last year compared with non-government services. 	68% 62% for public services compared to 58% for non-government services.	The survey was not carried out in 2006/07.

2 **Integrity and Conduct Survey** is an independent survey on how State servants observe standards of integrity and conduct across the State services. More than 4600 State servants from a range of State services agencies took part in the survey in 2007.

3 **New Zealanders' Experience Research Programme** aims to explore New Zealanders' levels of satisfaction with State services as well as what is important to New Zealanders when they use State services.

4 **Kiwis Count Survey** is an all-of-government national survey to ask New Zealanders about their perceptions and experiences of public services as a whole. It was first held in 2007, and the next survey is planned for 2009. It involves a postal survey of a random sample of 6500 New Zealanders.

Accountability

The number of audited financial reports for public entities issued within the statutory time frame improves (or is at least maintained), compared to each of the previous two years.	Total audits due for completion: 3946	Total audits due for completion: 3949
	Percentage completed on time: 78%	Percentage completed on time: 83%
The number of audited financial reports for public entities that contain qualified audit opinions is reduced (or at least maintained), compared to each of the previous two years.	91	96

Evaluating our service performance

Under section 40(d)(ii) of the Public Finance Act 1989, our annual plan must set out and explain the main measures and standards that the Office intends to use to assess and report on matters of the Office's future performance, including the cost-effectiveness of the interventions that the Office delivers or administers.

The SSC and the Treasury have issued guidance advising that, in general, measures of cost-effectiveness should seek to combine measures of impacts, outcomes, or objectives with the cost of producing these results. This guidance advises that for:

... actions which are sufficiently remote from the point of impact that... it is not reasonable to attempt attribution, it may be necessary to look at other measures to assess value received. In such cases, it may be possible, for example, to demonstrate cost-efficiency ... and provide a robust intervention logic – linking what is produced with particular desired outcomes or objectives. Where departments do not provide a measure of full cost effectiveness ... our expectation is that the measures provided will be augmented by some measure of quality of the intervention delivered.

In Part 2 – Forecast statement of service performance, we set out our output classes and their associated impact and performance measures and standards. We describe:

- the impact measures we use to help us understand whether our outputs are having the effect we want (as required by section 40(d)(i) of the Public Finance Act 1989). They are measures that we can only seek to influence, rather than control; and
- the performance measures and standards we use to help us understand whether we are producing quality outputs within time and resource constraints (as required by section 41(1)(e)(ii) of the Public Finance Act 1989).

For each output class, we report against our impact and output measures and their associated standards. We present two sets of tables, reporting on the impact measures and the output measures associated with each output.

The output performance measures and standards help us understand whether we are producing quality outputs within time and resource constraints (as required by section 41(1)(e)(ii) of the Public Finance Act 1989).

If our output performance and our outcome and impact measures results match those projected in this plan, we will be contributing to an effective and efficient public sector that is trusted.

A failure to achieve satisfactory performance against an output standard or budget, a failure to maintain the situation, or a trend in the opposite direction to that desired in outcome measures could indicate a cost-effectiveness issue that we would explore and plan to improve.

From time to time, the Office also commissions independent international peer reviews (most recently in 2007/08) to assess the effectiveness and efficiency of the Office.

Part 2

**Forecast Statement of service
performance**

Part 2

Forecast Statement of service performance

Our output classes and outputs within these classes are:

- Audit and assurance services
- Supporting accountability to Parliament
 - Parliamentary services
 - Controller function
- Performance audits and inquiries
 - performance audits
 - inquiries.

For comparative purposes, we have provided actual achievements against measures and standards for 2006/07 and 2007/08. As information is not yet available in most instances for 2008/09, we have not given actual achievements for that year. The measures and standards are substantively the same as those for 2008/09.

Output class: Audit and assurance services

In 2007/08, annual audits and other assurance services accounted for 87% of our total expenditure.

The major portion of the output class relates to annual audits, delivery of which is supported by several key processes, including:

- appointing auditors and monitoring audit fees;
- setting the Auditor-General's auditing standards and contributing to the development and maintenance of professional standards;
- maintaining auditor independence; and
- quality assurance of annual audits.

There are two main products from an annual audit:

- the audit report; and
- the management report

plus, for some public entities:

- a financial review report.

The audit report is addressed to the readers of the financial statements and performance information. It provides the auditor's independent opinion (the audit opinion) on whether the financial statements and performance information fairly reflect the public entity's performance and financial position. If the financial statements fairly reflect the public entity's financial performance and position

and, where applicable, service performance information, the auditor issues an audit report with an unqualified opinion. However, if the auditor identifies a material¹ error or omission in the financial statements or performance information, the auditor issues an audit report with a qualified opinion.

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

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

Appointing auditors and monitoring audit fees

The Auditor-General appoints auditors to carry out the annual audits of public entities on his behalf. He appoints auditors from a group of about 50 audit service providers that includes Audit New Zealand and private sector accounting firms, ranging from the four major chartered accountancy firms to sole practitioners. Most audits are allocated directly to an auditor, but a few auditors are appointed to an audit after a competitive tender.

Because we mainly use an allocation approach, we monitor audit fees at the point of negotiation between the appointed auditor and the public entity. We also provide a comparative analysis to help resolve any concerns about proposed audit fees. Our objective is to ensure that audit fees are fair to the public entities subject to audit, while being set at a level that provides a fair return to the auditors for the work required by them to meet the Auditor-General's auditing standards.

Quality assurance of annual audits

Because the Auditor-General is responsible for auditing all public entities, we ensure that audits are performed effectively and efficiently. We carry out quality assurance reviews of appointed auditors to ensure that they have complied with the relevant professional standards, as well as the Auditor-General's own published auditing standards. We aim to review the performance of each of our appointed auditors at least once every three years.

1 "Material" is defined in the New Zealand Institute of Chartered Accountants auditing standard AS-702: *The Audit Report on an Attest Audit* as: "a statement, fact or item is material if it is of such a nature or amount that its disclosure, or the method of treating it, give full consideration of the circumstances applying at the time the written assertion or set of assertions is completed, has the potential to influence users of the audit subject matter in making decisions or assessments."

Measuring our performance for Output class: Audit and assurance services

Main impact measures and standards for 2009/10	2007/08 Actual	2006/07 Actual
The number of audited financial reports issued for public entities within the statutory time frame is improved (or at least maintained), compared to each of the previous two years.	Total audits due for completion: 3946 Percentage on time: 78%	Total audits due for completion: 3949 Percentage on time: 83%
The number of audited financial reports for public entities that contain qualified audit opinions is reduced (or at least maintained), compared to each of the previous two years.	Total qualified opinions: 91 or 2.3%	Total qualified opinions: 96 or 2.4%
Public entities' acceptance of Audit New Zealand's management report recommendations is improved (or at least maintained), measured against each of the previous two years. ²	Accepted: 72% Rejected: 4% Noted, under consideration, or not responded to: 24%	Accepted: 64% Rejected: 1% Noted, under consideration, or not responded to: 35%
Central government entities' management control environment, financial information and service performance ³ information systems and controls are improved (or at least maintained), measured against each of the previous two years.	<i>Management Control Environment:</i> Very good: 38% Good: 51% Needs improvement: 11% Poor: 0% <i>Financial systems and controls:</i> Very good: 21% Good: 68% Needs improvement: 11% Poor: 0%	Not applicable – benchmark data was collected in 2007.

² We are looking to extend this measure to other audit service providers in future years.

³ Service performance information and associated systems and controls were not graded for 2007/08 or 2006/07.

Measures and standards of output delivery for 2009/10	2007/08 Actual	2006/07 Actual
Less than 10% of the outstanding audit reports at 30 June 2010 are because of inaction on our part.	Total arrears at 30 June: 453 55% due to inaction on our part.	Total arrears at 30 June: 362 51% due to inaction on our part.
All management reports are issued within six weeks of issuing the audit report.	93% issued within six weeks.	95% issued within six weeks.
Client satisfaction survey results show that, overall, 75% of respondents are satisfied with the quality of audit work (including the expertise of staff and the quality of a public entity's relationship with their audit service provider).	On a scale of 1 to 10, 75% of respondents gave overall service ratings of 7 or greater.	On a scale of 1 to 10, 68% of respondents gave overall service ratings of 7 or greater.
Quality assurance reviews for all appointed auditors are completed during a three-year period. Of the auditors reviewed in any given year, 95% achieve a result of satisfactory or better.	All completed. 93% achieved satisfactory or better.	All completed. 84% achieved satisfactory or better.
An annual independent review of our processes confirms the probity and objectivity of the methods and systems that we use to allocate and tender audits, and monitor the reasonableness of audit fees.	Review carried out and confirmation provided.	Review carried out and confirmation provided.
The Officers of Parliament Committee accepts any significant proposals for an appropriation increase in audit fees and expenses.	No significant proposal made for an appropriation increase in audit fees and expenses.	Not applicable – new measure for 2007/08.

