CONTROLLER AND AUDITOR-GENERAL
Tumuaki o te Mana Arotake

B.28

Annual report 2019/20

Cover acknowledgement:
Jenah Shaw, Office of the Auditor-General

Annual report 2019/20

Presented to the House of Representatives as required by section 37 of the Public Audit Act 2001

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Contents

About this annual report

This annual report informs our stakeholders – Parliament, public entities, and New Zealanders – about our performance for the year 1 July 2019 to 30 June 2020. It has been prepared in accordance with the requirements of the Public Audit Act 2001 and the Public Finance Act 1989.

In this report, "the Office" encompasses: the Auditor-General, the Deputy Auditor-General, the Office of the Auditor-General (OAG), Audit New Zealand, the Corporate Services Team, and contracted audit service providers.

We are interested in feedback to help us improve our reporting. Feedback can be sent to enquiry@oag.parliament.nz.

Auditor-General's overview

E ngā mana, e ngā reo, e ngā karangarangatanga maha o te motu, tēnā koutou.

It has been a challenging year for the country, the public sector, and my Office. We have all been deeply affected by the Covid-19 pandemic. At times of crisis, public trust and confidence in the public services that are there to support and protect us is critical.

In this environment, the role of my Office is more important than ever in helping to ensure that the public sector remains accountable for its performance, is trusted, and delivers value for money.

This annual report outlines our achievements during the year, how we have responded to the challenges of the Covid-19 pandemic, and how we have prepared ourselves to be better positioned to play our role into the future.

Our core work

Our annual audits continue to lay the foundation for all our work.

These regular audits give assurance that the financial and performance information published by the public sector is reliable and can be trusted. This work is fundamental to public accountability – without relevant and reliable information, it would be impossible to hold the public sector to account.

Through our work and our emphasis on strong financial management across the public sector, we continue to see improvement in the relevance and reliability of the information presented by public organisations.

Our performance audits and inquiries also influence improved performance. They go beyond compliance with accounting and reporting rules and look at broader questions concerning organisation performance, value for money, and probity. All of these are important elements of public trust in those charged with administering public money.

Helping get it right

Audits and inquiries typically look at matters after they have occurred. While this remains core to our work, it is also important that we help public organisations and public sector staff to get things right from the outset.

By providing more real-time assurance on some major programmes, including the New Zealand Police's firearms buy-back scheme and the Provincial Growth Fund, we helped improve controls and processes when those improvements had the most effect, rather than reporting what could have been done better only at the end of our work.

This year, we updated our guidance on severance payments, conflicts of interest, and the Local Authorities (Members' Interests) Act 1968. After the 2019 local authority elections we ran workshops for 31 councils, covering key governance matters such as conflicts of interest and the use of audit and risk committees, and published *The councillors' guide to the Auditor-General*. We are delighted that almost every council now has an audit and risk committee – many with independent chairpersons and members.

We have also worked to make our guidance and publications more engaging for those who use them. This includes an interactive quiz to help people test their knowledge on conflicts of interest, and animated videos to support our good practice guidance and findings from our performance and other audits.

Our research programme has also looked at how we can improve public accountability for the 21st century. This has allowed us to add our independent views to the major public sector reform programmes that are under way.

Assurance over the Government's Covid-19 response

Significant public money has been committed to the response to the Covid-19 pandemic. We have therefore prioritised providing assurance over aspects of the Covid-19 response and expenditure from the start.

In March 2020, we began publishing monthly Controller updates to improve transparency over how the substantial extra government spending on responding to the Covid-19 pandemic is being managed. We issued guidance on Covid-19 related matters to public organisations and supported legislative changes to extend statutory reporting dates.

Critical to trust and confidence in the public sector response to the Covid-19 pandemic was the management of personal protective equipment. We carried out a rapid review of the Ministry of Health's management and distribution of personal protective equipment when responding to the pandemic. Prompt action by the Ministry of Health to address our recommendations will ensure that New Zealand is well prepared as the Covid-19 virus inevitably continues to re-emerge.

Strengthening the Office

After nearly a decade of minimal new Crown investment in the Office, we received additional funding from Parliament to address the growth in demand for our services and to invest in our people and capability. We wanted to do more and to increase the impact of what we are doing.

We have now largely completed our plans to add additional resources and reorganise the Office to deliver more work, faster, and with greater impact.

The impact of our work

I am pleased that our stakeholders continue to value our work.

Public organisations' satisfaction with our auditing services has increased since 2018/19. However, we recognise that there will always be more that we can do in this area and that we are not yet at the target levels we have set ourselves.

This year's survey of select committee chairs shows Parliament's ongoing appreciation of our performance audits, inquiries, and other reporting and advice. Ultimately, it is Parliament, on behalf of the public, that holds the public sector to account, and we must continue to meet its needs in doing this.

Challenges remain

There are challenges, here and overseas, to the audit profession generally and to public audit in particular.

The Covid-19 pandemic has severely affected the ability of many public organisations to meet their statutory reporting deadlines. These delays also caused a significant drop in our audit fee revenue in 2019/20, as audit work could not be progressed in a timely fashion.

The External Reporting Board estimates that extra work from Covid-19 means audits will take up to 40% longer to complete. Audit fees must rise to catch up with the ever-growing costs of auditing, but the economic costs of the pandemic make it challenging to increase fees by as much as is needed at this time.

The audit profession faces increased scrutiny overseas, with growing concerns about auditors' independence from those they audit. While I do not have the same concerns about my own auditors, we have this year further strengthened our own independence requirements.

There is more work to do on our own timeliness. We did not meet our target for our performance audits and inquiries, due largely to the Covid-19 pandemic and delays in recruiting for key positions. However, I am pleased with the impacts from our reports – from shining a light on matters of high public interest to influencing improvements in sectors and programmes critical to our country's well-being.

Our future work

Our *Annual plan 2020/21* is the most ambitious we have produced.

We have developed a three-year plan to provide clear and independent information about the Government's Covid-19 response.

Our programme on *Improving the lives of New Zealanders* seeks to answer how the public sector is improving outcomes in health, in education, and for Māori (among other areas), and how the public sector is working in new ways to address family and sexual violence.

We will continue to work to stay abreast of emerging issues. If the past few months have taught us anything, it is that nothing can be taken as certain. We will review our work programme in late 2020 to ensure that our planned work remains relevant to New Zealand's challenges.

Thank you

The public sector is well led and has generally performed well, exceptionally so in many aspects of its response to the Covid-19 pandemic. I thank those public organisations that prepared quality reporting, as it underpins their accountability and transparency, and also makes our auditing easier. I value the relationships my Office has with public organisations and those who work in them.

I thank all staff and audit service providers for their resilience, hard work, and support for the mission of the Office. I am proud that we have continued to deliver high-quality work, whether working in our office premises or at the kitchen table.

Finally, I thank Parliament for their strong support and interest in the Office and the work we do. We remain committed to providing members of Parliament with the information, advice, and support they need, to do their work on behalf of New Zealanders.

Nāku noa, nā

John Ryan
Controller and Auditor-General

25 September 2020

2019/20

Our year in numbers

2900+
reports on public organisations' financial statements and performance information

11
published items specifically in response to the Covid-19 pandemic*

500+
responses to correspondence

8
published letters and submissions to help shape the public sector

50
speeches and presentations

* Includes a report, Controller updates, letters, and blog posts.

15
reports presented to Parliament

184
letters to Ministers on audit findings

31
post-election briefings to councils

169
Annual review, Estimates, and sector briefings to select committees

1450+
mentions in mainstream media

450+
social media posts

21
blog posts

Statement of responsibility

I am responsible, as Controller and Auditor-General, for:

- the preparation of the Office's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them;
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting;
- ensuring that end-of-year performance information on each appropriation administered by the Office is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report; and
- the accuracy of any end-of-year performance information prepared by the Office, whether or not that information is included in this annual report.

In my opinion:

- the financial statements fairly reflect the financial position of the Office as at 30 June 2020 and its operations for the year ended on that date; and
- the forecast financial statements fairly reflect the forecast financial position of the Office as at 30 June 2021 and its operations for the year ending on that date.

John Ryan
Controller and Auditor-General

25 September 2020

Countersigned:

Maria Viviers
Chief Financial Officer

25 September 2020

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About us

Our role, purpose, and values

The Controller and Auditor-General (the Auditor-General) is an Officer of Parliament. The role is an important part of the constitutional framework in New Zealand. The role exists because the ultimate authority for all public sector activity stems from Parliament.

As a key pillar of the national integrity system, we aim to increase trust and confidence in the public sector and in government.

Our purpose is *improving trust, promoting value* in the public sector.

The values that we uphold and that underpin everything we do are:

- People matter;
- Our independence is critical;
- We act with integrity and courage; and
- We're here to make a difference.

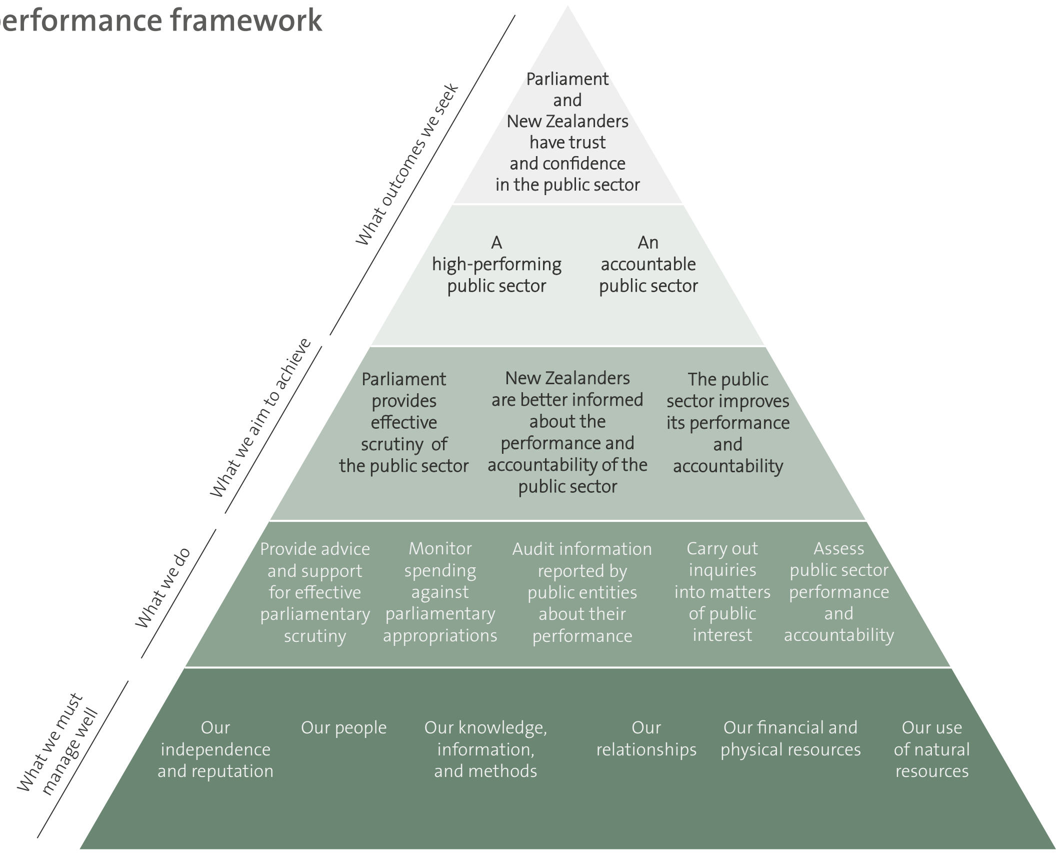
The outcomes we seek

The ultimate **outcome** we seek is that Parliament and New Zealanders have trust and confidence in the public sector. For this to be achieved, the public sector has to be high performing and accountable. Relevant and reliable information is critical to holding the public sector to account. Everything we do is directed towards achieving these outcomes (see our performance framework below).

Our vision is of a *high-performing and trusted public sector*.

No other organisation, public or private, has the overview of the whole public sector that we have. As the auditor of every public entity, we have an ongoing role with each of them. This gives us a unique position from which to influence improvements both in the public sector's performance and in the management and accountability systems under which the public sector operates.

Our performance framework



The key strategic risks we manage

Our key strategic risks are:

- Loss of independence;
- Audit failure;
- Loss of capability; and
- Loss of reputation.

We manage these key risks through the processes that support our work. In addition, our Audit and Risk Committee provides further insight and advice to help us identify and manage risk. The Committee's report for the year ended 30 June 2020 is included as Appendix 1.

How we are organised

The Auditor-General's work is carried out by about 420 staff in two business units – the Office of the Auditor-General (OAG) and Audit New Zealand – supported by our shared Corporate Services Team.

We also contract audit service providers from the private sector to carry out some audits on the Auditor-General's behalf. These four groups, together with the Auditor-General and the Deputy Auditor-General, are collectively referred to as "the Office", as shown in the diagram below.

The Auditor-General and the Deputy Auditor-General lead the Office's Combined Leadership Team, which consists of the Auditor-General, the Deputy Auditor-General, Assistant Auditors-General, the Executive Director of Audit New Zealand, and the General Manager for Professional Practices and the General Manager for Operations in Audit New Zealand. Collectively, this team is responsible for setting and guiding the Office's strategic direction.

What we do

The Office has a range of functions that help Parliament and the public hold public organisations to account for their use of public money. Annual audits of public organisations are our core work, consuming nearly 85% of our resources.

We use the rest of our resources to provide advice and support to select committees for their effective scrutiny of public organisations, to monitor expenditure against parliamentary appropriations (our Controller function), to carry out inquiries (where we consider the appropriateness of the behaviour of public organisations and their use of resources), and carry out performance audits (where we look at the effectiveness of spending by public

organisations) and special studies (where we seek to research and publish information that will benefit public sector performance and accountability). In Part 3, we provide more information about our services and performance for the work we delivered.

We also make a considerable contribution to the audit community internationally, and we have a work programme in place on sharing good practice. Both of these areas of work are described in more detail below.

Our international contribution

We are active members of the International Organisation of Supreme Audit Institutions (INTOSAI) and the Global Audit Leadership Forum. We take part in international efforts to develop guidance and standards, and a senior member of our staff represents New Zealand on the International Public Sector Accounting Standards Board.

Our largest international time and resource commitments are to the Pacific Association of Supreme Audit Institutions (PASAI), which is the regional body of INTOSAI focused on the Pacific. The Auditor-General of New Zealand is the Secretary-General of PASAI.

Through our commitment to PASAI, we support accountability, transparency, and good governance in the Pacific, which in turn helps to ensure stability in the Pacific and accountability for the resources that New Zealand invests in the region. In August 2019, we signed a new five-year funding agreement with the Ministry of Foreign Affairs and Trade to enable our work with PASAI to continue.

We are privileged to have twinning relationships with the Audit Office of Samoa and the Cook Islands Audit Office. These relationships provide specific support and development opportunities for staff in these offices to work closely with our staff, both in New Zealand and in their home countries.

The Auditor-General is also the Auditor-General of Niue and Tokelau under their respective accountability arrangements.

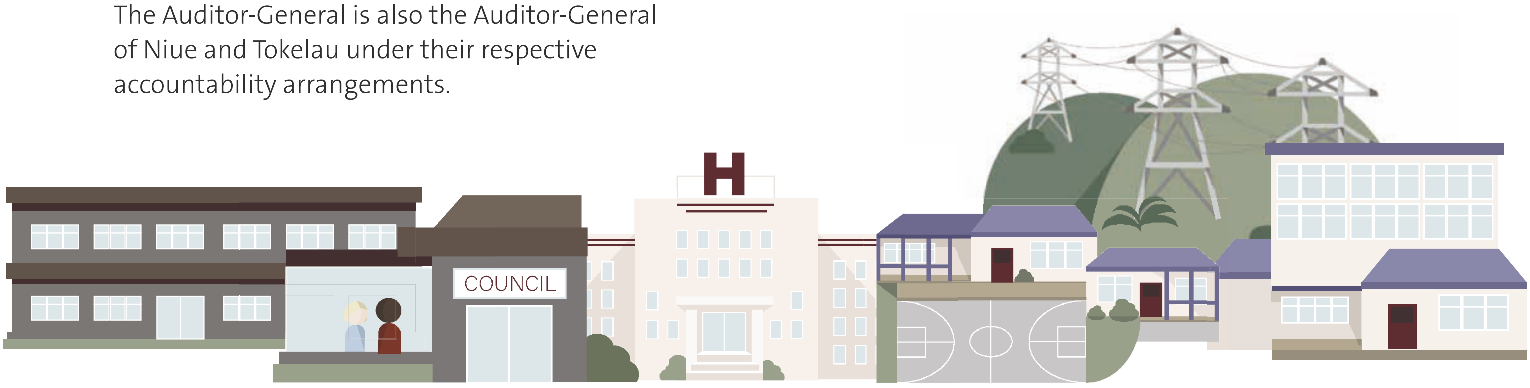
Sharing good practice

We are carrying out a work programme to review and update our suite of good practice material along with identifying new topics that could help public organisations to improve.

We continued our focus on integrity and ethics and started work on developing a framework that will help public organisations to understand the critical elements that underpin integrity within an organisation. We have held a number of workshops and forums with public organisations to discuss and test our thinking.

This year we updated our good practice guides *Managing conflicts of interest: Guidance for public entities* and *Guidance for members of local authorities about the Local Authorities (Members' Interests) Act 1968*. We also progressed work on updating our guides *Charging fees for public sector goods and services* and *Controlling sensitive expenditure: Guidelines for public entities*.

To support the work on integrity and our new guidelines, the good practice section of our website on conflicts of interest now includes "Integrity Town", which has been developed as a training resource. It includes an interactive quiz to support public organisations to build knowledge and understanding of how to manage conflicts of interest.



Our appropriations

Our services are funded through the appropriations for Vote Audit 2019/20. In the table below, we show the links between the appropriations and our services.

Our services	Our appropriations
Provide advice and support for effective parliamentary scrutiny. Our advice to select committees, and our support for the international auditing community.	*Statutory Auditor Function MCA* MCA means multi-category appropriation – more than one aspect of our work is covered by this appropriation.
Monitor spending against parliamentary appropriations. Our Controller function.	*Statutory Auditor Function MCA*
Audit information reported by public entities about their performance. Our annual audits of public entities.	*Audit and Assurance Services RDA* RDA means revenue-dependent appropriation – the amount of money depends on the audit fees charged for audits of public entities. *Audit and Assurance Services* This appropriation is funded by the Crown, not by the small entities that we audit.
Carry out inquiries into matters of public interest. Our inquiries work and also our work on sharing good practice.	*Statutory Auditor Function MCA*
Assess public sector performance and accountability. Our performance audits and special studies.	*Statutory Auditor Function MCA*

Our appropriation statements are provided in the pages that follow in this Part.

