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Annual Report 2012/13

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Annual Report 2012/13

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Auditor-General's overview

The Government expects the public sector to deliver better public services with greater effectiveness and efficiency. This expectation has sparked changes in the public sector and in the way services are delivered, which has presented significant opportunities and challenges for my Office.

My Office's unique view of the entire public sector puts us in a position to help improve the performance of the public sector, and promote good accountability for that performance. In 2012/13, we used our observations of wider patterns and emerging trends, and our access to financial data, to add to debates and start new conversations. We have, for example, put forward a model of financial analysis using financial sustainability, reliability, and resilience, for others to debate and improve on.

I am pleased with our work that specifically addressed the theme of how well prepared the public sector is for our country's future needs. We have confidence that our report on biosecurity and the responses to that report will help to protect the country's economy and natural heritage in the long term. Our report on local authorities' most recent long-term plans added usefully to discussions about debt levels and financial prudence. In another report, we provided public entities with examples and "food for thought" about using social media effectively. In 2013/14, we will complete an overview of our work on future needs, and start our next theme-based work programme, which will look at how effectively services are delivered to the public.

It has been a challenging year for our inquiry work. A number of large inquiries and requests with significant political and media interest, combined with our routine work, contributed to a high workload. Our inquiry into Kaipara District Council's management of the Mangawhai community wastewater scheme is the largest that my Office has carried out for some years, and is exceptional in its complexity. We expect that the lessons learned from this inquiry will be important to many public entities.

This year, my Office prepared for its future by finalising a strategy with four main goals:

- helping to build a stronger public sector,
- striving to be a model organisation,
- having a stronger focus on citizens, and
- positioning our audit work for the future.

In line with our strategy, my staff explored ways to improve our services and the way we work. One example that worked particularly well was when we

seconded staff from other public entities to help us to assess the strategy aimed at supporting Māori students to succeed. Being agile and able to adapt to change productively and cost-effectively has been important in our response to a rapidly changing public sector environment. For example, we have published our ageing population material as work has progressed, and we have started to use more types of social media to talk about and share our work.

Our latest client survey results indicate that we engage well with clients, and I acknowledge my staff's work to achieve these results. We remain alert to the need to seek improvements to meet our stakeholders' and clients' evolving needs.

We made good progress in addressing our long-term property needs. This year, after a capital injection from the Crown, our staff in Auckland and Wellington moved into newly refurbished premises. We were also very pleased to inform our Christchurch staff that we have signed a contract to lease space in a new building on the outskirts of Christchurch's central business district.

I have now completed half of my seven-year term as Auditor-General. Soon after I started, I said we would first focus on six significant matters. These six matters and our achievements are:

1. **Local government re-organisation in Auckland** – Auckland Council was established on 1 November 2010. We have audited the transition, dissolution, 30 June financial statements, and two long-term plans. We have published seven parliamentary reports on Auckland-related matters, including this year's report on the transition and emerging challenges.
2. **Performance reporting** – The overall quality of public entities' service performance information has improved. Audits increasingly give an opinion on the appropriateness of the service measures. To support this change, we have run workshops and produced publications. The challenge for entities and key stakeholders is to use this service performance information effectively and for accountability purposes.
3. **Analysis and reporting of sector information** – We are continuing to increase our analysis and reporting of information and results by sector, and working more closely with sector representatives.
4. **Changes to financial reporting and auditing standards** – New Zealand has adopted International Public Sector Accounting Standards with a tiered approach to reporting based on the size of the entity. We have actively supported these changes because we consider that they will, over time, improve the understandability and usefulness of financial statements. I remain committed to clearer, more useful reporting.

5. **Adding value through our annual audits, inquiries, and performance audits**
– My staff have actively considered how the public sector can gain the most value from the audit work we carry out. We will continue to focus on this, and it is a core part of our strategic direction.
6. **Identifying a theme to underpin our audits and other work** – Our work programme in 2012/13 was the first with an underpinning theme. The results were pleasing and will be summarised to contribute to debates about how well the public sector is prepared for the future. Our focus for 2013/14 is on service delivery.

We are regularly told that other countries aspire to New Zealand's standard of public sector performance. Those who are governing, managing, and working in public entities can be justifiably proud of that reputation. However, we can never be complacent. My Office remains committed to maintaining and improving the quality of our public sector.

I thank all my staff and audit service providers for their support, commitment, and contribution to the work of the Office during the last three years and, in particular, for 2012/13. We are in a good position to meet our future challenges and to help improve the performance of, and the public's trust in, the public sector.



Lyn Provost
Controller and Auditor-General

30 September 2013

Part 1

Our role and outcomes

Everything we do is about improving the performance of, and the public's trust in, the public sector.

Our role

The Auditor-General is an Officer of Parliament who carries out her role independently from executive government and Parliament. She is accountable to Parliament for the public resources she uses to do her job. By law, the Auditor-General audits all public entities in New Zealand – a total of almost 4000 public entities, such as government departments, central agencies, Crown entities, schools, and State-owned enterprises. The role includes auditing local authorities, which are accountable to the public for the activities that they fund with revenue that they raise locally.

All public entities are accountable for how they use public resources and powers. It is the Auditor-General's job to give independent assurance to Parliament and the public about how public entities operate and account for how they perform.

Our organisation

Our work is carried out by about 370 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 auditors contracted from about 50 private sector accounting firms.

The OAG establishes strategy, sets policy and standards, appoints auditors and oversees how they perform, carries out performance audits, provides reports and advice to Parliament, and carries out inquiries and other special studies.

Audit New Zealand, the larger of the two business units, has offices in seven cities and carries out annual audits that the Auditor-General allocates to it. It provides other assurance services to public entities within the Auditor-General's mandate and in keeping with the Auditor-General's auditing standard on the independence of auditors.

How we make a difference

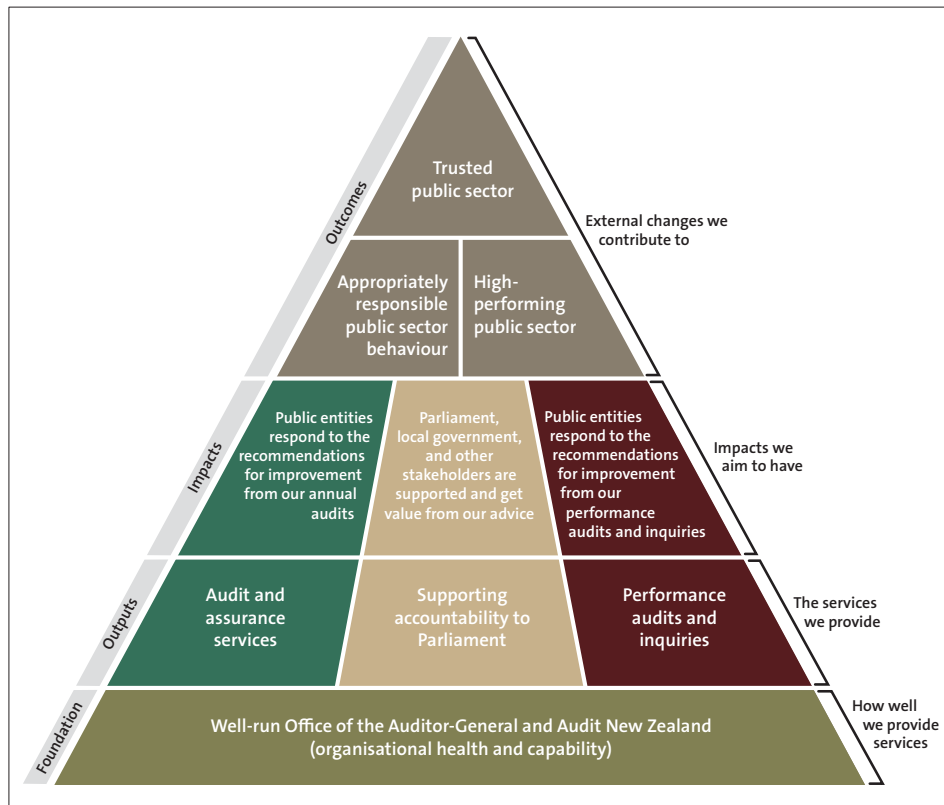
In carrying out our statutory objectives, we play an important role in influencing and promoting improvements in the public sector's performance and in building trust in the public sector.

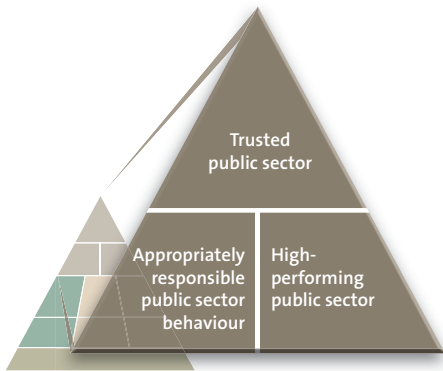
We provide assurance and advice through services under three output classes – audit and assurance services, supporting accountability to Parliament, and performance audits and inquiries. The main impacts we aim to have are that our recommendations for improvement are responded to and acted on, and that our stakeholders are supported by, and get value from, our advice.

Our outcomes

Figure 1 summarises our outcomes, the impacts we aim to have, and the services that we provide.

Figure 1
Outcomes framework



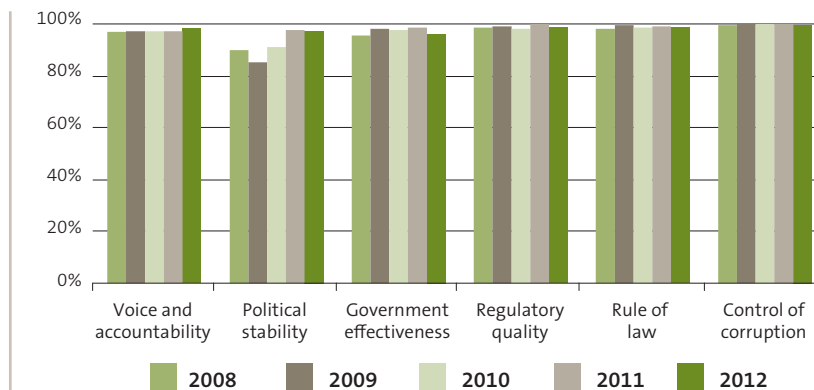


Achieving our outcomes

We assess that, in 2012/13, we maintained or improved our outcomes, with results as outlined below.

Outcome 1: Trusted public sector		
MEASURE	RESULT	COMMENT
New Zealand is ranked in or above the 90th percentile of the Worldwide Governance Indicators. ¹	Achieved	New Zealand maintained its ranking in 2012, with all Worldwide Governance Indicators above the 96th percentile. Results for the Worldwide Governance Indicators are published in September each year for the previous calendar year.

Figure 2
New Zealand's ranking in the Worldwide Governance Indicators, 2008 to 2012

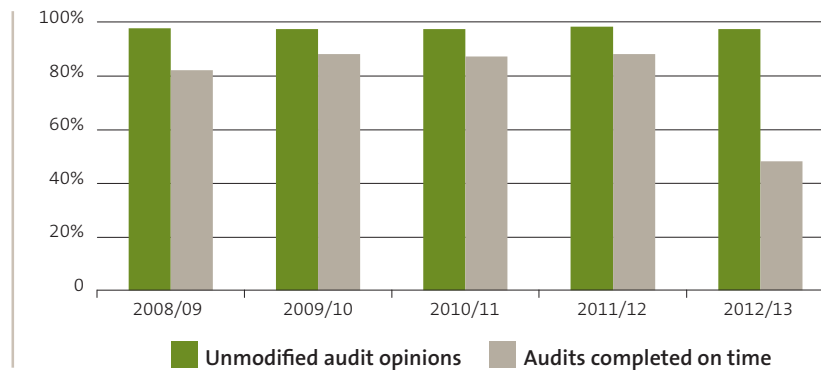


The State Services Commission's Kiwis Count Survey ² shows improved (or at least maintained) rates of public trust with:	Partly Achieved	This is a revised measure because the Kiwis Count Survey methodology has been redesigned. Data collection has been reported quarterly since June 2012. Respondents rate their perceptions of trust in the public service, and their perceptions of trust based on their most recent public service experience. From June 2012 to March 2013, perceptions of trust in the public service went down slightly (by one percentage point), while perceptions of trust based on most recent experience with public services went up by a similar amount.
New Zealand's score on the Transparency International Corruption Perceptions Index ³ is improved (or at least maintained).	Achieved	New Zealand's 2012 score of 9.0 was lower than for the previous four years, but ranked it first in the world with Denmark and Finland. From 2008 to 2012, New Zealand's score has consistently been within the range of 9.0-9.5.

1 Available at the World Bank website, <http://info.worldbank.org>.
 2 Available at the State Services Commission's website, <http://www.ssc.govt.nz>.
 3 See <http://cpi.transparency.org/cpi2012>.

