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Being  
accountable  
to the public:  
Timeliness of  
reporting by  
public entities





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# Being accountable to the public: Timeliness of reporting by public entities

Presented to the House of  
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# Auditor-General's overview

As citizens, we need reliable and timely information about the performance of public entities to ask valid questions of those who govern and lead them. Public entities are required to report on:

- the amount of public money they have spent;
- the outputs they have delivered for that money; and
- the results they have achieved.

If public entities' reporting is not timely, the information they provide is less relevant and proper accountability is more difficult to achieve.

My staff took a "snapshot" of how well public entities met their reporting deadlines during 2013/14. This report sets out the results of that analysis and discusses why some entities are not meeting their obligations.

This is my first report on the timeliness of reporting for the entire public sector. Before now, we have included information about the timeliness of entities' reporting in broader reports to Parliament about our audits of different groups of public entities.

## Link between reporting and annual audits

I am responsible for auditing the financial statements of the government, the student loans scheme, and every type of public entity. Those audits give the people who govern and lead a public entity some assurance about their systems and controls. The audits also assure citizens that they can rely on the information we have audited.

Once an audit is complete, the auditors that I appoint to an entity will issue an audit report. The audit report is included in the public entity's accountability document – usually an annual report. No agency monitors whether public entities release their annual reports on time. Because the content of the entity's annual report has to be finalised before the auditor will issue an audit report, the date when the audit report is issued is the best measure we have for assessing whether public reporting is timely.

For many entities, the deadline for reporting is set by an Act of Parliament. Depending on the type of entity, the deadline can be three, four, or five months after the end of the entity's financial year. If no date is prescribed, we use a deadline of five months.

## Reporting deadlines are mostly met

Most entities meet their reporting obligations. Between 1 July 2013 and 30 June 2014, we expected to issue 3809 audit reports. Of these, 2461 (64%) were for schools and 1348 for other entities – including government departments, local authorities, and Crown entities.

Of the 1348 other entities:

- 1081 audit reports (80%) were issued on time or early;
- 184 audit reports (14%) were issued late; and
- 83 audit reports (6%) had not been issued by our cut-off date of 30 June 2014.

When we prepared this report, the entities whose audit reports were issued late or had not been issued were mostly subsidiaries and small public entities.

By 30 June 2014, 45% of schools (1116) had met their reporting deadline and 55% (1345) had not. Difficulties with the Novopay payroll system meant that schools were late in finalising their financial statements for us to audit. At 30 June 2014, which was just one month after their deadline, 25% of schools' audit reports (608) were late and 30% (737) had not been issued.

## The public deserves better

It is clear that some public entities need to give greater priority to meeting their reporting obligations.

Some public entities are struggling, sometimes because of limited capability or capacity to prepare financial statements and performance reports that comply with generally accepted accounting practice. Public entities that have failed to meet their reporting obligations for successive years tend to be very small.

I encourage all public entities to carefully consider the costs and obligations of reporting before they set up subsidiaries and other related entities.

I have named the public entities that were late or had still not been issued an audit report by 30 June 2014. I have done so to encourage people with governance and leadership responsibilities for those entities to ensure that appropriate effort and resource is allocated to meeting their reporting obligations.

I acknowledge that my auditors can sometimes contribute to delays in reporting. I monitor the performance of my auditors and work with them to address any systemic issues. Delays often occur because an entity does not meet the agreed timetables for providing information to the auditor and the auditor needs to honour commitments to other entities.

### Opportunity for further reform

Several recent legislative changes and changes to accounting standards are expected to help improve the quality and timeliness of reporting by public entities. Some subsidiaries will no longer need to separately report, and some other entities have had their reporting obligations simplified.

The question raised in this report is whether there is scope for further reform to ensure that we get the right balance between the costs and benefits of public reporting.



Lyn Provost  
Controller and Auditor-General

26 May 2015



# Introduction

1.1 In this Part, we explain why it is important for public entities to meet deadlines for reporting on their performance.

1.2 We also discuss the deadlines for reporting for the various types of public entity. Most deadlines are set by legislation.

## The importance of timely reporting

1.3 Reporting in a reliable and timely way is a cornerstone of public entities' accountability. This reporting includes:

- the amount of public money spent;
- the outputs delivered for that money; and
- the results achieved.

1.4 If public reporting is not timely, the information presented is less relevant and proper accountability is difficult to achieve.

1.5 The Auditor-General is the auditor of all public entities in New Zealand. As well as looking at public entities' financial statements, our annual audits can also examine information about the public entities' performance in delivering services.

1.6 There are about 3800 public entities in New Zealand that are required to separately report and have their financial statements audited. These entities come in all shapes and sizes, from very large government departments (such as the Inland Revenue Department), State-owned enterprises (such as Transpower New Zealand Limited), and large local authorities (such as Auckland Council), to very small entities (such as a small rural school or the trust that looks after a local cemetery).

1.7 During the last 20 years, the quality and timeliness of external reporting has steadily improved. Reasons for the improvement vary, and include requirements for public entities to report to the Treasury (to support the government budget process and the preparation of the financial statements of government), good relationships between public entities and their auditor, and the Parliamentary scrutiny process (which includes the annual review of some public entities).

## Time frames for reporting

1.8 For many public entities, legislation specifies the time frame for reporting. The deadline for reporting varies from three months to five months after the entity's balance date – and balance dates also vary. For other entities, the time frame and deadline are set out in their founding documents (such as trust deeds).

- 1.9 If a deadline for reporting or completing the annual audit is not specified, the Auditor-General sets a deadline of five months after balance date for the audit report to be issued.

### **Our analysis of compliance with reporting deadlines**

- 1.10 No agency collects data on when all public entities publish their annual reports. We have information on the date that audited information is signed off by the auditor. In practice, there should be little delay between an auditor issuing an audit report and the entity inserting that audit report into its annual report and publishing it. Therefore, we have used the auditors' sign-off dates as our best measure of whether public entities are meeting their deadlines for reporting.
- 1.11 To provide an overview of the timeliness of reporting, we looked at the timeliness of audit reports due between 1 July 2013 and 30 June 2014. Any entities with audit reports issued after their reporting deadline but before 30 June 2014 were late in meeting their reporting deadlines. Entities with audit reports still not completed as at 30 June 2014 had audit reports that had not been issued.
- 1.12 Care needs to be taken in comparing the performance of different types of public entities. In drawing our line for analysis at 30 June 2014, entities that were late and had a reporting deadline at the end of May 2014 were one month late. Entities that were late and had a reporting deadline at the end of September 2013 were very late.
- 1.13 Although our analysis provides a snapshot of one year's reporting, the patterns are fairly consistent from year to year. Overall, entities have been improving their timeliness of reporting, but it has been more difficult for some than others.
- 1.14 To give some broader context to our analysis, we have also included some information on:
- the status as at 24 March 2015 of those audit reports that had not been issued by 30 June 2014;
  - whether the entities that were late and whose next audit report was due to be issued between 1 July 2014 and when we ran our data update on 24 March 2015 were late again; and
  - whether the entities whose audit reports had not been issued by 30 June 2014 had previous audit reports that had also not been issued.

## About the audits of public entities

- 2.1 The Auditor-General's mandate is set by the Public Audit Act 2001. Under section 14 of that Act, the Auditor-General is the auditor of all public entities.
- 2.2 The Public Audit Act defines the term public entity. It includes a diverse range of entities. As well as the "core" public sector, it includes subsidiaries (as defined in the Companies Act 1993) of public entities and any other entity that is controlled by a public entity under relevant financial reporting standards (controlled entities).
- 2.3 This means that the Auditor-General's mandate includes not only entities set up directly under Parliamentary authority but also entities such as subsidiary companies, limited partnerships, charitable trusts, and incorporated societies set up by public entities for investment reasons or to support their operating objectives. It is not always easy to determine whether an entity is a public entity.
- 2.4 Figure 1 lists the number and type of entities we expected to audit for the year ended 30 June 2014.
- 2.5 The size, scale, and nature of these entities' operations vary significantly, from large government departments with budgets of billions of dollars to small cemetery trusts operating with hundreds of dollars. Over time, entities are disestablished and new entities are created, and legislative changes can affect whether an entity is required to report.

**Figure 1**  
Number and type of reporting entities, 2013/14

	Entities	Subsidiaries and related entities	Total
<b>Central government entities</b>			
Government departments	37	17	54
Crown research institutes	7	28	35
District health boards	20	27	47
Tertiary education institutions	29	111	140
Other Crown entities	64	82	146
Other central government entities	83	24	107
State-owned enterprises and mixed-ownership companies	18	104	122
Rural education activities programmes	14	0	14
Schools	2427	34	2461
<b>Local government entities</b>			
Local authorities	78	0	78
Council-controlled organisations	0	179	179
Exempt council-controlled organisations	0	29	29
Other local government entities	0	63	63

	Entities	Subsidiaries and related entities	Total
<b>Energy, port, and airport companies</b>			
Energy companies	24	47	71
Port companies	12	24	36
Airport companies	19	4	23
<b>Other public entities</b>			
Fish and game councils	14	1	15
Administering boards and bodies	38	0	38
Cemetery trusts	95	0	95
Licensing and community trusts	20	19	39
Māori trust boards	10	1	11
Section 19 entities	6	0	6
<b>Total</b>	<b>3015</b>	<b>794</b>	<b>3809</b>

Notes: The legislation for Māori trust boards has changed, removing the requirement that we audit them. Under section 19 of the Public Audit Act 2001, entities that are not public entities can ask the Auditor-General to be their auditor, as long as the entity exists “for a public purpose” and is, or ought to be, accountable to the Crown, the House of Representatives, the public, or a section of the public.