Appropriation statements

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by the Office for the year ended 30 June 2020.

Statement of budgeted versus actual expenses and capital expenditure incurred against appropriations for the year ended 30 June 2020

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

End-of-year performance information for all appropriations is reported in this annual report.

Annual and permanent appropriations for Vote Audit	Actual 2019/20 $000	Actual 2018/19 $000	Main Estimates 2019/20 $000[1]	Supplementary Estimates 2019/20 $000[1]	Main Estimates 2020/21 $000[1]
Output expenses					
Audit and Assurance Services RDA (revenue-dependent appropriation)[2]	81,818	82,570	81,617	85,573	94,429
Audit and Assurance Services	3,535	150	1,850	17,450	150
Total appropriations for output expenses	*85,353*	*82,720*	*83,467*	*103,023*	*94,579*
Other expenses					
Remuneration of Auditor-General and Deputy Auditor-General PLA (permanent legislative authority)[3]	1,099	1,064	1,064	1,099	1,099
Multi-category appropriations					
Statutory Auditor Function MCA (multi-category appropriation)					
Performance Audits and Inquiries	6,769	6,226	9,939	9,939	11,040
Supporting Accountability to Parliament	6,620	3,444	4,937	5,482	5,636
Total Statutory Auditor Function MCA	*13,409*	*9,670*	*14,876*	*15,421*	*16,676*
Total appropriations for operating expenditure	**99,861**	**93,454**	**99,407**	**119,543**	**112,354**
Capital expenditure					
Controller and Auditor-General Capital Expenditure PLA[4]	1,520	1,090	1,737	1,926	2,525
Total annual and permanent appropriations	**101,381**	**94,544**	**101,144**	**121,469**	**114,879**

1 All Estimates information is unaudited. The figures under Main Estimates 2019/20 reflect the forecasts published in Budget 2019 and in the Office's 2018/19 annual report, and the figures under Supplementary Estimates 2019/20 reflect the updated forecasts published in Budget 2020.

2 The Office is permitted to incur expenditure up to the amount of revenue earned for this appropriation. In 2019/20, revenue under this appropriation was $81.818 million – See page 14, Financial performance for *Audit and Assurance Services RDA*.

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

4 Costs incurred pursuant to section 24(1) of the Public Finance Act 1989.

Statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority for the year ended 30 June 2020

The Office did not incur any expenses or capital expenditure without, or in excess of, appropriation or other authority in the year ended 30 June 2020 (2019: Nil).

Statement of capital injections without, or in excess of, appropriation or other authority for the year ended 30 June 2020

The Office did not receive any capital injections without, or in excess of, appropriation or other authority in the year ended 30 June 2020 (2019: Nil).

Statutory Auditor Function MCA

About the appropriation *Statutory Auditor Function MCA*

The purpose of this appropriation is to support Parliament in ensuring accountability for the use of public resources. It includes two categories:

Supporting Accountability to Parliament

This category is limited to reporting to Parliament and others as appropriate on matters arising from audits and inquiries, reporting to and advising select committees, and advising other agencies in New Zealand and abroad to support Parliament and the public in holding public entities to account for their use of public resources.

This category is intended to provide advice and assistance to Parliament and our other stakeholders to assist them in their work to improve the performance and accountability of public entities. Our Controller function operates under this category and provides independent assurance to Parliament that public money has been spent lawfully and within Parliamentary authority.

Performance Audits and Inquiries

This category is limited to undertaking and reporting on performance audits and inquiries relating to public entities under the Public Audit Act 2001 and responding to requests for approvals in relation to pecuniary interest questions regulated by the Local Authorities (Members' Interests) Act 1968.

This category is intended to provide Parliament and the public with assurance about how well public entities use resources and manage a range of matters and programmes. We make recommendations where we consider that improvements can be made.

Financial performance for *Statutory Auditor Function MCA*

	Actual 2019/20 $000	Actual 2018/19 $000	Main Estimates 2019/20 $000*	Supplementary Estimates 2019/20 $000*	Main Estimates 2020/21 $000*
Income					
Crown	14,633	9,611	14,633	14,633	16,233
Other	522	273	243	788	443
Expenditure	**(13,409)**	**(9,670)**	**(14,876)**	**(15,421)**	**(16,676)**
Surplus	**1,746**	**214**	-	-	-

* All Estimates information is unaudited. The figures under Main Estimates 2019/20 reflect the forecasts published in Budget 2019 and in the Office's 2018/19 annual report, and the figures under Supplementary Estimates 2019/20 reflect the updated forecasts published in Budget 2020.

Statutory Auditor Function MCA costs were $2.012 million lower than in the Supplementary Estimates, mainly due to the effects of the Covid-19 pandemic on our work, which included delays to recruitment of key staff.

Audit and Assurance Services RDA

About the appropriation *Audit and Assurance Services RDA*

This appropriation is limited to audit and related assurance services as authorised by statute. It provides for audit services to all public entities (except smaller public entities, such as cemetery trusts and reserve boards) and other audit-related assurance services. The audit services we provide are funded by audit fees charged to public entities.

Financial performance for *Audit and Assurance Services RDA*

	Actual 2019/20 $000	Actual 2018/19 $000	Main Estimates 2019/20 $000*	Supplementary Estimates 2019/20 $000*	Main Estimates 2020/21 $000*
Income from third parties	81,818	82,602	81,617	85,573	94,429
Expenditure	(81,818)	(82,570)	(81,617)	(85,573)	(94,429)
Surplus**	-	**32**	-	-	-

* All Estimates information is unaudited. The figures under Main Estimates 2019/20 reflect the forecasts published in Budget 2019 and in the Office's 2018/19 annual report, and the figures under Supplementary Estimates 2019/20 reflect the updated forecasts published in Budget 2020.

** Note 15 to the financial statements provides more information about transfer of surpluses and deficits to and from the Office's memorandum account.

Audit and Assurance Services RDA revenue was $3.755 million lower than in the Supplementary Estimates, due to lower levels of work to date on audits that were under way at 30 June 2020, mainly due to the effects of the Covid-19 pandemic, which have delayed audit work.

Because this is a revenue-dependent appropriation, expenditure appropriations for this output class are capped at the revenue total for the year. In years where there is a deficit, the remainder of the costs relating to these outputs are reported in the Audit and Assurance Services appropriation below.

Audit and Assurance Services

About the appropriation *Audit and Assurance Services*

This appropriation is limited to the performance of audit and related assurance services as required or authorised by statute. It provides for audit and related assurance services of smaller entities, such as cemetery trusts and reserve boards, which are funded by the Crown rather than by audit fees charged to these entities.

This appropriation also provides for when costs exceed revenue under the *Audit and Assurance Services RDA* appropriation. Deficits reported through this appropriation are attributed to the Audit and Assurance Services memorandum account.

Appropriations were increased in the Supplementary Estimates to mitigate the financial risk of the Covid-19 pandemic affecting the timing of audit work between financial years.

Financial performance for *Audit and Assurance Services*

	Actual 2019/20 $000	Actual 2018/19 $000	Main Estimates 2019/20 $000*	Supplementary Estimates 2019/20 $000*	Main Estimates 2020/21 $000*
Income	150	150	150	150	150
Expenditure	(3,535)	(150)	(1,850)	(17,450)	(150)
(Deficit)**	**(3,385)**	-	**(1,700)**	**(17,300)**	**0**

* All Estimates information is unaudited. The figures under Main Estimates 2019/20 reflect the forecasts published in Budget 2019 and in the Office's 2018/19 annual report, and the figures under Supplementary Estimates 2019/20 reflect the updated forecasts published in Budget 2020.

** Note 15 in the notes to the financial statements provides more information about transfer of surpluses and deficits to and from the Office's memorandum account.

Audit and Assurance Services expenditure was $13.915 million lower than in the Supplementary Estimates. The Supplementary Estimates included additional appropriations of $15 million, to allow for potential higher deficits arising from the effects of the Covid-19 pandemic. This allowance was forecast at the maximum possible effect on audit fees but was ultimately not required.

A combined view of the financial performance for the two appropriations is shown below:

Combined financial performance for *Audit and Assurance Services RDA* and *Audit and Assurance Services*

	Actual 2019/20 $000	Actual 2018/19 $000	Main Estimates 2019/20 $000*	Supplementary Estimates 2019/20 $000*	Main Estimates 2020/21 $000*
Income	150	150	150	150	150
Income from third parties	81,818	82,602	81,617	85,573	94,429
Total Income	81,968	82,752	81,767	85,723	94,579
Expenditure	(85,353)	(82,720)	(83,467)	(103,023)	(94,579)
Surplus/(Deficit)**	(3,385)	32	(1,700)	(17,300)	0

* All Estimates information is unaudited. The figures under Main Estimates 2019/20 reflect the forecasts published in Budget 2019 and in the Office's 2018/19 annual report, and the figures under Supplementary Estimates 2019/20 reflect the updated forecasts published in Budget 2020.

** Forecast deficits are funded by the Office's memorandum account, which is explained further in Note 15 to the financial statements.

Remuneration of Auditor-General and Deputy Auditor-General PLA

About the appropriation *Remuneration of Auditor-General and Deputy Auditor-General PLA*

This appropriation is limited to remuneration expenses for the Auditor-General and the Deputy Auditor-General, as authorised by clause 5 of Schedule 3 of the Public Audit Act 2001. This permanent appropriation provides for payment to the Auditor-General and Deputy Auditor-General as determined by the Remuneration Authority.

Financial performance for *Remuneration of Auditor-General and Deputy Auditor-General PLA*

	Actual 2019/20 $000	Actual 2018/19 $000	Main Estimates 2019/20 $000*	Supplementary Estimates 2019/20 $000*	Main Estimates 2020/21 $000*
Income	1,099	1,064	1,064	1,099	1,099
Expenditure	(1,099)	(1,064)	(1,064)	(1,099)	(1,099)
Surplus	-	-	-	-	-

* All Estimates information is unaudited. The figures under Main Estimates 2019/20 reflect the forecasts published in Budget 2019 and in the Office's 2018/19 annual report, and the figures under Supplementary Estimates 2019/20 reflect the updated forecasts published in Budget 2020.

The Auditor-General and Deputy Auditor-General lead the performance of the Office. The performance of the Office's activities, including this appropriation, is reflected in the information provided in this annual report.

Controller and Auditor-General – Capital Expenditure PLA

About the appropriation *Controller and Auditor-General – Capital Expenditure PLA*

This appropriation is limited to the purchase of assets by, and for the use of, the Auditor-General, as authorised by section 24(1) of the Public Finance Act 1989. It is intended to achieve the renewal and replacement of assets that support the delivery of the Auditor-General's operations.

Financial performance for *Controller and Auditor-General – Capital Expenditure PLA*

	Actual 2019/20 $000	Actual 2018/19 $000	Main Estimates 2019/20 $000*	Supplementary Estimates 2019/20 $000*	Main Estimates 2020/21 $000*
Property, plant, and equipment	1,034	509	559	1,127	685
Intangible assets	290	242	950	419	1,688
Other	196	339	228	380	152
Total Capital Expenditure	**1,520**	**1,090**	**1,737**	**1,926**	**2,525**

* All Estimates information is unaudited. The figures under Main Estimates 2019/20 reflect the forecasts published in Budget 2019 and in the Office's 2018/19 annual report, and the figures under Supplementary Estimates 2019/20 reflect the updated forecasts published in Budget 2020.

Our capital expenditure programme provides for the purchase of facilities and tools to enable our staff to carry out their work – for example, hardware and software for information systems, vehicles, building fit-out, and furniture and fittings.

This year, we met our objectives for maintaining our physical assets, including the prioritisation of spending to refresh furniture in our Wellington office. The upgrade of the Office's document management system was completed during the year, and we agreed our information systems strategy that will see increased investment in software assets in coming years.

Section 24(1) of the Public Finance Act 1989 allows the purchase or development of assets from working capital and asset disposal proceeds, without any further appropriation.

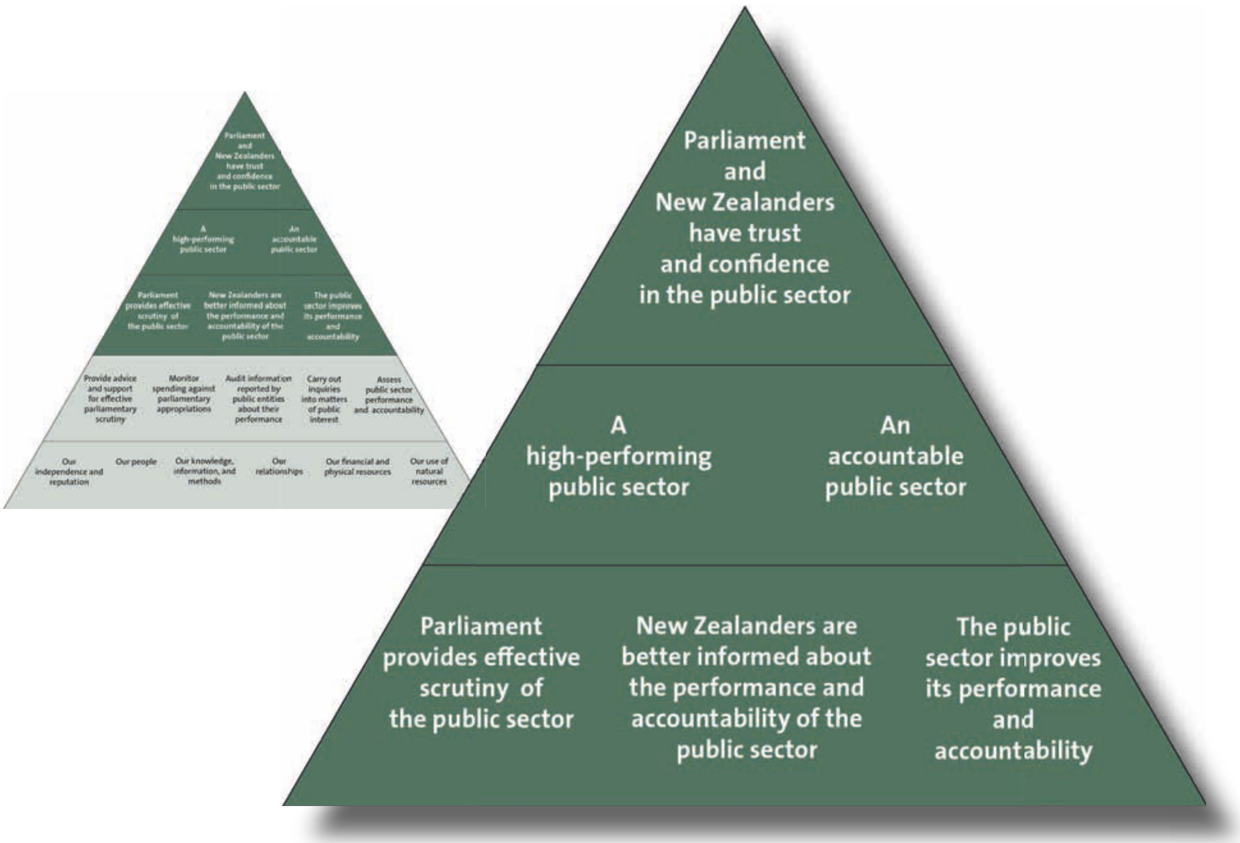
3

Our performance story

In this Part, we report against the outcomes we contribute towards, and describe our performance against our intended impacts, and the services that we are funded to deliver. Collectively, these describe our performance story in 2019/20.

Reporting against the outcomes we contribute towards

The outcomes we seek and our intended impacts are shown in the highlighted layers of our performance framework in the image below.



Overall progress against our outcome indicators was mostly maintained or improved in 2019/20. Considering the effects on the current operating environment from the Covid-19 pandemic response and recovery efforts, it is even more important that public organisations continue to improve how they account for the public resources they use, meet the high standards of governance and integrity expected, and improve their performance. We will continue to play our part in influencing these important outcomes.

Outcome 1: Parliament and New Zealanders have trust and confidence in the public sector

Trust and confidence are the foundations of our system of government. They are fundamental to giving the Government the ability to govern on behalf of the people. To earn New Zealanders' trust and confidence, the public sector must be competent and reliable and act with integrity.

Our indicators		Progress
Levels of trust in public services (Kiwis Count survey)	Experience-based trust	2019: 79% (-1%); 2018: 80% (+1%); 2017: 79%
	Perception-based trust	2019: 49% (-1%); 2018: 50% (+3%); 2017: 47%
Overall, New Zealanders' levels of trust, based on their personal experience and on their perception of the public service brand, have improved over time. However, there are statistically significant lower results for Māori. For example, trust based on experience was 79% overall in 2019 (80% in 2018), but 65% for Māori (70% in 2018). For perception-based trust, the 2019 overall result was 49% but it was 40% for Māori (35% in 2018). Source: Te Kawa Mataaho Public Service Commission.		
Corruption perception score (Transparency International Corruption Perceptions Index)		2019: 87 (1st equal); 2018: 87 (2nd); 2017: 89 (1st)
With a score of 87 out of 100, the most recent results show that New Zealand's public sector ranked first equal with Denmark as the least corrupt countries in the world (out of a total of 180 countries and territories assessed). By maintaining its 2018 score, New Zealand remains one of the top-performing countries in the Index. Source: Transparency International.		

Outcome 2: A high-performing public sector

A high-performing public sector is one that delivers, has strong leadership, builds institutional capacity and capability, and is transparent. It has a public management system that supports and enables it to do this.

Our indicators	Progress
Quality of public services (Kiwis Count survey)	2019: 77 (0); 2018: 77 (+1); 2017: 76
Since 2007, a sample of New Zealanders has been surveyed to measure satisfaction with a wide cross-section of public services through the Kiwis Count survey. New Zealanders hold public services in reasonably high regard, and there has been steady improvement in the satisfaction trends since 2007. The average overall service quality score for 2019 is 77 (out of 100) across the 43 services measured.	

Outcome 3: An accountable public sector

Accountability for the use of public resources is critical. For Parliament and New Zealanders to have trust and confidence in the public sector, public organisations need to provide reliable, meaningful, and timely information so that they can be held accountable.

Each year, we assess trends for these aspects of public sector accountability, including timely and reliable information, sound management, and good governance. To assess whether the public sector demonstrates accountability for its performance, including its use of public resources, we examine the relevance, reliability, and timeliness of annual reports (including financial and performance reports).

