



The Controller and Auditor-General Summary Annual Report 2001-02

I take great pleasure in presenting this first Summary Annual Report for the year ended 30 June 2002. I also acknowledge David Macdonald's contribution to the year's results before his retirement on 3 May and his leadership of the Office over the last seven years.

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

K B Brady
16 September 2002

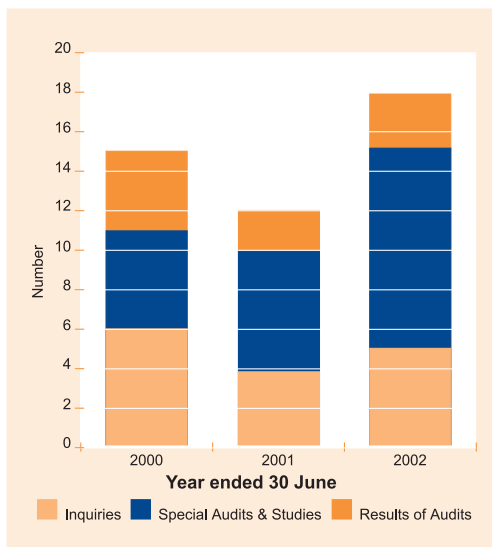


Highlights of the Year

First Year of the Public Audit Act

The Act took effect from the start of the financial year, 1 July 2001. The most notable effects for us are:

- Additional work has been required to identify entities such as trusts and partnerships of which the Auditor-General is now the auditor.
- We published the Auditor-General's Auditing Standards by way of a report to the House of Representatives in May 2002.
- We began three performance audits – in health, housing, and accident compensation – under our extended mandate, which means we can plan and conduct performance audits across the whole public sector.



Public Reports Issued

Once again we had a busy and successful year, using additional funding provided by Parliament to produce from the results of our work the greatest number of reports and volume of material on record. We issued 18 public reports – covering the results of annual audits, planned performance audits, and unplanned special investigations. A number of the reports have achieved a high public profile, and some have had a notable effect on public sector processes – in particular:

- *Parliamentary Salaries, Allowances and other Entitlements – Final Report* (July 2001); and
- *Ministry of Defence: Acquisition of Light Armoured Vehicles and Light Operational Vehicles* (August 2001).

THE CONTROLLER AND AUDITOR-GENERAL SUMMARY ANNUAL REPORT 2001-02

Summary Financial Report for the year ended 30 June 2002

Financial Performance and Financial Position

	2002 Actual \$000	2002 Budget \$000	2001 Actual \$000
The revenue we earned was: We received this revenue from the following sources: <ul style="list-style-type: none"> \$32,334,000 of audit fees from public entities. \$5,153,000 from the Crown, which included a significant funding increase from the previous year of \$742,000. 	37,487	38,963	35,894
Our total expenditure was: The amounts spent on each activity are shown on the opposite page. The main things we spent money on were personnel costs (\$19,049,000), fees paid to contracted auditors (\$9,331,000), and other day-to-day operating costs (\$7,103,000). <i>All our spending was within the limits set by Parliamentary appropriations.</i>	36,808	38,693	35,543
Our surplus for the year, which is returned to the Crown, was:	679	270	351
Our total assets at 30 June were: The assets consisted of: <ul style="list-style-type: none"> Current assets – including cash \$466,000, work in progress \$2,055,000, and receivables \$3,935,000. Non-current assets – the physical assets we own. 	9,300	7,599	8,952
Our liabilities at 30 June were: The liabilities consisted of: <ul style="list-style-type: none"> Current liabilities – including payables and provisions \$1,799,000, and provision for employee entitlements \$2,125,000. Non-current liabilities – mostly provision for employee entitlements \$860,000. 	5,714	4,013	5,366
Movements in our taxpayers' funds were: Opening balance at 1 July.	3,586	3,586	2,386
Surplus for the year (total recognised revenues and expenses).	679	270	351
Capital contribution from the Crown.	3,586	3,586	1,200
Repayment of capital contribution from the Crown.	(3,586)	(3,586)	–
Provision for payment of surplus to the Crown.	(679)	(270)	(351)
Closing balance at 30 June.	3,586	3,586	3,586
Our net increase/(decrease) in cash held was: The net cash flows were from: <ul style="list-style-type: none"> operating activities. investing activities. financing activities. 	(1,019)	(1,063)	540
	(25)	468	1,966
	(643)	(1,180)	(1,823)
	(351)	(351)	397

This Summary Financial Report:

- has been extracted from the full Financial Report dated 16 September 2002; and
- cannot provide as complete an understanding as the full Financial Report.

The full Financial Report can be found in Part Four of our *Annual Report 2001-02* (available in hard copy by telephoning 04 917 1500, and on our web site www.oag.govt.nz).