## What are public entities required to report on?

- 2.6 The reporting requirements of public entities are usually set out in legislation, either in the specific Act of Parliament that created the entity or in sector-specific legislation. For example, local authorities and council-controlled organisations are required to report under the Local Government Act 2002 and government departments are required to report under the Public Finance Act 1989.
- 2.7 The reporting requirements for controlled entities (if there are any) might be set out in legislation or in the entity’s founding document – such as a trust deed, company constitution, partnership deed, or incorporated society rules.
- 2.8 Legislation specifying which entities need to publicly report also usually specifies that the financial statements need to comply with generally accepted accounting practice (GAAP). Some entities must also report and have audited their performance information (which might also need to comply with GAAP). For example, government departments are required to report against the measures included in the *Information Supporting the Estimates of Appropriations* and/or in the entity’s statement of performance. Some entities are also required to report on specific functions they are required to perform. That information must be audited.

- 2.9 The entity's governing body is responsible for preparing accountability documents, such as the entity's annual financial statements. For example, the board of trustees is responsible for a school's accountability documents.
- 2.10 Recent changes to legislation mean that some public entities that have previously been required to prepare financial statements will no longer need to do so. Examples include controlled entities of Crown entities and subsidiary companies of other entities. We are looking into how many public entities will no longer need to report separately after the legislative changes have been implemented.

### What are the reporting standards?

- 2.11 The External Reporting Board (the XRB) is an independent Crown entity, set up under section 22 of the Financial Reporting Act 1993. The XRB issues accounting standards in New Zealand. These standards apply to the information that public entities are required to report on.<sup>1</sup>
- 2.12 In April 2012, the XRB issued a new framework for accounting standards. The new framework is being rolled out between 2012 and 2015. The accounting standards were reviewed to place greater focus on the needs of users of accountability documents such as annual reports.
- 2.13 The new framework consists of different suites of standards for for-profit entities and public-benefit entities. It also provides for different tiers within those categories of entity, depending on the size of the entity and the nature of the entity's activities.<sup>2</sup>

### When is an audit required?

- 2.14 Section 15 of the Public Audit Act sets out that the Auditor-General must audit any information that a public entity is required to have audited.
- 2.15 As with reporting requirements, legislation or the entity's founding document will generally determine whether an audit is needed.
- 2.16 Most public entities must prepare financial statements and have them audited.

### Auditing standards for public entities

- 2.17 The Auditor-General sets the auditing standards that apply to audits of public entities. These standards are based on auditing and assurance standards issued by the XRB. They also cover matters that are of particular concern to the Auditor-General in auditing the public sector.

1 In most instances, legislation requires financial statements to be prepared in keeping with GAAP, which means the accrual-based accounting standards set by the XRB.

2 We expect to publish a report on the new accounting standards early in 2016.

2.18 A public sector audit is generally broader than a private sector audit. There are different requirements for different types of public entities. As a general rule, a public sector audit will cover:

- financial information;
- performance information (if this is required);
- compliance with statutory obligations, particularly where those obligations have a material (that is, significant) effect on the financial statements; and
- other risks and concerns specific to the public sector, such as sensitive expenditure (spending on travel, accommodation, or gifts and hospitality), waste, and a lack of probity or financial prudence.

## Overall results and observations

- 3.1 In this Part, we summarise our findings on the extent to which public entities met their reporting deadlines during 2013/14.
- 3.2 We also make some observations and ask some questions about the public reporting expectations for some types of entity. In our view, entities should actively consider the accountability and associated reporting requirements when establishing subsidiaries or other related entities.
- 3.3 In Parts 4-7, we set out the detailed results of our analysis by type of entity. We name the entities that have not met their reporting deadlines. Where appropriate, we provide an update of how those entities have performed.
- 3.4 Figure 2 summarises the timeliness of reporting by public entities during 2013/14.

**Figure 2**  
**Timeliness of reporting by public entities during the 12 months to 30 June 2014**

	On time	Late	Not been issued	Total
<b>Central government entities</b>				
Government departments	48	5	1	54
Crown research institutes	33	2	0	35
District health boards	36	5	6	47
Tertiary education institutions	119	6	15	140
Other Crown entities	142	4	0	146
Other central government entities	89	12	6	107
State-owned enterprises and mixed-ownership companies	104	17	1	122
Rural education activities programmes	12	2	0	14
Schools	1116	608	737	2461
<b>Local government entities</b>				
Local authorities	72	6	0	78
Council-controlled organisations	159	15	5	179
Exempt council-controlled organisations	25	3	1	29
Other local government entities	50	9	4	63
<b>Energy, port, and airport companies</b>				
Energy companies	70	1	0	71
Port companies	34	1	1	36
Airport companies	23	0	0	23
<b>Other public entities</b>				
Fish and game councils	15	0	0	15
Administering boards and bodies	6	17	15	38
Cemetery trusts	8	68	19	95

	On time	Late	Not been issued	Total
Licensing and community trusts	27	8	4	39
Māori trust boards	5	1	5	11
Section 19 entities	4	2	0	6
<b>Total</b>	<b>2197</b>	<b>792</b>	<b>820</b>	<b>3809</b>

- 3.5 Over time, we have seen improvements in entities meeting their reporting deadlines. However, we have also seen certain types of entities, such as subsidiaries and other small entities, struggle to report on time year after year.

### The results of our analysis

- 3.6 Our analysis focuses on the 3809 audit reports that we expected to issue between 1 July 2013 and 30 June 2014, rather than those for previous reporting periods.

### Schools

- 3.7 Of the 3809 expected audit reports, 2461 (64%) were for schools. Many (45% or 1116) schools met the reporting deadline of 31 May 2014. A quarter (25% or 608) were late but issued by 30 June 2014, leaving 30% (737) not issued at that date. As at 24 March 2015, slightly more than a year after the balance date, 40 school audit reports had not been issued.
- 3.8 Many schools failed to meet their reporting deadlines because of significant delays in receiving reliable data from the Novopay payroll system. Normally, between 90-95% of school audit reports are issued by the reporting deadline of 31 May.<sup>3</sup>
- 3.9 Novopay also affected the timely completion of audit reports for the previous year. However, Novopay is not the only reason for audit reports being late or not issued. Of the 40 schools whose audit reports had not been issued by 24 March 2015, seven schools had more than one year's audit report not issued. There are various reasons for this, but the delay is often because of poor financial management and/or poor governance at the school.

### Public entities other than schools

- 3.10 Our analysis shows that, for the remaining 1348 audit reports we expected to issue:
- 1081 audit reports (80%) were issued on or before the deadline;
  - 184 audit reports (14%) were issued late; and
  - 83 audit reports (6%) had not been issued as at 30 June 2014.



## Why do entities not meet their reporting deadlines?

- 3.11 One of the most common reasons offered for delays in issuing audit reports is that entities do not make the appropriate information available to the auditors. Our experience and observations from auditors suggest that the skills and capability levels in public entities can be an important factor in why information is not available.
- 3.12 In larger entities, the auditor and the entity plan the auditing timetable together, the importance of resolving questions and providing information to the auditor is well understood, and the auditor is usually working on site. In smaller entities, the information that an auditor needs might be delivered to the auditor's office, and that information can be incomplete or late.
- 3.13 Auditors usually have many entities to audit, often with the same deadlines. It can be difficult to return to an incomplete audit without causing delays in completing the audits for other entities. This means that an auditor can, sometimes, be partly or indirectly responsible for delays in issuing an audit report. However, the entity is usually responsible for not meeting the reporting deadlines.
- 3.14 We encourage entities to plan ahead and work with their auditors to ensure that they are able to meet their reporting obligations. We acknowledge the challenges some entities face, and there are sometimes legitimate reasons for delays. However, there is room for improvement when 20% of public entities (other than schools) are unable to meet their reporting deadlines.
- 3.15 When we prepared this report, the entities whose audit reports were issued late or had not been issued were mostly subsidiaries and small public entities.
- 3.16 Of the 83 entities whose audit reports had not been issued as at 30 June 2014, several had audit reports for previous years that had also not been issued. A few had more than four years of audit reports that had not been issued.
- 3.17 Public entities that have failed to meet their reporting obligations for successive years tend to be very small. Cemetery trustees, the boards and bodies that look after halls, racecourses, parks, and reserves (called "administering boards" and "administering bodies"), licensing trusts, charitable trusts, and small subsidiaries are disproportionately not meeting their reporting obligations.
- 3.18 Importantly, audits that involve significant amounts of public money and assets are largely completed and audit reports issued within the required time frames. Where there are exceptions (such as the six local authorities that did not meet their deadline for reporting), we continue to make our concerns and expectations clear.