Outcome 2: Appropriately responsible public sector behaviour		
MEASURE	RESULT	COMMENT
Public entities' financial reports: <ul style="list-style-type: none"> • fairly reflect their actual performance; and • are publicly available on time. 	Almost achieved for audit opinions Not achieved for audit timeliness	An unmodified audit opinion is an indicator that public entities are reporting appropriately and that their financial reports fairly reflect their actual performance. In 2012/13, 97% of audit opinions were unmodified, just short of our 98% target. Problems with Novopay ⁴ (a new payroll system for schools) significantly affected the timeliness of audits completed in 2012/13. Only 48% of audits were completed on time, well below last year's 88%.

Figure 3
Percentage of unmodified audit opinions and audits completed on time, 2008/09 to 2012/13



Outcome 3: High-performing public sector		
MEASURE	RESULT	COMMENT
The State Services Commission's Integrity and Conduct survey ⁵ shows improved (or at least maintained) rates of State servants who report that State service agencies promote their standards of integrity and conduct.	Achieved when last surveyed	This survey is held every three years. The 2013 results are not yet available. Results from 2007 and 2010 show improved rates of State servants who think that their public entities promote their standards of integrity and conduct.
The State Services Commission's Integrity and Conduct survey shows improved (or at least maintained) rates of State servants who reported that, where they observed misconduct breaches in the past year, they reported it.	Achieved when last surveyed	This survey is held every three years. The 2013 results are not yet available. Results from 2007 and 2010 show a declining rate of State servants who observed misconduct and an increasing number of State servants who, where they observed misconduct, reported it.

4 See page 19 for further information about Novopay.

The State Services Commission's Kiwis Count Survey shows improved (or at least maintained) rates of public service quality for all public services.	Achieved	This revised measure results from a redesign of the Kiwis Count Survey. Results collected every quarter show that, over the June 2012 to March 2013 period, respondents rated the quality of public services at a consistently high level of at least 72%.
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Strategic risks and risk management

The Auditor-General faces four ongoing strategic risks:

1. loss of independence;
2. audit failure;
3. loss of capability; and
4. loss of reputation.

We manage these risks mainly through processes that support the work we do. We will continue our focus on managing risks, particularly strategic risks. Our leadership team discusses risk management every quarter, which includes assessing environmental or internal changes that may affect the Office's position. The Office's Audit and Risk Committee meets four times a year, and gives further insight and advice to help us to identify and manage risk. The Committee's report for 2012/13 is on our website, and outlines the Committee's purpose and summarises its work over the 2012/13 year.

Part 2
Statement of service performance

In this Part, we report on the services that we are funded to deliver, and how well we delivered those services. We discuss:

- Achieving our 2012/13 work programme;
- Output class: Audit and assurance services;
- Output class: Supporting accountability to Parliament; and
- Output class: Performance audits and inquiries.

Achieving our 2012/13 work programme

In our *Annual Plan 2012/13*, our work programme addressed a central theme, *Our future needs – is the public sector ready?* We drew on all our audit and assurance work to consider questions we consider are important for the future and how the public sector is preparing for it. We carried out performance audits on specific topics that included pressing matters such as education for Māori children, reducing prisoners' reoffending, our changing and ageing population, and how government organisations use social media. We assessed how the biodiversity and biosecurity services that protect our agricultural exports are managed, and found significant challenges for the public entities that protect our unique national character and the backbone of our economy. We also looked at long-term financial planning in central government and prepared a discussion paper on public sector financial sustainability and a commentary on the Treasury's *Affording Our Future: Statement on New Zealand's Long-term Fiscal Position* (published in August 2013).

During the year, we developed a framework for analysing public entities' financial results in our reports to Parliament. We also sought information to take stock of asset management practices (see our report *Managing Public Assets*) and the extent to which those assets are insured (see our report *Insuring Public Assets*). We drew on our audits of local authorities' long-term plans to discuss matters of financial sustainability in our report on the results of these audits.

We plan to publish an overview of our work on *Our future needs – is the public sector ready?* While we cannot give absolute assurance on the broad question of whether the public sector is ready to meet future needs, we intend to include comment on technology, capability, prioritising, and effectiveness and efficiency.

Our published reports are available on our website. Appendix 2 lists the major reports that we completed during 2012/13.

Output class: Audit and assurance services

We audit every public entity in New Zealand, from large government departments and district health boards to every school and every local authority. In 2012/13, our annual audits and other assurance services accounted for 87% of our total expenditure.

Annual audits

Annual audits provide independent assurance about the reliability of financial statements – and, in many instances, service performance information – that public entities are required to report. The Auditor-General, as the auditor of every public entity in New Zealand, has a statutory duty to audit that information. We produce an audit report for each audit we carry out, which includes our opinion about the fairness of the presentation of the financial statements (and service performance information, where relevant).

We use our annual audits to gather information about public entities to help us to advise Parliament and others and to help inform our other work. To have a trusted public sector, public entities must fairly report their performance and respond to audit recommendations to improve their systems and controls.

Main processes supporting annual audits

Appointing auditors and monitoring audit fees

The Auditor-General appoints auditors from Audit New Zealand and private sector accounting firms to carry out the annual audits of public entities. When appointing these auditors, the Auditor-General follows principles that are designed to ensure that auditors are independent, audits are of a high quality, and audit fees are reasonable. We regularly monitor the allocation of audits among Audit New Zealand and private sector accounting firms to ensure that these principles are adhered to.

We regularly monitor audit fees to ensure that they are fair to public entities, and provide a fair return to auditors for the work required to meet the Auditor-General's Auditing Standards. In 2012/13, fees were affected by a range of factors, including changes in the scale of operations of some entities, the variable quality of the financial statements and performance information prepared by some entities, and small changes in auditor charge-out rates (the average hourly cost of carrying out audits). Figure 4 summarises the overall increases in audit fees from 2010/11 to 2012/13 based on the agreed audit fees at the time the analysis was prepared. It shows fee increases by sector, and breaks these down to show the separate effects of changes in audit hours and changes in charge-out rates.

Figure 4
Analysis of movements in audit fees

	2011/12 to 2012/13				2010/11 to 2011/12			
	Number of entities	Increase in total fee	Due to hours	Due to charge-out rate	Number of entities	Increase in total fee	Due to hours	Due to charge-out rate
Central government	385	2.8%	2.7%	0.1%	367	3.7%	2.4%	1.3%
Local government	430	4.1%	1.9%	2.2%	379	1.0%	0.2%	0.8%
Schools	2420	4.2%	3.9%	0.3%	2447	4.1%	0.6%	3.5%
Total	3235	3.4%	2.6%	0.8%	3193	2.9%	1.4%	1.5%

Note: The above figures exclude additional audit fees negotiated with public entities as a result of unforeseen issues arising after audit fees had been agreed. These are normally the exception rather than the rule. However, in the current year, we expect the problems with Novopay to result in audit fees for the 2012 school audits to increase by \$1.0 million to \$1.5 million (10% to 15%) overall. We are working with the Ministry of Education to ensure that the effect on the next round of school audits is minimised.

Maintaining auditor independence

The Auditor-General's staff and appointed auditors from private sector accounting firms must meet high standards of independence. We monitor compliance regularly and all threats to auditors' independence that are identified are addressed by the Auditor-General to eliminate or reduce the threats.

Publishing the Auditor-General's Auditing Standards

The Public Audit Act 2001 requires the Auditor-General's Auditing Standards to be published (at least once every three years) in a report to the House of Representatives. Each annual report must include a description of any significant changes to those standards. In 2012/13, we updated some technical matters in the Auditing Standards, including recognising that the External Reporting Board now sets professional, ethical, auditing, and assurance standards. The updated Auditor-General's Auditing Standards are available on our website.

Carrying out quality assurance reviews

We carry out quality assurance reviews of appointed auditors to ensure that they have complied with the Auditor-General's Auditing Standards. We aim to review the performance of each of our appointed auditors at least once every three years.

We also carry out reviews of each audit firm's quality control systems. These systems are designed to provide assurance about the organisational factors that may affect audit quality. We aim to complete these reviews at least once every three years in conjunction with our quality assurance reviews of appointed auditors.

Responding to regulatory and external reporting changes

During the year, we put into effect a regime similar to the auditor regulation regime that was introduced for the audits of private sector “issuers” from 1 July 2012.⁵ Our regime applies only to the audits of public sector “issuers” (about 90) that were excluded from the new regulation.

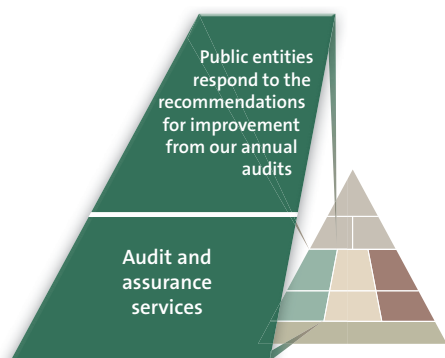
Also during the year, we began preparing for the External Reporting Board’s new accounting standards, which come into effect from 1 July 2014. This included providing comment on the proposed new standards. More recently, we have begun to focus on preparing our auditors to audit financial statements that are prepared using the new accounting standards.

Our performance in 2012/13

The impact and output measures we use to assess our performance, and how we have performed against those measures, are set out on the following pages.

We are disappointed that problems with Novopay adversely affected the timeliness and completion of our school audits during 2012/13. This meant we had a significant reduction in the percentage of public entities’ audited financial reports being issued within statutory timeframes compared with last year. If we remove the effect of the Novopay situation on the timeliness and completion of audits, our overall performance for annual audits and other assurance services for 2012/13 is comparable to our performance in 2011/12.

⁵ “Issuers” are legal entities that prepare, register, and sell securities to the public for the purpose of financing their operations. For example, Port of Tauranga Limited, Auckland Council, and Kiwibank Limited.



2012/13 results and previous performance for Audit and assurance services

Impact: Public entities respond to the recommendations for improvement from our annual audits

MEASURE	RESULT	COMMENT
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Central government entities' management control environment (MCE), financial information systems and controls (FISC), and service performance information and associated systems and controls (SPIASC) are improved (or at least maintained), measured against the previous two years.	Achieved	MCE, FISC, and SPIASC results for 2009/10 to 2011/12 show that, overall, the 2011/12 grades improved when compared with the previous two years. The 2012/13 year grades will be determined during 2013/14.
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	2009/10	2010/11	2011/12
MCE			
Very good	50%	52%	56%
Good	42%	41%	39%
Needs improvement	7%	7%	5%
Poor	1%	0%	0%
FISC			
Very good	44%	43%	47%
Good	50%	51%	47%
Needs improvement	5%	6%	6%
Poor	1%	0%	0%
SPIASC			
Very good	1%	1%	4%
Good	31%	52%	66%
Needs improvement	58%	47%	30%
Poor	10%	0%	0%

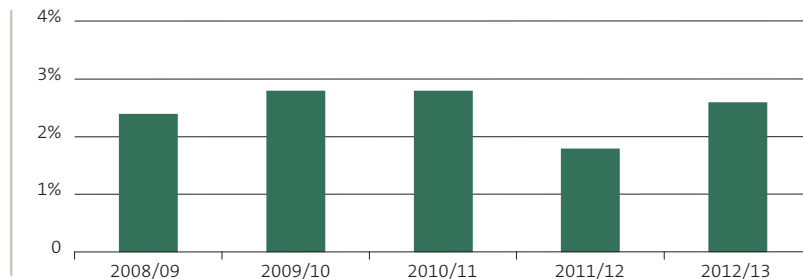
Impact: Public entities prepare annual financial statements on time to a high standard

The percentage of public entities' audited financial reports containing modified audit opinions is reduced (or at least maintained), measured against the previous two years.

Not achieved

The percentage of public entities' audited financial reports containing modified audit opinions has not reduced when compared with the previous two years. The main reason for not achieving this measure during 2012/13 was that we completed more cemetery and administering board audits that had been in arrears than in previous years, and many of the audit reports that we issued for those public entities had modified audit opinions.

Figure 5
Percentage of audited financial reports that contain modified audit opinions, 2008/09 to 2012/13



Impact: Public entities accept management report recommendations and act on them

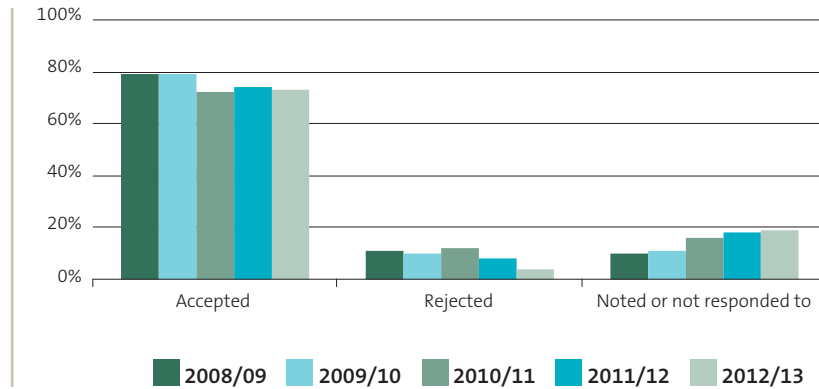
Public entities' acceptance of audit service providers' management report recommendations is improved (or at least maintained), measured against the previous two years.