We show a high-level summary of the results across our indicators below. While the relevance and reliability of information is maintained, the Covid-19 pandemic has significantly affected the ability of some public organisations to provide the financial information required for us to complete our audits and issue our audit reports and opinions by the applicable statutory deadlines.

The first three indicators shown in the following table are extracted from the information provided later in this Part under the heading "3. Audit information reported by public entities about their performance". Together, they provide an indication of public sector quality and timeliness.

Our indicators	Progress		
Number and percentage of unmodified audit opinions from our annual audits	**2019/20** **2836** **97%**	2018/19 3094 97%	2017/18 3166 97%
Percentage of audit reports and opinions that are signed-off by the applicable statutory deadline*	**2019/20** **63%**	2018/19 81% -18%	2017/18 83% -2%
Percentage of entities with audit opinions in arrears as at 30 June*	**2019/20** **25%**	2018/19 New measure for 2019/20	2017/18 New measure for 2019/20
* The Covid-19 pandemic has had a significant adverse effect on our timeliness of completing audits (particularly audits of schools, as they are required to present their reports to us by 31 March, and we are required to audit them by 31 May each year). More information about this is provided later in this Part under the heading "3. Audit information reported by public entities about their performance".			
Worldwide governance ranking (Worldwide Governance Indicators)	**2018** **Above 90th percentile**	2017 Above 90th percentile	2016 Above 90th percentile
New Zealand has consistently ranked above the 90th percentile for all six dimensions of the World Bank's Worldwide Governance Indicators over the last three years. The results for 2019 are not yet available. Source: World Bank.			
Integrity ranking (International Civil Service Effectiveness Index)	**2020** **Not assessed**	2019 1st	2018 Not comparable
The most recent results from the University of Oxford's 2019 International Civil Service Effectiveness Index show that the New Zealand public sector ranked first on integrity against a total of 38 countries assessed. Source: University of Oxford.			

Reporting against our intended impacts

Our impact indicators demonstrate the immediate impact or direct effect we are making on our key stakeholders (that is Parliament, New Zealanders, and public organisations).

Overall, the results from our impact indicators tell us that we are achieving the impacts we set out to make. Select committees consider that our advice and reports help them to effectively scrutinise the public sector, our work is increasingly receiving more media coverage (about 13 percent more than in the previous financial year), and our recommendations help public organisations to improve their performance.

The results also reflect that the instances of public spending without Parliamentary authority continue to reduce (see results under Impact 3 on the following page, and the graph on page 24), and that public organisations are fairly presenting their financial statements and service performance reports.

Impact 1: Parliament provides effective scrutiny of the public sector

Indicator	Target	2019/20 result	2018/19 result	2017/18 result
Our advice and reports help select committees scrutinise the public sector more effectively. Parliamentary select committees confirm our advice and reports were helpful.	100%	100%	New indicator for 2019/20	New indicator for 2019/20

Impact 2: New Zealanders are better informed about the performance and accountability of the public sector

Indicator	Target	2019/20 result	2018/19 result	2017/18 result
New Zealand media provide increased coverage of our reports and letters. Number of citations.	Increasing	Increasing 1454	Decreasing 1277	Establishing baseline data 1667

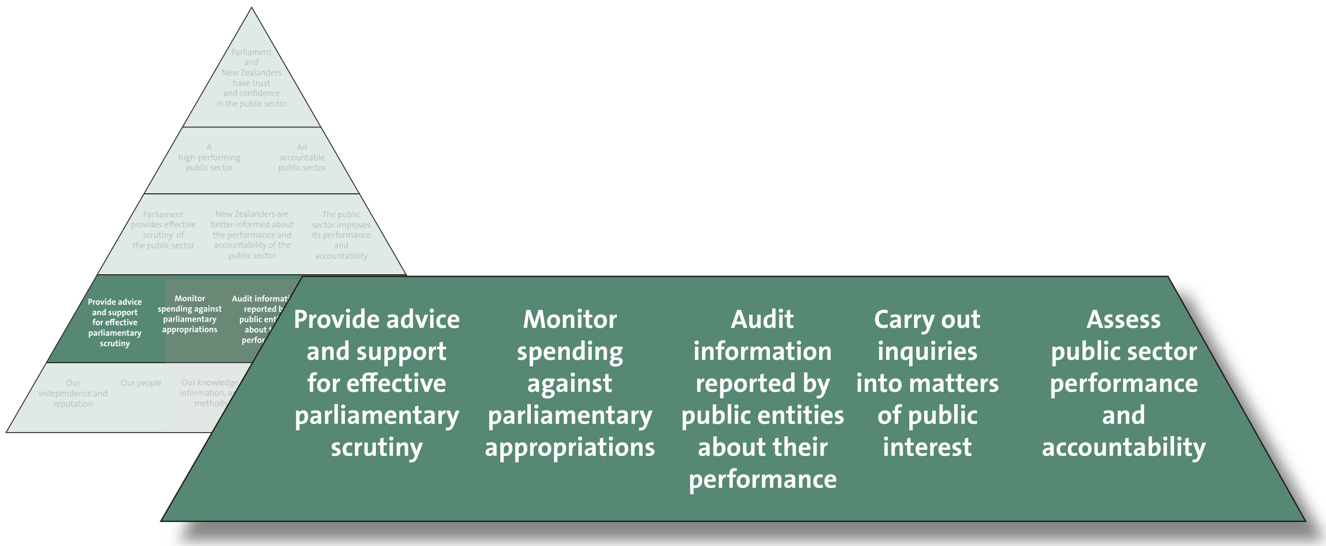
Impact 3: The public sector improves its performance and accountability

Indicator	Target	2019/20 result	2018/19 result	2017/18 result
Public entities have improved aspects of their performance in response to our performance audits. We will identify and report on whether entities implemented recommendations from our performance audits, and if they have had the intended effect.	Increasing	Results not available	Achieved	Achieved
Delays with recruitment for key positions, and the effects of the Covid-19 pandemic on our workforce, have affected our ability to complete our planned follow-up reporting. Of the two planned follow-up reports, one was published in August 2020, which showed that the entity had made progress against our recommendations. We expect the other report to be published by the end of October 2020.				
Public entities have improved aspects of their performance in response to our inquiries. We will identify and report on any effects from our inquiries.	Report on one to two per year	Achieved	Achieved	Achieved
Further information is provided in this Part under the heading “4. Carry out inquiries into matters of public interest on the impact of our inquiries work”.				
Government departments reduce the instances of public spending without Parliamentary authority. Number of instances of expenditure incurred in excess of, or without, appropriation or other authority from Parliament.	Reducing	Reducing 14	Increasing 21	Increasing 18
The results for this indicator are extracted from the Financial Statements of the Government (FSG) which are prepared for the previous financial year. The 2019/20 result for this indicator is based on information from the 2018/19 FSG, and the 2018/19 result is based on information from the 2017/18 FSG.				

Indicator	Target	2019/20 result	2018/19 result	2017/18 result
Public entities implement our annual audit recommendations in a timely manner. We will identify and report on how larger entities have responded to recommendations made as part of our annual audits.	Increasing (or maintaining)	46% Baseline data yet to be established	New indicator for 2019/20	New indicator for 2019/20
Due to the timing of when this new impact indicator was implemented, we were only able to obtain data relating to 24 tertiary education institutions. For these 24 institutions, there were 350 open recommendations at the end of the audit carried out during the first half of 2019. Of these 350 recommendations, 161 were implemented by the end of the next audit carried out during the first half of 2020. Of the recommendations yet to be implemented, seven are categorised as high risk. All other high-risk recommendations were implemented between the 2019 and 2020 audits. Our expectation is that larger entities (which include district health boards, tertiary education institutions, government departments, and councils) will adopt many of the outstanding recommendations over time to continually improve. For the year ending 30 June 2021, we expect to be able to report on all of the larger entities within our mandate (about 210).				

Reporting against our services

The services that we are funded to deliver are described in the highlighted layer of our performance framework as shown below.



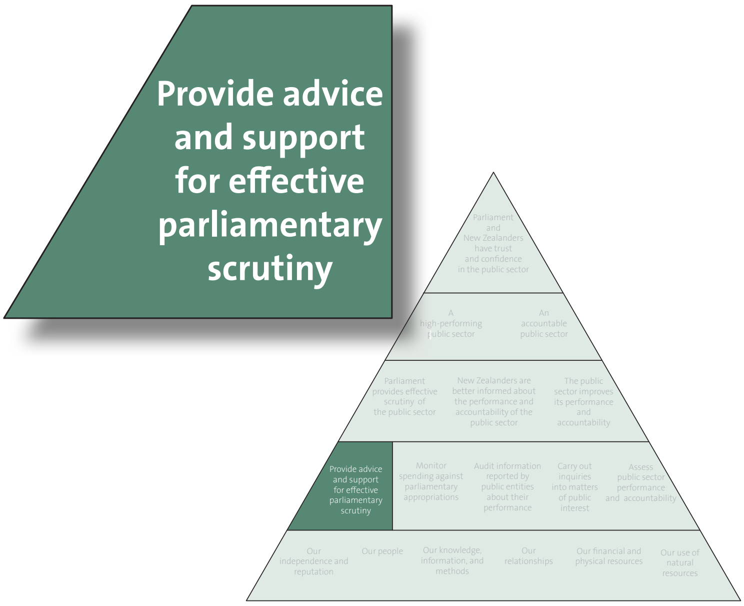
1. Provide advice and support for effective parliamentary scrutiny

This service is funded through the appropriation *Statutory Auditor Function MCA*.

Each year, we publish reports on the results of our annual audits, performance audits, major inquiries and other work. The information we gather gives us a unique view of the challenges, emerging issues and trends across the public sector.

Drawing on the insights we gain about how the public sector operates, we provide advice and support to Parliament and select committees, including through annual reviews of public organisations and the Estimates of Appropriations examinations after the Government announces its Budget each year.

We also carry out and report on our responsibility under the Local Government (Auckland Council) Act 2009 to review the service performance of Auckland Council and its subsidiaries.



Performance for *Provide advice and support for effective parliamentary scrutiny*

Performance measure	Performance standard	2019/20 result	2018/19 result	2017/18 result
Percentage of Parliamentary select committees that rate our advice as at least "satisfactory".	100%	100%	Revised measure for 2019/20*	Revised measure for 2019/20*
* This measure was revised for 2019/20 due to it now being based on collecting information only from select committees. It was previously "Stakeholders we survey confirm that our advice assists them". The measure previously covered feedback from both select committees and public sector leaders. We reported the result for this measure in both 2018/19 and 2017/18 as 77%, drawing on a biennial survey carried out in 2018.				
Percentage of briefing papers that are submitted to select committees by the agreed deadline.	100%	98%	100%	100%
The wording of this measure was revised for the 2019/20 year. It was previously "Briefings are given to select committees at least two days before examination, unless otherwise agreed". However, the measure has remained substantially the same.				

Our work to support Parliament

Demand from select committees for our advice has remained high. In 2019/20, select committees asked us to provide 99 briefings in support of annual reviews and 64 briefings for Estimates of Appropriation examinations. In addition, we provided six sector briefings, and initiated a different approach by inviting members of Parliament to briefings about our recent reports on three occasions. We also produced a "reflections" report on water management after completing a substantial work programme over a two-year period.

Feedback from select committee chairpersons remains positive. Our briefings and their contribution to supporting Parliament in its scrutiny of the public sector continue to be valued. We commit significant resources to building our knowledge of the public sector and to scanning for emerging trends and risks. We draw on our knowledge to tailor our briefings to select committees according to the significance of the public organisations and the issues and risks they face.

This year, we started to reshape how we organise our staff resources in both the central and local government sector teams. Our objective is to better reflect the increased emphasis on cross-agency work in the public sector, and to meet the corresponding increased demand from select committees for reviews of proposed spending and activities across different votes as part of our Estimates briefings. Examples of where we have provided information across different votes include our support for select committee hearings related to the Provincial Growth Fund and for the Joint Venture on Family and Sexual Violence.

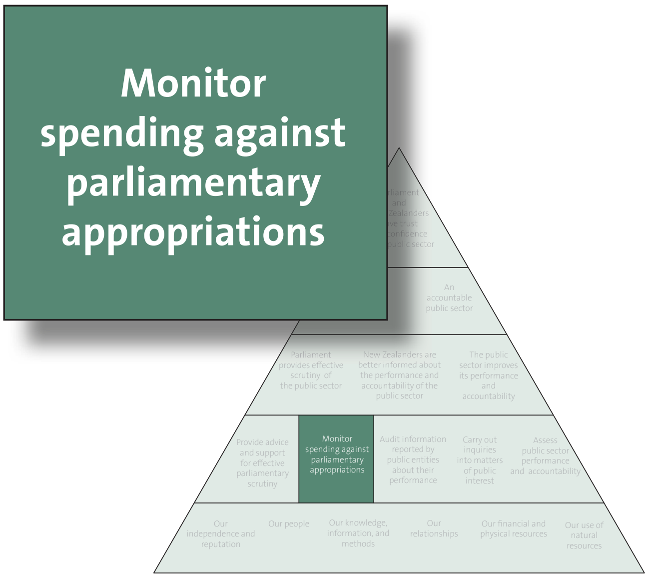
At the same time, we want to ensure that we retain the ability to respond as needed to new or rapidly emerging issues – for example, our reporting on the Ministry of Health's management of personal protective equipment in response to the Covid-19 pandemic and on the Police's implementation of the firearms buy-back and amnesty scheme, as described in the cross-Office highlights on pages 36-37. We try to maximise the different skill sets and knowledge of our staff across the Office.

2. Monitor spending against parliamentary appropriations (our Controller function)

This service is funded through the appropriation *Statutory Auditor Function MCA*.

Our Controller function provides independent assurance to Parliament that public money has been spent lawfully and within Parliamentary authority. It supports the important constitutional principle that the Government cannot spend, borrow, or impose a tax without Parliament's approval.

In conjunction with our annual audits, we carry out appropriation audits of government departments. Appropriation audits are designed to ensure that spending by government departments and Offices of Parliament is lawful and within the scope, amount, and period of the appropriation or other authority.



In addition to the appropriation audits, we carry out procedures for the Controller function in keeping with a Memorandum of Understanding with the Treasury. Throughout the year, we examine financial information and reports that the Treasury provides. We discuss any issues with the Treasury and advise government departments and the Treasury on any action that needs to be taken. We report our findings and conclusions to the Treasury throughout the year (by monthly Controller reports), and we also report periodically to Parliament and the public.

Performance for *Monitor spending against parliamentary appropriations*

Performance measure	Performance standard	2019/20 result	2018/19 result	2017/18 result
The monthly Controller reports are provided to the Treasury within 5 working days of receiving the Treasury's monthly reports and statements (for September to June).	All nine reports	All procedures were followed and agreed time frames were met for all nine reports	All procedures were followed and agreed time frames were met	All procedures were followed and agreed time frames were met
The nine reports cover the period from July to September and then each month to May. They are provided monthly from October to June.				
We issue a report to Parliament and the public on the Auditor-General's exercise of the Controller function for each financial year.	At least annually	We issued six public reports on the Controller function	New measure for 2019/20	New measure for 2019/20

Our Controller work

Every year, we present a report to Parliament that includes an account of the work we carried out under the Controller function, along with our findings and conclusions. In recent years, we have also been reporting publicly on our work for each six-month period. These reports provide interim accounts of our work and findings.

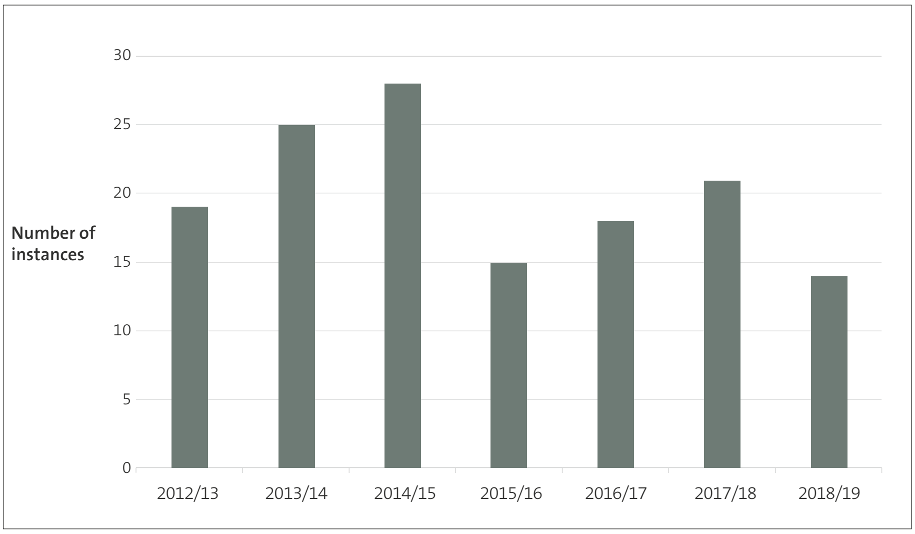
In response to the Covid-19 pandemic, and in addition to our usual six-monthly reports, we have been reporting monthly on the Government's Covid-19 expenditure. We have been tracking the amount of public money that the Government has approved for the response to, and recovery from, the Covid-19 pandemic as well as the actual expenditure incurred. We carried out tests to determine whether the Covid-19 expenditure approvals were properly authorised and that subsequent expenditure has been incurred in line with those approvals.

Understanding the impact of our work

One of the impacts we seek is that government departments reduce the instances of public spending without appropriation or other Parliamentary authority. In the last seven years, there has been a general decline in the number of instances of unappropriated expenditure, as reported in the Financial Statements of the Government of New Zealand.

The graph shows the number of reported instances of unappropriated expenditure each year, from 2012/13 to 2018/19. The number of instances increased from 2012/13 to 2014/15. Since then, there have been fewer instances of unappropriated expenditure. In 2018/19, there were 14 instances of unappropriated expenditure, amounting to $205 million. This equates to 0.2% of the expenditure budgeted for 2018/19 in Budget 2018.

Unappropriated expenditure from 2012/13 to 2018/19



We have seen several instances over the last two years of unappropriated expenditure that could have been avoided with more careful management. Some expenditure was unappropriated because departments that were anticipating funding transfers from the previous year incurred expenditure prematurely – that is, before the authority had been confirmed. We have reminded departments to take care in managing the timing of any expenditure that relies on increased authority, including potential funding transfers between years. We have also been encouraging departments to try to anticipate when costs might be higher than expected and seek additional authority for that in advance. In some other instances, unappropriated expenditure can be caused by events outside a department's control or by an event that has no effect on actual expenditure (for example, when a funding recipient named in the appropriation changes their name and so is no longer covered by the appropriation authority).