- 3.19 We raise our concerns about public entities that fail to meet their reporting obligations in several ways – directly with entities, through relevant sector forums, and by publicly reporting the audit results.<sup>4</sup>

### Is the balance right?

- 3.20 Most public entities meet their reporting obligations. Some can and need to do better. Others are struggling, which could be a result of limited internal capability to meet the requirements or questions about the value of, and priority given to, such reporting.
- 3.21 In our view, the balance between the costs of compliance (including audit) and the benefits to the users of those audit reports might not be right. To put this comment in context, it is useful to look at an example (see Figure 3).

**Figure 3**  
**The performance of cemetery trusts in meeting accountability requirements**

#### Cemetery trusts

Many cemeteries are owned and operated by local authorities. There are also 95 cemetery trusts. These trusts, often run by volunteers, are required to prepare financial statements, which in turn must be audited.

The audit reports for just eight cemetery trusts were issued on time. Most were issued after the deadline – on average, four-and-a-half months late. The audit reports for 19 cemetery trusts had also not been issued as at 30 June 2014. Of these, 14 trusts had audit reports for previous years that had not been issued, and one trust has not met its reporting requirements for nine consecutive years.

The reporting deadline for cemetery trusts – five months after the balance date – is set by the Auditor-General. The Auditor-General will not extend the reporting deadline because that would reduce the usefulness of the audited information. Further, nothing in our experience suggests that changing the deadline would address the challenges cemetery trusts face in meeting their reporting deadlines.

The challenge for each cemetery trust is different. Cemetery trusts are, generally speaking, very small entities. Only one has revenue of more than \$50,000 each year. The individuals involved are committed to serving their communities, but often do not understand, or are ill-equipped to comply with, the reporting and accountability requirements associated with their roles. Our auditors help where they can, and we have made significant additional efforts in recent years to reduce the number of audit reports that have not been issued. Our challenge is balancing our independence with our desire to help these entities to meet their reporting obligations.

Parliament provides us with \$150,000 each year to fund the audits of cemetery trusts and administering bodies. Our actual expenditure on these audits in 2013/14 was closer to \$350,000.

- 3.22 We question whether some of the smaller public entities should continue to be required to publicly report each year.

<sup>4</sup> For example, we commented on the timeliness of reporting by local authorities in our 2014 report, *Local government: Results of the 2012/13 audits*.

- 3.23 The Law Commission is reviewing the Burial and Cremation Act 1964. Proposals being prepared by the Commission, if adopted, could see local authorities assume responsibility for cemeteries. We will watch with interest as this work is completed and will support proposals for an appropriate and cost-effective accountability arrangement for cemetery trusts.
- 3.24 Many subsidiaries of public entities are among those that did not meet their deadlines for reporting. In most instances, the failure to report on time did not affect the timeliness of the parent entity's reporting, which suggests that priority is given to group reporting rather than reporting by each subsidiary. We provide comment in Figure 4 on the performance of TEI subsidiaries.

**Figure 4**

**The performance of subsidiaries of tertiary education institutions in meeting accountability requirements**

**Tertiary education institutions**

Our analysis shows that the audit reports for all 29 tertiary education institutions (TEIs) were signed on or before the deadline. The audit reports for 90 of the 111 TEI subsidiaries (81%) were also issued on time.

All of the late reports (six) and reports that have not been issued (15) were for subsidiaries. Further, some subsidiaries had not met the reporting obligations for previous years. One small TEI subsidiary has eight audit reports that have not been issued.

In our report, *Education sector: Results of the 2011/12 audits*, we commented on the growth in the number of subsidiaries and the implications of that growth on time and costs to the group, including audit work. We recommended that TEIs better assess the business need for their subsidiaries and consider, in that assessment, the reporting obligations that will arise.

- 3.25 Recent legislative changes (including changes to the Public Finance Act 1989, the Crown Entities Act 2004, the Companies Act 1993, and the Financial Reporting Act 1993) and changes to accounting standards have implications for the reporting requirements for many public entities. Some of the changes mean that many subsidiaries will no longer be required to report separately.
- 3.26 In general, this, along with the introduction of tiered reporting, should reduce the demands on smaller entities. Although the changes are driven by a desire to improve the quality of reporting, they should also contribute to improvements in the timeliness of reporting. That said, the changes made to date do not extend to all public entities. For example, the changes to the reporting requirements of subsidiaries of Crown entities do not include schools.
- 3.27 In our view, there is still scope to review the number of public entities that need to separately report and be subject to a separate audit. We recognise that this would

require considering alternative models and options for providing assurance about the use of public expenditure, and legislative change would be required.

- 3.28 We actively encourage public entities to think carefully before deciding to set up new entities such as subsidiaries and other related entities. Those decisions need to be made with an understanding of the costs of the reporting requirements (including the cost of audit) for any such entity.

### What are the consequences for not reporting on time?

- 3.29 The main focus for this report is whether public entities met their obligations to report on their performance between 1 July 2013 and 30 June 2014. However, we also looked more closely at those entities whose audit reports had not been issued as at 30 June 2014 to identify any with a history of not meeting their reporting deadlines.
- 3.30 A small number of public entities have not met their obligations to publicly report on their performance for two or more years.
- 3.31 The Auditor-General can report on the failure of public entities to meet their reporting deadlines. Many perceive this as a sanction.
- 3.32 More generally, the consequences will vary depending on the governance and accountability arrangements for each public entity. For entities subject to annual review by Parliament, select committees will have an interest in late reporting. The directors and boards of public entities will also have an interest in ensuring that subsidiaries and trusts meet their reporting deadlines.
- 3.33 Monitoring agencies such as the Ministry of Education have an interest in schools and whether they meet their reporting deadlines.
- 3.34 For some public entities, failing to meet reporting obligations could affect their ability to borrow or secure additional investment.
- 3.35 However, there is a challenge where the oversight and scrutiny of public entities is not clear or is limited. In our 2014 report, *Challenges facing licensing trusts*, we indicated that licensing trusts are probably the least scrutinised part of the public sector. We reported that:

*No central government agency or select committee has overall oversight or monitoring responsibility for licensing trusts. This is largely because those agencies' areas of responsibility are quite narrow and specific, which does not support broader engagement.*

*Local authorities have responsibility to operate District Licensing Committees under the [Sale and Supply of Alcohol Act 2012], but there is no requirement that they monitor or support licensing trusts.*

*The lack of coherent oversight, in combination with the significant number of challenges that licensing trusts face, is a cause for concern, particularly given the assets that licensing trusts manage on behalf of their communities.*

- 3.36 We encourage Parliament, governors, and other monitoring and oversight agencies to be alert to issues with the timeliness of reporting.
- 3.37 We consider that some thought should be given to the mechanisms used to provide oversight and scrutiny of public entities and whether they are effective. In general, we are not concerned, but there are some entities, such as licensing trusts, where further consideration is needed.

# 4

## Timeliness of reporting by central government entities

- 4.1 In this Part, we look at the performance of public entities in our central government portfolio. We include a summary of our overall findings and make some observations about the nature of those entities that are not meeting deadlines for public reporting and the reasons for this.
- 4.2 Figures 5 to 23 show the results of the various entity types in the central government portfolio and name the entities whose audited performance information was not available by the required date.

### Summary of our findings

- 4.3 We expected to issue 3126 audit reports for the central government portfolio during the 12 months to 30 June 2014. Schools made up 2461 of this total. The remaining 665 were for government departments, Crown entities and their subsidiaries, and State-owned enterprises and other Crown companies and their subsidiaries.
- 4.4 The main findings from our analysis of central government entities, other than schools, include:
- 583 audit reports (88%) were issued on or before the reporting deadline;
  - 53 audit reports (8%) were issued late; and
  - 29 audit reports (4%) had not been issued as at 30 June 2014.
- 4.5 The audit reports of parent entities were generally issued on time.

### Government departments

- 4.6 The audit reports for all 35 government departments and two Offices of Parliament were issued on time.<sup>5</sup> The audit report for the student loan scheme was also issued on time, as were the reports for 11 entities overseen by government departments (see Figure 5).

**Figure 5**  
**Timeliness of government departments, Offices of Parliament, and associated trusts and functions, as at 30 June 2014**

Timeliness	Entities	Related entities and functions	Total number of audit reports
On time	37	11	48
Issued late	0	5	5
<b>Total audit reports issued</b>	<b>37</b>	<b>16</b>	<b>53</b>
Audit reports not issued	0	1	1

Note: The balance date for government departments and Offices of Parliament was 30 June 2013. The reporting deadline was 30 September 2013. The balance dates and reporting deadlines for trusts and subsidiaries varied.