Almost achieved

Public entities' acceptance of management report recommendations was almost maintained at the same level as the previous two years, and there was a decrease in the percentage of management report recommendations rejected by public entities.

For the year ended 30 June 2013, a sample of 50 entities was assessed against this performance measure.

Figure 6
Percentage of management report recommendations accepted by public entities, 2008/09 to 2012/13



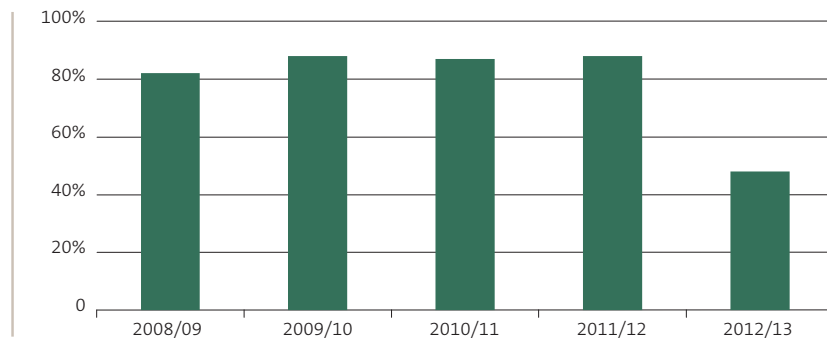
Output: Audit reports are produced within statutory time frames

The percentage of public entities' audited financial reports issued within the statutory time frame is improved (or at least maintained), measured against the previous two years.

Not achieved

The percentage of public entities' audited financial reports issued within the statutory time frame was not maintained. In 2012/13, problems with Novopay had a significant effect on how timely the more than 2400 school audits were completed. School audits make up over more than 60% of the audits we are required to complete each year.

Figure 7
Percentage of audited financial reports issued on time, 2008/09 to 2012/13



Less than 30% of the outstanding audit reports at 30 June are because of inaction on our part.

Achieved

An estimated 7% of the outstanding audit reports at 30 June are because of inaction on our part. This estimate excludes the outstanding audit reports for schools affected by the problems with Novopay. The result reflects our strong focus on audits in arrears during the last three years.

Output: Management reports are produced within set timeframes

All management reports are issued within six weeks of issuing the audit report.	Not achieved	93% of management reports were issued within six weeks of issuing the audit report, about the same percentage as in previous years.
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Output: Audit reports on local authorities' long-term plans are produced within statutory time frames

No outstanding long-term plan (LTP) audit opinions at 30 June of the year in which LTPs are to be adopted by local authorities are because of inaction on our part.	Achieved (in 2011/12)	Audits of long-term plans are carried out every three years. The last audits of long-term plans were carried out in 2011/12, and the next audits will be carried out in 2014/15.
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Output: Objective methods are used to allocate audits and set reasonable audit fees

An annual independent review of our processes confirms the probity and objectivity of the methods and systems we use to allocate and tender audits, and monitor the reasonableness of audit fees.	Achieved	The 2012/13 review confirmed that we achieved this measure. We have consistently achieved confirmation of the probity and objectivity of the methods and systems that we use to allocate and tender audits, and to monitor the reasonableness of audit fees. The report, from Sir David Gascoigne, is available on our website.
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Output: Skilled auditors, with a good understanding of public entities, carry out quality audits

Client satisfaction survey results show that, overall, 85% of respondents are satisfied with the quality of audit work (including the expertise of staff and the quality of the public entity's relationship with their audit service provider).	Achieved	Overall, 87% of respondents were satisfied with the quality of the audit work, which is an improvement on 83% in 2011/12, and maintains a generally positive long-term trend.
Quality assurance reviews for all appointed auditors are completed during a three-year period. Of the auditors reviewed in any given year, 100% achieve a grade of "satisfactory" or better. This measure reports the results of those auditors who were reviewed in 2012/13.	Not achieved	89% of auditors reviewed in 2012/13 achieved a grade of "satisfactory" or better. In 2013/14, another review will be performed of the appointed auditors whose audit quality was not satisfactory. These auditors were from small audit firms performing small audits on behalf of the Auditor-General. We expect that they will improve their audit quality to meet our expectations. For those appointed auditors whose audit quality in 2011/12 was not satisfactory, our 2012/13 review found audit quality had improved and they achieved a satisfactory grade.

Output: We have sufficient resources to do audits effectively

The Officers of Parliament Committee accepts any significant proposals for an appropriation increase in audit fees and expenses. Not applicable in 2012/13 From 2008/09 to 2012/13, no significant proposal was made for an increase in appropriation.

Figure 8
Financial performance of output class: Audit and assurance services

	2012/13 Actual \$000	2012/13 Supplementary Estimates \$000	2011/12 Actual \$000	2010/11 Actual \$000
Income				
Crown	150	150	150	150
Other	70,089	68,687	71,644	65,194
Expenditure	(69,448)	(68,837)	(70,729)	(65,043)
Surplus/(Deficit)	791	-	1,065	301

Output class: Supporting accountability to Parliament

We use information from our annual audits of public entities to advise Parliament and our other stakeholders. Our reporting and advice to Parliament identifies and addresses issues and risks in the public sector. Our Controller function provides independent assurance to Parliament that public money has been spent appropriately and lawfully.

Services to Parliament

Our advice and assistance includes:

- reports and advice to select committees to help their financial reviews of public entities and their examination of the Estimates of Appropriations;
- reports to Ministers on the results of the annual audits; and
- reports to Parliament on more general matters arising from our annual audits.

Controller function

The Controller function provides independent assurance to Parliament that expenditure by government departments and Offices of Parliament is lawful, and is within the scope, amount, and period of the appropriation or other authority.

The OAG and appointed auditors carry out standard procedures for the Controller function in keeping with the Auditor-General's Auditing Standards and a Memorandum of Understanding with the Treasury. We review monthly reports that the Treasury provides. We advise the Treasury of any problems and the action to be taken.

Each year, we report to Parliament on any significant Controller matters.

International contribution

We make a significant contribution to the international auditing community by sharing our knowledge and expertise. The Office hosts international delegations to provide opportunities for information exchange and to build professional networks. In 2012/13, we were pleased to help representatives from Myanmar, Indonesia, and Egypt.

We continued our commitment to improving public sector auditing in the Pacific through our role as Secretary-General of the Pacific Association of Supreme Audit Institutions (PASAI), and through the Auditor-General representing PASAI on the governing board of the International Organisation of Supreme Audit Institutions (INTOSAI). As part of our funding agreement with the Ministry of Foreign Affairs and Trade, we took part in a secondment programme with the Samoa Audit Office aimed at helping to build the capacity of the Samoa Audit Office. The programme provided coaching, mentoring, and training to the Chief Auditor of Samoa and five of his staff from February to May 2013.

Our INTOSAI involvement continued. We chaired two working groups tasked with developing guidance for supreme audit institutions (SAIs). One of these working groups is preparing a new INTOSAI standard on the value and benefits of SAIs, which sets out ways that SAIs can add value through their work.

Our performance in 2012/13

Our results for this output class show that our work continues to play an important part in supporting accountability to Parliament. In 2012/13, strong demand for our advice to select committees continued. We provided advice in support of 87 financial reviews and 47 Estimates of Appropriation examinations (95 and 47 in 2011/12).

We asked five select committee Chairs and six other stakeholders about the quality and usefulness of our work. Our stakeholders say that they value our work and the professional and impartial advice and guidance that we give. Select committee Chairs indicated that they value our staff's knowledge and relationship management skills. Their feedback will enable us to focus on ways to better meet our stakeholders' needs.

This year, select committee Chairs gave us feedback on a scale of 1 to 5 (where 1 is worst and 5 is best):

- three out of five Chairs rated the helpfulness of the Office's advice in Estimates of Appropriation and financial review examinations as 4;
- three out of five Chairs, and all six other stakeholders surveyed, rated the relevance and usefulness of our reports and services as 4 or 5;
- two out of five Chairs, and all six other stakeholders surveyed, rated the provision of valuable information on public sector performance through our reports and services as 4 or 5; and
- four of the six other stakeholders surveyed rated our work to improve the performance of, and build trust in, the public sector as 4 or 5.

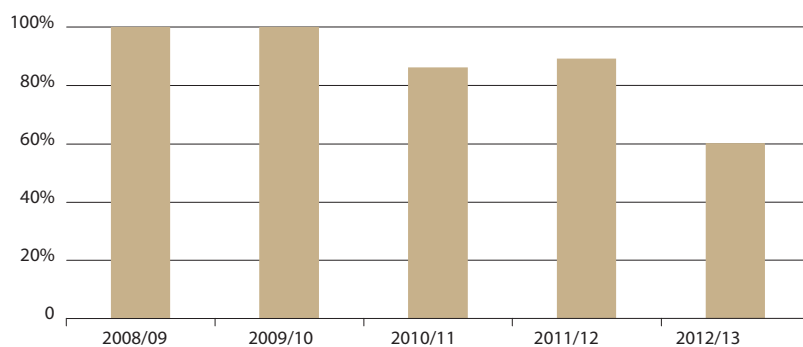
Our stakeholders also told us that they would like us to engage with them more systematically and provide more information about the Office's broader and longer-term plan of work, including our expectations and priorities. Their comments align with improvements in our strategic planning, which has resulted in, for example, our publication of sector-specific reports.



2012/13 results and previous performance for Supporting accountability to Parliament

Impact: Parliament, local government, and other stakeholders are supported and get value from our advice		
MEASURE	RESULT	COMMENT
At least 85% of select committee members we survey confirm that our advice assists them in Estimates of Appropriation and financial review examinations.	Not achieved	<p>From 2008/09 to 2011/12, we achieved this target. This year, 60% (three of the five members surveyed) agreed that our advice assists them in Estimates of Appropriation and financial review examinations.</p> <p>We will give attention to the stakeholders' comments about how we can improve our advice to assist their work.</p>

Figure 9
 Percentage of select committee members who confirmed that our advice assists them in Estimates of Appropriation and financial review examinations, 2008/09 to 2012/13



Output: Quality advice and timely advice is given to Parliamentary select committees, local government, and other stakeholders

At least 85% of other stakeholders we survey rate the advice they receive from us through our reports and services as 4 or better on a scale of 1 to 5 for relevance and usefulness.	Achieved	This measure was reworded in 2012/13 to better reflect the extent of our advisory role. All six stakeholders surveyed agreed that the advice they receive from us through our reports and services is relevant and useful.
At least 85% of select committee members we survey rate the advice they receive from us through our reports and services as 4 or better on a scale of 1 to 5 for relevance and usefulness.	Not achieved	This measure was reworded in 2012/13 to better reflect the extent of our advisory role. 60% (three of the five members surveyed) rated the advice they receive from us through our reports and services as 4 or better (on a scale of 1 to 5) for relevance and usefulness. We will give attention to our stakeholders' comments about how we can improve the advice we provide through our reports and services.
Reports and advice are given to select committees and Ministers at least two days before an examination, unless otherwise agreed.	Achieved	From 2007/08 to 2012/13, all reports and advice were given to select committees and Ministers at least two days before an examination, unless otherwise agreed.
An internal quality assurance review of a sample of financial review, Estimates of Appropriations, 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.	Achieved	A 2012/13 review of our financial review and Estimates examination reports found that these were of high quality. Recommendations about the policies and procedures for preparing reports for financial reviews and Estimates examinations have been adopted and will be put into effect before the 2013/14 financial review and Estimates examination briefings. No review was considered necessary in 2011/12. A review in 2010/11 confirmed that appropriate systems were in place and operated effectively.

Output: Controller function is carried out effectively

Internal quality assurance is carried out to gain assurance that our policies, procedures, and standards for the Controller function have been applied appropriately.	Achieved when last reviewed in 2011/12	A review is carried out at least once every three years. The nature, extent, and frequency of the quality assurance reviews are based on risk. The 2011/12 review confirmed that appropriate systems were in place and operated effectively. Some process improvements were recommended. The next internal quality assurance review will be in 2014/15.
Monthly statements provided by the Treasury are reviewed for the period September to June inclusive. Advice on issues arising and action to be taken is provided to the Treasury and appointed auditors within five working days of receipt of the statement.	Achieved	2008/09 to 2012/13: All monthly procedures were followed and agreed time frames achieved.