3. Audit information reported by public entities about their performance

> This service is funded through the appropriations *Audit and Assurance Services RDA* and *Audit and Assurance Services*.

Annual audits of public entities are core work for our Office, accounting for nearly 85% of our resources. We also issue reports to those charged with governance on how the public entities' control environment, performance, and reporting could be improved. Our annual audits fundamentally support the integrity of the financial and performance reporting of public entities. All our work is built on this very solid foundation.

Our audit work is carried out by either the Auditor-General's in-house audit service provider, Audit New Zealand, or private sector audit service providers.

Our audit work is funded by fees charged to each audited public entity, which are agreed after consultation with the entity. This also creates some constructive tension to ensure that audit fees are reasonable, in that they are fair to the entity and also provide a fair return to the auditor.

Other assurance work

Audit New Zealand also carries out other assurance work. This work is generally focused on reviewing procurement and contract management, project management, asset management, risk management, governance, and conflicts of interest, but can include any services of a kind that it is reasonable and appropriate for an auditor to perform.

Assurance is typically provided to senior managers and governors. By extension, such assurance work supports stakeholder's trust and confidence in public entities. It promotes value by helping public entities to ensure compliance with rules and guidelines and adopt good practice. Audit New Zealand and our other audit service providers also undertake other assurance engagements that are prescribed in legislation other than the Public Audit Act 2001.

These assurance engagements include (for example) work undertaken to support disclosure regimes required by the Commerce Commission.

The Auditor-General's Auditing Standards

The Public Audit Act 2001 requires us to report each year on any significant changes made to *The Auditor-General's Auditing Standards*. This year, we reviewed the standards and published *The Auditor-General's Auditing Standards 2020* (as we are required to do at least every three years). While there were no significant changes made to most of the standards, we further strengthened the Auditor-General's standard on independence by limiting the work that audit service providers can carry out in addition to the audit of public entities, to work of an assurance nature. This came into effect from 1 April 2020. In addition, we now require our audit service providers to specifically examine the expenditure of the chairperson and chief executive of each public entity annually, and to examine the expenditure of other members of key management personnel on a rotation basis. This is to better reflect that integrity and ethics underpin trust and confidence in our system of public management.

Performance for *Audit information reported by public entities about their performance*

Performance measure	Performance standard	2019/20 result	2018/19 result	2017/18 result
Number of annual audit reports signed and issued.	Not applicable	2922	New measure for 2019/20	New measure for 2019/20
In a normal year, we would expect to sign and issue approximately 3400 audit reports. The Covid-19 pandemic significantly affected the number of audit reports we signed and issued in 2019/20. The timely completion of school audits was particularly affected (schools are required to present their reports to us by 31 March, and we are required to audit them by 31 May each year), and many of these audits were not complete at 30 June 2020. We expect to progressively complete them over the next few months.				
Number of council long-term plan (LTP) audit reports signed and issued.	Not applicable	Not assessed, as not an LTP year	Not assessed, as not an LTP year	100%
Annual independent review confirms the probity and objectivity of the methods and processes we use to allocate and tender audits and to monitor the reasonableness of audit fees.	Confirmed	Confirmed by annual independent review (See Appendix 2)	Confirmed by annual independent review	Confirmed by annual independent review
Quality				
Percentage of audit files subject to quality assurance review during the year that achieve a rating of at least "satisfactory".	100%	91%	New measure for 2019/20	New measure for 2019/20
As part of our quality assurance reviews of appointed auditors, we review a sample of audit files, which informs our overall rating. This year, 91% of the audit files we reviewed achieved a rating of at least "satisfactory". For those audit files that did not meet a "satisfactory" rating, we determined what remediation was necessary. For these audits, we assessed that our findings would not have a material effect on the audit opinion issued.				

Performance measure	Performance standard	2019/20 result	2018/19 result	2017/18 result
Percentage of appointed auditors with a quality assurance grade of at least "satisfactory", based on the most recent quality assurance review.	100%	93%	94%	95%
For the 7% of appointed auditors who were not graded as "at least satisfactory", improvements are required to the audit approach or audit evidence obtained. In those cases, the reviewer was satisfied that there was no reason to withdraw the audit report. The reviewer concluded that a follow-up review should be carried out during 2020/21 to assess the improvements made.				
Number of audit reports withdrawn.	No audit reports withdrawn	4	New measure for 2019/20	New measure for 2019/20
The reasons for the four audit reports being withdrawn were: • one original audit report had not been issued on behalf of the Auditor-General; • two original audit reports needed to be changed when the public entities withdrew and reissued their underlying reports with changes to comply with generally accepted accounting practice; and • one original audit report needed to be changed when the public entity withdrew and reissued its financial statements to correct an error.				
Percentage of public entities that are "satisfied" with the overall quality of their audit service (as determined by responses to our satisfaction survey).	At least 85%	82%	76%	80%
Percentage of Ministers who rate our Ministerial letters (reports to them on our annual audits) as at least satisfactory.	At least 85%	See explanation below	New measure for 2019/20	New measure for 2019/20
We report to ministers on the findings from our annual audits of central government entities. In 2019/20, we issued 184 reports to ministers. We prepared a survey of ministers to obtain the data required for this measure. However, due to the Covid-19 pandemic, we put the survey on hold until June 2020. We sent the survey out in June 2020 to 22 ministers and received responses from four. Of the four responses, three rated our letters as at least satisfactory and one rated our letters as neutral, resulting in a 75% overall result. However, due to this being a small sample size, the validity of the results is limited for reporting purposes.				
Timeliness				
Percentage of audit reports and opinions that are signed by the applicable statutory deadline.	At least 80%	63%	81%	83%
School audits have a statutory deadline of 31 May. Due to the Covid-19 pandemic, 59% of schools, and a small number of public entities such as subsidiaries of public entities, were not able to provide the financial information required for us to complete our audits and issue our audit reports and opinions by the applicable statutory deadline.				

Performance measure	Performance standard	2019/20 result	2018/19 result	2017/18 result
Percentage of entities with audit opinions in arrears as at 30 June.	Less than 10%	25%	New measure for 2019/20	New measure for 2019/20
An audit opinion is in arrears when the audit opinion has not been signed and the statutory reporting deadline has passed. The Covid-19 pandemic has adversely affected the percentage of entities with audit opinions in arrears at 30 June. This relates mainly to school audits, which have a statutory deadline of 31 May. More than 650 school audits were still not completed at 30 June 2020, because schools were unable to provide their financial information to us by the required time, resulting in us being unable to complete our audits.				
Percentage of finalised reports to governors about the audit (which incorporate responses from management) that are provided within 6 weeks of signing the audit report.	100%	97%	97%	95%
Percentage of Ministerial letters on annual audits that are issued to Ministers and Parliamentary select committees within the expected time period: • where the audit report statutory deadline is 31 October, within 15 weeks of signing the audit report; and • for all other audits, within 10 weeks of the signing of the audit report.	100%	93%	New measure for 2019/20	New measure for 2019/20
During 2019/20, we have been identifying the challenges around timeliness. We have reviewed and codified the relevant work flows and put in place an improved process for monitoring.				

Appointing auditors and monitoring audit fees

The Auditor-General appoints auditors from Audit New Zealand and private sector auditing firms to carry out the annual audits of public organisations, on his behalf. Our processes are designed to ensure that these auditors are independent, that they carry out audits of high quality, and that their audit fees are reasonable. Every year, we commission an independent review of our processes for appointing auditors and monitoring audit fees. This year's independent review again confirmed the probity and objectivity of the methods and systems that we use to allocate and/or tender audits, and to monitor the reasonableness of audit fees. Appendix 2 contains the review report.

There continues to be pressure within the audit market generally for fees to increase. This pressure comes from: increasing requirements on auditors from auditing standards and regulators' expectations, rising expectations of auditors by the organisations being audited,, and a reducing supply of auditors that is leading to increasing costs.

In 2019/20, fees increased due to:

- changes in the scale of operations of some organisations;
- new accounting standards;
- partial resetting of audit fees for district health boards, where the fees had been lower than necessary to retain auditors and achieve quality audits;
- variable quality of the financial statements and performance information prepared by some organisations; and
- small changes in auditor charge-out rates (the average hourly cost of carrying out audits).

Changes in audit fees from 2017/18 to 2019/20 are summarised in the table below. The figures exclude additional audit fees negotiated with a small number of public organisations as a result of unforeseen problems arising after audit fees were agreed.

Changes in audit fees 2017/18 to 2019/20

	2018/19 to 2019/20				2017/18 to 2018/19			
Sector	Increase in total fee	Because of changes in time	Because of changes in charge-out rate	Number of organisations*	Increase in total fee	Because of changes in time	Because of changes in charge-out rate	Number of organisations*
	%	%	%		%	%	%	
Central government	4.9	2.8	2.1	382	5.4	9.1	(3.7)	328
Local government**	4.8	8.6	(3.8)	266	2.7	1.2	1.5	380
Schools	3.1	0.5	2.6	2439	6.0	5.2	0.8	2393
Total	**4.5**	**4.1**	**0.4**	**3087**	**4.6**	**5.8**	**(1.2)**	**3101**

* The number of organisations are all those organisations whose audit fees were agreed at the time our analysis was prepared.

** For a number of local government organisations, auditors have proposed significantly increased audit hours. We have restricted the associated audit fee movement (largely due to the Covid-19 pandemic), effectively diluting the average hourly charge-out rates.

Carrying out quality assurance reviews

The quality of audit work carried out on behalf of the Auditor-General is paramount. We carry out quality assurance reviews of appointed auditors, usually once every three years, to ensure that they have complied with *The Auditor-General's Auditing Standards*. We expect all our auditors to achieve at least a "satisfactory" grade. This year, 93% of our auditors met this target. We work with those auditors who do not achieve a "satisfactory" grade to address any immediate concerns and we carry out a follow-up review. Where necessary, we make changes to auditors' portfolios.

Public organisations' satisfaction with our auditing services

Each year, our satisfaction survey (which is carried out by an external party) assesses public organisations' satisfaction with our auditing services. We surveyed about 420 public organisations and received responses from 45% of them.

Our target for public organisations' satisfaction with our audit services is that at least 85% of the organisations we survey are satisfied with their audit and the expertise of our auditors. Of the organisations that responded to our survey, 82% confirmed that they were satisfied with the services our auditors provide. This is a 6% increase from the previous year.

Timeliness of our work

The Covid-19 pandemic has had a significant adverse effect on our timeliness of completing audits. About 2400 of the 3400 audits we carry out each year are for schools. Schools are required to present their reports to us by 31 March, and we are required to audit them by 31 May each year. Unfortunately, New Zealand was in lockdown for a lot of the busiest time for school audits to be carried out.

Understanding the impact of our work

Each year, our auditors provide the governors of public organisations with reports that set out our findings and annual audit recommendations so that those with responsibility for making improvements can take action.

We implemented a new measure this year to help us better understand and report on the impact of our work. The new impact measure is focused on the implementation of recommendations for larger public organisations, which include district health boards, tertiary education institutions, government departments, and councils. We provide information about our results against the new measure earlier in this Part under the heading "Impact 3: The public sector improves its performance and accountability".

4. Carry out inquiries into matters of public interest

This service is funded through the appropriation *Statutory Auditor Function MCA*.

Our inquiries work is an important mechanism for improving Parliament's and New Zealanders' trust and confidence in the public sector.

Inquiries can arise from our audit or other work, requests from members of Parliament or a public organisation, or concerns raised by the public. We consider many issues and receive many requests for inquiries, with the number of requests increasing each year.

We make decisions about whether issues warrant investigation as matters of concern arise.

Performance for *Carry out inquiries into matters of public interest*

Performance measure	Performance standard	2019/20 result	2018/19 result	2017/18 result
Number of requests for inquiry received (including protected disclosures and one monitoring issue).	Not applicable	48	New measure for 2019/20	New measure for 2019/20
Number of protected disclosures received (this is a subset of the number above).	Not applicable	6	New measure for 2019/20	New measure for 2019/20
Number of pieces of inquiry work concluded during the year.	Not applicable	42	New measure for 2019/20	New measure for 2019/20
Number of major inquiries concluded during the year.	Not applicable	2	New measure for 2019/20	New measure for 2019/20
Quality				
Percentage of inquiries that meet the Auditor-General's process and reporting quality criteria (as determined by quality assurance review).	100%	Not assessed, as not a quality assurance review year	New measure for 2019/20	New measure for 2019/20
Percentage of Parliamentary select committees that rate our reports on performance audits, inquiries, and other studies as at least "satisfactory".	100%	100%	New measure for 2019/20	New measure for 2019/20

Performance measure	Performance standard	2019/20 result	2018/19 result	2017/18 result
Timeliness				
Percentage of preliminary investigations and routine inquiry work (excluding major inquiries) that are concluded within 6 months.	100%	81%	New measure for 2019/20	New measure for 2019/20
We did not achieve our timeliness target – 34 out of 42 pieces of inquiry work in this category were concluded within 6 months.				
Percentage of major inquiries that are concluded and their findings reported within the expected time period.	At least 75%	50%	New measure for 2019/20	New measure for 2019/20
We did not achieve our timeliness target for major inquiries. We had two major inquiries for the year and, while both were concluded during the year, only one was within the agreed time frame.				
Work relating to the Local Authorities (Members' Interests) Act 1968				
Number of Local Authorities (Members' Interests) Act 1968 requests received.	Not applicable	96	New measure for 2019/20	New measure for 2019/20
Percentage of requests under the Local Authorities (Members' Interests) Act 1968 for approval of contracts that are responded to within the expected time period (within 21 days).	At least 90%	93%	Revised measure for 2019/20	Revised measure for 2019/20
We have not included the previous two years' data for this revised measure, as the changes made to both the performance standard and the expected time period to respond have both been adjusted and make the previous data non-comparable.				

Our inquiry work

This year, we implemented a new way of working, which included additional resourcing and a new approach where we focus on triaging issues and working with the three categories described below:

- Category 1 – Triage/Initial view: where new potential inquiry work (either requested or self-initiated) are considered and an initial view is reached within four weeks.
- Category 2 – Assessment: where, having decided under Category 1 to do more work, we carry out inquiry work to further understand the facts and form our view of those facts.
- Category 3 – Major inquiries: this is major inquiry work, where there is an in-depth investigation of the issue and the production of a detailed report at its conclusion.

In 2019/20, we carried out work on 67 cases of Category 1, 2, and 3 inquiry work, including protected disclosures and monitoring issues. This included 19 cases that were carried over from 2018/19 and concluded in 2019/20 (15 inquiries, four monitoring issues).

In our report, *Inquiry into Alpine Energy Limited's decision to install solar equipment at a senior executive's house*, we considered Alpine Energy's decision to install solar energy equipment on an employee's house as part of a trial of solar energy. When the employee left the company, Alpine Energy sold the solar equipment to the employee for much less than it cost to install. Our report outlines our expectation that public organisations manage sensitive expenditure well. In that case, we saw that the installation had a legitimate business purpose, in that it was conducted as part of a trial of solar energy being carried out by the company as part of a general interest in renewable energy.

However, we also saw that the company did not recognise the expenditure as sensitive expenditure, and it was not able to demonstrate what steps it had taken at all stages of its decision-making to mitigate the risks associated with the fact that it was incurring sensitive expenditure.

In our report, Inquiry into *Waikato District Health Board's procurement of services from HealthTap* we considered the decision of Waikato District Health Board in 2015 to enter into a two-year licence contract with a United States-based company to provide "virtual care" services through an online service. That report includes important messages for all public organisations about the importance of following good procurement practices so that good decisions are made about spending public money and the public can see how those decisions were made. In that case, some of those procurement disciplines were missing (such as proper planning, formal market testing, a competitive tender process, sound business cases and a procurement plan, and involving legal and procurement specialists at the right time).

Timeliness of our inquiry work

While we did not meet our timeliness targets for our three inquiry categories, this remains a key focus for us as we embed our new way of working. It can be challenging to balance the obligations of fairness and natural justice inherent in our work, and the volume and complexity of the issues we consider, with being timely.

This year, we re-allocated some of our resources to assist with other Office priorities, such as the cross-Office project teams that reviewed how the New Zealand Police implemented the firearms buy-back and amnesty scheme and the Ministry of Health's management of personal protective equipment in response to the Covid-19 pandemic, as described in the cross-Office highlights on pages 36-37. This aims to provide more timely assurance on issues as they emerge, and we expect there will be more of this type of work in the future.

Understanding the impact of our work

In our work, we have an opportunity to consider a situation in more detail to understand what has happened and what lessons there are, so the public organisation, and the public sector, might continue to improve the services it provides to New Zealanders. In some cases, that work can have an immediate or short-term effect, with the organisation acknowledging that the situation could have been avoided or done differently. In other situations, a public organisation might consider what has been learned from our inquiry and choose to do some things differently, then evaluate what they have done differently and report about that. At the time of our report about the Waikato District Health Board, the Board said publicly that it "... accepted the findings of the report and that it will be a useful tool for driving improvement in our organisation".

In 2016, we published the findings for our inquiry into the Saudi Arabia Food Security Partnership (the Partnership). In our report, we said that we expected the Ministry of Foreign Affairs and Trade (the Ministry) and New Zealand Trade and Enterprise (NZTE) to assess and report on what the Partnership has achieved once all of the goods and services covered by the contract for services were provided.

In February of this year, when they considered that the Partnership had concluded, the Ministry and NZTE wrote to the Auditor-General saying that they have fully accepted our report, that in totality the arrangement did not represent a good return on investment, that the Partnership was not a mechanism they would use or recommend, and that they have incorporated the lessons learned from our findings into their business practices.

Local Authorities (Members' Interests) Act 1968

The Auditor-General also administers the Local Authorities (Members' Interests) Act 1968 (LAMIA), which regulates pecuniary interest matters in local government. This year, we received 96 enquiries relating to the LAMIA. Of these, the majority were requests for approval of contracts. We measure our timeliness for those requests from the time when we have all the information we require to carry out our work. This year, we completed 93% of LAMIA-related requests for approval of contracts within our target of 21 days.

5. Assess public sector performance and accountability

This service is funded through the appropriation *Statutory Auditor Function MCA*.

The Public Audit Act 2001 allows the Auditor-General to assess the performance and accountability of public organisations, particular sectors, or the public sector as a whole. Performance audits, special studies, and the other evaluation and assessment work we do are an important part of our work programme.

Performance audits enable us to delve more deeply into particular areas than we are able to in our annual audits, and make recommendations for improving public sector performance. We also monitor public organisations' progress in implementing the recommendations from our previous performance audits.