<sup>5</sup> The Controller and Auditor-General is also an Office of Parliament. We are subject to an external and independent audit, and our audit report was also issued on time.

- 4.7 Five small trusts overseen by the New Zealand Defence Force did not meet their reporting deadlines by 30 June 2014. By then, these entities were, on average, six months late in getting their audit reports issued (see Figure 6).

**Figure 6**  
**Late audit reports – government departments, Offices of Parliament, and associated trusts and functions**

Entity	Parent or responsible entity	Status of the next report due
Kippenberger Library Trust	Overseen by the New Zealand Defence Force	Late
Queen Elizabeth II Army Memorial Museum	Overseen by the New Zealand Defence Force	Late
Royal New Zealand Naval Benevolent Fund	Overseen by the New Zealand Defence Force	On time
Royal New Zealand Naval Officers Benevolent Trust	Overseen by the New Zealand Defence Force	On time
Royal New Zealand Navy Central Fund	Overseen by the New Zealand Defence Force	On time

- 4.8 The entity with an audit report not issued as at 30 June 2014 was the Ngataranga Bay Naval Sports Complex, which is a subsidiary of the Royal New Zealand Navy Museum Trust. The Sports Complex has not submitted information for audit for several years, and no audit reports have been issued since 2008. The Sports Complex has questioned whether it is a public entity and therefore subject to audit. In our view, it is a public entity.

## Crown research institutes

- 4.9 Figure 7 shows that the seven Crown research institutes and 26 of their subsidiaries met their reporting deadlines.

**Figure 7**  
**Timeliness of Crown research institutes and subsidiaries, as at 30 June 2014**

Timeliness	Entities	Subsidiaries and related entities	Total number of audit reports
On time	7	26	33
Issued late	0	2	2
<b>Total audit reports issued</b>	<b>7</b>	<b>28</b>	<b>35</b>
Audit reports not issued	0	0	0

Note: The balance date for Crown research institutes was 30 June 2013, and the reporting deadline was 30 September 2013. The balance date for subsidiaries was 30 June 2013, and the reporting deadline was 30 November 2013.

- 4.10 Overall, this is a positive result. The reports of two subsidiaries (which are subsidiaries of AgResearch Limited) were issued three months after the deadline: AgResearch (Pastoral Genomic Consortia) Limited and AgResearch (USA) Limited (see Figure 8). The latter is three steps removed from the parent company. Accounting issues and matters related to the “going concern” assumption were factors cited for the entities not reporting on time.

**Figure 8**  
**Late audit reports – Crown research institutes and subsidiaries**

Entity	Parent or responsible entity	Status of the next report due
AgResearch (Pastoral Genomic Consortia) Limited	AgResearch Limited	Late
AgResearch (USA) Limited	AgResearch Limited	On time

## District health boards

- 4.11 Figure 9 shows the results for district health boards (DHBs). Of the 36 audit reports issued on time, 19 were for DHBs and 17 were for subsidiaries. Except for Wairarapa DHB, the audit reports for DHBs were issued within the reporting deadline. (Wairarapa DHB met its reporting deadline for the following year.)

**Figure 9**  
**Timeliness of district health boards and subsidiaries, as at 30 June 2014**

Timeliness	Entities	Subsidiaries and related entities	Total number of audit reports
On time	19	17	36
Issued late	1	4	5
<b>Total audit reports issued</b>	<b>20</b>	<b>21</b>	<b>41</b>
Audit reports not issued	0	6	6

Note: The balance date for district health boards was 30 June 2013, and the reporting deadline was 31 October 2013. For subsidiaries, the balance date was 30 June 2013, and the reporting deadline was either 31 October 2013 or 30 November 2013.

- 4.12 Ten of the 11 entities that did not meet their deadlines were subsidiaries of DHBs. Of the five late audit reports (see Figure 10), four were between 10 and 30 days late and one was more than five months late.



**Figure 10**  
**Late audit reports – district health boards and subsidiaries**

Entity	Parent or responsible entity	Status of the next report due
Wairarapa DHB	-	On time
Central Regions Technical Advisory Services Limited	A joint venture between six DHBs	On time
Manukau Health Trust	Counties Manukau DHB	On time
New Zealand Centre For Reproductive Medicine	University of Otago and Canterbury DHB	N/A – entity disestablished
New Zealand Institute of Rural Health	Waikato DHB and University of Waikato	Late

4.13 Figure 11 lists the six DHB subsidiaries that, as at 30 June 2014, had not had their audit reports issued (on average slightly more than eight months after the deadline). Several of those entities also have to complete reports for previous years.

**Figure 11**  
**Unissued audit reports – district health boards and subsidiaries**

Entity	Parent or responsible entity	Update as at 24 March 2015	Years without an audit report
Dempsey Trust	-	Not issued	2
Milford Secure Properties Limited	Waitemata DHB	Not issued	8
New Zealand Health Innovation Hub Limited Partnership	A joint venture between Waitemata DHB, Counties Manukau DHB, and Auckland DHB	Not issued	1
New Zealand Health Innovation Hub Management Limited	A joint venture between Waitemata DHB, Counties Manukau DHB, and Auckland DHB	Not issued	1
Tairawhiti Laundry Services Limited	Tairawhiti DHB	Issued	0
Three Harbours Health Foundation	Waitemata DHB	Not issued	3

## Tertiary education institutions

- 4.14 All 29 TEI audit reports were issued on time, as were the reports for 90 (81%) of the 111 TEI subsidiaries (see Figure 12).

**Figure 12**  
Timeliness of tertiary education institutions and subsidiaries, as at 30 June 2014

Timeliness	Entities	Subsidiaries and related entities	Total number of audit reports
On time	29	90	119
Issued late	0	6	6
<b>Total audit reports issued</b>	<b>29</b>	<b>96</b>	<b>125</b>
Audit reports not issued	0	15	15

Note: The balance date for TEIs was 31 December 2013, and the reporting deadline was 31 March 2014. The balance date for most subsidiaries was 31 December 2013, and the reporting deadlines varied.

- 4.15 The six audit reports issued late were for TEI subsidiaries (see Figure 13). Delays in getting information to the auditor for sign-off were cited as reasons for reports being signed late. These six subsidiaries were not due to report again before 24 March 2015, so we were unable to provide data on their most recent audit reports.

**Figure 13**  
Late audit reports – tertiary education institutions and subsidiaries

Entity	Parent or responsible entity
Cybus	A joint venture between Universal College of Learning and Wellington Institute of Technology
The Open Education Resource Foundation Limited	Otago Polytechnic
LCB Management NZ Limited	Universal College of Learning
Le Cordon Bleu New Zealand Institute Limited Partnership	Universal College of Learning
Lincoln Hospitality Limited	Lincoln University
Skills for NZ Limited (to be disestablished)	A joint venture between 12 TEIs

- 4.16 Of the 15 entities with audit reports still to be issued as at 30 June 2014 (see Figure 14), nine had audit reports for previous years that have not been issued. Most of the entities had not had their audit reports issued, on average, up to two months after the deadline. One entity's audit report had not been issued just under a year after the deadline.

**Figure 14**  
**Unissued audit reports – tertiary education institutions and subsidiaries**

Entity	Parent or responsible entity	Update as at 24 March 2015	Years without an audit report
The Wintec Foundation	Waikato Institute of Technology	Not issued	2
Prima Group Limited	Waikato Institute of Technology	Not issued	2
Prima Learning Limited	Waikato Institute of Technology	Not issued	8
Learning Works Limited	Waikato Institute of Technology	Not issued	3
BR Training Limited	Waikato Institute of Technology	Not issued	2
Prima Innovation Limited	Waikato Institute of Technology	Not issued	1
Soda Inc. Limited	Waikato Institute of Technology (60%) and Hamilton City Council (40%)	Not issued	2
The University of Waikato Foundation	University of Waikato	Issued	0
Engaged Limited	University of Waikato	Not issued	1
Waikatolink Limited	University of Waikato	Not issued	2
11Ants Analytics Limited	Waikatolink Limited	Not issued	2
Ligar Polymers Limited	A joint venture between Learning Works Limited and Waikatolink Limited	Issued	0
Canterbury Tertiary Education Millennial Trust	-	Not issued	1
Te Tapuae O Rehua Limited	A joint venture between fiveTEIs (and Ngai Tahu)	Not issued	1
Bloktech Systems Limited (disestablished)	Auckland University	Issued	0

4.17 We have been working with entities to address the number of audit reports that have not been issued.

## Other Crown entities

- 4.18 Figure 15 shows that 97% (142) of the audit reports for other Crown entities and their subsidiaries were issued on time. Just four of the 146 entities' audit reports were issued after the reporting deadline. All four entities were subsidiaries (see Figure 16), and their audit reports were issued, on average, 19 days late. A query about the requirement to audit held up one audit, and an error about the reporting requirements for one meant a delay in issuing the audit report until the financial statements were presented as required.