Figure 10**Financial performance of output class: Supporting accountability to Parliament**

	2012/13 Actual \$000	2012/13 Supplementary Estimates \$000	2011/12 Actual \$000	2010/11 Actual \$000
Income				
Crown	2,460	2,460	2,760	2,460
Other	156	225	174	-
Expenditure	(2,515)	(2,685)	(3,047)	(2,442)
Surplus/(Deficit)	101	-	(113)	18

Output class: Performance audits and inquiries

The Public Audit Act 2001 allows the Auditor-General to carry out performance audits, to inquire into how a public entity uses resources, and to study other matters affecting the public sector. Our performance audits, inquiries, and other studies allow the Auditor-General to consider and provide advice about matters in greater depth than is possible within the statutory scope of an annual audit.

Performance audits are significant and in-depth examinations of effectiveness and efficiency that the Auditor-General chooses to carry out. We plan our work programme carefully to provide Parliament with assurance about how well public entities manage a range of matters and programmes, making recommendations where we consider that improvements can be made.

By contrast, our **inquiries** work reacts to matters of current public concern. We usually receive 200 to 300 requests for inquiries a year, spanning a wide range of concerns about central and local government entities. Most are dealt with through routine correspondence, but, each year, some require significant work. If there is general public interest in an inquiry, we will usually publicly report the results. The Auditor-General also administers the Local Authorities (Members' Interests) Act 1968, which regulates pecuniary interest matters in the local government sector. Each year, we usually receive 50 to 100 enquiries under that Act.

We also do **other studies** that result in a range of published reports and information on topical issues affecting public sector accountability and performance.

Our performance in 2012/13

Our reports

In 2012/13, we completed a range of reports on matters arising from performance audits, major inquiries, and other studies. These reports are listed in Appendix 2 and are available on our website.

Our published reports encourage ongoing high performance and performance improvement throughout the public sector. They highlight complexities to be managed and factors that underpin good decision-making and success, and make recommendations for improvement, where appropriate. Our work benefits the audited entities and the wider public sector by informing and promoting strong public sector management and performance.

Relevance, usefulness, and value of our reports

We seek the views of a small sample of select committee members and other stakeholders on the relevance, usefulness, and value of our reports. Overall, stakeholders have a favourable opinion of the quality of our work. This year, 82% of those surveyed agreed that our advice is relevant and useful, and 73% agreed that our reports and services provide valuable information on public sector performance. This is slightly less than our target of 85%. We will give attention to the helpful feedback from stakeholders on how we can increase the relevance, usefulness, and value of our reports by focusing on probity and value for money and using different media to get our message across.

Every two years, two of our performance audit reports are independently reviewed. Overall, our reports were rated highly for quality and our 2013 reports achieved similar ratings to previous years' reports. Ratings improved for our focus on effectiveness, efficiency, and economy, while ratings for usefulness to the customer slightly decreased. We are committed to continuing to improve the quality of our reports by responding to the useful feedback we receive through these reviews.

Public entities' progress in acting on our recommendations

In May 2012, we reported on the progress that public entities had made in acting on the recommendations in our performance audit reports. Good progress was made in addressing most recommendations. We will report again in the first half of 2014, including on what improvements have resulted from entities implementing our recommendations.

Progress with completion of our 2012/13 annual plan

During 2012/13, we carried out work on the theme *Our future needs – is the public sector ready?* to see how well the public sector was preparing for the future. Appendix 2 contains a list of our major reports completed in 2012/13, where reports relating to the theme are shown in bold. We will conclude our remaining work on the theme (see Figure 11), and an overview report bringing together observations from all of our work on the theme, by the end of 2013.

Figure 11**Our future needs work started in 2012/13 that will be completed by the end of 2013**

1	New migrant settlement and contribution
2	Regional services planning by District Health Boards
3	Ageing population
4	Commentary on the Treasury's Statement on New Zealand's Long-term Fiscal Position (published in August 2013)
5	Board reporting by Crown Research Institutes and State Owned Enterprises
6	Department of Corrections: Reduction of re-offending
7	Canterbury recovery – the rebuild of Christchurch's horizontal infrastructure
8	Canterbury recovery – the Earthquake Commission's home repair programme

The relevance and usefulness of our 2013/14 work programme

For our 2013/14 work programme, we have adopted a theme of *Service Delivery*, to see how well the public sector is providing services to the public of New Zealand. We consulted the Speaker and select committees about our proposed work programme. Consultation with Parliament helps us to ensure that the work we do will be relevant and useful to Parliament, public entities, and the public. It is an important way to ensure that our work remains relevant and responsive to the needs of our key stakeholders – Parliament and the public.

The Education and Science Committee, Health Committee, Local Government and Environment Committee, Primary Production Committee, and Social Services Committee all provided feedback, and our final work programme published in our Annual Plan for 2013/14 takes account of the comments that they made.

Inquiries

During 2012/13, we received 188 new requests for inquiries and 35 requests about Local Authorities (Members' Interests) Act matters. Although these figures were lower than usual, our inquiries workload was high.

At the start of 2012/13, we had five large inquiries under way. During 2012/13, we completed and published reports on four of these inquiries:

1. aspects of the Accident Compensation Commission's Board-level governance;
2. the Government's decision to negotiate with SkyCity Entertainment Group Limited for an international convention centre;
3. the decision by Hon Shane Jones to grant citizenship to Mr Yang Liu; and
4. how the Far North District Council administered rates and charges due from Mayor Wayne Brown's company, Waahi Paraone Limited.

The fifth of these large inquiries – the Kaipara inquiry – is under way and is discussed below.

Inquiry into Kaipara District Council's management of the Mangawhai community wastewater scheme

In February 2012, the Kaipara District Council (the Council) asked the Auditor-General to carry out a full and independent inquiry into its decision-making and financial and contract management processes for the Mangawhai wastewater scheme. We agreed and released final terms of reference in March 2012.

This inquiry has been unusual in several respects. It is the largest that the Office has carried out for some years and its complexity is exceptional. Our aim is to complete major inquiries within 12 months, but that has not been possible with this inquiry.

Our work on inquiries is usually carried out in private, but in this case we have taken steps to ensure that there is some community involvement. In addition to our normal steps of reviewing files and documents and commissioning expert advice, we addressed a community meeting when we began our work, sought submissions from ratepayers, and spent several days meeting with 93 individuals and groups in Mangawhai to ensure that we understood their concerns.

The inquiry includes reviewing the work of the Council's auditor. Because this audit had been carried out by the Auditor-General's business unit, Audit New Zealand, we arranged for the review to be carried out independently by Neil Cherry, Chair of the New Zealand Auditing and Assurance Standards Board, with support from Des Pearson, a former Auditor-General of Victoria. We intend to release the findings of this review as part of the final inquiry report.

A great deal has happened in Mangawhai and Kaipara while our inquiry has been under way, including further problems being identified with the Council's actions, a rates strike, the appointment of a review team by the Minister of Local Government, the elected members resigning and being replaced by Commissioners, the Council preparing a local Bill asking Parliament to validate its actions in recent years, and the Mangawhai Residents and Ratepayers' Association filing judicial review proceedings challenging the legality of various Council actions in recent years.

There has been constant public and media interest in our progress, which has led us to take the unusual step of providing public updates.

We recognise that the Mangawhai community has had to wait patiently for answers, that the Council cannot make substantial progress until our work is

complete, and that other local authorities are also awaiting our findings with interest. Although we are proceeding as quickly as we can, we are equally concerned to ensure that our findings are accurate and that we follow a fair process.

Progress on other inquiries

During 2012/13, we agreed to carry out three other large inquiries. We completed and published reports on two of these – funding of the United Future Party and Nelson Mayor Aldo Miccio’s business dealings in China – and are working to complete the third – an inquiry into investment decisions by Delta Utility Services Limited, a subsidiary of Dunedin City Council.

We carried out significant work on eight other inquiry requests to assess the issues before releasing media statements summarising what we had found and setting out our conclusion that no further inquiry work was warranted at that stage. These related to:

1. procurement practice at Housing New Zealand Corporation in Christchurch;
2. KiwiRail’s rolling stock purchases;
3. issues relating to the Wharewaka built on Wellington’s waterfront;
4. management, governance, and oversight of Solid Energy Limited;
5. matters relating to the Crown’s offer to purchase properties in the Christchurch “red zone”;
6. problems with the Ministry of Education’s payroll system (Novopay);
7. concerns about governance and financial management at Hamilton City Council; and
8. Auckland Council’s consideration of the V8 Supercar event.

We brought forward a total of 30 inquiry requests and three requests under the Local Authorities’ Members’ Interests Act (LAMIA) from the previous year (including the five large inquiries outlined above), and ended this year carrying forward 21 (and six LAMIA) requests. In terms of workflow, we usually have about 20 inquiry matters open at a time. During the year, we had as many as 47 (and two LAMIA) matters open at the same time.

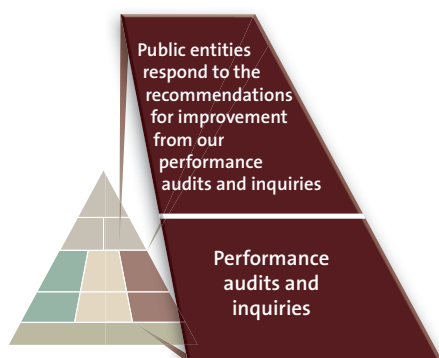
We met our timeliness goals for general inquiries in central and local government. However, work on the major inquiries took a toll on our resources, and meant that we were unable to meet our usual timeliness standard for LAMIA matters. We are considering what changes to make if this demand continues.

The changing context for our work

Increased public and media scrutiny of the public sector is now common. People communicating with us often already have the main documents from the public entity about the issue concerning them. We note a significant gap between public expectations of auditors (the Auditor-General in particular) and our actual statutory role. We will continue to explain our role and its limits, and to address this gap between what the public expect and what we and other accountability agencies are able to deliver.

The Local Authorities (Members' Interests) Act 1968

We responded to requests on 32 matters relating to the LAMIA in 2012/13. In our 2011/12 Annual Report, we said that we had provided a comprehensive submission to the Department of Internal Affairs in response to its discussion paper on options for reform of the LAMIA. We are disappointed that the Department of Internal Affairs has not been able to progress this work as part of the more general reforms of local government. We will continue to administer the LAMIA and investigate breaches under it for so long as the law remains in force, but we continue to have concerns that the rules are no longer fit for purpose.



2012/13 results and previous performance for Performance audits and inquiries

Impact: Public entities respond to the recommendations for improvement from our performance audits and inquiries

MEASURE	RESULT	TREND/COMMENT
Entities accept or respond to the recommendations made in our performance audits.	Achieved when last assessed	<p>Every two years, we review how public entities have responded to a selection of our reports and present the results to Parliament. Our next review is in 2013/14.</p> <p>Our May 2012 report, <i>Public entities' progress in implementing the Auditor-General's recommendations 2012</i>, showed that entities had made good progress in putting into effect most recommendations that we made in six performance audit reports published in 2009 and 2010.</p>
Entities take action in response to concerns identified in inquiry reports, as assessed by follow-up on a sample of sensitive and major inquiries carried out in the previous year.	Achieved when last assessed	<p>In 2012/13, none of the inquiries were suited to this kind of assessment. In 2011/12, we followed up on three major inquiry reports. In two instances, our recommendations provided the basis for major changes. In one instance, our recommendations were accepted in principle. In 2010/11, we followed up on three inquiries. In all instances, the entities accepted our comments and acted to address the concerns.</p>

Output: We carry out quality inquiries and performance audits

We complete 19 to 21 reports on matters arising from performance audits and other studies, and inquiries.	Achieved	We have consistently achieved this measure since 2008/09. This year, we completed 22 reports on matters arising from performance audits, major inquiries, and other studies (see Appendix 2).
Independent reviews of two performance audits confirm the quality of our reports.	Achieved	<p>Overall, review results confirmed the quality of our reports. We will continue to improve the quality of our reports by responding to the feedback we receive through these reviews.</p> <p>Every year since 2009, reviews have confirmed the quality of our reports and suggested aspects to improve.</p>

At least 85% of the select committee members and other stakeholders that we seek feedback from rate the advice they receive from us through our reports and services as 4 or better on a scale of 1 to 5 for relevance and usefulness.	Mostly achieved	This measure was reworded in 2012/13 to better reflect our advisory role. Of those surveyed, 82% agreed that “the advice we receive from the Office of the Auditor-General through its reports and services is relevant and useful”. We will give attention to the stakeholders’ comments about how we can improve our reports.
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Output: Our inquiries are completed in a timely way