Performance for *Assess public performance and accountability*

Performance measure	Performance standard	2019/20 result	2018/19 result	2017/18 result
Number of performance audit reports issued during the year.	Not applicable	4	New measure for 2019/20	New measure for 2019/20
Number of other reports issued during the year.	Not applicable	14 (See Appendix 4)	New measure for 2019/20	New measure for 2019/20
Quality*				
Percentage of performance audits that meet the Auditor-General's process and reporting quality criteria (as determined by quality assurance review).	100%	100%	Revised measure for 2019/20	Revised measure for 2019/20
We selected a representative sample of three completed performance audits to assess compliance with the Auditor-General's auditing standard for performance audits. Overall, the performance audits sampled were found to have substantively met the requirements of this standard. Where compliance gaps were identified, the impact to the audit was assessed as not significant.				
Percentage of Parliamentary select committees that rate our reports on inquiries, performance audits, and other studies as at least "satisfactory".	100%	100%	Revised measure for 2019/20	Revised measure for 2019/20

Performance measure	Performance standard	2019/20 result	2018/19 result	2017/18 result
Percentage of audited entities that rate our performance audits as at least “satisfactory”.	At least 85%	88%	Revised measure for 2019/20	Revised measure for 2019/20
We sent a voluntary survey to the 13 public organisations that participated in the four performance audits we completed in 2019/20. We received eight responses. Seven of the public organisations that responded rated our performance audits as “at least satisfactory”, and one was neutral. We used a 5-point survey scale, ranging from strongly disagree to strongly agree. Responses were assessed as “at least satisfactory” if they responded with agree or strongly agree.				
* Our quality measures were revised for 2019/20 to improve how we assess and explain our performance specifically in relation to the quality of our performance audits. Previous measures assessed the quality of all of our work under the *Statutory Auditor Function MCA* appropriation. This is no longer reflected in our reporting.				
Timeliness*				
Percentage of performance audits that are concluded and their findings reported within the expected time period.	At least 75%	0%	New measure for 2019/20	New measure for 2019/20
* Our timeliness measure was revised for 2019/20. The previous measure assessed the timeliness of not only performance audits but also other reports funded under the *Statutory Auditor Function MCA* appropriation (excluding Controller updates and inquiries reports, as they were reported elsewhere).				

Our performance audits and special studies work

Every year, we carry out a wide range of work to assess public sector performance and accountability. Our overall work programme includes initiatives from our published annual plan. In 2019/20 we carried out work on 11 performance audits and four of these were completed by 30 June 2020. The progress against each of these performance audits is outlined in Appendix 5.

All of the work we published across the Office in 2019/20, including the four performance audit reports and the 14 other reports issued this year is described in Appendix 4 under the headings *Performance audits* and *Other published reports and studies*. This work is also available on our website. Our Controller updates and inquiries reports are excluded from Appendix 4, as they are reported elsewhere.

Performance audits continue to be an important part of our work programme. Their purpose is to influence improved public sector performance and provide assurance to Parliament, public organisations, and the public that public organisations are delivering what they have been set up and funded to do.

Timeliness of our work

Timeliness for completing our work remains an ongoing focus. This year we expected to complete 10 performance audits. Four of these were delivered within the financial year, but none of the four were completed within their planned time frames. Of the remaining six, four have now been completed. The other two performance audits will also be completed in 2020/21.

A number of key factors have affected the delivery time frames that were set for our performance audits, including recruitment delays for key performance-audit-related positions and the disruption that the Covid-19 pandemic caused to our ability to carry out this work. We also re-allocated resources to assist with other Office priorities, such as the cross-Office project team that carried out our review of the Ministry of Health’s management of personal protective equipment in response to the Covid-19 pandemic, as described in the cross-Office highlights on page 36. This aims to provide more timely assurance on issues as they emerge, and we expect there will be more of this type of work in the future. The performance audits in our work programme can be complex and involve managing many dependencies that can affect timeliness. We will continue to look at how performance audit time frames are set, at how dependencies can be better managed, and for ways to make the insights from our work available in a timely way.

Understanding the impact of our work

Each year, we assess the progress public organisations make in acting on the recommendations from a selection of our previous performance audits. Generally, we follow up after 18 to 24 months. This allows public organisations time to make any necessary changes. The selection of audits we follow up on is based on the significance of the areas identified for improvement in the performance audit report, the time that has elapsed since our recommendations were made, and the resources we have available to assess progress. We provide additional information about the impact of our work in this Part under the heading: “Impact 3: The public sector improves its performance and accountability” (see pages 20-21).

Cross-Office highlights

Our report on the Ministry of Health's management of personal protective equipment during the Covid-19 pandemic

In times of crisis, people need to have trust and confidence in the systems and arrangements set up to support them. In April 2020, we agreed with the Ministry of Health (the Ministry) to independently review its management of personal protective equipment (PPE) during the early stages of the country's response to the Covid-19 pandemic. To ensure that we could provide timely assurance on these issues, we re-prioritised our resources and established a cross-Office project team to carry out this work.

In June 2020, we published our report, *Ministry of Health: Management of personal protective equipment in response to Covid-19*. Our report outlines how the Ministry and district health boards (DHBs) had planned for a national health emergency and maintained a national reserve supply of critical clinical items, including PPE, to ensure that health services have continued access to PPE during large or prolonged emergencies. However, we found gaps in the Ministry's planning and a lack of clarity over roles and responsibilities for both planning for, and providing, PPE in a pandemic, including not being aware how much reserve stock there was and the lack of a system to forecast demand.

The Ministry and DHBs worked hard to adapt their processes during the lockdown phases of the country's response to the Covid-19 pandemic. The Ministry set up a new centralised system for procuring, prioritising, and distributing PPE stock. We made 10 recommendations to help strengthen the management of PPE, which the Ministry moved quickly to start implementing.

Further information about what we found and recommended is in the report available on our website.

Our report on the Police's implementation of the firearms buy-back and amnesty scheme

As part of its response to the Christchurch mosque attacks on 15 March 2019, the Government introduced a firearms buy-back and amnesty scheme (the scheme). The scheme allowed owners of newly prohibited firearms, magazines, and parts to hand them in to the Police in exchange for compensation. We examined how effectively and efficiently the Police implemented the scheme.

Rather than waiting for the Police to complete the scheme and then examine their performance, our appointed auditor looked at the Police's performance as the scheme was operating. We thought it important to provide the Police with real-time feedback so that they could make any improvements the scheme needed quickly. We supplemented the real-time feedback of our appointed auditor with work carried out by a three-person cross-Office project team. This cross-Office approach, and working in combination with our appointed auditor in real time, was a different way of working compared to our traditional approach.

The Police were open to receiving and acting on the feedback and made some changes to their practice during the operation of the scheme.

We recommended that the Police evaluate and report on the difference made by changes to firearms regulation and implementation of the scheme. This will include work aimed at better estimating the number of prohibited firearms still in the community. Having that information should help to get a better sense of the level of public compliance with the scheme. Without that information, we cannot determine whether the Police's implementation of the scheme has delivered value for money.

The Police have committed to implementing our recommendations.

Further information about what we found and recommended is in our report, *Implementing the firearms buy-back and amnesty scheme*, which is available on our website.

4

Developing our organisational capability

There are six key areas that we must manage well to improve our organisation and support the delivery of *The Auditor-General's Strategic Intentions to 2025.*

By improving the way we manage these resources, we ensure that we are in the best possible position to carry out our core functions to the standard that Parliament and the public expects.

We provide more detail below about each of the six key areas we are focused on, why they are important, and what we have achieved in 2019/20.

Our independence and reputation

Our independence and strong mandate that underpin all our work and activities.

Maintaining our independence is critical. The credibility of our work relies on being free of influence (real or perceived) so that we can carry out our work and report without constraint. We have high standards of independence, which we have further enhanced during the year, and we closely monitor compliance with those standards.

Our independence and reputation are also critical to maintaining Parliament's and the public's trust and confidence in our work, and enable us to maintain our position as one of the strongest "pillars" in New Zealand's national integrity system.[1]

During 2019/20, to protect the quality and independence of our audit work, we:

- continued to actively monitor and manage potential conflicts of interest for our staff and the audit service providers appointed to carry out audits on behalf of the Auditor-General;
- implemented stronger auditor independence standards, limiting the consultancy work of audit service providers to only work of an assurance nature for the public organisations they audit; and
- maintained a focus on risks to our independence and reputation in our strategic risk register.

Our people

Our culture and engagement, skills, and capability that enable us to deliver high-quality professional work.

A positive culture and strong engagement will help our people to perform at their best. The reputation of our Office relies on our ability to attract and retain capable and highly skilled staff.

We:

- reviewed our organisational structure to ensure that it is fit for purpose and implemented new ways of working;
- prepared a people strategy, and started work on a Te Ao Māori strategy;
- established a forum for OAG and Corporate Services Team people leaders (those who manage staff);
- continued the training and development of our audit staff, including supporting their qualifying

1 According to Transparency International New Zealand, the New Zealand arm of the global anti-corruption agency.

as chartered accountants and holding training events to further develop their capability;

- invested in our capability and competence in engaging with Māori by encouraging and enabling all staff to have a basic knowledge of te reo Māori, with specific training made available for staff working with public organisations where tikanga Māori is fundamental to how they operate;
- improved our flexible working arrangements to help attract and retain great staff;
- reviewed the remuneration and reward system for staff in the OAG and the Corporate Services Team;
- analysed our gender pay gap and, while like-for-like roles do not show a gender bias in pay, we know that there is work still to do to bring more women into management roles;
- completed a learning and development plan that supports the technical, leadership, and professional needs of staff in the OAG and the Corporate Services Team; and
- provided a range of support to our staff to ensure that their well-being and welfare was prioritised and managed well during the Covid-19 lockdown and beyond.

Equal employment opportunities

Under the Public Audit Act 2001, the Auditor-General must develop and publish an equal employment opportunities (EEO) programme, ensure that this programme is complied with, and include in the annual report an account of how the programme was met.

We consider quality of employment opportunity critical to creating a workplace that enables all our staff to contribute to their full potential. The principles and practice of equal employment opportunities are embedded in our human resources policies. Through our work on EEO, we aim to better understand how we can further promote equity and diversity in our workplace. For example, we have embedded a flexible working arrangements policy and guidelines, ensured that we have no gender pay bias for like-for-like roles, and are actively improving our Māori cultural competency, including use of te reo Māori.

Information about our staff numbers and staff diversity is provided in our staff profile on our website.

Our knowledge, information, and methods

Our collective knowledge and expertise about the public sector, and the processes we use to do our work.

In many respects, our technology environment is struggling with growing service demand and complexity, and to meet the expectations of Parliament and our stakeholders – audit service providers, public organisations, and the public. We need to continue to ensure that systems are secure, resilient, and fit for purpose.

We know there is an opportunity to leverage the information that we acquire and hold to provide better intelligence to support our work planning and core services. It is also about ensuring that our systems support improved engagement with Parliament, public organisations, stakeholders, and the public. These things are key to delivering greater impact.

We:

- developed our Information Systems Strategy to focus our investment over the next five years, and started to implement it (with funding secured through Budget 2020);
- replaced much of our core computing infrastructure, increasing security, resilience, and capacity, which enabled our staff to continue working remotely during the Covid-19 lockdown;
- upgraded systems, including our document management system to improve functionality; and
- invested in our ability to carry out data analytics, and started work on a Data and Knowledge Strategy.

Our relationships

Our mutually productive and respectful relationships with all our stakeholders.

Our Office has a wide range of stakeholders, and our ability to manage these relationships well is important to our ability to influence and have impact.

Our engagement matters because we need to understand what our stakeholders are concerned about and where risks might arise. These insights help inform our work, allow us to target how we can best assist public organisations with the challenges they face, and shape how we communicate the key messages from our work to influence improvements to public sector practice.

We:

- normally hold regular all-day events for public organisations about governance and accountability, accounting and auditing developments, standards, issues, and opportunities. Due to the Covid-19 pandemic, these events could not be held. We recorded these sessions instead and made them publicly available so that governors, management, finance teams, and other public sector staff could continue to have access to information to help them in their work;
- strengthened our relationships with public sector and audit profession groups by providing briefings and presentations on good practice, emerging risks, and sector insights;
- provided post-election support to councils by presenting to 31 councils on matters such as managing conflicts of interest and the importance of risk management, including the role of audit and risk committees in this regard;
- increased our focus on liaising with audit and risk committee chairpersons, including establishing new forums, both in person and virtually;
- continued to provide briefings on reports for members of Parliament, as well as briefings for select committees; and
- continued to collaborate with Transparency International New Zealand to host events in Wellington and Auckland focused on strengthening public sector integrity and transparency.

We aim to improve how we engage with and provide value for our stakeholders. To achieve this, we:

- carried out surveys to better understand what Parliamentary select committees and other stakeholders consider we do well and where we need to improve; and
- strengthened our relationships with Pacific audit offices by training staff in their offices and in ours in support of improving accountability, transparency, and good governance in the Pacific.

Our financial and physical resources

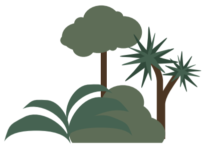
Our use of financial and physical resources to support our work.

While the public sector has continued to grow, Crown funding to support the activities of the Office has been constrained for more than a decade. The Office has kept operating costs low, but this has had a range of effects. We have had to reprioritise funding to absorb salary increases and other inflationary pressures in an environment that was struggling with growing service demand and complexity to meet the expectations of our audit service providers, public organisations, and other stakeholders.

We secured additional funding in Budget 2019. This funding enabled us to substantially build our people capability, ensuring that we have the skills we need to deliver more, better and faster, addressing remuneration pressures and investing more in training and development. We also:

- focused on working with our staff to make sure that we directed that investment in the right places, and that we were organised in a way that would make the most of additional resources;
- reviewed some processes, streamlining our approach to triaging inquiries and making changes to the way our sector managers operate;
- established new roles to help us strengthen governance, planning, reporting and project delivery;
- completed a refresh of our offices in Wellington, upgrading the equipment our staff use to ensure that they have a modern, secure, and fit-for-purpose working environment;
- continued to maintain our tight financial controls and carefully monitor spending, including reviewing our expenditure and priorities during the Covid-19 pandemic; and
- reviewed our long-term arrangements for our offices in Tauranga and Hamilton, and started a review of our offices in Auckland.

In Budget 2020, we sought investment in our information technology systems to ensure that our staff have the tools they need. The changes we are making are described in more detail in this Part under "Our knowledge, information, and methods" on page 39.



Our use of natural resources

Our use of natural resources and managing the environmental impact of our activities.

In our view, New Zealanders expect the public sector to use all of its resources wisely – including the natural resources they consume – and that they work to minimise their impact on the environment as much as possible.

This applies equally to us. This is why in the past few years, we have been assessing the environmental impact of our activities and looking for opportunities to reduce or mitigate that impact.

We:

- have continued to implement recommended waste management improvements in our Wellington office from the audit that was completed by the Sustainability Trust in 2018/19;
- presented regular features for staff on the Office's intranet. For example, we told staff how much paper we were using and encouraged less printing. This, combined with increasingly paperless meetings, has resulted in a 17% reduction in paper use;
- are progressing the development of an environmental impact reporting dashboard for the Office, using the data we have gathered from suppliers; and
- will also look for other opportunities to highlight and encourage ways to reduce our environmental impact (for example, through the use of technology reducing our need to travel to carry out audits and for training events).

5

Our financial results

Overview of our financial results

Operating result

For 2019/20, our Office had a deficit of $1.639 million. Our net operating results by output are summarised below.

	Audit and Assurance Services $000	Statutory Auditor Function $000	Remuneration of Auditor-General and Deputy $000	Total $000
Revenue	81,968	15,155	1,099	98,157
Costs	(85,353)	(13,409)	(1,099)	(99,796)
Surplus/(Deficit)*	**(3,385)**	**1,746**	-	**(1,639)**

* The operating deficit excludes gain on sale of assets, which was $5,000 for the year.

The deficit of $3.385 million on Audit and Assurance Services is mainly due to the effect of the Covid-19 pandemic on the timing of our audit fee revenue. This deficit is transferred to our memorandum account, which was set up to help us manage the peaks and troughs in our audit fee revenue cycle.

The surplus of $1.746 million on the Statutory Auditor Function will be returned to the Crown, although we have subsequently sought an increase of funding of $1.008 million in 2020/21 to facilitate the completion of work delayed by the Covid-19 pandemic.

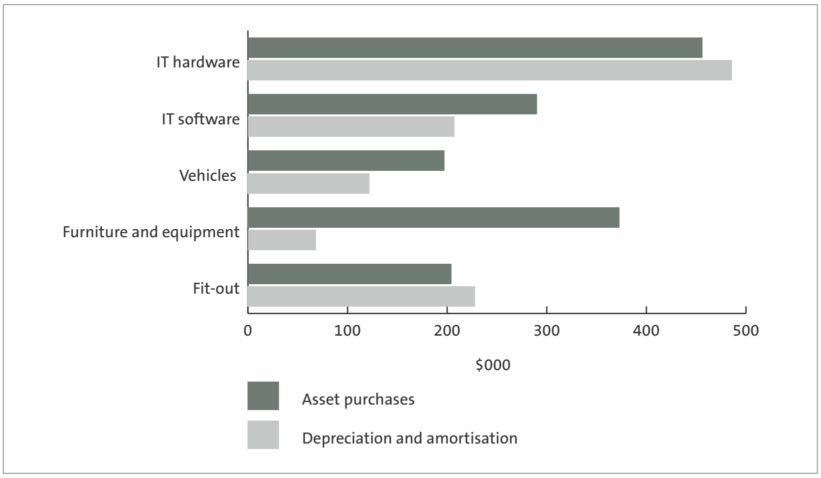
Memorandum account

The deficit for the year was higher than planned, mainly due to the effect of the Covid-19 pandemic on the timing of audit fee revenue. We expect the memorandum account to return to surplus in 2020/21.

Audit and Assurance Services memorandum account	$000
Opening balance at 1 July 2019	1,826
Audit and Assurance Services deficit	(3,385)
Closing balance at 30 June 2020	**(1,559)**

Investment in our assets

In 2019/20, we maintained our replacement programme for IT hardware and vehicles. We completed the upgrade of our document management system and refreshed some of the furniture in our Wellington office.



Statement of comprehensive revenue and expense

for the year ended 30 June 2020

This statement reports the revenue and expenditure relating to all outputs (goods and services) produced by the Office. Supporting statements showing the revenue and expenditure of each output class are on pages 13-16.