The Vote estimate for the Audit and assurance services output class in 2009/10 is \$62.878 million.

Output class: Supporting accountability to Parliament

This output class includes two outputs:

- *Parliamentary services* – providing advice and assistance to select committees and other stakeholders; and
- *Controller function* – carrying out the Controller function.

Parliamentary services – advice and assistance

Through our annual audits, performance audits, and inquiries, the Auditor-General has a broad overview of public entities – individually and throughout sectors. Through our services to Parliament, we provide advice and assistance to select committees, Ministers, and individual members of Parliament, as well as to

central agencies and other public sector representative groups, to assist them in their work to improve the performance and accountability of public entities.

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

- reports and advice to select committees to assist their financial reviews of government departments and Offices of Parliament, State-owned enterprises, and Crown entities;
- reports and advice to select committees to assist their examination of the Estimates of Appropriations; and
- reports to responsible Ministers on the results of the annual audits.
- We also provide advice and assistance through:
 - reports to Parliament and other constituencies on matters arising from our annual audits (including tabling two reports in Parliament on the results of our audits in central and local government);
 - responding to requests and participating in working parties on matters related to financial management and accountability with other stakeholders, including government departments, central agencies, local authorities, professional bodies, sector organisations, and other public entities; and
 - working with Auditors-General in other countries to encourage, promote, and advance co-operation in the field of public audit. This includes our role as Secretariat of the Pacific Association of Supreme Audit Institutions (PASAI), being a member of various committees of the International Organisation of Supreme Audit Institutions (INTOSAI), and being executing agent for the Pacific Regional Audit Initiative (funded by the Asian Development Bank, with co-financing from the Japan Special Fund and the Government of Australia).

Measuring our performance for Output class: Supporting accountability to Parliament (Parliamentary services)

Main impact measure and standard for 2009/10	2007/08 Actual	2006/07 Actual
Select committees confirm that our advice assists them in Estimates of Appropriation and financial review examinations.	100% of respondents rated us 4 or better on a scale of 1 to 5 as assessed through our stakeholder survey.	86% of respondents rated us 4 or better on a scale of 1 to 5 as assessed through our stakeholder survey.

Measures and standards of output delivery for 2009/10	2007/08 Actual	2006/07 Actual
Reports and advice are given to select committees and Ministers at least two days before an examination, unless otherwise agreed.	100%	100%
An internal review of a sample of financial reviews, Estimates, and Ministerial reports confirms that they meet relevant standards and procedures, including that reports are consistent in their framework and approach and are peer reviewed in draft.*	Confirmed by internal review of a sample of reports	Confirmed by internal review of a sample of reports.
At least 85% of select committee members who we survey rate the advice they receive from us as 4 or better on a scale of 1 to 5 for quality and usefulness.	Quality: 80% Usefulness: 83%	Quality: 100% Usefulness: 86%
At least 85% of other stakeholders who we survey rate the advice they receive from us as 4 or better on a scale of 1 to 5 for relevance and usefulness.	100%	100%

* The nature, extent, and frequency of the quality assurance review is determined based on risk. The review is carried out during a three-year period.

The Controller function

The Controller function of the Controller and Auditor-General provides independent assurance to Parliament that expenses and capital expenditure of government departments and Offices of Parliament have been incurred for purposes that are lawful and within the scope, amount, and period of the appropriation or other authority.

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

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

Measuring our performance for Output class: Supporting accountability to Parliament (Controller function)

Main impact measure and standard for 2009/10	2007/08 Actual	2006/07 Actual
Expenses and capital expenditure of departments and Offices of Parliament are incurred for purposes that are lawful and within the scope, amount, and period of the appropriation or other authority. Where there is a breach or suspected breach, actions are taken in accordance with the Auditor-General's powers and auditing standards, and the Memorandum of Understanding with the Treasury.	The operation of the monthly Controller process and the appropriation audit were carried out to ensure that this measure was achieved.	New measure for 2007/08.
Measures and standards of output delivery for 2009/10	2007/08 Actual	2006/07 Actual
Monthly statements provided by the Treasury are reviewed for the period September to June inclusive. Advice of issues arising and action to be taken is provided to the Treasury and appointed auditors within five working days of receipt of the statement.	All monthly procedures have been followed, and agreed time frames achieved.	All monthly procedures have been followed, and agreed time frames achieved.
Internal quality assurance is conducted to gain assurance that our policies, procedures, and standards in relation to the Controller function have been applied appropriately.*	Review to be carried out in the first quarter of 2008/09, at the end of Controller function work for 2007/08.	An internal review carried out in May 2007 confirmed that the design of the work to address the Controller function and appropriation audit is appropriate.

* The nature, extent, and frequency of the quality assurance review is determined based on risk. The review is carried out during a three-year period.

The Vote estimate for the Supporting accountability to Parliament output class in 2009/10 is \$2.460 million.

Output class: Performance audits and inquiries

This output class includes two outputs:

- *Performance audits and other studies* – reporting to Parliament and other constituencies on matters arising from performance audits and other studies, including good practice guides; and
- *Inquiries* – carrying out and reporting on inquiries relating to central and local government entities.

Performance audits and other studies

A performance audit is a significant and in-depth audit covering issues of effectiveness and efficiency. It provides Parliament with assurance about specific issues or programmes and how well these are managed by the relevant public entity or entities. We also do other studies that may result in published good practice guidance on topical issues of public sector accountability and performance to assist public entities to better manage these issues.

To select performance audits and studies, each year we scan our environment, identify issues and assess risk, and identify our assurance response, to help determine how we can use our discretionary resources to best effect.

In deciding the discretionary work programme, the Auditor-General considers that – regardless of any other work he might do – he has a responsibility to Parliament and the public to regularly provide assurance about the activities of public entities that are large and complex, and/or where it is difficult to assess their performance.

Core areas of interest for the Auditor-General include:

- major public investment or liability management (focusing on the New Zealand Debt Management Office, Accident Compensation Corporation, New Zealand Superannuation Fund, Government Superannuation Fund, Earthquake Commission, and Student Loans Scheme);
- major public revenue management or generation (focusing on the Inland Revenue Department and New Zealand Customs Service);
- major asset management or infrastructure spending or management (focusing on health, correctional facilities, education, defence, conservation, transport, housing, and energy);
- major expenditure including service delivery expenditure (focusing on health, education, and social security and welfare).

Guided by these core areas of interest, we identify areas within or common to public entities or sectors that warrant further examination. To assign priorities to these assurance interventions, we consider the:

- severity and significance of the issue;
- benefit to the public;
- extent to which the performance of the public entity or sector could be improved; and
- fit with the Auditor-General’s role and mandate.

We consult with Parliament and other stakeholders through our draft annual plan and the preliminary early draft of our work programme to ensure that we are addressing the issues of greatest relevance.

Measuring our performance for Output class: Performance audits and inquiries (Performance audits and other studies)

Main impact measure and standard for 2009/10	2007/08 Actual	2006/07 Actual
Public entities accept or respond to the recommendations made in our performance audits, as assessed by internal review of the reports of performance audits published in the previous calendar year. Results of this review are presented to the Officers of Parliament Committee.	Three performance audit reports were selected for review by our Audit and Risk Committee and the results were presented to the Officers of Parliament Committee. The review concluded that our recommendations had been accepted by the relevant public entities and either had been implemented or were being implemented.	Three performance audit reports were selected for review by our Audit and Risk Committee and the results were presented to the Officers of Parliament Committee. The review concluded that, for two of the performance audits, our recommendations had been accepted by the relevant public entities, and, for the third, some of our recommendations had been accepted. The accepted recommendations were being implemented at the time of our review.