80% of our findings on completed inquiries are reported to the relevant parties within three months for routine inquiries, six months for significant inquiries, and 12 months for major inquiries.	Achieved	88% of findings for routine inquiries were reported within three months, and 92% of findings for significant inquiries were reported within six months. We completed four major inquiries in 2013, all within 12 months. This does not include major inquiries not yet completed at 30 June 2013, such as the inquiry into Kaipara District Council’s management of the Mangawhai community wastewater scheme.
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Figure 12
Percentage of findings on routine inquiries and significant inquiries reported to the relevant parties within the target period, 2008/09 to 2012/13

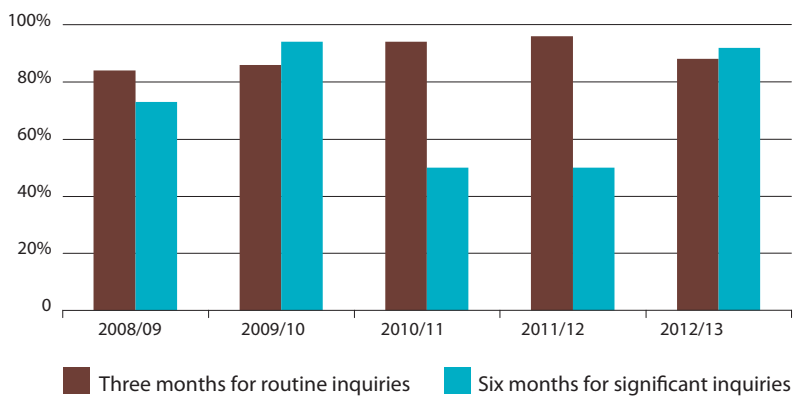
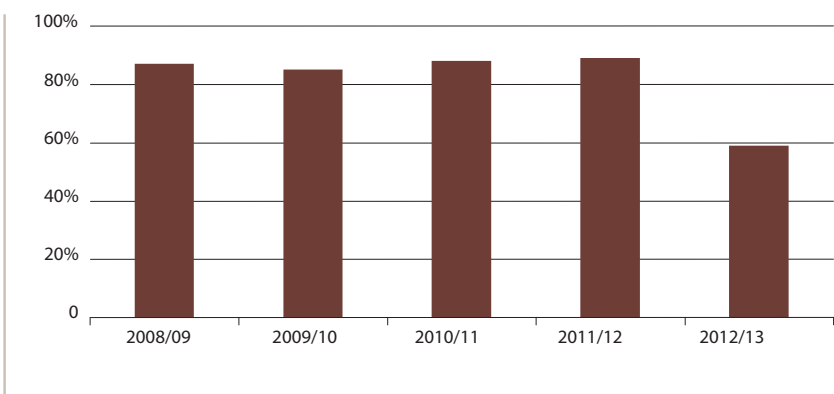


Figure 13
Number of findings on major inquiries reported to the relevant parties within the target period, 2008/09 to 2012/13

Year	Completed major inquiries	Reported within 12 months
2012/13	4	4
2011/12	1	1
2010/11	3	1
2009/10	5	4
2008/09	2	Both reported within 13 months

For enquiries under the Local Authorities (Members' Interests) Act 1968, we complete 90% of enquiries within 30 working days.	Not achieved	59% of enquiries were completed within 30 working days. Pressure from servicing major inquiries this year meant that we did not maintain the timeliness of our LAMIA work.
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Figure 14
 Percentage of enquiries under the Local Authorities (Members' Interests) Act 1968 completed within 30 working days, 2008/09 to 2012/13



Output: We apply good methodology to inquiries and performance audits		
Our performance audit methodology reflects good practice for carrying out such audits, as assessed every second year by the Australian National Audit Office.	Achieved	In 2013, the Australian National Audit Office reviewed two of our performance audits and found that the audits were largely carried out in keeping with OAG processes and practices. The review identified useful opportunities for improvement. We will act on these.
Internal quality assurance reviews on selected performance audit reports confirm that reports are prepared in keeping with the performance audit methodology. The nature, extent, and frequency of the reviews are based on risk. A review is carried out at least once every three years.	Achieved when last reviewed in 2010/11	The last review in 2010/11 confirmed that appropriate systems and controls were in place and that reports were prepared in keeping with the performance audit methodology. Another review will be carried out in 2013/14.
Responses to requests for inquiries and our administering of the Local Authorities (Members' Interests) Act 1968 requests are in keeping with relevant policies, procedures, and standards, as confirmed by internal quality assurance review.	Achieved when last reviewed in 2010/11	No internal quality assurance review was considered necessary in 2012/13. Reviews in 2010/11 were completed for general inquiries and the LAMIA enquiries systems, and confirmed that responses to requests were in keeping with relevant standards. Another review will be carried out in 2013/14.

Output: We deliver an appropriate work programme of inquiries and performance audits

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).

Achieved

We received useful comments from several select committees and other stakeholders, which we considered in finalising our work programme to ensure that our work remains relevant and responsive to the needs of our main stakeholders.

Feedback from 2008/09 to 2011/12 mainly supported our proposals and approach, with useful suggestions for improving the scope of some performance audits.

Figure 15

Financial performance of output class: Performance audits and inquiries

	2012/13 Actual \$000	2012/13 Supplementary Estimates \$000	2011/12 Actual \$000	2010/11 Actual \$000
Income				
Crown	6,587	6,587	6,287	6,587
Other	-	-	-	-
Expenditure	(6,550)	(6,587)	(5,790)	(5,991)
Surplus/(Deficit)	37	-	497	596

Part 3

Organisational health and capability

We place high importance on having a strong foundation of skilled people working together in a well-run organisation.

Our people

We have about 370 employees in two business units – the Office of the Auditor-General (OAG) and Audit New Zealand – supported by a shared corporate services function, and auditors contracted from about 50 private sector accounting firms.

We are committed to an organisational culture where our people are supported and have the capability and opportunity to do their best work. We take joint responsibility with our people for building capability and strengthening their contribution to the Office and to the public sector. The Office seeks to provide our people with a supportive and rewarding place to work.

Equal employment opportunities

We aim to attract and appoint people who have the appropriate skills, values, and attributes to meet the Office's needs and strategic direction. We recruit in a manner that supports the principles and practice of equal employment opportunities that are embedded in our Good Employer Provisions Policy.

Details about staff numbers and staff diversity between 2011 and 2013 are available on our website. We monitor our recruitment and employment decisions and practices. Our managers are made aware of, and given support to fulfil, our good employer obligations, through specific programmes, courses, and one-on-one coaching.

Building our staff capability

We focus on improving every staff member's skills, as identified in our competency frameworks. We continue our focus on our leadership development programmes, and on improving our staff's engagement (as measured by our annual staff engagement survey). Our staff engagement scores across the organisation increased from 3.84 in 2011/12 to 3.92 in 2012/13.

Our audit staff have consistently performed well in the New Zealand Institute of Chartered Accountants accreditation examinations. In 2012/13, we achieved a 100% pass rate, continuing an improving trend since 2009/10.

Information systems

Our work is information intensive, and we rely on information systems to support this work. Our audit teams in the field use specialist auditing software (TeamMate) and remote access tools. In 2012/13, a significant upgrade to the auditing software was successfully completed, improving functionality and helping auditors to increase the audit's effectiveness and efficiency.

We recognise the significance of the information and insights that the Auditor-General, her staff, and Appointed Auditors gather as they work, and we are committed to using this to help improve the public sector's performance. We put the first phase of an Enterprise Content Management system called the Source into effect in 2012/13, to allow the collection, storage, analysis, sharing, reuse, and reporting of information. We are well advanced in preparing the second phase of our new system and expect to put this into effect early in 2013/14.

We also completed a significant upgrade of our end-user desktop environment in 2012/13.

Facilities

This year, we completed our long-term property projects in Wellington and Auckland, and have made good progress on a long-term solution for our Christchurch staff.

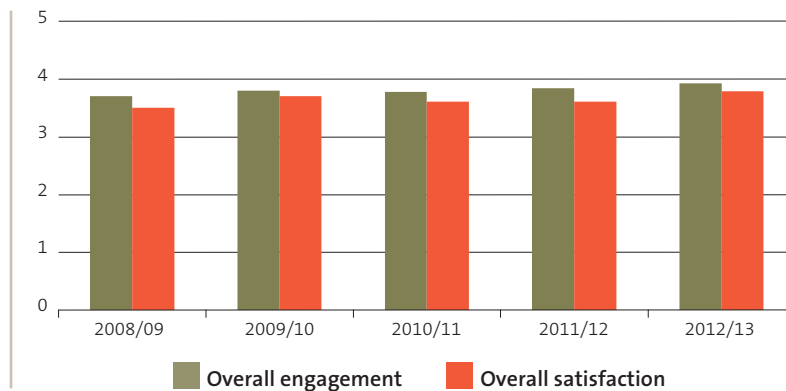
Our Auckland Audit New Zealand staff moved to refurbished premises early in 2012/13. Our Audit New Zealand, OAG, and Corporate Services staff in Wellington now work under one roof at newly refurbished premises at 100 Molesworth Street. In Christchurch, we are planning to relocate to a new building in the outskirts of the central business district towards the end of 2013.



2012/13 results and previous performance for organisational health and capability

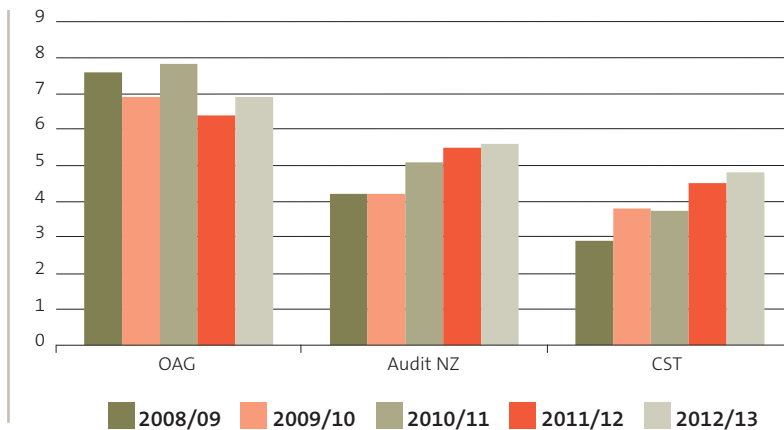
MEASURE	RESULT	COMMENT
Staff are engaged and satisfied		
Improve (or at least maintain) the engagement and satisfaction of our staff measured against the previous two years.	Achieved	<p>The Office’s staff engagement survey is based on responses to statements on a 5-point scale, with “1” being the lowest score and “5” being the highest.</p> <p>Our survey results show increases in both overall engagement (3.92) and satisfaction (3.79) when measured against the previous two years. OAG results for engagement (4.16) and satisfaction (4.03) were particularly encouraging.</p>

Figure 16
Overall staff engagement and satisfaction scores, 2008/09 to 2012/13



Improve (or at least maintain) the average years of experience of our staff measured against the previous two years.	Partly achieved	Achieved for Audit New Zealand (5.6 years) and Corporate Services (4.8 years). Not achieved for the OAG (6.9 years).
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Figure 17
Average number of years staff have been employed by the Office, 2008/09 to 2012/13



Staff turnover	No target set	Overall, we are comfortable with a turnover of up to 20%, but would prefer no more than 15%. This year's turnover was 17.4%, a small reduction on the 19% in 2011/12.
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Audit staff have high levels of expertise

Achieve a pass rate of staff undertaking accreditation examinations of not less than 95%.	Achieved	We achieved a 100% pass rate in 2012/13 and have consistently achieved above 95% since 2009/10.
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Client survey feedback shows that our audit staff's knowledge of entities' business and operating context is improving, and that our auditors are investing in work to understand that context. Our clients give us improved (or at least maintained) ratings (on a scale of 0 to 10) compared with the previous two years for their auditors:	Not achieved	Compared to 2011/12, our clients' ratings improved, but were not as good as in 2010/11: <ul style="list-style-type: none"> Ability to understand the business and risks 7.5 (2011/12 – 7.3, 2010/11 – 7.6); General skills and knowledge 7.4 (2011/12 – 7.2, 2010/11 – 7.5); and Information to improve 6.5 (2011/12 – 6.4, 2010/11 – 6.6).
<ul style="list-style-type: none"> understanding of the client's business and the risks the client faces; general skills and knowledge required to conduct their audit; and provision of information to help clients identify and promote improvement in their operations. 		

Audit staff have high levels of expertise: Auditing performance information

Our quality assurance reviews of our audit and assurance work confirms that auditors are carrying out the requirements of AG-4 (Revised).

AG-4 (Revised) is the Auditor-General's revised auditing standard on auditing non-financial performance information.

Achieved

Quality assurance reviews of our audit and assurance work found auditors are generally meeting the requirements of AG-4 (Revised). The reviews made recommendations about audit procedures in relation to assessing the achievement of outcomes, and these will be addressed in the next audits.