**Figure 15**  
Timeliness of other Crown entities and their subsidiaries, as at 30 June 2014

Timeliness	Entities	Subsidiaries and related entities	Total number of audit reports
On time	64	78	142
Issued late	0	4	4
<b>Total audit reports issued</b>	<b>64</b>	<b>82</b>	<b>146</b>
Audit reports not issued	0	0	0

Note: The balance dates for other Crown entities vary. For most, the balance date was 30 June 2013, and the reporting deadline was 31 October 2013.

**Figure 16**  
Late audit reports – other Crown entities and their subsidiaries

Entity	Parent or responsible entity	Status of the next report due
Annuitas Management Limited	Government Superannuation Fund Authority and Board of the National Provident Fund	Late
Canterbury Earthquake Heritage Building Fund	Heritage New Zealand	On time
New Zealand Permanent Trustees Limited	Public Trust	Late
New Zealand Transport Ticketing Limited	New Zealand Transport Agency	On time

## Other central government entities

- 4.19 The public entities in the category for other central government entities are diverse. They include the Reserve Bank of New Zealand, the New Zealand Superannuation Fund, several medical councils and boards, provincial patriotic councils, and smaller trusts. Figure 17 shows that 83% (89) of these entities had their audit reports issued on time.

**Figure 17**  
**Timeliness of other central government entities and their subsidiaries, as at 30 June 2014**

Timeliness	Entities	Subsidiaries and related entities	Total number of audit reports
On time	69	20	89
Issued late	8	4	12
<b>Total audit reports issued</b>	<b>77</b>	<b>24</b>	<b>101</b>
Audit reports not issued	6	0	6

Note: Entities in this category have different balance dates and reporting deadlines.

- 4.20 The 12 entities that failed to meet their reporting deadlines were all smaller entities (see Figure 18). The entities whose audit reports were late had their reports issued, on average, two months after the deadline. However, one was just six days late and another slightly more than four months late.

**Figure 18**  
**Late audit reports – other central government entities and their subsidiaries**

Entity	Parent or responsible entity	Status of the next report due
Canterbury Provincial Patriotic Council	-	On time
Costley Training Institute Trust Board	-	*
Hunter Soldiers Assistance Trust	-	On time
New Zealand Government Property Corporation	The Treasury	On time
Ngarimu VC and 28th Māori Battalion Memorial Scholarship Fund	-	*
Ngati Whakaue Endowment Trust	-	*
Road Safety Trust	-	N/A – entity disestablished
Te Māori Manāki Taonga Trust	-	Late
The National Pacific Radio Trust	-	Not issued
Upstart Incubation Trustee Company Limited	A joint venture between Otago University, Otago Polytechnic, and Dunedin City Council	Not issued
Upstart Incubation Trust	Upstart Incubation Trustee Company Limited	Not issued
Otago Angels Limited	Upstart Incubation Trust	Not issued

\* Some entities were not due to have reported again by 24 March 2015, so we could not provide data on their most recent performance.

- 4.21 Six entities had not had their audit reports issued by 30 June 2014 – on average, four months after the deadline (see Figure 19).

**Figure 19**  
Unissued audit reports – other central government entities and their subsidiaries

Entity	Update as at 24 March 2015	Years without an audit report
Computing and Information Technology Research and Education New Zealand	Issued	0
Otago Provincial Patriotic Society	Issued	0
Southland Provincial Patriotic Council	Not issued	4
Taranaki Provincial Patriotic Council (to be disestablished)	Not issued	1
Taranaki Scholarships Trust Board	Not issued	1
War Pensions Advisory Board	Not issued	1

## State-owned enterprises and mixed-ownership companies

- 4.22 Figure 20 shows that 104 State-owned enterprises and mixed-ownership companies and their subsidiaries had their audit reports issued on time.

**Figure 20**  
Timeliness of State-owned enterprises and mixed-ownership companies, and their subsidiaries, as at 30 June 2014

Timeliness	Entities	Subsidiaries or related entities	Total number of audit reports
On time	17	87	104
Issued late	1	16	17
<b>Total audit reports issued</b>	<b>18</b>	<b>103</b>	<b>121</b>
Audit reports not issued	0	1	1

Note: The balance date for parent companies was 30 June 2013, and the reporting deadline was 30 September 2013. For the subsidiaries, the balance date was 30 June 2013, and the reporting deadline was either 30 September 2013 or 30 November 2013.

- 4.23 Although 17 companies had their audit reports issued after the reporting deadline, they did so within a month of the reporting deadline. All but one, Learning Media Limited, are subsidiaries (see Figure 21).

**Figure 21**  
**Late audit reports in 2013/14 – State-owned enterprises and mixed-ownership companies, and their subsidiaries**

Entity	Parent or responsible entity	Status of the next report due
Learning Media Limited	-	N/A – entity disestablished
BOSCO Connect Limited	Mighty River Power Limited	Not issued
ECNZ International Limited	Mighty River Power Limited	Not issued
Kawerau Geothermal Limited	Mighty River Power Limited	Not issued
Mercury Energy Limited	Mighty River Power Limited	Not issued
Metrix Limited	Mighty River Power Limited	Not issued
Mighty Geothermal Power Limited	Mighty River Power Limited	Not issued
Mighty Geothermal Power International Limited	Mighty River Power Limited	Not issued
Mighty River Power Geothermal Limited	Mighty River Power Limited	Not issued
Ngatamariki Geothermal Limited	Mighty River Power Limited	Not issued
Rotokawa Geothermal Limited	Mighty River Power Limited	Not issued
Special General Partner Limited	Mighty River Power Limited	Not issued
AsureQuality Asia Pacific Limited	AsureQuality Limited	On time
AsureQuality Holdings No.1 Limited	AsureQuality Limited	On time
AsureQuality Holdings No.2 Limited	AsureQuality Limited	On time
AsureQuality Holdings No.3 Limited	AsureQuality Limited	On time
Global Proficiency Limited	AsureQuality Limited	On time

- 4.24 To provide some context, the parent entities for these subsidiaries have indicated that priority was given to group reporting. As we discussed in Part 3, subsequent legislative changes remove the requirements for many of these entities to report separately in future.
- 4.25 The audit report for Kiwi Covered Bond Trustee Limited, a subsidiary company, had not been issued as at 30 June 2014. We have since agreed that it is not a public entity.

## Rural education activities programmes

- 4.26 Figure 22 shows that all but two of the rural education activities programmes' audit reports were issued by the reporting deadline. The report for Eastern Bays was signed two days after the deadline, and the report for Central Plateau was signed eight days after the deadline.
- 4.27 Overall, the rural education activities programmes are meeting expectations for their accountability information. The two rural education activities programmes that were late in reporting were not due to report again by 24 March 2015, so we were unable to provide an update on their performance.

**Figure 22**  
Timeliness of rural education activities programmes, as at 30 June 2014

Timeliness	Number of audit reports
On time	12
Issued late	2
<b>Total audit reports issued</b>	<b>14</b>
Audit reports not issued	0

Note: The balance date for rural education activities programmes was 31 December 2013, and the reporting deadline was 31 May 2014.

## Schools

- 4.28 Figure 23 shows that 1116 school audit reports (45%) were issued on or before the reporting deadline of 31 May 2014. Twenty-five percent were late, with an average delay between the reporting deadline and issuing of 14 days. The remaining 737 audit reports (30%) had not been issued as at 30 June 2014.
- 4.29 As at 24 March 2015, 40 audit reports (2%) for schools had still not been issued.

**Figure 23**  
Timeliness of schools, as at 30 June 2014

Timeliness	Entities	Subsidiaries and related entities	Total number of audit reports
On time	1100	16	1116
Issued late	602	6	608
<b>Total audit reports issued</b>	<b>1702</b>	<b>22</b>	<b>1724</b>
Audit reports not issued	725	12	737

Note: The balance date for schools was 31 December 2013, and the reporting deadline was 31 May 2014.



- 4.30 We have not named the schools that are late because of the effect of Novopay on timeliness. The introduction of the Novopay system in August 2012 has significantly affected the timeliness of school audits in recent years.
- 4.31 As at 31 May 2013 (the reporting deadline for the 31 December 2012 audits), only 31% of audit reports had been issued. The delay in providing schools with their annual payroll reports, a significant input to their financial statements, meant that many schools' financial statements were not available for the audit on time.
- 4.32 Timeliness improved for the 31 December 2013 audits, with 45% of reports issued by the reporting deadline of 31 May 2014. However, this remains well below normal timeliness performance before Novopay. For example, 95% of audit reports for 2011 were issued by 31 May 2012. Although the problems experienced by the users of the Novopay system stabilised during 2013, there were still considerable delays in providing the necessary information to schools for their financial statements.
- 4.33 Schools also had to account for payroll errors in their financial statements, which made the process more complex and delayed schools in providing their financial statements for audit. As our appointed auditors for schools have other audit work to complete from June onwards, much of which is outside the public sector, they have to fit in any remaining audits around their other work commitments. This can affect the overall length of the delay in issuing an audit report.
- 4.34 In the years before Novopay, between 90% and 95% of schools usually met their reporting deadlines. Setting aside Novopay, some 5-10% of schools could improve the timeliness of their reporting.
- 4.35 Of the 40 schools with audit reports still to be issued as at 24 March 2015, seven have more than one year's audit report not issued (see Figure 24). The reason for the delay in completing the audits for each of the schools varies, but poor financial management and/or governance at the schools is often a contributing factor.