Measures and standards of output delivery for 2009/10	2007/08 Actual	2006/07 Actual
We complete 19 to 21 reports on matters arising from performance audits and other studies, and inquiries.	22	20
Select committees and other stakeholders are satisfied with the proposed work programme of performance audits (as indicated by feedback on our draft annual work programme).	Feedback was sought on two occasions under section 36(1) of the Public Audit Act 2001. Feedback mainly supported the approach we took to the proposed work programme and gave us guidance on the scope and relative emphasis we should place on one or two key studies.	Feedback was sought on two occasions under section 36(1) of the Public Audit Act 2001. Feedback mainly supported the approach we took to the proposed work programme and gave us guidance on the scope and relative emphasis we should place on one or two key studies.
At least 85% of the stakeholders that we survey rate our performance audit reports (relevant to their sector or interest), as 4 or better on a scale of 1 to 5 for quality and usefulness.	Quality: 50% Usefulness: 66%	Quality: 100% Usefulness: 86%
Our performance audit methodology reflects good practice for carrying out such audits, as assessed every second year by the National Audit Office of Australia.	The next review is scheduled for 2008/09.	The National Audit Office of Australia reviewed two performance audits looking at all aspects of the audit process, and endorsed the quality of the two audits.
Each year, two performance audit reports are independently reviewed. These reviews confirm the quality of the reports in terms of the presentation of administrative and management context, report structure, presentation, and format (including use of graphics and statistics), and the reasonableness of the methodology used and the resulting conclusions and recommendations.	Independent reviews of two performance audit reports confirmed the quality of the reports.	Independent reviews of two performance audit reports confirmed the quality of the reports.
Internal quality assurance reviews on selected performance audit reports confirm that reports are prepared in keeping with the performance audit methodology.*	Internal review confirmed that appropriate systems and controls are in place and that reports are prepared in keeping with the performance audit methodology.	Internal review confirmed that appropriate systems and controls are in place.

* The nature, extent, and frequency of the quality assurance review is determined based on risk. The review is carried out during a three-year period.

Inquiries

General requests for inquiries

The Auditor-General has discretion to inquire into a public entity's use of resources. The Auditor-General can carry out inquiries on his own initiative and when correspondence from the public draws attention to potential issues. A few such issues lead to major inquiries. We also administer the Local Authorities (Members' Interests) Act 1968, which governs the financial interests of members of local authorities.

Each year, we usually receive:

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

Our inquiries manual establishes the process for, and priority for dealing with, requests for inquiries and for carrying out inquiries.

We carefully consider each request to determine the most appropriate way to proceed. Factors we consider include whether the Auditor-General is the appropriate authority to consider the issues, whether we have the resources to do so, and the seriousness of the issues raised.

We classify inquiries into three categories – routine, sensitive, and major – depending on how serious the issues raised are. A routine inquiry involves straightforward issues, and can often be carried out either by a review of documents or through correspondence and discussion with the public entity. It will not usually result in a published report. We always advise the correspondent of our conclusions and the reasons for them, and in some instances we advise the public entity of the matter.

Sensitive and major inquiries involve more complex issues and may attract a broader level of public interest and attention. In these inquiries, we will often review the public entity's files and may also formally interview people. We may report the results of these inquiries publicly, as well as advising the correspondent and the public entity.

Measuring our performance for output class: Performance audits and inquiries (Inquiries)

Main impact measure and standard for 2009/10	2007/08 Actual	2006/07 Actual
Public entities take action in response to concerns identified in inquiry reports, as assessed by our follow-up on a sample of sensitive and major inquiries carried out in the previous year.	We have followed up the one sensitive inquiry that was carried out in 2006/07 (there were no major inquiries). The public entity has taken positive steps to address the comments we made.	New measure for 2007/08
Measures and standards of output delivery for 2009/10	2007/08 Actual	2006/07 Actual
80% of our findings on inquiries are reported to the relevant parties within:		
• three months for routine inquiries	91% (115 routine inquiries, 105 reported within three months).	95% (80 routine inquiries, 76 reported within three months).
• six months for sensitive inquiries	82% (11 sensitive inquiries, 9 reported within six months).	0% (one sensitive inquiry, not reported within six months).
• 12 months for major inquiries	No major inquiries were carried out.	No major inquiries were carried out.
We complete 80% of enquiries under the Local Authorities (Members' Interests) Act 1968 within 30 working days.	95% (103 received, 98 reported within 30 working days).	87% (47 received, 41 reported within 30 working days).

Responses to requests for inquiries and our administering of the Local Authorities (Members' Interests) Act 1968 are carried out in keeping with relevant policies, procedures, and standards, as confirmed by internal quality assurance review.*

Review was completed and confirmed that requests are carried out in keeping with relevant policies, procedures, and standards.

Review was completed and confirmed that requests are carried out in keeping with relevant policies, procedures, and standards.

* The nature, extent, and frequency of the quality assurance review is determined based on risk. The review is carried out during a three-year period.

The Vote estimate for the Performance audits and inquiries output class in 2009/10 is \$6.587 million.

Part 3

Managing in a changeable operating environment

Part 3

Managing in a changeable operating environment

Our risk management framework

Our risk management framework is the set of elements of our management system that we use to identify and manage risk. Identifying and managing risk is integral to our business and forms a key part of our annual planning process. Our strategic audit planning defines plans and allocates resources to achieve objectives. An integral part of that process is to identify anything that threatens achievement of our objectives.

We have categorised the risks that we are exposed to as strategic, professional operational, and business operational risks. All risks are managed within the same framework, as experience shows that inadequately managed professional operational and business operational risks can escalate to the level of strategic risk.

Strategic risks

Our risk management framework is aligned to our outcomes and the strategies designed to achieve these outcomes.

Ongoing strategic risks

In our view, we face four strategic risks that will always be present, although much of the work we do helps to mitigate them. In addition, we have identified two risks that relate more specifically to the period of our strategy from 2009-12 and the medium-term period of this annual plan.

1. Loss of independence – independence underpins the value of the Auditor-General's products. Losing that independence in fact or appearance, whether by failure on the part of the Auditor-General or his appointed auditors to act independently or otherwise, would undermine trust in our organisation.
2. Audit failure – the risk that we issue an incorrect audit opinion with material impact, or a report that is significantly wrong in nature or process.
3. Loss of capability – the risk that we are unable to retain, recruit, or access people with the technical and other skills our audit work requires.
4. Loss of reputation – the risk that we may lose reputation or credibility that affects our ability to maintain effective relationships with stakeholders.

Mitigation actions

Our main mitigation actions for the ongoing strategic risks are:

- the Auditor-General's independence standards – the Auditor-General sets a high standard for independence for his employees and the auditors he appoints;
- monitoring of the independence of the two statutory officers, employees, and appointed auditors – the system includes regular declarations of interest and, where necessary, implementation of measures to avoid conflicts of interest;
- adhering to professional auditing standards and supplementing such standards with the Auditor-General's auditing standards;
- quality assurance regimes, including implementing and complying with revised quality control standards from the New Zealand Institute of Chartered Accountants;
- peer review and substantiation procedures – these include annual independent evaluation of our audit allocation and tendering processes, independent external review of two performance audits each year, and stakeholder feedback studies;
- an independent Audit and Risk Committee, comprising three external members and the Deputy Controller and Auditor-General; and
- ongoing training and development of our staff – including talent and capability management programmes, leadership development initiatives, and professional development programmes.

Overall, the Office is effectively managing its ongoing strategic risks. This view is based on our ongoing monitoring and the results of our international peer review conducted during 2007/08.

Strategic risks in 2009-12

Our Strategy 2009-12 recognises the effects on the Office of demands created by changes within the public sector and the accounting and auditing profession together with the continuing difficulty in finding and retaining suitably qualified and experienced staff. The coupling of public sector and accounting and auditing professional changes with labour market difficulties has meant that our audit work has had to focus more heavily on public entities' financial statements. This has been at the expense of public-interest audit work based on fuller consideration of the risks and challenges that public entities face in their strategic, governance, and operational contexts.

We intend working to rebalance our audit effort during the period of our Strategy 2009-12 and for the medium-term period of this annual plan. In considering this, we have identified two additional strategic risks that may also affect our operational risks in 2009-12.

1. Failure to successfully implement our strategy – the risk that our Strategy 2009-12 will place significant demands on our people, capability, and resources during the next three years. This strategy will test our ability to build relationships and communicate to public entities and Parliament about the focus of our work and the benefits they may expect to see as a result – in particular, in the wider context of fiscal constraint for public entities and increasing pressure on audit and assurance costs. Our strategy proposes incremental movement toward providing greater insight and value from the work we do, to allow for adjustment and learning on our own part and on that of public entities.