Part 4
Financial statements

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Audit report



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF THE CONTROLLER AND AUDITOR-GENERAL'S FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2013

We have been appointed by the House of Representatives to carry out the audit of the financial statements and non-financial information included in the annual report of the Controller and Auditor-General for the year ended 30 June 2013.

We have audited:

- the financial statements of the Controller and Auditor-General on pages 54 to 81, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2013, the statement of comprehensive income, statement of changes in taxpayers' funds (equity), statement of cash flows, statement of output expenses, other expenses and capital expenditure against appropriations, and statement of unappropriated expenditure for the year end on that date, and the notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of the Controller and Auditor-General that comprises the statement of service performance on pages 16 to 39.

Opinion

In our opinion:

- the financial statements of the Controller and Auditor-General on pages 16 to 39:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the Controller and Auditor-General's:
 - financial position as at 30 June 2013;
 - financial performance and cash flows for the year ended on that date;
 - output expenses, other expenses and capital expenditure against each appropriation administered by the Controller and Auditor-General and each class of outputs included in each output expense appropriation for the year ended 30 June 2013; and
 - unappropriated expenditure for the year ended 30 June 2013
- the non-financial performance information of the Controller and Auditor-General on pages 16 to 39:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Controller and Auditor-General's service performance and outcomes for the year ended 30 June 2013, including for each class of outputs:
 - the service performance compared with the forecasts in the forecast statement of service performance at the start of the financial year; and
 - the revenue earned and output expenses incurred as compared with the forecasts in the forecast statement of service performance at the start of the financial year.

The audit was completed on 30 September 2013. This is the date at which our opinion is expressed.

CST Nexia Audit

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the next solution

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Controller and Auditor-General and our responsibilities, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with International Standards on Auditing (New Zealand), and we applied the Auditor-General's Auditing Standard 4 (Revised) – *The Audit of Service Performance Reports* that is also applied to the audit of non-financial performance information in many other public sector entities in New Zealand. Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the non-financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and non-financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Controller and Auditor-General's preparation of the financial statements and the non-financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Controller and Auditor-General's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Controller and Auditor-General;
- the appropriateness of the reported non-financial performance information within the Controller and Auditor-General's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and the non-financial performance information; and
- the overall presentation of the financial statements and the non-financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the non-financial performance information. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.



Responsibilities of the Controller and Auditor-General

The Controller and Auditor-General is responsible for preparing financial statements and non-financial performance information that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Controller and Auditor-General's financial position, financial performance, cash flows, output expenses, other expenses and capital expenditure against each appropriation and unappropriated expenditure; and
- fairly reflect the Controller and Auditor-General's service performance and outcomes.

The Controller and Auditor-General is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error.

The Controller and Auditor-General's responsibility arises from sections 45A, 45B, and 45F of the Public Finance Act 1989.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 38 of the Public Audit Act 2001 and sections 45D and 45F of the Public Finance Act 1989.

Independence

When carrying out the audit, we followed the independence requirements of the External Reporting Board.

We carry out some audits of public entities on behalf of the Controller and Auditor-General. The amount of work we carry out on behalf of the Controller and Auditor-General is no more than the amount of work we did prior to our appointment as auditor of the Controller and Auditor-General. Other than the audit of the Controller and Auditor-General and the audits we carry out on behalf of the Controller and Auditor-General, we have no relationship with or interests in the Controller and Auditor-General.

CST Nexia Audit
CST Nexia Audit
Chartered Accountants
Manukau City, New Zealand

Statement of responsibility

In terms of the Public Finance Act 1989 and the Public Audit Act 2001, the Controller and Auditor-General is responsible for the accuracy and judgements used in the preparation of the financial statements, and for establishing and maintaining systems of internal control designed to provide ongoing assurance of the integrity and reliability of financial reporting.

Appropriate systems of internal control have been employed to ensure that:

- all transactions are executed in accordance with authority;
- all transactions are correctly processed and accounted for in the financial records; and
- the assets of the Office are properly safeguarded.

In my opinion, the information set out in the statement of service performance, the financial statements, and attached notes to those statements (on pages 16–39 and 54–81) fairly reflects our service performance, financial activities, and cash flows for the year ended 30 June 2013 and our financial position as at that date.

Signed:



Lyn Provost
Controller and Auditor-General
30 September 2013

Countersigned:



Maria Viviers
Chief Financial Officer
30 September 2013

Statement of comprehensive income for the year ended 30 June 2013

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This statement reports the income and expenditure relating to all outputs (goods and services) produced by the Office. Supporting statements showing the income and expenditure of each output class are on pages 24, 29, and 39.

Explanations of major variances against the Main Estimates are detailed in Note 20.

Actual 2011/12 \$000		Notes	Actual 2012/13 \$000	Supp. Estimates 2012/13 \$000	Main Estimates 2012/13 \$000
	Income				
10,045	Crown funding	2	10,080	10,080	10,045
71,433	Audit fee revenue	3	70,041	68,912	69,093
329	Other income		163	-	-
56	Gain on sale of plant and equipment		41	-	-
81,863	Total income		80,325	78,992	79,138
	Expenditure				
37,660	Personnel costs	4	38,075	37,573	36,989
41,546	Operating costs	5	39,920	39,996	40,579
886	Depreciation and amortisation expense	9, 10	1,035	1,057	1,204
322	Capital charge	6	366	366	366
80,414	Total expenditure		79,396	78,992	79,138
-	Other comprehensive income		-	-	-
1,449	Total comprehensive income for the year		929	-	-

The accompanying notes form part of these financial statements.

Statement of changes in taxpayers' funds (equity)

for the year ended 30 June 2013

Actual 2011/12 \$000		Notes	Actual 2012/13 \$000	Supp. Estimates 2012/13 \$000	Main Estimates 2012/13 \$000
4,021	Taxpayers' funds brought forward at 1 July		4,021	4,021	4,021
1,449	Surplus for the year		929	-	-
(1,449)	Repayment of surplus to the Crown	12	(929)	-	-
-	Capital Contribution		2,200	2,200	2,200
4,021	Taxpayers' funds at 30 June		6,221	6,221	6,221

Statement of financial position

as at 30 June 2013

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

Explanations of major variances against the Main Estimates are detailed in Note 20.

Actual 2011/12 \$000		Notes	Actual 2012/13 \$000	Supp. Estimates 2012/13 \$000	Main Estimates 2012/13 \$000
	Current assets				
5,479	Cash and cash equivalents		3,731	4,053	2,394
841	Prepayments		334	400	185
1,207	Work in progress		2,112	1,200	1,800
6,752	Debtors and other receivables	8	5,667	5,650	5,794
14,279	<i>Total current assets</i>		11,844	11,303	10,173
	Non-current assets				
1,593	Plant and equipment	9	4,209	4,765	4,692
659	Intangible assets	10	692	1,108	1,108
2,252	<i>Total non-current assets</i>		4,901	5,873	5,800
16,531	Total assets		16,745	17,176	15,973
	Current liabilities				
5,442	Creditors and other payables	11	4,789	5,331	5,161
1,449	Repayment of surplus	12	929	-	-
209	Provisions	13	-	209	-
4,842	Employee entitlements	14	4,245	4,818	3,994
11,942	<i>Total current liabilities</i>		9,963	10,358	9,155
	Non-current liabilities				
568	Employee entitlements	14	561	597	597
568	<i>Total non-current liabilities</i>		561	597	597
12,510	Total liabilities		10,524	10,955	9,752
4,021	Net assets		6,221	6,221	6,221
	Taxpayers' funds				
4,021	General funds		6,221	6,221	6,221
4,021	Total taxpayers' funds		6,221	6,221	6,221

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2013

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

Actual 2011/12 \$000		Notes	Actual 2012/13 \$000	Supp. Estimates 2012/13 \$000	Main Estimates 2012/13 \$000
	Cash flows from operating activities				
10,045	Receipts from the Crown		10,080	10,080	10,045
42,821	Receipts from public entities*		41,980	40,769	40,376
(12,740)#	Payments to suppliers *		(12,089)	(10,908)	(11,676)
(36,616)	Payments to employees		(38,571)	(37,479)	(36,878)
(102)#	Net GST paid **		113	102	102
(322)	Capital charge paid		(366)	(366)	(366)
3,086	<i>Net cash flow from operating activities</i>	15	1,147	2,198	1,603
	Cash flows from investing activities				
172	Receipts from sale of plant and equipment		152	43	43
(948)	Purchase of plant and equipment		(3,426)	(3,921)	(4,144)
(198)	Purchase of intangible assets		(372)	(498)	(250)
(974)	<i>Net cash flow from (used in) investing activities</i>		(3,646)	(4,376)	(4,351)
	Cash flows from financing activities				
(916)	Surplus repayment to the Crown		(1,449)	(1,450)	(864)
-	Capital contribution		2,200	2,200	2,200
(916)	<i>Net cash flow from (used in) financing activities</i>		751	750	1,336
1,196	Total net increase (decrease) in cash held		(1,748)	(1,428)	(1,412)
4,283	Cash at the beginning of the year		5,479	5,481	3,806
5,479	Cash at the end of the year		3,731	4,053	2,394

* The statement of cash flows does not include the contracted audit service provider audit fee revenue or expenditure, as these do not involve any cash transactions with the Office.

** The GST component of operating activities reflects the net GST paid to and received from the Inland Revenue Department. GST has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The comparative figures for Payments to Suppliers and Net GST paid have been amended to reflect the basis adopted for the current year. For 2011/12, Payments to Suppliers has been restated from \$6,991 to \$12,740 and Net GST paid has been restated from \$5,851 to \$102.

The accompanying notes form part of these financial statements.

Statement of commitments

as at 30 June 2013

This statement records expenditure to which the Office is contractually committed at 30 June 2013.

Non-cancellable operating lease commitments

The Office leases property, plant, and equipment in the normal course of its business. The majority of these leases are for premises, which have a non-cancellable leasing period ranging from three to nine years.

The Office's non-cancellable operating leases have varying terms, escalation clauses, and renewal rights. There are no restrictions placed on the Office by any of its leasing arrangements.

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted or authorised for the acquisition of property, plant, and equipment that have not been paid for or not recognised as a liability at balance date.

Actual 2011/12 \$000		Actual 2012/13 \$000
	Non-cancellable operating lease commitments	
1,785	Not later than one year	2,485
7,180	Later than one year and not later than five years	9,111
6,614	Later than five years	6,756
15,579	Total non-cancellable operating lease commitments	18,352
	Capital commitments	
2,165	Contractual	-
2,165	Total capital commitments	-
17,744	Total commitments	18,352

Statement of contingent liabilities and contingent assets

as at 30 June 2013

This statement discloses situations that existed at 30 June 2013, the ultimate outcome of which is uncertain and will be confirmed only on the occurrence of one or more future events after the date of approval of the financial statements.

Contingent liabilities

The Office did not have any contingent liabilities as at 30 June 2013 (nil as at 30 June 2012).

Contingent assets

There were no contingent assets as at 30 June 2013 (nil as at 30 June 2012).

Statement of output expenses, other expenses, and capital expenditure against appropriations

for the year ended 30 June 2013

This statement reports actual expenses incurred against each appropriation administered by the Office.

Actual 2011/12 \$000	Vote Audit	Actual 2012/13 \$000	Supp. Estimates 2012/13 \$000
	Appropriations for output expenses		
	<i>Multi-class output appropriations</i>		
	Legislative auditor		
3,047	Supporting accountability to Parliament	2,515	2,685
5,790	Performance audits and inquiries	6,550	6,587
8,837	Total legislative auditor	9,065	9,272
	<i>Annual and other appropriations</i>		
150	Audit and assurance services	150	150
70,579	Provision of audit and assurance services (revenue-dependent appropriation) ¹	69,298	68,687
79,566	Total appropriations for output expenses	78,513	78,109
	Other expenses to be incurred by the Office		
848	Remuneration of the Auditor-General and Deputy Auditor-General ²	883	883
1,153	Capital expenditure	3,823	4,419
81,567	Total	83,219	83,411

1 Revenue-dependent appropriation – Provision of audit and assurance services. In 2012/13, the Office earned \$70.041 million from audit and assurance services – refer Note 3. The Office is permitted to incur expenditure up to the amount of revenue earned for this appropriation.

2 Costs incurred pursuant to clause 5 of Schedule 3 of the Public Audit Act 2001.

Statement of unappropriated expenditure

for the year ended 30 June 2013

The Office incurred no unappropriated expenditure during the year ended 30 June 2013 (nil for the year ended 30 June 2012).

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2013

Note 1: 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, is an Office of Parliament for the purposes of the Public Finance Act 1989, and is domiciled in New Zealand.

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 IFRS).

The financial statements of the Office are for the year ended 30 June 2013. The financial statements were authorised for issue by the Controller and Auditor-General on 30 September 2013.