**Figure 24**  
Unissued audit reports – schools

Entity	Update as at 24 March 2015	Years without an audit report
Cambridge High School Educational Trust	Not issued	2
Hukarere College	Not issued	4
Riverslea School	Not issued	2
Te Aute College	Not issued	4
Te Kura Kaupapa Maori o Te Kura Kokiri	Not issued	2
Te Wharekura o Mauao	Not issued	2
Westbridge Residential School	Not issued	2

- 4.36 We have concerns about the financial viability of Hukarere College and Te Aute College, which both have four years of audit reports that have not been issued.
- 4.37 We note that Westbridge Residential School formed a combined board with Halswell Residential College from 1 February 2014. The reporting for Westbridge has been delayed because of a lack of clarity about which board would take administrative responsibility.

# Timeliness of reporting by local government entities

- 5.1 In this Part, we look at the performance of public entities in our local government portfolio. We include a summary of the overall findings and make some observations about the type of entities that are not meeting deadlines for public reporting and what we know about the reasons for this.
- 5.2 We have included more detailed tables looking at the results of the various entity types in the local government portfolio and name the entities whose audited performance information was not available on time.

## Summary of our findings

- 5.3 Of the 349 audit reports for the entities included in the local government portfolio:
- 306 (88%) were issued early or on time;
  - 33 (9%) were issued late; and
  - 10 (3%) had not been issued as at 30 June 2014.
- 5.4 Six local authorities did not meet their reporting deadlines, with audit reports issued, on average, two months late. Five of the six local authorities met the reporting deadline for the following year.

## Local authorities

- 5.5 We have reported each year on how well local authorities met their reporting requirements. In 2014, we noted that, since the Local Government Act 2002 was introduced, there has not been a year in which every local authority has met all accountability requirements for releasing publicly available annual reports.<sup>6</sup> Figure 25 shows the level of compliance with these requirements.

**Figure 25**  
Local authorities' performance in meeting deadlines for annual reports, 2009/10 to 2013/14

Deadline for	Percentage of local authorities meeting reporting deadlines				
	2009/10	2010/11	2011/12	2012/13	2013/14
Adopting the annual report	91%	90%	99%	92%	96%
Releasing the annual report	94%	94%	99%	96%	92%
Releasing the summary annual report	92%	92%	96%	95%	91%

<sup>6</sup> See *Local government: Results of the 2012/13 audits* and *Local government: Results of the 2013/14 audits*, which are available at our website, [oag.govt.nz](http://oag.govt.nz).

- 5.6 For 2012/13, the audit reports for 72 local authorities (92%) were issued on or before the deadline. For the 12 months to 30 June 2014, audit reports for six local authorities were issued after the deadline – on average, just under two months late (see Figure 26).

**Figure 26**  
Timeliness of local authorities, as at 30 June 2014

Timeliness	Number of audit reports
On time	72
Issued late	6
<b>Total audit reports issued</b>	<b>78</b>
Audit reports not issued	0

Note: The balance date for local authorities was 30 June 2013, and the reporting deadline was 31 October 2013.

- 5.7 The timeliness of local authorities' reporting has declined in recent years. However, five of the six local authorities that were late in 2013/14 met their reporting deadline for the following year (see Figure 27).

**Figure 27**  
Late audit reports – local authorities

Entity	Status of the next report due
Central Hawkes Bay District Council	On time
Chatham Islands Council	On time
Far North District Council	On time
Horowhenua District Council	On time
Hurunui District Council	On time
Westland District Council	Late

- 5.8 In our report, *Local government: Results of the 2012/13 audits*, we explained that, in one instance, the failure of a council-controlled organisation to meet its reporting deadline affected the parent local authority's ability to meet its deadline.

## Council-controlled organisations

- 5.9 As Figure 28 shows, 159 council-controlled organisations (89%) had their audit reports issued by the reporting deadline, with 15 (8%) issued late. Just five (3%) had not been issued as at 30 June 2014, but three have since had audit reports issued.

**Figure 28**  
**Timeliness of council-controlled organisations, as at 30 June 2014**

Timeliness	Number of audit reports
On time	159
Issued late	15
<b>Total audit reports issued</b>	<b>174</b>
Audit reports not issued	5

Note: The balance dates and reporting deadlines for council-controlled organisations vary.

- 5.10 Audit reports that were late were issued, on average, slightly more than three months after the reporting deadline. However, the average is skewed by four audit reports that were between six and nine months late.
- 5.11 Some council-controlled organisations performed better when their next audit report was due.

**Figure 29**  
**Late audit reports – council-controlled organisations**

Entity	Status of the next report due
Canterbury Economic Development Co. Limited	Late
Hauraki Rail Trail Charitable Trust (became an exempt council-controlled organisation in May 2014)	On time
Hutt City Community Facilities Trust	On time
Infracon Limited	N/A – entity disestablished
Lambton Harbour Development Project	Not issued
Mayoral Relief Fund Tasman/Nelson	Late
Northland Inc Limited	On time
Tamatea Limited	N/A – to be disestablished
Tasman Farms Limited	Late
Te Mata Park Trust Board	Late
The Gisborne District Disaster Relief Trust	Late
Timaru District Promotions Trust	N/A – to be disestablished
S C Aoraki Development Trust	N/A – to be disestablished
South Waikato Economic Development Trust	N/A – to be disestablished
Tararua Forests Limited	N/A – entity disestablished

- 5.12 As at 30 June 2014, audit reports for the 5 council-controlled organisations listed in Figure 30 had not been issued. On average, they were five-and-a-half months

late at that date. When we updated our data as at 24 March 2015, two of these entities had had their audit reports issued.

**Figure 30**  
Unissued audit reports – council-controlled organisations

Entity	Update as at 24 March 2015	Years without an audit report
Ashburton Stadium Complex Trust	Not issued	1
Destination Coromandel Trust	Issued	0
Kaikoura Enhancement Trust (to be disestablished)	Not issued	1
Ridgeway Joint Venture	Not issued	1
Tourism West Coast Incorporated	Issued	0

## Exempt council-controlled organisations

- 5.13 Local authorities can exempt small, non-profit council-controlled organisations from having to prepare annual accountability documents under the Local Government Act. However, the constitutions or trust deeds of some of these entities require them to prepare audited financial statements. We carry out the audits.
- 5.14 All but one audit report was issued for the group of exempt council-controlled organisations by 30 June 2014, with 86% issued by the reporting deadline (see Figure 31). The main explanation for the delay was the entity failing to finalise financial statements or to make the relevant information available to the auditors on time.

**Figure 31**  
Timeliness of exempt council-controlled organisations, as at 30 June 2014

Timeliness	Number of audit reports
On time	25
Issued late	3
<b>Total audit reports issued</b>	<b>28</b>
Audit reports not issued	1

Note: The balance dates and reporting deadlines for exempt council-controlled organisations vary.

- 5.15 Audit reports for three exempt council-controlled organisations (see Figure 32) were issued, on average, slightly more than three and half months after the reporting deadline.

**Figure 32**  
Late audit reports – exempt council-controlled organisations

Entity	Status of the next report due
Cooks Gardens Trust Board	N/A – entity disestablished
Sarjeant Gallery Trust	Not issued
Waimakariri Art Collection Trust	Not issued

- 5.16 One entity's audit report had not been issued by 30 June 2014. The Ruapehu-Wanganui-Rangitikei Economic Development Trust, which is a multi-parent subsidiary, has not had an audit report issued for four years.

### Other local government entities

- 5.17 Figure 33 shows that most other local government entities met their accountability obligations. Fifty audit reports were issued on time, nine were late, and four were not issued by 30 June 2014.

**Figure 33**  
Timeliness of other local government entities, as at 30 June 2014

Timeliness	Number of audit reports
On time	50
Issued late	9
<b>Total audit reports issued</b>	<b>59</b>
Audit reports not issued	4

Note: The balance dates and reporting deadlines for council-controlled organisations vary.

- 5.18 Late audit reports for entities were, on average, issued slightly more than two-and-a-half months after the reporting deadline. Several were also late with their next report (see Figure 34).