As the Auditor-General's discretionary mandate is broad, it is inevitable that we will not meet all expectations. With more than 87% of the Office's expenditure being on annual audits and the level of audit work not being significantly within our control, achieving our strategy also depends on the willingness:

- of Parliament and others to rigorously explore opportunities for a more differentiated model of accountability for public entities and to reduce audit and other compliance costs where appropriate; and
 - of Parliament to consider questions about the balance of funding available to the Office for other discretionary products to allow us to conduct a greater range of work in the public interest – such as performance audits and other studies, inquiries, and supporting accountability to Parliament.
2. Leadership transition – the risk of a loss of focus or direction resulting from uncertainty during the transition of leadership to a new Auditor-General and to a new Executive Director of Audit New Zealand. Our Strategy 2009-12 was being prepared at the time that a new Executive Director (Stephen Walker) joined us, and the term of the incumbent Auditor-General (Kevin Brady) ends in mid-2009. The current Auditor-General has been clear that, while an incoming Auditor-General will bring their own priorities to the job, it is important for us to prepare the strategy for 2009-12 to ensure that the Office's current intentions and position are clearly laid out for the new Auditor-General to consider. The current Deputy Auditor-General's term runs to mid-2010, providing a clear bridge for the transition between the outgoing and incoming Auditors-General and for the new Executive Director.

Part 4

Organisational capability

Part 4

Organisational capability

The sum of all things that enable an organisation to deliver its outputs

Our people

We rely entirely on our people and their collective skills, experience, knowledge and culture to deliver the outputs mandated by our governing legislation. It is absolutely essential that we recruit, train, develop, and retain the best people so that our work meets and exceeds the very high standards we set.

Many of our auditors start their career in the Office as a graduate. We visit most universities in New Zealand every year, seeking high quality accounting students in their third or final year of study. We put all graduate candidates through an extensive evaluation process, and those that meet our demanding requirements are offered internships or graduate roles. In 2009/10 we expect to recruit 20 to 25 graduates, many of whom will have already completed an internship with us.

We aim to fill many of our more senior roles internally. We have several programmes in place to develop and prepare our people for their next career steps, and seek to provide opportunities for those who are ready. We also recruit highly experienced people for senior roles. When recruiting, we seek candidates from overseas as well as from the public and private sectors in New Zealand. When evaluating candidates we are careful to select people who not only have the required expertise, but also have a strong affinity with the core ethical and public service values of the Office.

We expect that the global and local economic downturn will result in lower turnover of staff in 2009/10, leading to fewer people being recruited than in recent years. However, we consider that there will be greater interest in the roles that we do seek to fill and that staff retention rates increase. This should assist us to improve in areas of stakeholder feedback such as the knowledge, skills, and consistency of audit teams.

We consider it an important aspect of the Office's role to strive for very high standards of both professional and leadership skills. So although turnover may be lower, we intend to retain our investment in the training and development of our people in 2009/10, continuing our focus on each individual's needs and on our leadership development programmes.

In 2009/10, we will also continue to work on improving the level of engagement of our people, as measured by our annual staff survey; and on developing other skills identified in our competency frameworks.

Business practices

We have an extensive quality assurance programme for all our products, with measures that reflect this set out in our forecast statement of service performance. We also carry out monitoring/evaluation as follows:

- half of the select committees and other key stakeholders are canvassed each year to seek their views on how the Office is operating;
- an annual independent review of our processes to confirm the probity and objectivity of the methods and systems we use to allocate and tender audits, and monitor the reasonableness of audit fees;
- a client satisfaction survey of selected public entities;
- independent external reviews of two performance audits to confirm the quality of the reports; and
- every second year the Australian National Audit Office reviews our processes for performance audits.

In addition, KPMG carries out the internal audit function on behalf of the Office. The annual internal audit programme is agreed with our independent Audit and Risk Committee. In 2009/10, internal audit will include coverage of:

- our Information Technology infrastructure, security, and support;
- our financial budgeting and forecasting process;
- compliance with the Office's good practice guides; and
- our professional indemnity insurance arrangements.

Based on our own assessments and on previous review findings, we intend to work on the following particular improvements in 2009/10:

- complete the review of all our internal policies, aligning them to current good practice;
- improve our management of information and knowledge, and the sharing of these assets among all our people;
- further increase our focus on the management of the Office's and our people's independence;
- improve compliance with the Public Records Act 2005 and the management of vital records; and
- complete the implementation of new systems for financial management and reporting.

Facilities and equipment

In July 2009, we will be relocating the staff of the OAG and our shared corporate services staff (about half of our Wellington staff) to a single floor in another building. For the last few years, our 220 Wellington-based staff have been located on seven floors and in two buildings, significantly restricting the extent to which collaboration and sharing of ideas can naturally occur. Moving our OAG and corporate services staff will reduce our Wellington accommodation to three floors in two buildings.

In 2008/09, we started a project to understand our medium-term to long-term property needs. The work identified the advantages of co-locating our OAG and Audit New Zealand Wellington staff. It is likely that our Audit New Zealand Wellington operation will need to vacate its premises in 2013. In 2009/10, we plan to continue project work on our medium-term to long-term property needs, and expect to complete a business case for consideration by Parliament in due course.

The Office's other facilities, including Audit New Zealand's other offices, continue to meet the needs of the organisation.

Information systems

We rely on information technology to complete our work. To ensure an effective, efficient, and customer-focused service, our audit staff working in the field use specialist auditing and remote access and communications tools. In the OAG, the audit status database (ASD) system is used to manage the allocation, tracking, and reporting of the 4000 or so audits carried out annually by appointed auditors from about 50 chartered accounting firms. Corporate services staff are responsible for the core financial, time and cost, document and records management, publishing and communications, and human resources systems that underpin the Office's operation.

In 2009/10, we will:

- Complete the implementation of an integrated financial management information system. The anticipated benefits of the system include improved controls, improved management information, and reduced administrative overhead.
- Begin the process of implementing an Electronic Document and Records Management System throughout the Office. Having one common system for the whole organisation is expected to reduce cost, increase the ability to share and collaborate, reduce risks associated with inadequate management of records and documents, and improve our compliance with the Public Records Act 2005.

- Continue to enhance the ASD system to improve data quality and widen access to information and functions so that the timeliness and accuracy of audit information is increased.
- Improve our systems' "disaster recovery" capability, to allow the Office to restore normal operations more quickly should an event disrupt operations at our Wellington offices.
- Continue a programme of rolling maintenance and enhancements to ensure that our information systems remain contemporary, and to take advantage of advances in technology where appropriate.

Part 5

**Forecast financial statements for
2009/10**

Part 5

Forecast financial statements for 2009/10

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

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

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

Statement of significant underlying assumptions

The forecast financial statements on pages 40-54 have been compiled on the basis of existing Government policies and after the Controller and Auditor-General consulted with the Speaker and the Officers of Parliament Committee. The main assumptions are that:

- The Controller and Auditor-General's portfolio of entities will remain substantially the same as for the previous year.
- The Controller and Auditor-General will continue to deliver the range of products currently provided and will also be in a position to deliver new products, or existing products in new ways, to cope with changing demands.
- The scale of annual audits will remain substantially the same, and 2009/10 is not an LTCCP audit year.
- The balance of activity associated with inquiries and with advice to Parliament and others will continue to vary because of increases in demand and the effects of the Public Audit Act 2001.
- The Controller and Auditor-General will continue to use audit expertise from both Audit New Zealand and private sector accounting firms.

These assumptions are adopted as at 3 April 2009.

Statement of accounting policies

Reporting entity

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

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

Measurement base

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

Statement of compliance

This Annual Plan complies with Financial Reporting Standard No. 42: *Prospective Financial Statements*.

The prospective financial statements for 2009/10 comply with the applicable financial reporting standards, which include NZ IFRS and other applicable financial reporting standards, as for a public benefit entity.

Accounting policies

Income

Income is measured at the fair value of the consideration received.

Crown operating appropriations

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

Crown funding is recognised in the period to which it relates. Audit fees and other assurance income earned by the Office are recognised as the work progresses and time is allocated within work in progress to public entities.

Income of audit service providers

Audit fee income from audits carried out by contracted audit service providers is also recognised as the work progresses based on advice from the contracted audit service providers. Contracted audit service providers invoice and collect audit fees directly from public entities.

Interest

Interest income is recognised using the effective interest method.

Expenditure

Remuneration of the Auditor-General and the Deputy Auditor-General

The remuneration of the Auditor-General and the Deputy Auditor-General, which is a charge against a permanent appropriation in terms of clause 5 of Schedule 3 of the Public Audit Act 2001, is recognised as an expense of the Office.

Expenses of audit service providers

Fees paid to contracted audit service providers are recognised as the work progresses, based on advice from the contracted audit service providers. Contracted audit service providers invoice and collect audit fees directly from public entities.

Capital charge

The Office pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year.