Basis of preparation

The financial statements of the Controller and Auditor-General have been prepared in accordance with sections 45A, 45B, and 45F of the Public Finance Act 1989, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP), and Treasury Instructions.

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS and other applicable Financial Reporting Standards, as appropriate for a public benefit entity.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Office is New Zealand dollars.

There have been no changes in accounting policies during the financial year.

Standards, amendments, and interpretations issued that are not yet effective and have not been adopted early

The only standard issued that is not yet effective and has not been adopted early is NZ IFRS 9: *Financial Instruments*. NZ IFRS 9 will not become effective because a new Accounting Standards Framework will apply before the date of mandatory adoption of NZ IFRS 9.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Office is classified as a Tier 1 reporting entity and will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards have been developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. This means the Office will transition to the new standards in preparing its 30 June 2015 financial statements. The Office has not formally assessed the implications of the new Accounting Standards Framework at this time. However, little change is expected on transition.

Accounting policies

Income

Income is measured at the fair value of the consideration received or receivable. Income is derived mainly from the Crown for outputs provided to Parliament, from fees for the audit of public entities' financial statements, and from fees for other assurance work carried out by the Office at the request of public entities.

Crown funding

Crown funding is recognised during the period to which it relates.

Fee revenue generated by the Office for audits and other assurance work

Fee revenue is recognised when earned, by reference to the stage of completion of audit and other assurance work, if the outcome can be estimated reliably. Revenue accrues as the audit activity progresses by reference to the value of work performed, and as direct expenses that can be recovered are incurred. If the outcome of an audit cannot be estimated reliably, revenue is recognised only to the extent of the direct costs incurred in respect of the work performed. If there are significant uncertainties regarding recovery, or if recovery is contingent on events outside our control, no revenue is recognised.

Fee revenue generated by contracted audit service providers for audits

Fee revenue generated by contracted audit service providers (other than Audit New Zealand) for audits of public entities 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.

Expenditure*Expenses of audit service providers*

Fees for audits of public entities carried out by 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.

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 (including those for which forward foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Capital Charge

The capital charge is recognised as an expense in the period to which the charge relates.

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 surplus or deficit.

Cash and cash equivalents

Cash includes cash on hand and funds on deposit with banks and is measured at its face value.

Work in progress

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

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 losses.

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, receivership, or liquidation, 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 surplus or deficit.

Property, plant, and equipment

Property, plant, and equipment include furniture and fittings, leasehold improvements, office equipment, information technology hardware, and motor vehicles. The property, plant, and equipment total 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 property, 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 property, 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 surplus or deficit.

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.

The costs of day to day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment, at rates that will write off the cost less estimated residual values of the property, plant, and equipment 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 - 5 years (20% - 40%)
- IT hardware 2.5 - 5 years (20% - 40%)
- Motor vehicles 3-4 years (25% - 33%).

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

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 surplus or deficit.

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

Property, 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.

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 Office 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 surplus or deficit. Any reversal of an impairment loss is also recognised in the surplus or deficit.

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 amounts billed are in excess of the amounts recognised as revenue.

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 future absences are expected to be greater than the sick leave entitlements earned in the future. The amount is calculated based on the unused sick leave entitlements that can be carried forward at balance date, to the extent that the Office anticipates those unused entitlements 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.

Presentation of employee entitlements

Sick leave, annual leave, time off in lieu of overtime worked, and vested long service leave are classified as a current liability. Non-vested long service leave and retiring/resigning leave expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

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 surplus or deficit as incurred.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Taxpayers' funds

Taxpayers' funds – the Crown's investment in the Office – are 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.

Main Estimates and Supplementary Estimates

The Main Estimates figures are those included in the Office's annual plan for the year ended 30 June 2013. In addition, the financial statements also present updated figures from the Supplementary Estimates. The Main Estimates and Supplementary Estimates figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

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 those costs that cannot be identified in an economically feasible manner with a specific output. These costs include: corporate services 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, 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.

Audit fee revenue and work in progress

Assessing the value of audit fee revenue and associated work in progress or income in advance for engagements open at balance date is the most significant area where such judgements, estimations, and assumptions are made. This involves estimating the stage of completion of each engagement based on the value of work completed at balance date and the expected work to complete the engagement. A different assessment of the outcome on an engagement may result in a different value being determined for revenue and also a different carrying value being determined for work in progress.

Depreciation and amortisation

Determining the amortisation rates for intangible assets and depreciation rates for physical assets requires judgement as to the likely period of use of the assets. Different assessments of useful lives would result in different values being determined for depreciation or amortisation costs, accumulated depreciation or amortisation, and net book values.

Retirement and long service leave

An analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities is disclosed in Note 14.

Note 2: Crown funding

The Crown provides revenue to meet the costs of the Office in assisting Parliament in its role of ensuring accountability for public resources. The services provided to Parliament include reports to Parliament and other constituencies, reports and advice to select committees, responding to taxpayer and ratepayer enquiries, advice to government bodies, professional bodies, and other agencies, and administering the provisions of the Local Authorities (Members' Interests) Act 1968.

Note 3: Audit fee revenue

Actual 2011/12 \$000		Actual 2012/13 \$000
41,952	Fee revenue generated by the Office for audit and assurance services	41,267
29,481	Fee revenue generated by other contracted audit service providers for audits of public entities*	28,774
71,433	Total audit fee revenue and other income	70,041

* Revenue generated by contracted audit service providers (other than Audit New Zealand) does not involve any cash transactions with the Office.

Note 4: Personnel costs

Actual 2011/12 \$000		Actual 2012/13 \$000
35,468	Salaries and wages	37,209
299	Other employee-related costs	277
1,040	Employer contributions to defined contribution plans	1,193
853	Increase/(decrease) in employee entitlements	(604)
37,660	Total personnel costs	38,075

Employer contributions to defined contribution plans include contributions to the Auditor-General's retirement savings plan, KiwiSaver, and the Government Superannuation Fund.

Note 5: Other operating costs

Actual 2011/12 \$000		Actual 2012/13 \$000
(14)	(Decrease)/Increase in provision for impairment of receivables	5
88	Fees to CST Nexia for the audit of the Office's financial statements	93
30	Fees to CST Nexia for other assurance services provided to the Office	10
1,988	Operating lease payments	2,030
123	Fees for audits of public entities carried out by CST Nexia*	119
29,358	Fees for audits of public entities carried out by other contracted audit service providers*	28,655
6	Net loss on disposal	3
9,967	Other expenses	9,005
41,546	Total operating costs	39,920

* Expenditure relating to audits carried out by contracted audit service providers does not involve any cash transactions with the Office.

Note 6: Capital charge

The Office pays a capital charge to the Crown on its taxpayers' funds as at 31 May and 30 November each year. The capital charge rate is determined by the Treasury, and for the year ended 30 June 2013 was 8% (2012 – 8%).

Note 7: Overdraft facility

The Office has the use of an overdraft facility to manage its seasonal cash flows during the second half of the financial year. The overdraft limit is \$500,000, and interest is charged on the daily balance at Westpac Banking Corporation's Prime Lending Rate.

During this financial year, no funds were drawn down under the facility (and none were drawn down in 2011/12).

Note 8: Debtors and other receivables

Actual 2011/12 \$000		Actual 2012/13 \$000
6,782	Debtors	5,742
(178)	Less provision for impairment of receivables	(85)
6,604	Net debtors	5,657
148	Other receivables	10
6,752	Total receivables	5,667

The carrying value of debtors and other receivables approximates their fair value.

As at 30 June 2012 and 2013, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	2011/12			2012/13		
	Gross \$000	Impair- ment \$000	Net \$000	Gross \$000	Impair- ment \$000	Net \$000
Not past due	5,537	-	5,537	4,702	-	4,702
Past due 1-30 days	733	-	733	534	-	534
Past due 31-60 days	162	-	162	225	-	225
Past due 61-90 days	0	-	0	97	-	97
Past due >90 days	350	(178)	172	184	(85)	99
Carrying amount	6,782	(178)	6,604	5,742	(85)	5,657

The impairment provision has been calculated based on expected losses for the Office's pool of debtors. Expected losses have been determined based on an analysis of the Office's losses in previous periods and review of specific debtors.

Movements in the provision for impairment of receivables are as follows:

Actual 2011/12 \$000		Actual 2012/13 \$000
192	Balance at 1 July	178
(14)	Additional provisions made during the year	5
0	Receivables written off during the period	(98)
178	Balance at 30 June	85

Note 9: Plant and equipment

	Furniture and fittings \$000	Office equipment \$000	Leasehold improvements \$000	IT hardware \$000	Motor vehicles \$000	Total \$000
Cost						
Balance at 1 July 2011	2,167	272	-	2,365	1,336	6,140
Additions	2	1	282	303	367	955
Reclassify assets	-	500	-	(500)	-	-
Disposals	(65)	(31)	-	(467)	(442)	(1,005)
Balance at 30 June 2012	2,104	742	282	1,701	1,261	6,090
Additions	74	173	2,330	485	365	3,427
Disposals	(110)	(415)	-	(91)	(334)	(950)
Balance at 30 June 2013	2,068	500	2,612	2,095	1,292	8,567
Accumulated depreciation and impairment losses						
Balance at 1 July 2011	2,112	216	-	1,954	554	4,836
Depreciation expense	39	25	-	257	223	544
Reclassify assets	-	500	-	(500)	-	-
Elimination on disposal	(62)	(31)	-	(467)	(323)	(883)
Balance at 30 June 2012	2,089	710	-	1,244	454	4,497
Depreciation expense	21	56	79	295	242	693
Elimination on disposal	(110)	(413)	-	(91)	(218)	(832)
Balance at 30 June 2013	2,000	353	79	1,448	478	4,358
Carrying amounts						
Balance at 1 July 2011	55	56	-	411	782	1,304
Balance at 30 June 2012	15	32	282	457	807	1,593
At 30 June 2013	68	147	2,533	647	814	4,209

* In 2011/12, the Office reviewed its asset classification and, as a result, has transferred a number of assets from computer hardware to office equipment in order to more fairly reflect the nature of those assets.

Capital – Work in progress

The total amount of leasehold improvements in the course of construction is \$nil (2012 – \$282,433)

Note 10: Intangible assets

	Acquired software \$000	Internally generated software \$000	Total \$000
Cost			
Balance at 1 July 2011	3,210	120	3,330
Additions	198	-	198
Disposals	(237)	-	(237)
Balance at 30 June 2012	3,171	120	3,291
Additions	396	-	396
Disposals	(22)	-	(22)
Balance at 30 June 2013	3,545	120	3,665
Accumulated amortisation and impairment losses			
Balance at 1 July 2011	2,456	64	2,520
Amortisation expense	318	24	342
Disposals	(230)	-	(230)
Balance at 30 June 2012	2,544	88	2,632
Amortisation expense	318	24	342
Disposals	(1)	-	(1)
Balance at 30 June 2013	2,861	112	2,973
Carrying amounts			
At 1 July 2011	754	56	810
At 30 June 2012	627	32	659
At 30 June 2013	684	8	692

There are no restrictions over the title of the Office's intangible assets. No intangible assets are pledged as security for liabilities.

Note 11: Creditors and other payables

Actual 2011/12 \$000		Actual 2012/13 \$000
1,386	Creditors	1,416
2,751	Income in advance	2,016
672	Accrued expenses	837
633	GST payable	520
5,442	Total creditors and other payables	4,789

Creditors and other payables are non-interest-bearing, and are normally settled on 30-day terms. The carrying value of creditors and other payables therefore approximates their fair value.

Note 12: Surplus payment due to the Crown

The Office is not permitted to retain operating surpluses under the Public Finance Act 1989. Thus, the surplus for the year of \$929,186 is repayable to the Crown, and is due to be paid by 31 October 2013.

Actual 2011/12 \$000		Actual 2012/13 \$000
1,449	Surplus current year	929
916	Surplus brought forward	1,449
(916)	Payment to the Crown	(1,449)
1,449	Total provision for payment to the Crown	929

Note 13: Provisions

Actual 2012 \$000		Actual 2013 \$000
59	Onerous contracts	-
150	Lease make good	-
209	Total provisions	-

	Onerous contracts \$000	Lease make good \$000	Total \$000
Balance at 1 July 2011	-	-	-
Additional provisions made	59	150	209
Amounts used	-	-	-
Balance at 30 June 2012	59	150	209
Balance at 1 July 2012	59	150	209
Additional provisions made	-	-	-
Amounts used	(59)	(138)	(197)
Unused amounts reversed	-	(12)	(12)
Balance at 30 June 2013	-	-	-

Onerous contracts

The provision for onerous contracts arose from a non-cancellable lease where the unavoidable cost of meeting our remaining obligations under the lease contract exceeded the economic benefits to be received from it. The Office vacated its Audit New Zealand Wellington premises at the beginning of May 2013, when the OAG and Audit New Zealand Wellington offices moved into one location. The Audit New Zealand Wellington office lease expired on 30 June 2013.