**Figure 34**  
Late audit reports – other local government entities

Entity	Parent or responsible entity	Status of the next report due
Chatham Islands Shipping Limited	-	We are no longer required to audit this entity
Gardens Event Trust	-	Not issued

Entity	Parent or responsible entity	Status of the next report due
Hawke's Bay Regional Sports Park	-	Late
Independent Maori Statutory Board	-	Late
Local Government Rural Trust	-	Late
Marlborough Kaikoura Rural Fire Authority	-	Not issued
Nelson Tasman Combined Civil Defence Organisation	-	Late
NZ Mutual Liability Riskpool	New Zealand Local Government Insurance Corporation Limited	On time
Waimakariri Libraries Trust	-	Not issued

5.19 As at 30 June 2014, audit reports had yet to be issued for the entities listed in Figure 35. By then, they were, on average, seven-and-a-half months late.

**Figure 35**  
**Unissued audit reports – other local government entities**

Entity	Parent or responsible entity	Update as at 24 March 2015	Years without an audit report
Franklin Art, Culture and Learning Trust (to be disestablished)	-	Not issued	3
Kiwitea Rural Water Scheme	Manawatu District Council	Not issued	2
Local Government Mutual Funds Trustee Limited	New Zealand Local Government Insurance Corporation Limited	Issued	0
Safer Papakura Trust (to be disestablished)	-	Issued	0

5.20 Auditors can contribute to the failure to meet reporting deadlines. Reporting by Kiwitea Rural Water Scheme is a case in point. Several matters, including questions about the legal status of the entity and whether it must be audited by the Auditor-General, have contributed to delays. Resolving such matters in a timely way is important, and we are working with the Scheme and the Manawatu District Council to address the outstanding matters and complete any subsequent audit work.



# Timeliness of reporting by energy, port, and airport companies

6.1 In this Part, we look at the timeliness of reporting by energy, port, and airport companies and their subsidiaries.

## Summary of our findings

6.2 We expected to issue 130 audit reports for energy, port, and airport companies. Of those 130 audit reports, two were late and one was not issued as at 30 June 2014.

## Energy companies

6.3 Figure 36 shows that energy companies and their subsidiaries are meeting their obligations to report on their financial performance.

**Figure 36**  
Timeliness of energy companies and their subsidiaries, as at 30 June 2014

Timeliness	Entities	Subsidiaries or related entities	Number of audit reports
On time	24	46	70
Issued late	0	1	1
<b>Total audit reports issued</b>	<b>24</b>	<b>47</b>	<b>71</b>
Audit reports not issued	0	0	0

Note: The balance dates and reporting deadlines for energy companies and their subsidiaries vary.

6.4 One entity did not meet its reporting deadline. The audit report for Netcon International Limited was issued late. The report was delayed mainly because of the need to confirm the status of Netcon as a public entity. Netcon's next audit report was issued on time.

## Port companies

6.5 Port companies also met their accountability obligations (see Figure 37).

**Figure 37**  
Timeliness of port companies and their subsidiaries, as at 30 June 2014

Timeliness	Entity	Subsidiaries or related entities	Total number of audit reports
On time	12	22	34
Issued late	0	1	1
<b>Total audit reports issued</b>	<b>12</b>	<b>23</b>	<b>35</b>
Audit reports not issued	0	1	1

Note: The balance dates and reporting deadlines for port companies and their subsidiaries vary.

- 6.6 The late port company audit report, for Quality Marshalling (Mount Maunganui) Limited, a subsidiary of Port of Tauranga Limited, was issued within two months of the reporting deadline. Its next audit report was issued on time.
- 6.7 Just one of the 36 port companies had not had its audit report issued as at 30 June 2014. NPC Corporate Services Limited is a small subsidiary of Marsden Maritime Holdings Limited. Its audit report had still not been issued as at 24 March 2015.

### Airport companies

- 6.8 The audit reports for all airport companies were issued on time (see Figure 38).

**Figure 38**  
Timeliness of airport companies, as at 30 June 2014

Timeliness	Entity	Subsidiaries or related entities	Number of audit reports
On time	19	4	23
Issued late	0	0	0
<b>Total audit reports issued</b>	<b>19</b>	<b>4</b>	<b>23</b>
Audit reports not issued	0	0	0

Note: The balance dates and reporting deadlines for airport companies and their subsidiaries vary.

## Timeliness of reporting by other public entities

- 7.1 In this Part, we look at the timeliness of reporting by public entities that do not fall into the other categories that we have discussed so far – fish and game councils, administering boards and bodies, cemetery trusts, licensing and community trusts, and Māori trust boards. We also audit six entities that exist for a public purpose but are not public entities.
- 7.2 Some of these entities might have reasonably high profiles in their local communities, but people in those communities might be unaware that the Auditor-General is required to audit the entities' financial statements each year.

### Summary of our findings

- 7.3 For the public entities that do not fall into our other categories, we expected to issue 204 audit reports during 2013/14. The performance of the entities was mixed, and many struggle to produce financial statements for audit. For some types of public entity, we question whether the balance between the costs and benefits of public reporting is right.

### Fish and game councils

- 7.4 All of the fish and game councils met their obligation to prepare audited financial statements by the reporting deadline of 31 December 2013 (see Figure 39).

**Figure 39**  
Timeliness of fish and game councils, as at 30 June 2014

Timeliness	Number of audit reports
On time	15
Issued late	0
<b>Total audit reports issued</b>	<b>15</b>
Audit reports not issued	0

Note: The reporting deadline for fish and game councils was 31 December 2013.

### Administering boards and bodies

- 7.5 Administering boards and bodies include local reserve, domain, and public hall boards. Local racecourse boards and trustees are also in this group of public entities.
- 7.6 The accountability requirements for administering boards and administering bodies differ, and they have to comply with different laws and regulations. For example, a board is appointed under the Reserves Act 1977 or a corresponding former Act, such as the Reserves and Domains Act 1953.

- 7.7 When a reserve is governed by a board, the reserve is vested in the Crown and the Crown appoints board members. The core legislation for an administering body is also the Reserves Act 1977, but any legislation or trust that established the reserve that the administering body is responsible for can include restrictions on how the administering body can act.
- 7.8 Figure 40 shows that just six of the entities' audit reports were issued on time, with 17 issued after the reporting deadline and 23 not issued as at 30 June 2014.

**Figure 40**  
Timeliness of administering boards and bodies, as at 30 June 2014

Timeliness	Administering boards	Administering bodies
On time	5	1
Issued late	8	9
<b>Total audit reports issued</b>	<b>13</b>	<b>10</b>
Audit reports not issued	12	3

Note: The balance date for administering boards and bodies was 30 June 2013, and the reporting deadline was 30 November 2013.

- 7.9 On average, we issued the audit reports for the 17 entities that were late (see Figure 41) three months after the reporting deadline.

**Figure 41**  
Late audit reports – administering boards and bodies

Entity	Status of the next report due
Ashburton Racecourse Trustees	Late
Bledisloe Park Domain Board	Late
Christchurch Racecourse Reserve Trustees	Not issued
Geraldine Racecourse Trustees	Not issued
Hakataramea Racecourse Trustees	On time
Horowhenua Lake Domain Board	On time
Kyeburn Public Hall Board	Not issued
Manawatu (Foxton) Racecourse Board	Not issued
Millerton Hall Board	Not issued
Oamaru Racecourse Trustees	Late
Ohau Hall Board	Not issued
Ongarue Hall Society Incorporated	N/A – entity disestablished
Papanui Hall Board	Not issued

Entity	Status of the next report due
Poukiore Domain Board	Not issued
Ruakaka Central Domain Board	Not issued
Taurikura Hall Board	Not issued
Wanganui Racecourse Trustees	Not issued

- 7.10 Of the 15 entities with audit reports that had not been issued (see Figure 42), nine have audit reports not issued for previous years. Audit reports have not been issued for Winton Racecourse Trustee for eight years.

**Figure 42**  
**Unissued audit reports – administering boards and bodies**

Entity	Update as at 24 March 2015	Years without an audit report
Awakaponga Public Hall Board	Not issued	1
Charleston Goldfields Hall Board	Not issued	2
Coates Memorial Church Board	Not issued	3
Lake Okataina Scenic Reserve Board	Issued	0
Lake Rotoiti Scenic Reserve Board	Issued	0
Mapiu Sport and Recreation Committee	Not issued	2
Nelson Creek Community Society Incorporated	Not issued	3
Oakura Reserve Board	Issued	0
Ruakaka Reserve Board	Not issued	5
Timaru Racecourse Trustees (Phar Lap Raceway)	Not issued	4
Waikiekie Reserve Board	Not issued	1
Waimate Racecourse Trustees	Not issued	2
Waipu Cove Reserve Board	Not issued	3
Whatitiri Domain Board	Issued	0
Winton Racecourse Trustees	Not issued	8

## Cemetery trusts

- 7.11 The 95 cemetery trusts are, generally speaking, very small entities. Only one has revenue of more than \$50,000 each year.
- 7.12 Figure 43 shows that just eight audit reports were signed by the deadline, 68 were issued by 30 June 2014 but late (on average, about four-and-a-half months late), and 19 had not been issued as at 30 June 2014.