Summary Financial Report for the year ended 30 June 2002

Service Performance

Activity	2002 Actual	2002 Target/ Budget	2001 Actual
Reports and Advice to Parliament and the public:			
• Number of public reports issued	18	10	12
• Number of reports to Select Committees	157	170	209
• Responses to enquiries from taxpayers, ratepayers, and MPs	274	300	249
Cost	\$4,650,000	\$4,788,000	\$3,942,000
Controller function:			
We monitor, on behalf of Parliament, the issue of funds from the Crown Bank Account, to ensure that releases of funds are supported by appropriations, and are for lawful purposes.			
• Number of Controller statements certified	245	240	245
Cost	\$244,000	\$271,000	\$239,000
Audits of entities that have not been offered the opportunity to have the audit tendered:			
• Number of audits completed	400	368	613
• Audits completed within deadlines	47%	79%	58%
• Management reports sent within 6 weeks	96%	100%	97%
• Audit arrears at year end	169	200	193
Cost	\$4,513,000	\$5,906,000	\$5,392,000
Audits of other entities and other audit-related work:			
• Number of audits completed	3,250	3,415	3,394
• Audits completed within deadlines	35%	60%	40%
• Management reports sent within 6 weeks	96%	100%	95%
• Audit arrears at year end	374	160	202
Cost	\$27,401,000	\$27,728,000	\$25,970,000

Audit Report



To the readers of the Summary Financial Report of the Auditor-General for the year ended 30 June 2002

We have audited the Summary Financial Report of the Auditor-General for the year ended 30 June 2002 as set out on these two pages, in accordance with New Zealand Auditing Standards.

In our opinion, the information reported in the Summary Financial Report complies with FRS-39 *Summary Financial Reports*, and is consistent with the Financial Report from which it is derived and upon which we expressed an unqualified audit opinion in our report dated 16 September 2002.

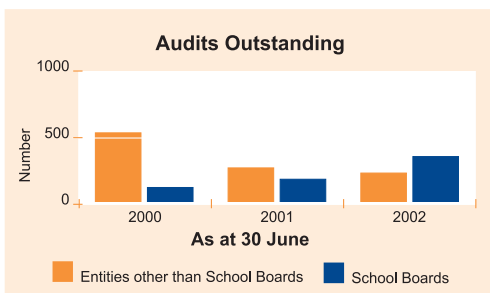
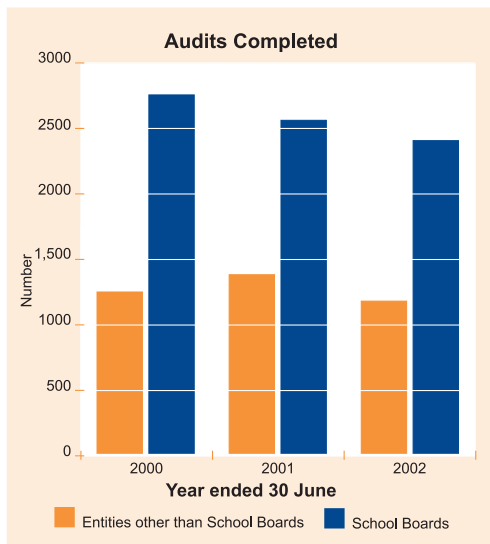
For a better understanding of the scope of our audit, this report should be read in conjunction with our audit report on the Financial Report. We have completed our work for the purposes of this report on 16 September 2002.

Curran Sole & Tuck

Curran Sole & Tuck
Chartered Accountants
Manukau City

Other Key Results

Financial Report Audits



About 85% of what we do relates to financial report audits of the more than 3,700 public entities within our portfolio.

Audits Completed and Outstanding

The number of audits we complete can vary – the main reason is that the financial report is not ready for audit. Significant effort over the last few years has brought audits outstanding down to a reasonable and sustainable level. The reversal of the improving trend in 2002 for audits of school boards of trustees is attributable to many boards having struggled with some new accounting requirements.

Timeliness of Issuing Audit and Management Reports

Audits need to be completed and the results reported quickly – so as to give timely assurance to Parliament and the public. Our target is that an audit should be completed within any statutory deadline, and a report on the audit issued to the entity's management within six weeks of audit completion. Our performance in 2002 in issuing both audit reports and management reports was not as good as we aimed for. Details of our performance are given in the tables on pages 104 and 109 of the full report.

Outcomes of What We Do

Our business is to help Parliament and the public feel confident about the performance of public entities, and to identify areas where entities can improve. Some key

outcomes from what we have done this year have been:

- Changes in public sector processes (see examples at the bottom of page 1).
- Select Committees, in their reports to the House, have taken up 70% of the issues that we have raised in our briefings.
- Our involvement in international and national forums has been influential on accounting and auditing standards. We have also acted as adviser to the Local Government and Environment Select Committee on financial and performance reporting provisions in proposed new local government legislation.

Management Performance, and Maintaining Our Capability

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

- setting up a Health Advisory Group to act as a sounding board for the Auditor-General;
- in the OAG, carrying out action plans for increasing the capacity for innovation and learning;
- in Audit New Zealand, completing work on the second phase of the people strategy, *Project Enable*; and
- continuing to develop the means of measuring and reporting on our capability and the outcomes of what we do.