Lease make good

In respect of one of its leased premises, the Office was required at the expiry of the lease term to make good any alterations or damage to the premises.

Note 14: Employee entitlements

Actual 2011/12 \$000		Actual 2012/13 \$000
	Current employee entitlements comprise:	
2,073	Salary and other accruals	1,428
2,262	Annual leave	2,427
99	Long service leave	104
152	Time off in lieu of overtime worked	103
150	Retiring leave	81
106	Sick leave	102
4,842	Total current portion	4,245
	Non-current employee entitlements comprise:	
-	Long service leave	-
568	Retiring leave	561
568	Total non-current portion	561
5,410	Total employee entitlements	4,806

The measurement of the retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

The discount rate is based on NZ Government bond data at 30 June 2013. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary.

If the discount rate were to differ by 1% from the Office's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$35,145 higher/lower.

If the salary inflation factor were to differ by 1% from the Office's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$50,587 higher/lower.

Note 15: Reconciliation of surplus to net cash flow from operating activities

This reconciliation discloses the non-cash adjustments applied to the surplus reported in the statement of comprehensive income on page 54, to arrive at the net cash flow from operating activities disclosed in the statement of cash flows on page 57.

Actual 2011/12 \$000		Actual 2012/13 \$000
1,449	Surplus	929
	Non-cash items	
886	Depreciation and amortisation	1,035
886	<i>Total non-cash items</i>	1,035
	Working capital movements	
(586)	(Increase)/decrease in prepayments	507
(749)	(Increase)/decrease in receivables	1,085
679	(Increase)/decrease in work in progress	(905)
395	(Decrease)/increase in payables	(653)
209	(Decrease)/increase in provisions	(209)
871	(Decrease)/increase in employee entitlements	(597)
819	<i>Total net working capital movements</i>	(772)
	Investing activity items	
(50)	Loss/(profit) on sale of plant and equipment	(38)
-	Loss/(profit) on sale of intangible assets	-
(50)	<i>Total net investing activity items</i>	(38)
	Other items	
(18)	Increase/(decrease) in non-current employee entitlements	(7)
(18)	<i>Total other items</i>	(7)
3,086	Net cash flow from operating activities	1,147

Note 16: Related party transactions

All related party transactions have been entered into on an arm's-length basis.

The Office is a wholly owned entity of the Crown. The Government is a major source of revenue for the Office.

Significant transactions with government-related entities

The Office has received funding from the Crown of \$10.080 million (2012 \$10,045 million) to provide performance audits, inquiries, advice to Parliament, and audits of small entities for the year ended 30 June 2013.

Collectively, but not individually significant transactions with government-related entities

In conducting its activities, the Office is required to pay various taxes and levies (such as GST, FBT, PAYE, and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Office is exempt from paying income tax.

The Office also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2013 totalled \$1.506 million (2012 \$1.981 million). These purchases included air travel from Air New Zealand, capital charge from The Treasury, and postal services from New Zealand Post. The balances outstanding at balance date amount to \$34,582. Normally, 30-day credit terms apply to these amounts.

During the year, there were transactions between the Office and close family members of key management personnel, as follows:

- Some close family members of key management personnel were employed by the Office. The terms and conditions of their appointment were no more favourable than the Office would have adopted if there were no relationship to key management personnel.
- Close family members of a member of key management personnel were directors in a company that provided services to the Office under a contract that was entered into before the appointment of the member. The cost of the services purchased was \$16,100 (2012 – \$4,370) and there was nil outstanding at balance date (2012 – nil).

Key management personnel compensation

Actual 2011/12 \$000		Actual 2012/13 \$000
3,348	Salaries and other short-term employee benefits	3,381
-	Post-employment benefits	-
-	Other long-term benefits	-
-	Termination benefits	-
3,348		3,381

Key management personnel include the Auditor-General, the Deputy Auditor-General, and the ten members of the OAG and Audit New Zealand Leadership Teams.

Note 17: Financial instrument risks

The Office's financial instruments are limited to cash and cash equivalents, debtors and other receivables, and creditors and other payables. These activities expose the Office to low levels of financial instrument risks, including market risk, credit risk, and liquidity risk.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Office incurs a small portion of operating expenditure in foreign currency, and risk is minimised through prompt settlement. Recognised liabilities that are payable in a foreign currency were nil at balance date (2012 – nil).

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The Office has no interest-bearing financial instruments and, accordingly, has no exposure to interest rate risk.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Office, causing the Office to incur a loss.

In the normal course of the Office's business, credit risk arises from debtors and other receivables and deposits with banks.

The Office is permitted to deposit funds only with Westpac, a registered bank with high credit ratings. For its other financial instruments, the Office does not have significant concentrations of credit risk.

The Office's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, and net debtors and other receivables (see Note 8).

There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity risk

Liquidity risk is the risk that the Office will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the Office closely monitors its forecast cash requirements with expected debtor receipts and cash drawdowns from the New Zealand Debt Management Office. The Office maintains a target level of available cash to meet liquidity requirements.

The Office's financial liabilities are outlined in Note 11: Creditors and other payables. These are all due to be settled on 30-day terms.

Note 18: Categories of financial instruments

The carrying amounts of financial instruments in each of the NZ IAS 39 categories are as follows:

Actual 2011/12 \$000		Actual 2012/13 \$000
	Loans and receivables	
5,479	Cash and cash equivalents	3,731
6,752	Debtors and other receivables (Note 8)	5,667
12,231	Total loans and receivables	9,398
	Financial liabilities measured at amortised cost	
5,442	Creditors and other payables (Note 11)	4,789
5,442	Total financial liabilities measured at amortised cost	4,789

Note 19: Management of taxpayers' funds (equity)

The Office's taxpayers' funds (equity) comprise general funds and is represented by net assets.

The Office manages its revenues, expenses, assets, liabilities, and general financial dealings prudently to achieve the goals and objectives for which it has been established. The Office's equity is largely managed as a by-product of managing income, expenses, assets, liabilities, and compliance with the Government Budget processes and Treasury Instructions.

Note 20: Explanation of major variances against budget

Explanations for major variances from the Office's forecast figures in our *Annual Plan 2012/13* are as follows:

Statement of comprehensive income

Audit fee revenue was higher than forecast due to additional audit work completed.

Personnel costs were higher than forecast, mainly due to additional costs of employing contract staff to resource audit work.

Operating costs were lower than forecast, as professional services and professional development costs were lower than originally budgeted.

Depreciation and amortisation expense was lower than forecast, mainly because capital expenditure was incurred later than expected.

Statement of financial position

Current assets were higher than forecast, which was mainly due to a higher cash balance arising from the operating surplus for the year. Work in progress was higher than forecast due to the timing of audit fee invoicing.

Non-current assets were lower than forecast, as the actual costs of the Office's Wellington fitout and the new document management system were lower than originally forecast.

Current liabilities were higher than forecast, which was mainly attributable to the provision for repayment of surplus to the Crown.

Note 21: Office accommodation statistics

The following statistics are provided in keeping with Government directives about the management of departmental accommodation given to chief executives in 1991.

Actual 2011/12		Actual 2012/13
6207m ²	Area	6412m ²
374	Number of staff (FTE)	372
17m ²	Space allocation per person	17m ²
\$1,961,746	Total costs of leased office accommodation	\$2,005,377
\$5,241	Rent costs per person	\$5,388
\$255	Utility costs per person	\$281
-	Vacant accommodation	-

Appendix 1

Entities audited under section 19 of the Public Audit Act 2001

Section 37(2)(c) of the Public Audit Act 2001 requires us to include in the annual report a list of entities audited by the Auditor-General under an arrangement in accordance with section 19 of the Act.

At 30 June 2013, arrangements had been entered into for audits of the following entities:

- Unipol Recreation Limited
- Māori Education Trust
- Literacy Aotearoa
- Tokelau International Trust Fund
- NZ Sports Foundation Charitable Trust
- Greytown District Trust Lands Trust
- T-Lab Limited
- AUT/Millennium Ownership Trust
- New Zealand Antarctic Research Institute: Andrill Joint Venture.

Appendix 2

Major reports completed in 2012/13

Bold items were part of work on our 2012/13 theme *Our future needs – is the public sector ready?*

Reports funded from Output Class: Performance audits and inquiries
Performance audits
<i>Effectiveness of arrangements to check the standard of rest home services: Follow-up report</i> (published 18/9/12)
<i>Response of the New Zealand Police to the Commission of Inquiry into Police Conduct: Third monitoring report</i> (published 18/10/12)
<i>Department of Conservation: Prioritising and partnering to manage biodiversity</i> (published 11/12/12)
<i>New Zealand Defence Force: The civilianisation project</i> (published 30/1/13)
<i>New Zealand Police: Enforcing drink-driving laws</i> (published 13/2/13)
<i>Ministry for Primary Industries: Preparing for and responding to biosecurity incursions</i> (published 28/2/13)
<i>Education for Māori: Implementing Ka Hikitia – Managing for Success</i> (published 30/5/13)
Inquiries
<i>How the Far North District Council has administered rates and charges due from Mayor Wayne Brown's company, Waahi Paraone Limited</i> (published 13/8/12)
<i>Inquiry into aspects of ACC's Board-level governance</i> (published 23/8/12)
<i>Inquiry into the Government's decision to negotiate with SkyCity Entertainment Group Limited for an international convention centre</i> (published 19/2/13)
<i>Inquiry into decision by Hon Shane Jones to grant citizenship to Mr Yang Liu</i> (published 12/3/13)
<i>Inquiry into Mayor Aldo Miccio's management of his role as mayor and his private business interests</i> (published 26/6/13)
Other reports and studies
<i>Education for Māori: Context for our proposed audit work until 2017</i> (published 14/8/12)
<i>Roles, responsibilities, and funding of public entities after the Canterbury earthquakes</i> (published 16/10/12)
<i>Auckland Council: Transition and emerging challenges</i> (published 11/12/12)
<i>Effectiveness and efficiency: Stories from the public sector</i> (published 19/12/12)
<i>Public sector financial sustainability</i> (published 6/6/13)
<i>Evolving approach to combating child obesity</i> (published 7/6/13)
<i>Commentary and Report on Ministry of Defence and New Zealand Defence Force: Major Projects Report 2012</i> (dated 4/12/12, published by Ministry of Defence 20/6/13)
<i>Insuring public assets</i> (published 25/6/13)
<i>Managing public assets</i> (published 26/6/13)
<i>Learning from public entities' use of social media</i> (published 27/6/13)

Reports funded from Output Class: Audit and assurance services

Education sector: Results of the 2011 audits (published 5/12/12)

Matters arising from the 2012-22 local authority long-term plans (published 6/12/12)

Crown Research Institutes: Results of the 2011/12 audits (published 14/3/13)

Local government: Results of the 2011/12 audits (published 27/3/13)

Transport sector: Results of the 2011/12 audits (published 27/3/13)

Health sector: Results of the 2011/12 audits (published 16/4/13)

Central government: Results of the 2011/12 audits (published 18/4/13)

Publications by the Auditor-General

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

- Using development contributions and financial contributions to fund local authorities' growth-related assets
- Commentary on *Affording Our Future: Statement on New Zealand's Long-term Fiscal Position*
- Annual Plan 2013/14
- Learning from public entities' use of social media
- Inquiry into Mayor Aldo Miccio's management of his role as mayor and his private business interests
- Managing public assets
- Insuring public assets
- Evolving approach to combating child obesity
- Public sector financial sustainability
- Education for Māori: Implementing *Ka Hikitia – Managing for Success*
- Statement of Intent 2013–2016
- Central government: Results of the 2011/12 audits
- Health sector: Results of the 2011/12 audits
- Transport sector: Results of the 2011/12 audits
- Local government: Results of the 2011/12 audits
- Crown Research Institutes: Results of the 2011/12 audits
- Inquiry into decision by Hon Shane Jones to grant citizenship to Mr Yang Liu
- Ministry for Primary Industries: Preparing for and responding to biosecurity incursions

Website

All these reports, and many of our earlier reports, are available in HTML and PDF format on our website – www.oag.govt.nz. Most of them can also be obtained in hard copy on request – reports@oag.govt.nz.

Notification of new reports

We offer facilities on our website for people to be notified when new reports and public statements are added to the website. The home page has links to our RSS feed, Twitter account, Facebook page, and email subscribers service.

Sustainable publishing

The Office of the Auditor-General has a policy of sustainable publishing practices. This report is printed on environmentally responsible paper stocks manufactured under the environmental management system standard AS/NZS ISO 14001:2004 using Elemental Chlorine Free (ECF) pulp sourced from sustainable well-managed forests. Processes for manufacture include use of vegetable-based inks and water-based sealants, with disposal and/or recycling of waste materials according to best business practices.

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