Leases

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

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Comprehensive income statement.

Financial instruments

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

Cash and cash equivalents

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

Work in progress

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

Debtors and other receivables

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

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

Plant and equipment

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

Additions

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

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

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Comprehensive income statement.

Subsequent costs

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

Depreciation

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

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

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

Intangible assets

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

Amortisation

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

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

Impairment of non-financial assets

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

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

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

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The impairment loss is recognised in the Comprehensive income statement. Any reversal of an impairment loss is also recognised in the Statement of financial performance.

Creditors and other payables

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

Income in advance

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

Employee entitlements

Short-term employee entitlements

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

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

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

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

Long-term employee entitlements

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

- likely future entitlements based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows. A weighted average discount rate of 5.75% and a salary inflation factor of 2.75% are used in the calculation of present value.

Superannuation schemes

Obligations for contributions to the Auditor-General's retirement savings plan, Kiwisaver, and the Government Superannuation Fund are accounted for as defined contribution plans, and are recognised as an expense in the Comprehensive income statement as incurred.

Taxpayers' funds

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

Commitments

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

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

Goods and Services Tax

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

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Output cost allocation

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

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

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

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

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

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

Judgements and estimations

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

Changes in accounting policies

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

Prospective comprehensive income statement

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for the year ending 30 June 2010

This statement reports the revenue and expenses relating to all outputs (goods and services) that we produce. A supporting statement showing the revenue and expenditure of each output class is on page 53.

	2008/09		2009/10
	Budgeted* \$000	Estimated actual** \$000	Forecast \$000
Income			
Crown funding	9,913	9,913	9,913
Audit fees – Departments	8,016	8,016	9,467
Audit fees – Other	30,146	30,146	29,079
Income of contracted audit service providers	24,445	24,445	24,182
Total income	72,520	72,520	72,641
Expenditure			
Personnel costs	35,896	35,896	35,921
Operating costs	11,076	10,926	11,366
Depreciation and amortisation	938	938	1,007
Fees paid to contracted auditors for audits of public entities	24,445	24,445	24,182
Capital charge	165	165	165
Total expenditure	72,520	72,370	72,641
Total comprehensive income for the year	-	150	-

* Budgeted figures incorporate both the Main Estimates and Supplementary Estimates appropriations for 2008/09.

** The amounts in this column reflect actual results to 28 February 2009 and the forecast results for the remaining four months to 30 June 2009.

Prospective statement of movements in taxpayers' funds (equity) for the year ending 30 June 2010

	2008/09		2009/10
	Budgeted \$000	Estimated actual \$000	Forecast \$000
Taxpayers' funds brought forward at 1 July	3,521	3,521	3,521
Surplus for the year	-	150	-
Provision for repayment of surplus to the Crown	-	(150)	-
Taxpayers' funds at 30 June	3,521	3,521	3,521

Prospective statement of financial position as at 30 June 2010

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

	Budgeted as at 30 June 2009 \$000	Estimated actual as at 30 June 2009 \$000	Forecast as at 30 June 2010 \$000
Taxpayers' funds			
General funds	3,521	3,521	3,521
Total taxpayers' funds	3,521	3,521	3,521
Represented by:			
Current assets			
Cash and cash equivalents	2,172	2,322	2,216
Prepayments	210	210	210
Work in progress	2,290	2,290	2,293
Debtors and other receivables	4,763	4,763	4,778
Total current assets	9,435	9,585	9,497
Non-current assets			
Plant and equipment	1,385	1,385	1,468
Intangible assets	1,055	1,055	929
Total non-current assets	2,440	2,440	2,397
Total assets	11,875	12,025	11,894
Current liabilities			
Creditors and other payables	4,538	4,538	4,557
Repayment of surplus	-	150	-
Employee entitlements	3,161	3,161	3,161
Total current liabilities	7,699	7,849	7,718
Non-current liabilities			
Employee entitlements	655	655	655
Total non-current liabilities	655	655	655
Total liabilities	8,354	8,504	8,373
Net assets	3,521	3,521	3,521

Prospective statement of cash flows for the year ending 30 June 2010

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

	2008/09		2009/10
	Budgeted \$000	Estimated actual \$000	Forecast \$000
Cash flows from operating activities			
Receipts from the Crown	9,913	9,913	9,913
Receipts from Departments	8,016	8,016	9,467
Receipts from other public entities	29,824	29,824	29,061
Payments to suppliers	(7,499)	(7,349)	(7,942)
Payments to employees	(35,816)	(35,816)	(35,844)
Net GST paid	(3,500)	(3,500)	(3,500)
Capital charge paid	(165)	(165)	(165)
Net cash flow from operating activities	773	923	990
Cash flows from investing activities			
Receipts from sale of plant and equipment	143	143	111
Purchase of plant and equipment	(791)	(791)	(907)
Purchase of intangible assets	(843)	(843)	(150)
Net cash flow from (used in) investing activities	(1,491)	(1,491)	(946)
Cash flows from financing activities			
Repayment of surplus to the Crown	(285)	(285)	(150)
Net cash flow from (used in) financing activities	(285)	(285)	(150)
Total net increase/(decrease) in cash held	(1,003)	(853)	(106)
Cash at the beginning of the year	3,175	3,175	2,322
Cash at the end of the year	2,172	2,322	2,216

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

Reconciliation of surplus in the Prospective comprehensive income statement to the prospective net cash flow from operating activities

for the year ending 30 June 2010

This reconciliation discloses the non-cash adjustments applied to the surplus reported in the Prospective comprehensive income statement on page 45 to arrive at the net cash flow from operating activities disclosed in the Prospective statement of cash flows on page 48.

	2008/09		2009/10
	Budgeted \$000	Estimated actual \$000	Forecast \$000
Surplus	-	150	-
Non-cash items			
Depreciation and amortisation	938	938	1,007
Total non-cash items	938	938	1,007
Working capital movements			
(Increase)/decrease in prepayments	(10)	(10)	-
(Increase)/decrease in receivables	(307)	(307)	(15)
(Increase)/decrease in work in progress	(5)	(5)	(3)
Increase/(decrease) in payables	174	174	18
Increase/(decrease) in current employee entitlements	19	19	1
Total net working capital movements	(129)	(129)	1
Investing activity items			
Loss/(profit) on disposal of assets	(41)	(41)	(18)
Total investing activity items	(41)	(41)	(18)
Movements in non-current liabilities			
Increase/(decrease) in employee entitlements	5	5	-
Net cash flow from operating activities	773	923	990

Statement of forecast capital expenditure for the year ending 30 June 2010

This statement discloses the forecast capital expenditure for the 2009/10 financial year (incurred in accordance with section 24 of the Public Finance Act 1989) that is primarily routine replacement and upgrade of the Office's information technology, office equipment, and furniture and fittings.

	Actual June 2005	Actual June 2006	Actual June 2007	Actual June 2008	Budget June 2009	Estimated actual* June 2009	Forecast June 2010
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Plant and equipment							
Furniture and fittings	401	484	77	125	55	55	150
Office equipment	104	11	17	7	45	45	50
Motor vehicles	512	507	429	382	384	384	395
Computer hardware	214	373	445	114	307	307	311
Intangible assets							
Computer software	288	176	254	151	843	843	150
Total	1,519	1,551	1,222	779	1,634	1,634	1,056

* Actual for the 8 months to 28 February 2009 plus forecast for the period March-June 2009.

Forecast details of non-current assets by category

as at 30 June 2010

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	As at 30 June 2009		Forecast Position as at 30 June 2010		
	Budgeted Net Book Value	Estimated Actual Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	\$000	\$000	\$000	\$000	\$000
Plant and equipment					
Furniture and fittings	262	262	2,683	2,489	194
Office equipment	54	54	353	230	123
Motor vehicles	732	732	1,297	536	761
Computer hardware	337	337	2,661	2,271	390
Intangible assets					
Computer software	1,055	1,055	3,317	2,388	929
Total	2,440	2,440	10,311	7,914	2,397

Prospective appropriation statement for the year ending 30 June 2010

This statement breaks down the expenditure reported in the Prospective comprehensive income statement (on page 45) and the Forecast output class operating statements (on page 53) with the corresponding appropriations appearing in Part B1 of Vote Audit for 2009/10 in the *Estimates of Appropriations* (parliamentary paper B.5, Vol. 1).