	Notes	Actual 2019/20 $000	Actual 2018/19 $000	Main Estimates 2019/20 $000*	Supplementary Estimates 2019/20 $000*	Main Estimates 2020/21 $000*
Revenue						
Crown funding	2	15,882	10,825	15,847	15,882	17,482
Audit fee revenue	3	81,816	82,597	81,630	86,131	94,642
Other revenue		524	278	230	230	230
Gain on sale of plant and equipment		5	7	-	-	-
Total revenue		98,227	93,707	97,707	102,243	112,354
Expenditure						
Personnel costs	4	51,154	45,819	49,963	51,660	54,866
Other operating costs	5	47,138	46,221	46,957	50,635	54,416
Depreciation and amortisation expense	10, 11	1,196	1,041	1,289	1,195	1,357
Capital charge	6	373	373	373	373	419
Total expenditure		**99,861**	**93,454**	**98,582**	**103,863**	**111,058**
Surplus/(Deficit)		**(1,634)**	**253**	**(875)**	**(1,620)**	**1,296**
Other comprehensive revenue and expense		-	-	-	-	-
Total comprehensive revenue and expense for the year		**(1,634)**	**253**	**(875)**	**(1,620)**	**1,296**

* All Estimates information is unaudited. The figures under Main Estimates 2019/20 reflect the forecasts published in Budget 2019 and in the Office's 2018/19 annual report, and the figures under Supplementary Estimates 2019/20 reflect the updated forecasts published in Budget 2020.

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

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2020

This statement reports total assets and liabilities. The difference between total assets and total liabilities is called equity.

	Notes	Actual 2019/20 $000	Actual 2018/19 $000	Main Estimates 2019/20 $000*	Supplementary Estimates 2019/20 $000*	Main Estimates 2020/21 $000*
Assets						
Current assets						
Cash and cash equivalents	7	5,077	5,209	2,730	16,702	5,695
Receivables	8	8,174	7,597	7,087	7,087	8,348
Prepayments		897	637	781	781	809
Work in progress	9	1,913	1,499	1,737	1,737	1,105
Total current assets		***16,061***	***14,942***	***12,335***	***26,307***	***15,957***
Non-current assets						
Plant and equipment	10	3,502	3,346	3,108	3,785	3,607
Intangible assets	11	1,100	1,017	1,874	1,215	2,498
Total non-current assets		***4,602***	***4,363***	***4,982***	***5,000***	***6,105***
Total assets		**20,663**	**19,305**	**17,317**	**31,307**	**22,062**
Liabilities						
Current liabilities						
Payables and deferred revenue	12	7,830	5,883	5,645	4,745	6,579
Repayment of surplus due to the Crown	13	1,751	221	-	-	-
Employee entitlements	14	5,820	4,548	4,578	4,587	5,639
Total current liabilities		***15,401***	***10,652***	***10,223***	***9,332***	***12,218***
Non-current liabilities						
Payables and deferred revenue	12	2	6	-	-	-
Employee entitlements	14	598	600	548	548	613
Total non-current liabilities		***600***	***606***	***548***	***548***	***613***
Total liabilities		**16,001**	**11,258**	**10,771**	**9,880**	**12,831**
Net assets		**4,662**	**8,047**	**6,546**	**21,427**	**9,231**
Equity						
Taxpayers' funds		6,221	6,221	6,221	21,221**	7,729
Memorandum account	15	(1,559)	1,826	325	206	1,502
Total equity		**4,662**	**8,047**	**6,546**	**21,427**	**9,231**

* All Estimates information is unaudited. The figures under Main Estimates 2019/20 reflect the forecasts published in Budget 2019 and in the Office's 2018/19 annual report, and the figures under Supplementary Estimates 2019/20 reflect the updated forecasts published in Budget 2020.

** Taxpayers' funds were $15 million lower than in the Supplementary Estimates. The Supplementary Estimates included allowance for a capital injection of $15 million to fund potential deficits on audit fees arising from the effects of the Covid-19 pandemic. This allowance was forecast at the maximum possible effect on audit fees but was ultimately not required.

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

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2020

Equity is the Crown's investment in the Office and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as taxpayers' funds and a memorandum account.

	Notes	Actual 2019/20 $000	Actual 2018/19 $000	Main Estimates 2019/20 $000*	Supplementary Estimates 2019/20 $000*	Main Estimates 2020/21 $000*
Taxpayers' funds						
Balance at 1 July		**6,221**	**6,221**	**6,221**	**6,221**	**6,221**
Total comprehensive revenue and expense		(1,634)	253	(875)	(1,620)	1,296
Transfer of memorandum account net (surplus)/ deficit for the year		3,385	(32)	875	1,620	(1,296)
Capital contribution		-	-	-	15,000**	1,508
Surplus repayment due to the Crown		(1,751)	(221)	-	-	-
Balance at 30 June		**6,221**	**6,221**	**6,221**	**21,221**	**7,729**
Memorandum account						
Balance at 1 July		**1,826**	**1,794**	**1,200**	**1,826**	**206**
Memorandum account net surplus/(deficit) for the year		(3,385)	32	(875)	(1,620)	1,296
Balance at 30 June	15	**(1,559)**	**1,826**	**325**	**206**	**1,502**
Total equity						
Balance at 1 July		8,047	8,015	7,421	8,047	6,427
Balance at 30 June		**4,662**	**8,047**	**6,546**	**21,427**	**9,231**

* All Estimates information is unaudited. The figures under Main Estimates 2019/20 reflect the forecasts published in Budget 2019 and in the Office's 2018/19 annual report, and the figures under Supplementary Estimates 2019/20 reflect the updated forecasts published in Budget 2020.

** Total equity was $15 million lower than in the Supplementary Estimates. The Supplementary Estimates included allowance for a capital injection of $15 million to fund potential deficits on audit fees arising from the effects of the Covid-19 pandemic. This allowance was forecast at the maximum possible effect on audit fees but was ultimately not required.

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

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2020

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 revenue and expense.

	Notes	Actual 2019/20 $000	Actual 2018/19 $000	Main Estimates 2019/20 $000*	Supplementary Estimates 2019/20 $000*	Main Estimates 2020/21 $000*
Cash flows from operating activities						
Receipts from the Crown		15,882	10,825	15,847	15,882	17,482
Receipts from public entities[1]		46,381	47,672	46,457	48,418	56,612
Payments to suppliers[1]		(12,492)	(11,594)	(11,703)	(14,721)	(16,419)
Payments to employees		(47,785)	(44,909)	(48,925)	(50,507)	(52,549)
Net GST paid[2]		(85)	(87)	25	(152)	240
Capital charge paid		(373)	(373)	(373)	(373)	(419)
Net cash flow from (used in) operating activities	16	*1,528*	*1,534*	*1,328*	*(1,453)*	*4,947*
Cash flows from investing activities						
Receipts from sale of plant and equipment		80	111	83	93	63
Purchase of plant and equipment		(1,230)	(848)	(787)	(1,507)	(837)
Purchase of intangible assets		(290)	(242)	(950)	(419)	(1,688)
Net cash flow from (used in) investing activities		*(1,440)*	*(979)*	*(1,654)*	*(1,833)*	*(2,462)*
Cash flows from financing activities						
Capital contribution		-	-	-	15,000**	1,508
Surplus repayment to the Crown		(220)	(600)	-	(221)	-
Net cash flow from (used in) financing activities		*(220)*	*(600)*	-	*14,779*	*1,508*
Total net increase (decrease) in cash and cash equivalents		***(132)***	***(45)***	***(326)***	***11,493***	***3,993***
Cash at the beginning of the year		5,209	5,254	3,056	5,209	1,702
Cash and cash equivalents at the end of the year		**5,077**	**5,209**	**2,730**	**16,702**	**5,695**

* All Estimates information is unaudited. The figures under Main Estimates 2019/20 reflect the forecasts published in Budget 2019 and in the Office's 2018/19 annual report, and the figures under Supplementary Estimates 2019/20 reflect the updated forecasts published in Budget 2020.

** The Supplementary Estimates included allowance for a capital injection of $15 million to fund potential deficits on audit fees arising from the effects of Covid-19. This allowance was forecast at the maximum possible effect on audit fees but was ultimately not required.

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

2 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 accompanying notes form part of these financial statements.

Statement of commitments

as at 30 June 2020

This statement records expenditure to which the Office is contractually committed at 30 June 2020.

Non-cancellable operating lease commitments

The Office may lease property, plant, and equipment in the normal course of its business. These leases are for premises, which have a non-cancellable leasing period ranging from less than a year to four 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.

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Actual 2019/20 $000	Actual 2018/19 $000
Non-cancellable operating lease commitments		
Not later than one year	2,750	2,439
Later than one year and not later than five years	2,364	3,991
Later than five years	-	-
Total non-cancellable operating lease commitments	*5,114*	*6,430*
Capital commitments		
Contractual	-	-
Total capital commitments	*-*	*-*
Total commitments	**5,114**	**6,430**

Statement of contingent liabilities and contingent assets

as at 30 June 2020

This statement discloses situations that existed at 30 June 2020, 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 2020 (2019: Nil).

Contingent assets

The Office did not have any contingent assets as at 30 June 2020 (2019: Nil).

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2020

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 and operates in New Zealand. The relevant legislation governing the Office's operations is the Public Audit Act 2001. The Office's ultimate parent is the New Zealand Crown.

The Office's primary objective is to provide independent assurance to Parliament and the public about how public entities are performing, through auditing public entities, carrying out performance audits, providing reports and advice to Parliament, and carrying out inquiries and other special studies.

The Office has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the Office are for the year ended 30 June 2020 and were authorised for issue by the Controller and Auditor-General on 25 September 2020.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of compliance

The financial statements of the Office have been prepared in accordance with the requirements of the Public Finance Act 1989, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and Treasury Instructions.

The financial statements have been prepared in accordance with Tier 1 PBE Standards.

These financial statements comply with PBE Financial Reporting Standards (FRS).

Presentation currency and rounding

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars ($000).

Standards issued and not yet effective and not early adopted

Standards and amendments issued but not yet effective, which have not been early adopted and which are relevant to the Office, are:

PBE IPSAS 41 Financial Instruments

The External Reporting Board (XRB) issued PBE IPSAS 41 *Financial Instruments* in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although the Office has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

Service Performance Reporting

In November 2017, the XRB issued PBE FRS 48 *Service Performance Reporting*, which establishes requirements for selection and presentation of service performance information. Previously, there has been no PBE standard dealing solely with performance reporting.

The Office has not yet assessed the effect of the new standard, which is required to be adopted from the 2022/23 financial year.

Budget and forecast figures

The forecast financial statements (Main Estimates 2020/21) have been prepared as required by the Public Finance Act 1989 to communicate forecast financial information for accountability purposes. The budget and forecast figures (all Estimates information) are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

2019/20 Main Estimates and Supplementary Estimates

The 2019/20 Main Estimate forecast financial statements are consistent with the forecasts published in Budget 2019, and in the Office's 2018/19 annual report.

The 2019/20 Supplementary Estimates forecast financial statements are based on the updated forecasts published in Budget 2020.

2020/21 Main Estimates

The 2020/21 Main Estimate forecast financial statements are consistent with the forecasts published in Budget 2020. They have been prepared in accordance with PBE FRS 42: *Prospective Financial Statements* and comply with that standard.

The 2020/21 forecast financial statements were approved for issue by the Auditor-General on 8 April 2020. The Auditor-General is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

While the Office regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2021 will not be published.

Significant assumptions used in preparing the forecast financial statements

The forecast figures contained in these financial statements reflect the Office's purpose and activities and are based on a number of assumptions on what might occur during the 2020/21 year. The forecast figures have been compiled on the basis of existing government policies and after the Auditor-General consulted with the Speaker and the Officers of Parliament Committee.

The main assumptions, which were adopted as at 8 April 2020, were as follows:

- The Auditor-General's portfolio of entities will remain substantially the same as for the previous year.
- The Office will continue to deliver the range of products currently provided and will also be in a position to deliver new products, or existing products in new ways, to cope with changing demands.
- The balance of activity associated with inquiries and with advice to Parliament and others will continue to vary because of increases in demand and the effects of the Public Audit Act 2001.
- The Auditor-General will continue to use audit expertise from Audit New Zealand and contracted audit service providers.
- Forecast personnel costs are based on expected staff numbers necessary to deliver the work of the Office, incorporating remuneration rates that are based on current costs adjusted for anticipated market changes.
- Operating costs are based on estimates of costs that will be incurred under the Office's current operating model, with small allowances for price increases.
- Forecast capital expenditure and depreciation are based on planned replacement of motor vehicles and IT equipment, plus continued investment in developing the Office's software programs.

The actual financial results achieved for 2020/21 are likely to vary from the forecast information presented, and the variations might be material. There are likely to be flow-on effects from the Covid-19 pandemic, with some revenue originally forecast for 2019/20 being deferred into 2020/21. This is likely to result in a higher surplus in 2020/21.

Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

Goods and Services Tax

All items in the financial statements are presented exclusive of Goods and Services Tax (GST), except for receivables and payables, which are presented 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 a net operating cash flow in the Statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Output cost allocation

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

Direct costs are those costs directly attributable to a single output. Direct costs that can readily be identified with a single output are assigned directly to the relevant output class. For example, the cost of audits carried out by contracted audit service providers is charged directly to output class: *Audit and Assurance Services RDA*.

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.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions might differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are referred to below:

- Audit fee revenue, work in progress, and income in advance – refer to Notes 3, 9, and 12.
- Depreciation and amortisation – refer to Notes 10 and 11.
- Retirement leave – refer to Note 14.

Effect of Covid-19

On 11 March 2020, the World Health Organisation declared the outbreak of the Covid-19 pandemic, and two weeks later the New Zealand Government declared a State of National Emergency. From this, the country was in lockdown at Alert Level 4 for the period 26 March to 27 April and remained in lockdown at Alert Level 3 until 13 May inclusive.

Staff and our contracted audit service providers were able to work remotely during the Covid-19 lockdown. However, the Covid-19 pandemic has significantly affected the ability of public entities and our auditors to complete their work within the statutory reporting deadlines, due to inefficiencies of working remotely and additional audit work required. This has significantly affected the number of audit reports we signed and issued in 2019/20.

Our lower revenue for the year reflects these delays in audit work, which has resulted in a higher operating deficit and a deficit balance in our memorandum account. We also had a higher surplus on our Crown-funded operations, with lower costs largely due to recruitment delays.

We managed the risk to cash and appropriations through securing additional appropriations to allow the higher deficit and a provision for a capital injection. The capital injection was ultimately not required.

We considered the possible effect on trade receivables, and formed the view that no impairment needed to be recognised.

The effect of the Covid-19 pandemic on our financial statements is also noted in footnotes to the Statement of financial position, the Statement of changes in equity, and the Statement of cash flows. See also Note 20, which provides explanations of significant variances against the Main Estimates.

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.

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 the use of 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.

Accounting policy

Revenue from the Crown is measured based on the Office's funding entitlement for the year. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments approved in the Appropriation (Supplementary Estimates) Act for the year.

There are no conditions attached to the funding from the Crown. However, the Office can incur expenses only within the scope and other limits of its appropriations.

The fair value of revenue from the Crown has been determined to be equivalent to the funding entitlement.

Note 3: Audit fee revenue

Accounting policy

The specific accounting policies for audit fee revenue are explained below:

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

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. When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

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.

Critical accounting estimates and assumptions

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 might result in a different value being determined for revenue and also a different carrying value for income in advance or work in progress.

Breakdown of fee revenue

	Actual 2019/20 $000	Actual 2018/19 $000
Fee revenue generated by the Office for audit and assurance services	45,437	46,888
Fee revenue generated by contracted audit service providers for audits of public entities*	36,379	35,709
Total audit fee revenue	**81,816**	**82,597**

* 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

Accounting policy

Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

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.

Breakdown of personnel costs

	Actual 2019/20 $000	Actual 2018/19 $000
Salaries and wages	47,788	43,732
Other employee-related costs	1,351	1,062
Employer contributions to defined contribution plans	1,385	1,296
Increase/(decrease) in employee entitlements	630	(271)
Total personnel costs	**51,154**	**45,819**

Note 5: Other operating costs

Accounting policy

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.

Operating 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. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term. All leases entered into by the Office are operating leases.

Other expenses

Other expenses are recognised as goods and services are received.

Breakdown of other operating costs

	Actual 2019/20 $000	Actual 2018/19 $000
Fees to auditors for the audit of the Office's financial statements: PKF Goldsmith Fox Audit	97	97
Operating lease payments	2,811	2,605
Fees for audits of public entities carried out by contracted audit service providers*	36,379	35,709
Other expenses	7,851	7,810
Total other operating costs	**47,138**	**46,221**

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

Note 6: Capital charge

Accounting policy

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

Further information on the capital charge

The Office pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate is determined by the Treasury, and for the year ended 30 June 2020 was 6% (2019: 6%).

Note 7: Cash and cash equivalents

Accounting policy

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

Further information on cash and cash equivalents

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 (2019: Nil).

Note 8: Receivables

Accounting policy

Short-term receivables are recorded at their face value, less an allowance for expected losses and any provision for impairment.

A receivable is considered impaired when there is sufficient evidence that the Office will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amount expected to be collected.

The expected credit loss rates for receivables at 30 June 2020 and 1 July 2019 are based on the payment profile of revenue on credit over the previous two years at the measurement date and the corresponding historical credit losses experienced for that period.

The allowance for credit losses at 30 June 2020 and 1 July 2019 was determined as 0%.

Breakdown of receivables and further information

The ageing profile of receivables at year-end is detailed below:

30 June 2020	Gross $000	Estimates of losses %	Expected credit losses $000	Impaired credit losses $000	Net $000
Not past due	6,624	0	-	-	6,614
Past due 1-30 days	669	0	-	-	669
Past due 31-60 days	207	0	-	-	207
Past due 61-90 days	97	0	-	-	97
Past due over 90 days	590	0	-	(13)	587
Carrying amount	**8,187**		**-**	**(13)**	**8,174**

1 July 2019	Gross $000	Estimates of losses %	Expected credit losses $000	Impaired credit losses $000	Net $000
Not past due	6,843	0	-	(11)	6,832
Past due 1-30 days	596	0	-	-	596
Past due 31-60 days	82	0	-	-	82
Past due 61-90 days	17	0	-	-	17
Past due over 90 days	76	0	-	(6)	70
Carrying amount	**7,614**		**-**	**(17)**	**7,597**

Movements in the provision for impairment and allowance for credit loss of receivables were as follows:

	Actual 2019/20 $000	Actual 2018/19 $000
Balance at 1 July	**17**	**31**
Additional provisions made during the year	-	11
Receivables written off during the year	(4)	(25)
Balance at 30 June	**13**	**17**

Note 9: Work in progress

Accounting policy

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

Critical accounting estimates and assumptions

The value of work in progress is affected by the assessment of the value of audit fee revenue for engagements open at balance date, which is a 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 might result in a different value being determined for revenue and also a different carrying value for income in advance or work in progress.

