

**THE AUDITOR-GENERAL'S  
GLOSSARY OF TERMS**

1. The full set of defined terms used in the Auditor-General's Auditing Standards and Statements include:
- (a) the Glossary of Terms<sup>1</sup> issued by the New Zealand Auditing and Assurance Standards Board (the NZAuASB glossary) of the External Reporting Board. The NZAuASB glossary may include terms that have a specific meaning within the New Zealand public sector even though that definition may differ from the definition in the NZAuASB glossary. Where there is a conflict in the definition of a term between the NZAuASB glossary and the definition of the term in the New Zealand public sector, then the New Zealand public sector definition shall prevail;
  - (b) this Glossary of Terms; and
  - (c) the terms defined in individual auditing standards and statements published by the Auditor-General.

The following terms have the meanings given below:

Acceptable level	means a level at which a reasonable and informed third party, informed only by publicly available information, might conclude that compliance with the fundamental principles specified in the External Reporting Board's professional and ethical standards is not compromised.
Act	means the Public Audit Act 2001.
Annual audit	means the audit of the financial and performance information of public entities or the audit of the financial and performance information of entities that are not public entities (under section 19 of the Public Audit Act 2001) in accordance with the Auditor-General's Auditing Standards.
Appointed Auditor or AA	means the person or persons carrying out the audit, usually the person appointed by the Auditor-General who has the responsibility to carry out the annual audit and/or other members of the audit team. Where

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<sup>1</sup> EG Au4.

	<p>applicable, the Appointed Auditor is assisted by the Audit Service Provider. Where an Auditor-General's Statement or Standard expressly intends that a requirement be fulfilled by the Appointed Auditor personally, the requirement will indicate that the Appointed Auditor shall personally satisfy the requirement.</p>
Audit brief	<p>means the instructions and guidance published by the Auditor-General that Appointed Auditors are required to incorporate into their overall audit strategy and audit plan, where applicable, when carrying out an annual audit on behalf of the Auditor-General.</p>
Audit Service Provider or ASP	<p>means a structure that is aimed at co-operation and:</p> <ul style="list-style-type: none"><li>- that is clearly aimed at profit or cost sharing;</li><li>- that shares any of the following: common ownership, control, or management; common quality control policies and procedures; common business strategy; the use of a common brand name; or a significant part of professional resources.</li></ul> <p>Audit Service Provider or ASP refers to all partners and persons who have an employment contract or a contract for services with the Audit Service Provider or ASP.</p>
Auditor-General	<p>means the Controller and Auditor-General, appointed under Part 2 of the Public Audit Act 2001.</p>
Auditor-General's Auditing Standards	<p>means the auditing standards published by the Auditor-General under section 23 of the Public Audit Act 2001.</p>
Auditor-General's auditing statements	<p>means the auditing statements published by the Auditor-General on particular topics that provide guidance specific to the public sector and that are based on the equivalent:</p> <ul style="list-style-type: none"><li>- professional and ethical standards issued by the External Reporting Board; or</li><li>- auditing and assurance standards issued by the NZAuASB.</li></ul>

Auditor-General's specific auditing standards	means the auditing standards published by the Auditor-General on topics for which there is no equivalent professional and ethical standard or where there is no equivalent auditing and assurance standard. These standards cover aspects specific to the public sector.
Deputy Auditor-General	means the Deputy Controller and Auditor-General, appointed under Part 2 of the Public Audit Act 2001.
Effectiveness	means the extent to which objectives are achieved and relates to the actual effect of an activity against the intended effect.
Efficiency	means that minimum resources are used to achieve a given quantity and quality of output or that a maximum output is gained with a given quantity and quality of resources, and relates to resources being used to produce outputs to achieve objectives.
External Reporting Board or XRB <sup>2</sup>	means the statutory entity constituted under the Financial Reporting Act 2013 to prepare and issue in New Zealand: <ul style="list-style-type: none"><li>- accounting standards;</li><li>- professional and ethical standards; and</li><li>- auditing and assurance standards.</li></ul>
Financial and performance information	means the financial statements and, where relevant, the performance reports that public entities prepare in keeping with legislative requirements and, where applicable, generally accepted accounting practice.
Financial prudence	means not committing to a course of action that may be beyond an entity's means, that may reflect reckless behaviour, or that may reflect an act or omission in bad faith in disregard of the entity's functions. This will be influenced by Parliament's and the public's expectations. An act or omission would not be considered to be financially imprudent, even where the outcome for the public entity was adverse, if the public entity had carried out enough and appropriate