	\$000
Appropriations for output expenses	
Legislative auditor (multi-class output appropriation):	
Supporting accountability to Parliament	2,460
Performance audits and inquiries	6,587
Total legislative auditor	9,047
Audit and assurance services (revenue-dependent appropriation)	62,728
Audit and assurance services (Crown-funded small entity audits)	150
Total appropriations for output expenses	71,925
Other expenses to be incurred by the Office	
Remuneration of the Auditor-General and Deputy Auditor-General	716
Total other expenses	716
Total	72,641

Forecast output class operating statements for the year ending 30 June 2010

	Revenue Crown	Revenue Depts	Revenue Other	Total Revenue	Total expenses	Surplus
	\$000	\$000	\$000	\$000	\$000	\$000
Output expenses						
Audit and assurance services (revenue-dependent appropriation)						
Scope: This appropriation is limited to the performance of audit and related assurance services as required or authorised by statute. The Auditor-General is required to audit the financial statements of the Government, public entities' financial statements, and other information that must be audited. The Auditor-General is also enabled to perform other services reasonable and appropriate for an auditor to perform and to audit other quasi-public entities.						
	-	9,467	53,261	62,728	62,728	-
Audit and assurance services (Crown-funded small entity audits)						
Scope: This appropriation is limited to the performance of audit and related assurance services as required or authorised by statute for smaller entities such as cemetery trusts and reserve boards.						
	150	-	-	150	150	-
Statutory auditor function (multi-class output appropriation)						
Basis – these output expenses use the same resources and contribute to the same outcome.						
Performance audits and inquiries						
Scope: This output class is limited to undertaking and reporting on performance audits and inquiries relating to public entities under the Public Audit Act 2001 and responding to requests for approvals in relation to pecuniary interest questions regulated by the Local Authorities (Members' Interests) Act 1968.						
	6,587	-	-	6,587	6,587	-
Supporting accountability to Parliament						
Scope: This output class is limited to reporting to Parliament and others as appropriate on matters arising from annual and appropriation audits, reporting to and advising select committees, and advising other agencies on the requirements of parliamentary and related accountability systems, to support Parliament in its holding the executive to account for its use of public resources.						
	2,460	-	-	2,460	2,460	-
Total output expenses	9,197					
Other expenses to be incurred by the Office						
Remuneration of the Auditor-General and Deputy Auditor-General	716		-	716	716	-
Total operating expenses	9,913	9,467	53,261	72,641	72,641	-

Forecast financial indicators for the year ending 30 June 2010

	2008/09		2009/10
	Budgeted (after Supplementary Estimates)	Estimated actual	Forecast
	\$000	\$000	\$000
Operating results			
Revenue: other than Crown	62,607	62,607	62,728
Output expenses	71,804	71,654	71,925
Other expenses	716	716	716
Surplus before capital charge	165	315	165
Surplus	-	150	-
Working capital			
Net current assets*	1,736	1,736	1,779
Current ratio**	123%	122%	123%
Average receivables and work in progress	45 days	47 days	45 days
Resource utilisation			
Physical and intangible assets			
Total at year-end	2,440	2,440	2,397
Additions as % of physical assets	67%	67%	44%
Taxpayers' funds			
Level at year-end	3,521	3,521	3,521
Forecast net cash flows			
Surplus on operating activities	773	923	990
Deficit on investing activities	(1,491)	(1,491)	(946)
Deficit on financing activities	(285)	(285)	(150)
Net increase/(decrease) in cash held	(1,003)	(853)	(106)

* Current assets minus current liabilities.

** Current assets as a proportion of current liabilities.

Appendix 1

Our proposed performance audit work programme for 2009/10

The Auditor-General proposes to conduct the following performance audits and other studies in 2009/10. For completeness, we also provide a list of work described in previous annual plans and due to be finished in 2009/10.

The actual work programme we deliver in 2009/10 may differ from this proposal. Our proposed annual work programme is necessarily determined many months in advance of the year to which it relates. As time elapses, we may need to alter our priorities. For example, other urgent work such as an inquiry may intervene, or government policy or the circumstances of a particular public entity may change so that a particular audit is no longer relevant. The reports for some audits that will start in 2009/10 may not be presented to the House of Representatives until 2010/11.

Performance audits to be started in 2009/10

New Zealand Police response to the Commission of Inquiry into Police Conduct

In March 2007, the Report of the Commission of Inquiry into Police Conduct was released. The Commission of Inquiry recommended that the Auditor-General be invited to monitor, for the next 10 years, how the Police implement a range of projects and initiatives related to, and arising from, the Commission of Inquiry. The Auditor-General accepted that invitation.

Work in 2009/10 and future years will build on our 2008/09 review of the governance and management of the Police response to the Commission of Inquiry. In the medium term, we will focus on specific policing improvement initiatives and their relationship to the response to the Commission of Inquiry.

ONTRACK follow-up audit: Maintaining and renewing the rail network

Our 2008 report *Maintaining and renewing the rail network* identified that ONTRACK has significantly more work to do before its systems, plans, policies, and procedures for maintaining and renewing the rail network are complete, connected, and able to be used together where necessary. The report included 10 key recommendations.

We propose to carry out a follow-up audit starting late in 2009/10 to check ONTRACK's progress in implementing the recommendations in the 2008 report.

Defence acquisitions

We have identified a need for the defence agencies to report more comprehensive and useful information about the progress of major defence acquisition projects to provide assurance to Parliament and other stakeholders that these projects are managed well and deliver the expected capabilities. We are currently identifying what type of information key stakeholders expect to see reported about these projects. In the remainder of 2008/09 and during 2009/10, we will be working with the defence and central agencies to develop and implement an approach to future reporting on major defence acquisitions that provides more complete and useful information about these projects.

Inland Revenue's management of child support debt

Child support is money paid by parents who are not living with their children to help support them financially. The child support scheme operates under the Child Support Act 1991. The aim of this legislation is to ensure that parents take financial responsibility for their children when marriages and relationships end. The person caring for the child receives the child support payments. Inland Revenue administers the child support scheme.

At 30 June 2008, child support debt was \$1.3 billion, \$834 million of which was penalty debt. This has grown from \$380 million in 2000.

We recognise that the administration of the child support scheme can be difficult, because it deals with people who are going through changing and challenging circumstances. However, given the size of the debt, we consider that it is important to examine Inland Revenue's management of child support debt.

We propose an audit of the Inland Revenue's management of child support debt. Particular areas of focus will be the effectiveness of collecting outstanding debt, including locating liable parents living overseas, and strategies and initiatives to address the growth in debt.

Ministry of Social Development: Management of debt

The Ministry of Social Development has debt management responsibilities for a major component of the debt owed to the Crown. As at 30 June 2008, debt owed to the Ministry was \$836 million. The debt mainly comprised recoverable assistance and overpayments to current and former clients. The total debt owed to the Ministry has increased by \$15 million in the last two years, although the total number of beneficiaries has decreased.

A report by the Treasury in 2006 noted the difficulties in assessing the effectiveness and efficiency of the Ministry's debt collection because of the lack of benchmarks for a comparable population – that is, a high proportion of the Ministry's debt is owed by clients who may have a limited ability to pay.

We therefore intend to carry out an audit looking at the Ministry's debt management function. We will consider how the debt arises in the first place, and look at the effectiveness and efficiency of the Ministry's management of it, including the Ministry's debt prevention and debt recovery initiatives.

Ministry of Foreign Affairs and Trade: Overseas property management

The Ministry of Foreign Affairs and Trade manages about 300 properties, located at 50 posts overseas. The Ministry's properties support Ministry staff and staff working in other agencies under the "NZ Inc." banner to promote New Zealand's interests overseas. About 27% of these properties are owned by the Ministry and have a value of about \$420 million. The rest of the Ministry's overseas properties are leased.

Because of the strategic importance of the Ministry's property portfolio, we propose carrying out a performance audit to examine the effectiveness of the Ministry's management of its overseas properties. This will include properties the Ministry owns and leases overseas, encompassing the Ministry's chanceries (office accommodation), official residences, and staff houses. The proposed audit will focus on the Ministry's overseas property management systems, processes, procedures, and practices.

Teacher registration and initial teacher education course approval processes

Having teachers who are well equipped with the necessary skills to teach in our schools is a significant objective of the education system, given the role of the system in preparing our youth for the future. Research has shown a correlation between initial teacher education, quality of teaching, and student achievement.

A range of stakeholders contribute to ensuring that graduate teachers are well equipped when they enter the classroom, including the New Zealand Teachers Council, the Ministry of Education, the Tertiary Education Commission (TEC), and the New Zealand Qualifications Authority, among others.