Note 10: Property, plant, and equipment

Accounting policy

Property, plant, and equipment includes furniture and fittings, leasehold improvements, office equipment, information technology hardware, and motor vehicles. Property, plant, and equipment is measured at cost, less accumulated depreciation and impairment losses.

Additions

Individual assets, or groups 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 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.

In most instances, an item of property, plant, and equipment is recognised at its cost. Where an asset is acquired through a non-exchange transaction, 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 of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Furniture and fittings	4 years (25%)
Office equipment	2.5-5 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 financial year-end.

Impairment of property, plant, and equipment

Property, plant, and equipment assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. 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 determined using an approach based on a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

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.

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

Critical accounting estimates and assumptions

Determining the 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 costs, accumulated depreciation, and net book values.

Breakdown of property, plant, and equipment and further information

	Furniture and fittings $000	Office equipment $000	Leasehold improvements $000	IT hardware $000	Motor vehicles $000	Total $000
Cost						
Balance at 1 July 2018	***1,594***	***495***	***3,169***	***2,389***	***1,093***	***8,740***
Additions	45	8	-	456	339	848
Disposals	(6)	-	-	-	(404)	(410)
Balance at 30 June 2019	***1,633***	***503***	***3,169***	***2,845***	***1,028***	***9,178***
Additions	332	41	204	456	197	1,230
Disposals	(164)	-	-	(168)	(216)	(548)
Balance at 30 June 2020	***1,801***	***544***	***3,373***	***3,133***	***1,009***	***9,860***
Accumulated depreciation and impairment losses						
Balance at 1 July 2018	***1,479***	***412***	***1,176***	***1,650***	***476***	***5,193***
Depreciation expense	54	42	228	441	129	894
Elimination on disposal	(6)	-	-	-	(249)	(255)
Balance at 30 June 2019	***1,527***	***454***	***1,404***	***2,091***	***356***	***5,832***
Depreciation expense	110	42	228	486	122	988
Elimination on disposal	(164)	-	-	(169)	(129)	(462)
Balance at 30 June 2020	**1,473**	**496**	**1,632**	**2,408**	**349**	**6,358**
Carrying amounts						
Balance at 1 July 2018	115	83	1,993	739	617	3,547
Balance at 30 June 2019	106	49	1,765	754	672	3,346
Balance at 30 June 2020	**328**	**48**	**1,741**	**725**	**660**	**3,502**

Note 11: Intangible assets

Accounting policy

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 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.

Costs associated with maintaining computer software are recognised as an expense when incurred, as are costs associated with hosted software or "as a service" arrangements.

Costs associated with development and maintenance of the Office's website 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 year is recognised in the surplus or deficit.

The useful life and associated amortisation rate of intangible assets have been estimated at between 2.5 and 5 years (20% - 40%).

Impairment

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. For further details, refer to the policy for impairment of property, plant, and equipment in Note 10. The same approach applies to the impairment of intangible assets.

Critical accounting estimates and assumptions

Determining the amortisation rates for intangible 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 amortisation costs, accumulated amortisation and net book values.

Breakdown of intangible assets and further information

Movements for each class of intangible asset are as follows:

	Acquired software $000	Internally generated software $000	Total $000
Cost			
Balance at 1 July 2018	***4,587***	***785***	5,372
Additions	-	242	242
Disposals	(406)	-	(406)
Balance at 30 June 2019	***4,181***	***1,027***	5,208
Additions	92	198	290
Disposals	-	-	-
Balance at 30 June 2020	***4,273***	***1,225***	5,498
Accumulated amortisation and impairment losses			
Balance at 1 July 2018	***4,243***	***207***	4,450
Amortisation expense	116	31	147
Disposals	(406)	-	(406)
Balance at 30 June 2019	***3,953***	***238***	4,191
Amortisation expense	176	31	207
Disposals	-	-	-
Balance at 30 June 2020	***4,129***	***269***	4,398
Carrying amounts			
Balance at 1 July 2018	344	578	922
Balance at 30 June 2019	228	789	1,017
Balance at 30 June 2020	**144**	**956**	1,100

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

Note 12: Payables and deferred revenue

Accounting policy

Short-term payables are recorded at the amount payable.

Income in advance is recognised where amounts billed are in excess of the amounts recognised as revenue.

Critical accounting estimates and assumptions

The value of income in advance is affected by the assessment of the value of audit fee revenue for engagements open at balance date, which is a 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 might result in a different value being determined for revenue and also a different carrying value for income in advance or work in progress.

Breakdown of payables and deferred revenue

	Actual 2019/20 $000	Actual 2018/19 $000
Current payables and deferred revenue under exchange transactions		
Creditors and other payables	1,132	1,117
Income in advance	4,957	3,473
Accrued expenses	968	435
Total payables under exchange transactions	*7,057*	*5,025*
Current payables and deferred revenue under non-exchange transactions		
GST payable	773	858
Total payables and deferred revenue under non-exchange transactions	*773*	*858*
Total current payables and deferred revenue	**7,830**	**5,883**
Non-current payables and deferred revenue under exchange transactions		
Other payables	2	6
Total non-current payables and deferred revenue	**2**	**6**

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 13: Surplus repayment due to the Crown

The repayment of surplus to the Crown is due to be paid by 31 October each year. The amount to be repaid includes any unused Crown funding and/or gains on sale of assets from the previous financial year. Any surplus arising from audit fees collected under the revenue-dependent appropriation is transferred to the memorandum account and held for use in the *Audit and Assurance Services RDA* output class in future years. The memorandum account is explained further in Note 15.

	Note	Actual 2019/20 $000	Actual 2018/19 $000
Surplus/(Deficit) current year		(1,634)	253
Less: Surplus/(Deficit) transferred to/from memorandum account	15	(3,385)	32
Total provision for payment to the Crown		**1,751**	**221**

Note 14: Employee entitlements

Accounting policy

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee renders the related service are measured 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.

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

A liability and an expense are recognised for bonuses where it is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the year in which the employee renders the related service, such as long service leave and retirement gratuities, 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.

Critical accounting estimates and assumptions

Measuring retirement and long service leave obligations

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 factors. Any changes in these assumptions will affect the carrying amount of the liability.

The discount rate is based on New Zealand Government bond data at 30 June 2020. The salary inflation factor has been determined after considering current and historical salary inflation patterns.

If the discount rate were to increase/decrease by 1% from the Office's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated $33,688 lower and $37,337 higher respectively.

If the salary inflation factor were to increase/decrease by 1% from the Office's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated $49,047 higher and $44,902 lower respectively.

Breakdown of employee entitlements

	Actual 2019/20 $000	Actual 2018/19 $000
Current employee entitlements		
Salary and other accruals	1,675	1,306
Annual leave	3,651	2,751
Time off in lieu of overtime worked	233	203
Retiring leave	141	178
Sick leave	120	110
Total current employee entitlements	*5,820*	*4,548*
Non-current employee entitlements comprise:		
Retiring leave	598	600
Total non-current employee entitlements	*598*	*600*
Total employee entitlements	**6,418**	**5,148**

Note 15: Memorandum account

The memorandum account summarises the accumulated surpluses and deficits incurred in the provision of audit and assurance services by the Office on a full cost recovery basis. These transactions are included as part of the Office's operating income and expenses in the surplus/deficit, but are excluded from the calculation of the Office's repayment of surplus (see Note 13).

The memorandum account assists the Office to manage fluctuating revenue flows and assist with keeping audit fees at reasonable levels over time. The memorandum account balance will be taken into account when setting audit fees in future years.

	Actual 2019/20 $000	Actual 2018/19 $000
Audit and assurance services		
Balance at 1 July	**1,826**	**1,794**
Revenue	81,968	82,752
Expenses	(85,353)	(82,720)
Surplus/(Deficit) for the year	**(3,385)**	**32**
Balance at 30 June	**(1,559)**	**1,826**

Note 16: Reconciliation of net deficit to net cash flow from operating activities

This reconciliation discloses the non-cash adjustments applied to the deficit reported in the Statement of comprehensive revenue and expense on page 43 to arrive at the net cash flow from operating activities disclosed in the Statement of cash flows on page 46.

	Actual 2019/20 $000	Actual 2018/19 $000
Net Surplus/(Deficit)	**(1,634)**	**253**
Add/(Less) non-cash items		
Depreciation and amortisation	1,196	1,041
Total non-cash items	*1,196*	*1,041*
Add/(Less) movements in working capital items		
(Increase)/Decrease in prepayments	(261)	172
(Increase)/Decrease in receivables	(598)	764
(Increase)/Decrease in work in progress	1,090	(267)
(Decrease)/Increase in payables	373	23
(Decrease)/Increase in employee entitlements	1,355	(495)
Total movements in working capital items	*1,959*	197
Add/(Less) items classified as investing activities		
Loss/(Gains) on sale of plant and equipment	7	43
Total items classified as investing activities	*7*	*43*
Net cash flow from operating activities	**1,528**	**1,534**

Note 17: Related party transactions

The Office is a wholly owned entity of the Crown.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client relationship on terms and conditions no more or less favourable than those that it is reasonable to expect that the Office would have adopted in dealing with the party at arm's length in the same circumstances.

Key management personnel compensation

	Actual 2019/20	Actual 2018/19
Key management personnel remuneration ($000)	3,839	3,792
Full-time equivalent key management personnel	12	12

Key management personnel at 30 June 2020 comprised the Controller and Auditor-General, the Deputy Controller and Auditor-General, and the other 10 members of the OAG and Audit New Zealand Leadership Teams.

Note 18: Financial instruments

The Office's financial instruments are limited to cash and cash equivalents, 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 (2019: 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 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 receivables (see Notes 7 and 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 draw-downs 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 12: Payables and deferred revenue. These are all due to be settled on 30-day terms.

Categories of financial instruments

The carrying amounts of financial instruments are as follows:

	Notes	Actual 2019/20 $000	Actual 2018/19 $000
Loans and receivables			
Cash and cash equivalents	7	5,077	5,209
Receivables	8	8,174	7,597
Total loans and receivables		**13,251**	**12,806**
Financial liabilities measured at amortised cost			
Payables		7,830	5,883
Total creditors and other payables	12	**7,830**	**5,883**

Note 19: Capital management

The Office's capital is its equity, which comprises taxpayers' funds and a memorandum account. Equity 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, and liabilities and compliance with the Government Budget processes, Treasury Instructions, and the Public Finance Act 1989.

Note 20: Explanations of significant variances against the Main Estimates

Explanations of significant variances from the Office's original 2019/20 budget figures (2019/20 Main Estimates) are as follows:

Statement of comprehensive revenue and expense

The overall deficit for 2019/20 was $1.634 million, compared to a deficit of $0.875 million budgeted in the Main Estimates. Revenue was $0.520 million higher than the Main Estimates, being the net result of fee changes and the effect of the Covid-19 pandemic on audits that were under way at 30 June 2020. Costs were $1.279 million higher than the Main Estimates, due to higher personnel costs.

Statement of financial position and Statement of changes in equity

Net assets at 30 June 2020 were $1.884 million lower than the Main Estimates. This is reflected in the Office's memorandum account, which has a deficit balance of $1.559 million as a result of the increased deficit due to the effect of the Covid-19 pandemic on audit work. The Office also had higher employee liabilities due to the effect of the Covid-19 pandemic on leave taken. Receivables and deferred revenue were both higher, due to the timing of invoicing of audit work.

Note 21: Events after the balance date

After balance date, the Office received approval for $1.008 million in additional Crown funding for 2020/21 in the *Statutory Auditor Function* output class. This funding was sought on the basis of the underspending in this output class in 2019/20, and will allow for completion of work delayed due to the Covid-19 pandemic. There were no other significant events after the balance date (2019: Nil).

Independent auditor's report

PKF Goldsmith Fox Audit
Chartered Accountants

Independent Auditor's Report

TO THE READERS OF THE CONTROLLER AND AUDITOR-GENERAL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

We have been appointed by the House of Representatives to carry out the audit of:

- the financial statements of the Controller and Auditor-General (the Auditor-General) on pages 43 to 62 that comprise the statement of financial position, statement of commitments, and statement of contingent liabilities and contingent assets as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date, and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Auditor-General for the year ended 30 June 2020 on pages 17 to 35; and
- the appropriation statements prepared by the Auditor-General for the year ended 30 June 2020 on pages 11 to 16.

Opinion

In our opinion:

- the financial statements of the Auditor-General:
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity (PBE) Accounting Standards issued by the External Reporting Board;
  - present fairly, in all material respects, the:
    - financial position as at 30 June 2020;
    - financial performance and cash flows for the year ended on that date;
- the performance information of the Auditor-General;
  - complies with generally accepted accounting practice in New Zealand;
  - presents fairly, in all material respects, for the year ended 30 June 2020:
    - what has been achieved with each appropriation; and
    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
- the appropriation statements of the Auditor-General for the year ended 30 June 2020, are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

Our audit was completed on 25 September 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw your attention to the impact of Covid-19. In addition, we outline the responsibilities of the Auditor-General and our responsibilities, and explain our independence.

Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Auditor-General as set out in in the summary of significant accounting policies on page 50 to the financial statements.

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PKF Goldsmith Fox Audit
Chartered Accountants

Basis for our Opinion

We carried out the audit in accordance with the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we applied the Auditor-General's Auditing Standard 4 – *The Audit of Performance Reports* that is also applied to the audit of performance information in many other public sector entities in New Zealand. Our responsibilities under those standards are further described in the Responsibilities of the Auditor section of our report.

We have fulfilled our responsibilities in accordance with International Standards on Auditing (New Zealand) and the Auditor-General's Auditing Standard 4 – *The Audit of Performance Reports.*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Auditor-General

The Auditor-General is responsible for preparing:

- financial statements that present fairly the Auditor-General's financial position, financial performance, and cash flows, that comply with generally accepted accounting practice in New Zealand;
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand;
- a statement of output expenses, other expenses and capital expenditure against appropriations, and a statement of unappropriated expenditure, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.

The Auditor-General is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Auditor-General is responsible for assessing its ability to continue as a going concern. The Auditor-General is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate its activities, or there is no realistic alternative but to do so.

The Auditor-General's responsibility arises from the Public Finance Act 1989.

Responsibilities of the Auditor

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the International Standards on Auditing (New Zealand) and the Auditor-General's Auditing Standard 4 – *The Audit of Performance Reports* will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

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PKF Goldsmith Fox Audit
Chartered Accountants

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the published Estimates of the Auditor-General.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the International Standards on Auditing (New Zealand) and the Auditor-General's Auditing Standard 4 – *The Audit of Performance Reports*, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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 Auditor-General's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Auditor-General.
- We evaluate the appropriateness of the reported performance information within the Auditor-General's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Auditor-General and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Auditor-General's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Auditor-General to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Auditor-General regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from section 38 of the Public Audit Act 2001 and sections 45D and 45F of the Public Finance Act 1989.

Other information

The Auditor-General is responsible for the other information. The other information comprises the information included on pages 8 to 10, 36 to 42, and 67 to 79, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

PKF Goldsmith Fox Audit
Chartered Accountants

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Auditor-General in accordance with the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

We carry out an audit of a public entity on behalf of the Auditor-General. The amount of work we carry out on behalf of the Auditor-General is no more than the amount of work we did prior to our appointment as auditor of the Auditor-General, and is insufficient to threaten our independence. Other than the audit of the public entity on behalf of the Auditor-General and the audit of the Auditor-General, we have no relationship with or interests in the Auditor-General.

The engagement partner on the audit resulting in this independent auditor's report is Gordon Hansen.

PKF Goldsmith Fox Audit.

PKF Goldsmith Fox Audit
Christchurch, New Zealand

Dated: 25 September 2020

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Appendix 1
Report of the Audit and Risk Committee for the year ended 30 June 2020

Members

Warren Allen FCA, FCIS, MinstD, (Committee Chair)
Susie Johnstone BComm, FCA, CFInstD, CPP
Geoff Dangerfield QSO, MSc, FCILT, CMInstD
Greg Schollum, BMS, FCA, Deputy Controller and Auditor-General

The Audit and Risk Committee is an independent committee established by, and reporting directly to, the Auditor-General. The purpose of the Committee is to oversee and provide advice to the Auditor-General on:

- risk management and internal control (across the Office[2]);
- audit functions (internal and external) for the Office;
- financial and other external corporate reporting;
- the governance framework and processes; and
- compliance with legislation, policies, and procedures.

The Committee has no management functions. During the year, the Committee:

- met on five occasions to fulfil its duties and responsibilities;
- received briefings on the Office's key business activities, as a basis for ensuring that risks facing the Office are being appropriately addressed;
- reviewed the Office's strategic risks with the Auditor-General;
- discussed with the external auditors their audit plans and findings;
- oversaw the internal audit programme;
- monitored the implementation of recommendations made by both the external auditors and the internal auditors;
- reviewed the annual report and annual financial statements of the Office before their approval by the Auditor-General, having particular regard to the accounting policies adopted, major areas of judgement, and compliance with legislation and relevant standards;
- reviewed major projects: Document management system Upgrade, Quality Assurance approach and results, Inquiries operating model, and Sector Manager operating model;
- considered *The Auditor-General's Strategic Intentions to 2025*;
- reviewed the various portfolio (team) updates;
- reviewed the Office's response to the Covid-19 pandemic;
- considered the Auditor-General's strategic priorities to the end of 2020, the *Draft annual plan 2020/21*, and investment (budget bid) update.

The Committee has reported to the Auditor-General on the above, and on other relevant matters. There are no outstanding or unresolved concerns that the Committee has brought to the attention of the Auditor-General.

Warren Allen
Chair, Audit and Risk Committee

18 September 2020

2 "the Office" in this context comprises the Office of the Auditor-General, Audit New Zealand, and the shared Corporate Services Team.

Appendix 2
Report of the independent reviewer

21 July 2020.

Mr John Ryan

Controller and Auditor- General

P O Box 3928

Wellington 6140

John R Strahl

P O Box 33141

Wellington Mail Centre

Lower Hutt

Dear Mr Ryan

ANNUAL REPORT OF THE INDEPENDENT REVIEWER OF AUDIT ALLOCATION PROCESSESS 2020

Background and instructions

Pursuant to section 14 of the Public Audit Act 2001 (Audit Act), you are appointed as the auditor of all public entities. Under section 42 of the Audit Act you are authorised to fix the fee payable for all such audits which must be reasonable.