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<sup>2</sup> The External Reporting Board uses the acronym XRB.

	research and analysis to support its decision to act or not to act, and the event could not have been reasonably foreseen.
Immediate reporting	means those situations where an issue is of such significance or risk that the Appointed Auditor shall advise the OAG about it as soon as it comes to their attention. Immediate reporting requirements are set out in AG-1: <i>Reporting to the OAG</i> .
Independence	means: <ul style="list-style-type: none"><li>- independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity and to exercise objectivity and professional scepticism; and</li><li>- independence in appearance – the avoidance of any facts and circumstances that might cause a reasonable third party, informed only by publicly available information, to conclude that a firm's, or a member of the audit or review team's, integrity, objectivity, or professional scepticism has been compromised.</li></ul>
Inquiry	means an investigation, either on request or on the Auditor-General's own initiative, into any matter concerning a public entity's use of its resources that is carried out in accordance with section 18 of the Public Audit Act 2001.
Management letter	means the written communication with management or those charged with governance regarding the significant findings from the annual audit.
Non-compliance with statutory obligations	means the public entity or staff within the public entity have not complied with the requirements that Parliament has established through legislation or regulation, other than those that are generally recognised to have a direct effect on the determination of material amounts and disclosures in

	<p>the audited information and those that may be generally recognised to have a material effect on the audited information because they could be expected to influence readers' overall understanding of the audited information.</p>
Non-standard audit report	<p>means an audit report containing a modified opinion, an emphasis of matter, or an other matter paragraph.</p>
Office of the Auditor-General or OAG	<p>means the Office of the Controller and Auditor-General and includes the Auditor-General, the Deputy Auditor-General, and the staff employed by the Auditor-General to plan and report on the results of annual audits and to carry out other activities specified in the Public Audit Act 2001.</p>
Other auditing services	<p>means any services of a kind that it is reasonable and appropriate for an auditor to perform that are carried out in accordance with section 17 of the Public Audit Act 2001.</p>
Performance audit	<p>means an audit of one or more public entities or parts of those public entities that is carried out in accordance with section 16 of the Public Audit Act 2001 and that is intended to examine:</p> <ul style="list-style-type: none"><li>- the extent to which a public entity is carrying out its activities effectively and efficiently;</li><li>- a public entity's compliance with its statutory obligations;</li><li>- any act or omission of a public entity, in order to determine whether waste has resulted or may have resulted or may result; and/or</li><li>- any act or omission showing or appearing to show a lack of probity or financial prudence by a public entity or one or more of its members, office holders, and employees.</li></ul>
Probity	<p>means Parliament's and the public's expectations of an appropriate standard of behaviour.</p>
Professional and ethical standards	<p>means the standards that set out the fundamental principles and provides guidance on professional conduct issued by the External Reporting Board that</p>

	apply to all assurance practitioners that carry out assurance engagements in New Zealand.
Public entity	means an entity (or a group of entities for financial reporting purposes) that meets the criteria in section 5 of the Public Audit Act 2001 and requires the Auditor-General to be the auditor.
Statutory obligations	means requirements that Parliament has established through legislation or regulation.
Waste	means to expend or employ public money or other public resources to no purpose, for an inadequate result, or by arriving at a desired result through extravagant means.