Our proposed performance audit will assess the effectiveness and efficiency of the processes for assuring the quality of teacher graduates – from the approval of initial education provider programmes through to the provisional registration

of teachers. The audit will examine the Council's initial teacher education programme approval (and re-approval) process and the teacher registration process. It will also examine other key functions, such as the TEC's funding role, and the degree to which the various public entities understand their roles and responsibilities and co-ordinate their efforts to achieve an optimal outcome.

Management of after-hours primary health care services

District Health Boards are currently required to ensure the availability of after-hours services for 95% of their population, within 60 minutes of travel. They must also (in collaboration with Primary Health Organisations, after-hours service providers, and hospital emergency departments) develop and implement a planning and funding strategy for after-hours care for their district. This strategy must provide accessible, effective, and resilient after-hours primary health care services.

We propose a performance audit to determine whether the required standards for after-hours service are being met, and to assess the quality of DHBs' planning and monitoring of after-hours services to meet those standards.

Certification and monitoring of residential care and home-based support for the aged and the disabled

As at June 2008, about 28,000 people aged 65 and over were living in around 750 aged residential care facilities nationwide, and another 60,000 were receiving home-based support services. Public funding for aged residential care services and home-based support services was \$875 million in 2007/08.

Residential disability care services and home-based support services are also available for people under 65 who have intellectual, physical, psychiatric, and sensory disabilities. As at January 2008, 7000 people with mental and physical disabilities lived in residential care.

The provision of the residential care and home-based support services needs to be effectively and efficiently monitored to ensure that people using the services are well cared for and that the funding is well spent. Monitoring helps to provide assurance about the standard of care provided by residential facilities for older people, the process used to certify providers to allow them to deliver residential services, and the ongoing quality of service provision in these facilities.

Our initial work has identified that the certification, monitoring, and audit systems for residential care and home-based support services appears to be complicated, with multiple layers of audit and monitoring by multiple

audit agencies and contract managers. We propose to examine whether the certification, monitoring, and audit systems for residential care and home-based support services (for people in two age groups – 65 and over, and under 65) is effective and efficient.

Our audit will also identify specific areas where we may carry out further audit work in the future.

The demand for water – Auckland region

Water supply is an essential service for safeguarding the health and well-being of residents and communities in a district or region.

We are currently doing a performance audit examining whether eight local authorities outside the Auckland region that provide water supply have adequately assessed future water demand for residents and communities in their district and have strategies in place to meet this demand.

In 2009/10, we will be looking at the same issues in a selection of local authorities in the Auckland region.

Department of Building and Housing: Effective management of tenancy services

The Department of Building and Housing administers the Residential Tenancies Act 1986. This role requires it to provide information, education, and advice services for tenants and landlords, to provide dispute resolution services, and to administer residential tenancy bond money.

More than 31% of New Zealand households are residential tenancies, and the number of households renting long term is expected to increase. This forms a substantial private and public rental housing market.

We propose to examine and report on the effectiveness of the Department's systems, policies, and procedures for managing tenancy services, and on the processes used by the Department to assess whether these services are meeting the needs and expectations of tenants and landlords.

Sport and Recreation New Zealand: Promoting participation in sport and physical recreation

Sport and Recreation New Zealand (SPARC) was set up in 2002 to promote participation in physical activity by all New Zealanders for their health and well-being – through its own efforts and by working with others. It must work with many organisations at national, regional, and local level (including schools;

regional, central, and local government; and physical recreation, sports, and health organisations) to:

- encourage greater participation; and
- ensure that infrastructure for physical recreation and sport is maintained and developed.

SPARC estimates that there are about 100 national organisations, 15,000 clubs and gyms, and 500,000 volunteers in sport and physical recreation. It also recognises that sports clubs are struggling in many areas, including getting and keeping volunteers and members.

We will examine SPARC's effectiveness in improving all New Zealanders' participation in sport and physical recreation, by assessing how effectively SPARC is working with national sporting organisations to improve participation at national, regional, and club level.

Department of Internal Affairs: Grants administration

As part of a programme of work looking at grants administration by public entities, we propose to audit the management of two grant programmes administered by the Department of Internal Affairs through which money is distributed for community purposes. The first programme is the distribution of lottery grants. The other programme is the Community Organisation Grants Scheme. About \$140 million is distributed through these programmes annually. The audit will examine matters such as adherence to approved policies, the identification of risk, the quality and consistency of decision-making, and monitoring arrangements.

Department of Corrections: Management of prisoner employment

The Department of Corrections provides prisoner employment opportunities, work experience, and training that are designed to reduce the underlying causes of criminal offending. The Department provides these opportunities in prisons to increase the chance that prisoners have the skills, ability, and motivation to obtain sustainable post-release employment.

We propose to carry out an audit to examine how well the Department administers prisoner employment initiatives, and how effective these initiatives are in reducing re-offending. The aim of this audit is to provide assurance that prisoner employment initiatives are being managed efficiently, making an effective contribution to prisoners' rehabilitation, and supporting the Department's overall goal of reducing re-offending.

Co-ordination of maritime patrol and surveillance assets

The National Maritime Co-ordination Centre (NMCC) co-ordinates civilian use of maritime patrol and surveillance assets, including information. Our proposed performance audit will examine the role of the NMCC in co-ordinating civilian maritime patrols. It will examine whether:

- there are appropriate governance frameworks in place for co-ordination, including access to New Zealand Defence Force capability;
- other agencies provide the NMCC with the information it needs to prioritise patrols;
- the NMCC has a framework for prioritising patrols in keeping with the Government's strategic maritime goals; and
- information collected from patrols is shared between agencies where appropriate.

The audit may also examine how effectively the NMCC co-ordinates maritime surveillance for a particular purpose, such as to detect illegal, unreported, and unregulated fishing.

Social marketing campaigns

Social marketing campaigns are a form of government advertising used to raise awareness, encourage service use, and influence the attitudes and behaviours of the public. Common subjects of social marketing campaigns include road safety and healthy lifestyle choices. The effectiveness and value of social marketing campaigns are considered by some to be questionable.

We propose a performance audit to examine how selected social marketing campaigns are decided on, developed, managed, and evaluated by public entities for effectiveness and value for money.

Performance audits described in previous annual plans and due to be finished in 2009/10

Accident Compensation Corporation: Management of funds

Civil Aviation Authority: Follow-up of the Auditor-General's 2005 report

District Health Boards: Asset management planning

District Health Boards: Effectiveness of managing patients under Active Review

Inland Revenue Department: Management of Child Support debt

Local government: Water services management

Ministry of Education: Better Outcomes for Children action plan

Ministry of Education: Effective management of the Crown's financial interest in integrated schools

Ministry of Justice: Management of court workloads

New Zealand Defence Force: Defence Sustainability Initiative

New Zealand Transport Agency: State highway maintenance

Tertiary Education Commission: Monitoring of tertiary education institutions

Transpower: Managing the national grid

Appendix 2

Areas of strategic focus for the Auditor-General

The Auditor-General has identified areas of key concern within his mandate about which he wishes to give particular assurance to Parliament and the public. These areas have been selected because they are “hard” issues and risks for the public sector. They include areas where the Auditor-General considers that public sector performance must be improved, affecting both central and local government and applying across a range of our interventions. Work in these areas will help us to achieve our strategic intentions of better deploying our interventions and extending the depth and breadth of our annual audits.

The “hard” and cross-cutting nature of these concerns means that work will generally involve multiple initiatives during two or more years. During 2009/10, the areas of strategic focus for the Auditor-General are:

- procurement management;
- service performance information;
- fraud prevention and minimisation; and
- stewardship and management of infrastructure assets.

Initiatives around these strategic areas of focus are likely to result in external products (such as reports to Parliament) and internal development and process improvements, and will also be the significant areas of focus within the Office’s research and development programme.

Procurement management

The way in which public entities manage procurement processes has been an increasingly significant area of public concern in recent years. There have been several high profile court cases about public sector procurement processes, and our consultation with stakeholders has also identified procurement as a topic that the Office should focus on. The Auditor-General has responded by increasing the focus on this topic across the broad range of our activities during the last two years. Procurement issues are regularly raised with us in requests for inquiries, and providing assurance around procurement processes is a major part of the work of the Specialist Assurance Service team in Audit New Zealand. We have begun a systematic examination of procurement policies and practices for central government entities in our annual audit work, and a series of performance audits to look at the way public entities approach their procurement responsibilities. We have also produced two new good practice guides on procurement and on managing funding arrangements more generally.