Audit New Zealand, a business unit of your Office, has a large and competent staff. However with approximately 3,900 public entities in New Zealand, of which 3,400 must be separately audited, it is impractical for Audit New Zealand itself to carry out all these audits. You thus contract auditors from the private sector to carry out many of these on your behalf. Audit New Zealand still remains by far the largest single provider, carrying out close to half of all public sectors audits (measured by audit hours).

The Office of the Auditor-General (OAG), sets strategy, policy, and standards, and appoints and oversees auditors, both from Audit New Zealand and auditors contracted from the private sector, who carry out audits on your behalf.

You have retained me as an independent person to review the basis upon which auditors, both from Audit New Zealand and the private sector, are appointed to act on your behalf, and to review the basis upon which the audit fees for these audits are determined. This is the fifth year that I have carried out this review.

This is my report on that review for the year ending 30 June 2020.

I am a former partner and chairman of law firm DLA Piper New Zealand, and currently am a director of various entities, one of which is a public entity audited by Audit New Zealand, and one of which is private and is audited by one of your private sector audit providers. I excused myself from the consideration of the appointment and fee setting for the entity audited by Audit New Zealand. I consider that I am independent of the Office of the Auditor-General, Audit New Zealand and all private sector audit firms.

My instructions are;

' ..to review and confirm the probity and objectivity of the methods and systems used by the Office of the Auditor-General to;

Allocate and tender audits

Monitor the reasonableness of audit fees; and

Anything else that impacts on those activities'

There has been no limitation placed on the manner in which I may carry out my work and I have been free to inspect any documents or files that I considered appropriate to the review and to discuss matters arising with staff of your office. I confirm that in the conduct of my review I have been given free access to all matters I have requested and have received full co-operation from your Office. I have also discussed the allocation of audits and the processes of fixing fees and your Office's involvement in resolving disputes, with one major private sector audit provider used by your Office and with Audit New Zealand.

Types of Audit Appointments.

In accordance with policies and practices adopted by your Office, there are four main types of audit appointments;

1 an appointment made of an auditor to an entity, usually for a term of 3 years under the Audit Allocation Model (Allocation Model);
2 an appointment of an auditor for an entity, following a contestable process, if you consider that is appropriate in the given circumstances;
3 a re-appointment of an auditor for a further term, usually 3 years, to audit that same entity;
4 where an audit involves 150 or more budgeted hours, the individual auditor and senior personnel may not undertake the audit work for more than 6 years, thus a new auditor must be appointed, though that may be another person in the same firm.

Appointments for new entities.

In the last financial year, the Auditor-General appointed auditors for 15 new public entities.

All of these appointments were made following the principles set out in the 'Allocation Model' on which I will comment later. I reviewed the reasons given for each appointment which appeared reasonable and I did not observe any dissatisfaction by any of those entities to the appointment made, the terms of appointment, or the proposed audit fee.

Re-appointments (other than for schools).

Existing auditors were re-appointed during the last financial year to audit 386 public entities and their subsidiaries for a further term. In addition to this number, 22 existing auditors were re-appointed for Polytechnics and their subsidiaries but only for a term of one year as Polytechnics are to be disestablished. There were also auditors appointed for a special audit of the disestablishment of the 16 Polytechnics. In each case the auditor of the Polytechnic was appointed. In respect of all the appointments covered by this paragraph, I observed no dissatisfaction from any of the entities and an appropriate process appeared to be followed and in accordance with the principles set out in the Allocation Model.

New appointments for existing entities.

There were no new appointments made for existing entities other than schools and school related entities.

Appointment of school auditors.

The major exercise for the appointment of auditors to the school sector was completed last year. Two residual outstanding issues were finalised with the re-appointment of existing auditors. Out of normal cycle Audit Service Provider changes were made for 61 schools, most due to the resignation of an existing auditor, and 4 to resolve other issues. All these appointments were made in accordance with the Allocation Model and no dissatisfaction to any of these appointments has been observed.

Audit Allocation Model.

In the last year all appointments of auditors to both new and current entities, and including all re-appointments, have been made using the Allocation Model rather than the use of a contestable tender process. The Allocation Model has been the principal method used for auditor appointments since it was first adopted in 2003 and later revised in 2010. It is a well established set of principles and they are summarised in a public document entitled; "Appointing public sector auditors and setting audit fees.' The principles summarised in that document are;

auditor independence

auditor knowledge about public entities and public sector audits

the particular audit skills required

the audit's quality and cost; and

the need for the Auditor-General to always have access to enough audit capacity and capability

The full guide is available on the OAG website (ISBN-978-0-478-38310-2) and is provided to any entity and auditor when appropriate. It is consistently followed and referred to when issues arise.

I consider the Allocation Model remains fit for purpose. Prior to its adoption most audit appointments were made following a contestable tender process. The conduct of audits in the public sector requires specialist expertise, and a careful balance to ensure good quality and consistent auditing at reasonable cost. I remain of the view that that these objectives and the balancing required to retain a consistent level of quality and reasonable cost, is best achieved by use of the Allocation Model as opposed to a pure contestable process in the vast majority of cases. This is a view strongly shared by all of the private sector audit service providers that I have consulted. Audit New Zealand also supports the use of the Allocation Model. They all consider that the use of the Allocation Model also strengthens the ability to ensure independence of appointments and independence of approach during the completion of the audit. I understand that the contestable process will continue to be used in individual cases when appropriate.

By making appointments in accordance with such a model, given the inherent discretion available, a disciplined and consistent application of the principles of the model is required when decisions are made. From my review of appointments and re-appointments made during the last year, a careful and consistent process has been followed.

I consider that the Allocation Model has operated well since last reviewed in 2010. I have been informed that the Office is now commencing a review of the Model and of the principles contained in it. I welcome that review as good practice and because of the importance of the reliance on the Model. This does not however indicate that I expect that there will be major change, as change should only occur for improvement and not be change just for the sake of change.

I would suggest as part of that review, consideration be given to making more transparent, the principles adopted and reasons for them.

Audit fees.

Section 42 of the Public Audit Act 2001 authorises the Auditor-General to set the fee for all audits of public entities, which must be reasonable. The factors to be taken into account when determining whether the fee is reasonable are set out in that section. In the event of a dispute, either party may refer any fee set to arbitration.

This year your Office provided updated advance guidance to all auditors for upcoming appointments of your approach to and factors that would be acceptable and unacceptable reasons for any movement in the then current level of fees. This clearly set out those reasons where a change may be suggested and those reasons which would be considered unacceptable. In every case the guidance stresses that regardless of the reasons for any proposed fee movement, the Audit Proposal to the entity must properly explain them including why the case is suggested.

I consider it good practice to provide in advance this guidance to auditors before the fee proposal is submitted. I would encourage this approach continue at the commencement of each year.

At an individual entity level, at the commencement of every audit appointment, the fee proposed by the auditor, which is expected to be based on the guidelines previously provided, including a clear explanation of any material change is first referred to OAG by the auditor for review to ensure its reasonableness. Considerable detail including a clear breakdown of appropriate team mix and rates is expected. Once the OAG has approved the draft, it is then provided to the entity by the auditor, who then has authority to seek to agree the fee with the entity. The OAG will assist in that process and has available a comprehensive data base of fees in the sector. It is the strong preference of the Auditor-General for the entity and the appointed auditor to reach agreement and that is almost always the case.

In the year under review there are currently no active outstanding disputes over audit fees although, and as normal, there are isolated instances of some general discontent by some entities over the level of audit fees, and fresh issues may well arise following the completion of current audits. This is to be expected particularly where over the last 3 years I have observed a general increase of audit fees across the public sector in the order of about 9%.

In no case over the last year has the Auditor-General had to exercise the power to fix a fee and not since 2009 has there been a reference to arbitration.

Most issues which arise over fees are during or after the end of an audit. Some arise due to the constrained financial position of particularly small entities. Some arise due to misunderstandings about what is required, some in respect of additional work not covered in the original scope of works being necessary, and sometimes the quality of and speed in which information is provided by the entity and rework by the auditor as a result leads to tension. In all cases reviewed, the OAG has shown consistency and care in helping to resolve these issues.

Overall I am entirely satisfied that the approach of the Auditor-General has been consistent and reasonable in the process of setting and resolving issues over audit fees.

Issues arising regarding re-appointments.

When it is time to consider the re-appointments of auditors, it is the practice of your office to inform each entity and to seek their views. In the last year a limited number of entities, and for various reasons, expressed a desire for a change. They almost always involve the entity thinking they have to pay too much or that the performance or relationship between the entity and the auditor is not good. It is sometimes a bit of each. It is not uncommon for these to arise where extra work had been incurred because of poor quality financial information provided by the entity, delays in providing the necessary information, or a lack of full understanding of the information requirements of the auditor.

The number involved remains very small. I have reviewed several of the disputed cases. In all cases the Auditor-General has taken a consistent, constructive and objective position and has sought to assist the parties resolve the issue. As mentioned earlier, I am unaware of any currently outstanding disputes but for some entities the renewal has been limited to a period of one year rather than the usual 3 year term to enable a further reconsideration in a year's time. I consider this a reasonable approach.

Other issues.

While not an issue over appointment, a question of the possible independence of an auditor and an entity which it was auditing arose during the year. Independence is an essential requirement for the appointment of an auditor and it is obviously an ongoing requirement. I therefore reviewed the question that arose, the process undertaken to consider the issue and the steps taken to mitigate any possible breach of the independence requirement.

I am satisfied that this issue was thoroughly and appropriately considered, that the mitigation steps taken to ensure continued independence were appropriate and that the overall conclusions reached on the issue were sound.

The advent of Covid-19 is highly likely to have an impact on the time required to complete the current round of audits. Delays due to lack of access over the lock down period and fresh issues arising for some entities over asset valuations and going concerns matters will require more audit time for many entities than has currently been provided for. The increased time in some cases is likely to be material and in excess of the additional time that could be considered reasonable to be absorbed by the auditor. As a consequence it is likely that requests will be made for increases in audit fees for the current year. I have observed your internal considerations of how these are to be considered which largely follows your established protocols for considering requests for fees increases when proposals have already been agreed. Individual consideration and approval for any increase will be required. While early in the process, I have concluded that your proposed approach is reasonable.

There are no other material issues which arose in the previous year which in my view warrant comment in this report.

Conclusions.

I have been provided full access to all relevant material and free access to the relevant files and personnel of the OAG. I have meet with and obtained full explanations to all my queries by OAG personnel and have observed the relevant internal process of the OAG regarding both appointments and fee setting and monitoring. On the basis of that review and the explanations provided I consider that the policies currently adopted for the allocation of audits and the setting of fees are appropriate and that;

1. the process and methods used to allocate audits has been conducted fairly, reasonably, and with suitable probity and objectivity
2. the approach and process taken to fix and monitor the reasonableness of audit fees has been reasonable having regard to the interest of all parties and has been conducted with suitable probity and objectivity
3. the subsequent issues that have arisen for both appointments and fees have been dealt with objectively, fairly, and reasonably.

Yours sincerely

John R Strahl.

Appendix 3
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 2020, arrangements had been entered into for audits of the following entities:

- The New Zealand Sports Foundation Charitable Trust; and
- Te Awa Tupua (including Te Korotete).

Appendix 4
Reports and other work published or completed in 2019/20

Inquiries
*Inquiry into Waikato District Health Board's procurement of services from HealthTap**
Inquiry into Alpine Energy Limited's decision to install solar equipment at a senior executive's house
Performance audits
*Managing freshwater quality: Challenges and opportunities**
*Crown investment in freshwater clean-up**
*Using "functional leadership" to improve government procurement**
Local government procurement
Other published reports and studies
Main matters arising from the 2017/18 audits of district health boards
*Public accountability: A matter of trust and confidence**
Results of the 2018 school audits
Tertiary education institutions: Results of the 2018 audits
*Central government: Results of the 2018/19 audits**
*Reflecting on our work about water management**
*Implementing the firearms buy-back and amnesty scheme** (In our Annual Plan 2019/20, we proposed this work for 2020/21. We decided to carry out this work earlier in order to provide the Police with real-time feedback so that they could make any improvements the scheme needed quickly).
*Insights into local government: 2019**
District health boards: Main findings from the 2018/19 audits
How fraud was detected, 2018/19
Managing conflicts of interest: A guide for the public sector (revised edition)
Local Authorities (Members' Interests) Act 1968: A guide for members of local authorities on managing financial conflicts of interest (revised edition)
Our observations on Waikato River Authority's freshwater restoration operations
*Ministry of Health: Management of personal protective equipment in response to Covid-19**
Other work published
Response to Parliamentary Service's report about party and member support funding
Submission on the Public Finance (Wellbeing) Amendment Bill (letter to the Finance and Expenditure Committee)
Submission on the Public Service Legislation Bill (letter to the Governance and Administration Committee
Controller updates on government spending on Covid-19
Controller updates

* Presented to Parliament.

Corporate documents
Councillors' guide to the Auditor-General
*Annual report 2018/19**
*The Auditor-General's Auditing Standards 2020**
*Draft annual plan 2020/21**
*The Auditor-General's strategic intentions to 2025**
*Annual plan 2020/21**
Other work completed
Products from our annual audits – about 2900 audit reports and 2900 reports to management or those charged with governance

* Presented to Parliament.

Appendix 5

Progress against our proposed work programme for 2019/20 as described in Appendix 2 of our *Annual plan 2019/20*

Work we planned for 2019/20	Published title or current state	Date published
Clean up of significant water bodies (carried forward from 2018/19)	*Crown investment in freshwater clean-up*	25/9/19
Progress on freshwater quality management since 2011 (carried forward from 2018/19)	*Managing freshwater quality: Challenges and opportunities*	19/9/19
Reflections report on *Water management* theme	*Reflecting on our work about water management*	18/2/20
MBIE procurement functional leadership: Enabling effective and efficient procurement across the State sector (carried forward from 2018/19)	*Using "functional leadership" to improve government procurement*	3/12/19
Effectiveness of panels of suppliers	Expected to be finished in 2020/21	
Contracts for significant services	Retitled to "Understanding and managing the risk of service disruption from the failure of strategic suppliers" Expected to be finished in 2020/21	
Auckland City Rail Link: Project governance	Expected to be finished in 2020/21	
Provincial Growth Fund: Management, monitoring, and evaluation of the Fund	*Managing the Provincial Growth Fund*	4/8/20
Procurement workforce capacity and capability in local government	*Local government procurement*	19/5/20
Partnerships with the private sector to deliver public sector outcomes – how effective are they?	Expected to commence in 2020/21 and be finished in 2021/22	
Procurement of assets to support effective health care	Deferred to 2021/22	
How well does the NZTA procurement model manage long-term procurement risks to ensure future value and sustainable procurement?	*New Zealand Transport Agency: Maintaining state highways through Network Outcomes Contracts*	4/8/20
KiwiBuild: Implementation	Cancelled*	
Defence procurement: Effectiveness of integrated capability delivery	Retitled to Review of New Zealand Defence Force processes and capability for managing significant services contracts Deferred to 2021/22	
Review of Defence Major Projects Report 2018	*Review of Defence Major Projects Report 2018*	28/6/19
Review of Defence Major Projects Report 2019	Expected to be finished in 2020/21	
Performance in achieving reductions in family violence	First performance audit in this multi-year programme of work is expected to be finished in 2020/21	

Work we planned for 2019/20	Published title or current state	Date published
Progress towards implementing the UN sustainable development goals	Expected to be finished in 2020/21	
Ethics and integrity landscape	Expected to be finished in 2020/21	
Auckland Council review of service performance: Disaster resilience and preparedness	Expected to be finished in 2020/21	
Local government risk management: Stocktake of approach and reporting results	Expected to be finished in 2020/21	
Inland Revenue Department: Benefits from the Business Transformation programme	*Inland Revenue Department: Benefits management for the Business Transformation programme*	4/8/20
Commentary on the Treasury's 2020 Statement on New Zealand's Long-term Fiscal Position	Expected to be finished in 2021/22**	
Controller updates	*Controller updates*	28/11/19 4/3/20 1/4/20 9/4/20 12/5/20 11/6/20
Central government: Results of the 2018/19 audits	*Central government: Results of the 2018/19 audits*	17/12/19
Summary of results of the 2018/19 central government audits for Chief Executives	Cancelled***	
Results of the 2018 school audits	*Results of the 2018 school audits*	28/11/19
Results of the 2018 audits of tertiary education institutions	*Tertiary education institutions: Results of the 2018 audits*	4/12/19
Results of the 2017/18 district health board audits	*Main matters arising from the 2017/18 audits of district health board audits*	1/7/19
Results of the 2018/19 district health board audits	*District health boards: Main findings from the 2018/19 audits*	30/6/20
Local government: Results of the 2018/19 audits	*Insights into local government: 2019*	16/6/20
Update *Managing conflicts of interest: Guidance for public entities*	*Managing conflicts of interest: A guide for the public sector*	30/6/20
Update *Guidance for members of local authorities about the Local Authorities (Members' Interests) Act 1968*	*Local Authorities (Members' Interests) Act 1968: A guide for members of local authorities on managing financial conflicts of interest*	30/6/20
Update *Charging fees for public sector goods and services*	Expected to be finished in 2020/21	

Work we planned for 2019/20	Published title or current state	Date published
Update *Controlling sensitive expenditure: Guidelines for public entities*	Expected to be finished in 2020/21	
Report on the progress of public entities in implementing the Auditor-General's recommendations from previous reports (carried forward from 2018/19):		
- *Using information to improve social housing services*	*Using information to improve public housing services. Progress in responding to the Auditor-General's recommendations*	4/8/20
- *Accident Compensation Corporation: Using a case management approach to rehabilitation*	Expected to be finished in 2020/21	
Landscape of the public accountability system: First report	*Public accountability: A matter of trust and confidence*	12/9/19
Landscape of the public accountability system: Second report	Expected to be finished in 2020/21	
Making performance reporting more effective	Expected to be finished in 2020/21	

* Our 2018/19 audit of the Ministry of Housing and Urban Development included examining aspects of the KiwiBuild programme in response to a request for us to inquire into this programme. After our audit, and considering our findings, we decided that other housing-related issues had greater priority. We will continue to provide assurance over some core elements of the KiwiBuild programme through our annual audit work.

** The Treasury was due to publish its report of New Zealand's long-term fiscal position in March 2020. However, this work was postponed because of the Covid-19 pandemic. When the Treasury's report is published, we will publish our commentary on it.

*** Considering the Covid-19 pandemic and its implications for public sector priorities, we decided not to publish our insights from the 2018/19 audits of central government organisations. Instead, we wrote to public sector chief executives about important governance matters to consider during the response to the pandemic.

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