**Figure 43**  
**Timeliness of cemetery trusts, as at 30 June 2014**

Timeliness	Number of audit reports
On time	8
Issued late	68
<b>Total audit reports issued</b>	<b>76</b>
Audit reports not issued	19

Note: The balance date for cemetery trusts was 31 March 2013, and the reporting deadline was 2 September 2013.

- 7.13 We asked each appointed auditor to explain some of the factors affecting the timeliness of issuing audit reports. Overwhelmingly, the cause of the lateness was delays in providing information to the auditor or with receiving signed financial statements.
- 7.14 Of the 19 cemetery trusts with audit reports that had not been issued, 14 also had audit reports for earlier years that had not been issued (see Figure 44). In total, 56 audit reports had not been issued as at 30 June 2014. Nine audit reports, dating back to 2005, have not been issued for Fabian's Valley Cemetery Trustee.

**Figure 44**  
**Unissued audit reports – cemetery trusts**

Entity	Update as at 24 March 2015	Years without an audit report
Athol Cemetery Trust	Issued	0
Balfour Cemetery Trust	Not issued	2
Calcium Cemetery	Not issued	2
Crookston Cemetery	Issued	0
Fabians Valley Cemetery Trustees	Not issued	9
Glen Murray Cemetery Trustees	Not issued	3
Hawea Cemetery	Not issued	3
Mangapai Cemetery Board	Not issued	3
Mangere Cemetery Board	Not issued	2
Marua Cemetery	Not issued	3
Matata Cemetery Trustees	Issued	0
Millers Flat Cemetery	Issued	0
Ohingaiti Cemetery Trustees	Not issued	3
Papatowai Cemetery	Not issued	2
Puhi Cemetery Board (disestablished)	Issued	0
Te Arai Cemetery Board	Not issued	5

Entity	Update as at 24 March 2015	Years without an audit report
Waikaka Cemetery Trust	Not issued	2
Waikiekie Cemetery	Not issued	3
Wayby Cemetery Trustees	Not issued	2

## Licensing and community trusts

- 7.15 Licensing trusts have a legal obligation to account to their communities for the assets that they hold and operate on their communities' behalf. The Sale and Supply of Alcohol Act sets out the accountability obligations of licensing trusts. They must prepare financial statements in keeping with GAAP within five months after the end of each financial year. The financial statements must be audited by the Auditor-General. The audited financial statements must be publicly notified after the audit report has been issued.<sup>7</sup>
- 7.16 Figure 45 shows that 27 of the 39 licensing and community trusts met their reporting obligations.

**Figure 45**  
Timeliness of licensing and community trusts, as at 30 June 2014

Timeliness	Entity	Subsidiaries or related entities	Total number of audit reports
On time	12	15	27
Issued late	4	4	8
<b>Total audit reports issued</b>	<b>16</b>	<b>19</b>	<b>35</b>
Audit reports not issued	4	0	4

Note: The balance date for licensing and community trusts was 31 March 2013, and the reporting deadline for most was 31 October 2013.

- 7.17 On average, audit reports for the eight late entities (see Figure 46) were issued about three months after the reporting deadline.

<sup>7</sup> Before this Act, licensing trusts were required by the Sale of Liquor Act 1989 to prepare a balance sheet and a profit and loss account each year, and to publicly notify a summary of them. For more information about licensing trusts, see our 2014 report, *Challenges facing licensing trusts*.

**Figure 46**  
**Late audit reports – licensing and community trusts**

Entity	Parent or responsible entity	Status of the next report due
Birkenhead Charitable Trust	Birkenhead Licensing Trust	Late
Cheviot Licensing Trust	-	Late
Geraldine Licensing Trust	-	Late
Kauri Finance Limited	Trust Porirua	On time
Porirua Community Trust	-	On time
Rimutaka Trust	Rimutaka Licensing Trust	Not issued
Rimutaka Licensing Trust	-	Not issued
Trust Porirua	Porirua Community Trust	On time

7.18 By 30 June 2014, audit reports for just four trusts had not been issued. When we checked in March 2015, the audit reports for all four had still not been issued (see Figure 47).

**Figure 47**  
**Unissued audit reports – licensing and community trusts**

Entity	Update as at 24 March 2015	Years without an audit report
Birkenhead Licensing Trust	Not issued	1
Hawarden Licensing Trust	Not issued	2
Parakai Licensing Trust (to be disestablished)	Not issued	3
Mount Wellington Licensing Trust	Not issued	3

7.19 We are concerned that several smaller licensing trusts are not complying with their accountability and reporting obligations. Some licensing trusts continue to fail to report in a timely manner.

7.20 It is important that entities meet their accountability obligations to their communities. No government department or select committee is responsible for monitoring licensing trusts or can assist trusts that are having difficulties meeting their financial accountability obligations.

### Māori trust boards

7.21 Amendments to the Māori Trust Boards Act 1955 in 2011 removed Māori trust boards from the definition of a public entity under the Public Audit Act, which means that the Auditor-General will no longer be the auditor of these boards after 2012/13. Instead, the audit will be carried out by a chartered accountant or



someone eligible to act as an auditor under the provisions of the Companies Act. All audit reports for before 2012/13 that have not been issued must still be issued.

7.22 Figure 48 shows that, of the 11 Māori trust boards we audit, we issued six audit reports.

**Figure 48**  
**Timeliness of Māori trust boards, as at 30 June 2014**

Timeliness	Number of audit reports
On time	5
Issued late	1
<b>Total audit reports issued</b>	<b>6</b>
Audit reports not issued	5

Note: The balance date for Māori trust boards was either 31 March 2013 or 30 June 2013, and the reporting deadline was, respectively, either 31 August 2013 or 30 November 2013.

7.23 The audit report for the Aorangi Māori Trust Board was issued slightly more than four months after the deadline.

7.24 All but one of the entities with audits reports that had not been issued during 2013/14 have financial statements for previous years still to be audited. The Tai Tokerau Māori Trust Board has financial statements for four years still to be audited.

7.25 Figure 49 lists the five entities that had audit reports yet to be issued as at 30 June 2014 (slightly more than seven and a half months late).

**Figure 49**  
**Unissued audit reports – Māori trust boards**

Entity	Parent or responsible entity	Update as at 24 March 2015	Years without an audit report
Aupouri Māori Trust Board	-	Not issued	1
Tai Tokerau Māori Trust Board	-	Not issued	4
Te Rūnanga o Ngāti Whātua	-	Not issued	1
Treaty Relationship Company Limited	Te Rūnanga o Ngāti Whātua and Auckland DHB	Not issued	2
Whanganui River Māori Trust Board	-	Not issued	1

## Entities audited under section 19 of the Public Audit Act 2001

7.26 Section 19 of the Public Audit Act sets out the conditions under which the Auditor-General can audit entities that are not public entities. The Act states that “at the request of an entity that is not a public entity, the Auditor-General may enter into an arrangement with that entity to be its auditor”. However:

*... before entering into an arrangement, the Auditor-General must be satisfied that—*

- *the entity exists for a public purpose; and*
- *the entity is, or ought reasonably to be, accountable to any or all of the Crown, the House of Representatives, the public, or a section of the public for the exercise of its functions and the management of its resources; and*
- *it is not practicable for those to whom the entity is, or ought reasonably to be, accountable to appoint an auditor of the entity; and*
- *it is practicable and in the public interest that the Auditor-General accepts the appointment.*

7.27 We carried out six audits under section 19 of the Public Audit Act. We have included the results (see Figure 50) because the rationale for auditing these entities acknowledges the accountability of the entities to the Crown, Parliament, and/or the public.

**Figure 50**  
**Timeliness of section 19 entities, as at 30 June 2014**

Timeliness	Number of audit reports
On time	4
Issued late	2
<b>Total audit reports issued</b>	<b>6</b>
Audit reports not issued	0

7.28 Audit reports for Greytown District Trust Lands Trust and New Zealand Antarctic Research Institute were issued within two months of the expected date.

# Publications by the Auditor-General

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

- Effectiveness of governance arrangements in the arts, culture, and heritage sector
- Whānau Ora: The first four years
- Inland Revenue Department: Governance of the Business Transformation programme
- Auckland Council: How it deals with building consents
- Draft annual plan 2015/16
- Auditor-General's findings about AgResearch's Future Footprint project
- Local government: Results of the 2013/14 audits
- Education for Māori: Relationships between schools and whānau
- Response of the New Zealand Police to the Commission of Inquiry into Police Conduct: Fourth monitoring report
- Ministry for Primary Industries: Managing the Primary Growth Partnership
- Central government: Results of the 2013/14 audits
- Government planning and support for housing on Māori land
- Ministry of Social Development: Using a case management approach to service delivery
- Water and roads: Funding and management challenges
- Making the most of audit committees in the public sector
- Accident Compensation Corporation: Using a case management approach to rehabilitation
- Challenges facing licensing trusts
- Annual Report 2013/14
- Ashburton District Council: Allegations of conflicts of interest affecting decisions on a second bridge

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