We intend to continue to deepen our focus on this topic in the coming year, through a range of activities. The precise mix will be determined once we have been able to analyse the results of this year's audit work, but it is likely that we will extend our review through annual audits to other sectors and that we will continue with our programme of performance audits. We expect procurement to continue to be a major part of our inquiry work, particularly major infrastructure and construction projects by local authorities. We are also working with the Ministry of Economic Development and other organisations to promote and explain the good practice principles in our guidance material.

Service performance information

Last year, in a review of two years' work across a range of public entities, we reported that, overall, we are disappointed by the poor quality of non-financial performance reporting by public entities. This reporting needs to improve significantly to allow Parliament and the public to hold public entities accountable for their use of taxes and rates, and for the effectiveness of their service delivery.

Performance reports should be a reflection of internal management – clearly articulating strategy, linking strategy to operational and other business plans, monitoring the delivery of operational and business plans, and evaluating strategy effects and results. If a public entity does not have performance management systems that monitor and aggregate performance information, governors and managers cannot be confident that they are fulfilling their responsibilities and that their public entity is achieving its objectives.

In our view, improving the quality of information about public entities' performance is critical, not only for demonstrating accountability but also for achieving continuous improvement in public sector effectiveness.

We will therefore be enhancing our audit work on the reporting of performance within annual audits – in the first instance, through a revised auditing standard (AG-4). Our revised standard will be phased into audit reporting for government departments and Crown entities through management letters and Ministerial and select committee reporting, including grading of service performance information and associated systems and controls.

For local government entities, the Long-Term Council Community Plan audit addresses the forecast expectations of AG-4. We propose to include our report on the extent to which service performance reports fairly reflect a local government entity's actual performance as part of our annual audits from the year ending 2010.

Through our revised auditing standard and a phased implementation, we hope to contribute to improving the disclosure of public entity performance, and thereby assist public entities, Parliament, Ministers, monitoring departments, and other users to better assess that performance and identify issues for improvement.

Fraud awareness and minimisation

New Zealand continues to have a high ranking as a “clean” country in the most recent Transparency International survey, and the more extreme forms of fraud or corruption are not often seen here. However, this is a reputation that is unlikely to be maintained without taking positive action and in the increasingly harsh economic conditions, there could be an increase in attempts by individuals to use public resources for personal gain. We should not be complacent about the possibility of public money being needlessly lost through fraud or corruption.

There is growing concern that, even if some forms of fraud or corruption are not prevalent in New Zealand, complacency may pose risks to New Zealand’s reputation (for example, a recent Anti-Bribery Convention report from the Organisation for Economic Co-operation and Development recommended that New Zealand strengthen its laws to combat foreign bribery).

The Auditor-General intends to increase the Office’s focus on the management of fraud risk through:

- identifying fraud trends and patterns, and informing auditors about them; and
- considering opportunities for raising the awareness of public entities about fraud issues by issuing good practice and other guidance material to assist public entities to detect and prevent fraud.

Stewardship and management of infrastructure assets

For some time, there has been general public concern about asset management, primarily network utility assets. We have taken an active interest in the management and stewardship of infrastructure assets for nearly two decades, including through:

- performance audits (with several projects on asset management featuring in this proposed annual work programme);
- annual audits (primarily in the local government sector);
- LTCCP audits; and
- liaison with stakeholders in the development of good practice guidance.

The Auditor-General wishes to give broader assurance and information to Parliament and the public about the state of, management of, and planning for, key infrastructure assets throughout the public sector. We propose a series of performance audits in the upcoming years using a common set of asset management expectations of public entities that extensively rely on infrastructural assets to deliver their services. In 2008/09, we are also doing the second of our three-yearly LTCCP audits and therefore expect to carry out a range of work addressing the state of asset management across key sectors.

Appendix 3

Approach and method used for our surveys

Stakeholder survey

We use our annual stakeholder survey to measure how Parliament and other key stakeholders' perceive the quality, relevance, and usefulness of our reports and advice.

An independent consultant surveys a sample of stakeholders from half of Parliament's select committees, a selection of central agencies, and other representative groups.

Our questions cover stakeholders' perceptions of the impact and effectiveness of our work, as well as their satisfaction with the quality, relevance, and usefulness of specific reports and types of advice.

Stakeholders are asked to respond to a series of qualitative, open questions, and then to rate the Office in a number of areas on a scale from 1 to 5, with 1 being strongly disagree or very dissatisfied and 5 being strongly agree or very satisfied.

Client survey

We use an independent firm to conduct an annual client satisfaction survey of public entities, which are all audited by the Auditor-General. A random sample of public entities is surveyed to gauge the level of satisfaction with audit services and to identify areas where improvement is needed.

In previous years, the survey has been limited to a sample of public entities audited by Audit New Zealand. In 2007/08, we extended the sample to also cover public entities audited on the Auditor-General's behalf by private sector auditors.

Representatives of a sample of these public entities are invited to take part in a telephone interview to comment about their audit service provider in areas such as:

- core audit ability;
- staff knowledge;
- the way audit service providers' staff work with public entities, including governing bodies and audit committees where relevant;
- the value that audit service providers add and the usefulness of the advice given;
- the performance and contribution that audit service providers made as public entities prepared to adopt NZ IFRS; and
- the overall degree of satisfaction with the service received.

Stakeholders are asked to respond to a series of qualitative, open questions, and then to rate the Office in a number of areas on a scale from 1 to 10, with 1 being strongly disagree or very dissatisfied and 10 being strongly agree or very satisfied.

Appendix 4

Staff demographics and statistics

Number and distribution of staff by function, gender, and ethnicity

As at 30 June	2008	2007	2006
Staff numbers (full-time equivalents)			
Office of the Auditor-General	57	70.9	70.7
Audit New Zealand	216	217.2	189.1
Corporate Services*	38	n/a	n/a
Total	311	288.1	259.8
Functional distribution			
Audit/assurance	74%	72%	71%
Technical and advisory	9%	4%	4%
Corporate support	13%	20%	21%
Management	4%	4%	4%
Turnover**			
Office of the Auditor-General	19%	19%	18%
Audit New Zealand	21%	18%	28%
Corporate Services*	21%	n/a	n/a
Gender distribution			
Women	52%	54%	51%
Men	48%	46%	49%
Ethnicity distribution			
NZ European	42%	48%	49%
NZ Māori	4%	3%	3%
Pacific Islander	3%	2%	2%
Asian	12%	9%	12%
Other European	12%	8%	9%
Other ethnic groups	2%	3%	3%
Undeclared	25%	27%	22%

Staff experience and training

As at 30 June	2008	2007	2006
Experience – average time in job (years)			
Office of the Auditor-General	7.2	5.8	5.6
Audit New Zealand	4.3	4.3	5.0
Corporate Services*	5.4	n/a	n/a
Training and development – average expenditure for each employee			
Office of the Auditor-General (including Corporate Services)	\$1,884	\$2,572	\$1,754
Audit New Zealand	\$4,509	\$3,165	\$2,298
Pass rate of staff for New Zealand Institute of Chartered Accountants (NZICA) accreditation			
	100%	100%	97%

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

** During 2007/08, a restructure resulted in a small change in allocation of staff between the shared Corporate Services team and Audit New Zealand. This restructure also led to increased turnover, contributing an estimated 2% to each of the totals for shared Corporate Services and Audit New Zealand.

Publications by the Auditor-General

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

- Central government: Results of the 2007/08 audits
- Workforce planning in Crown Research Institutes
- Performance audits from 2007: Follow-up report
- Department of Corrections: Managing offenders on parole
- Housing New Zealand Corporation: Maintenance of state housing
- Annual Report 2007/08
- Ministry of Health: Monitoring the progress of the Primary Health Care Strategy
- Ministry of Education: Supporting professional development for teachers
- Inquiry into the West Coast Development Trust
- Maintaining and renewing the rail network
- Reporting the progress of defence acquisition projects
- Ministry of Education: Monitoring and supporting school boards of trustees
- Charging fees for public sector goods and services
- The Auditor-General's observations on the quality of performance reporting
- Local government: Results of the 2006/07 audits
- Procurement guidance for public entities
- Public sector purchases, grants, and gifts: Managing funding arrangements with external parties
- The Accident Compensation Corporation's leadership in the implementation of the national falls prevention strategy
- Ministry of Social Development: Preventing, detecting, and investigating benefit fraud

Website

All these reports are available in HTML and PDF format on our website – www.oag.govt.nz. They can also be obtained in hard copy on request – reports@oag.govt.nz.

Mailing list for notification of new reports

We offer a facility for people to be notified by email when new reports and public statements are added to our website. The link to this service is in the Publications section of the website.

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