



5 July 2021

Legislative Statement: Annual Reporting and Audit Time Frames Extensions Legislation Bill

Prepared in accordance with Standing Order 272.

Overview

The policy proposal of this Bill is to address the impact of a shortage of auditors on obtaining robust audit opinion over end-of-year public sector reporting. The shortage of auditors is a global issue and is being felt in public and private sector settings in New Zealand. It has been exacerbated by the ongoing impacts of COVID-19 limiting the arrival of offshore auditors to fill gaps here, as well as increases in auditor demand arising out of increased complexity of the work. This has created a risk of insufficient auditor capacity for robust assurance of public sector financial and non-financial end-of-year reporting, within the current timeframes. Robust reporting supports the principles of government accountability and transparency. The Bill seeks to mitigate these impacts by extending the audit report timeframes in the Crown Entities Act 2004 and the annual reporting timeframes in the Local Government Act 2002.

The Auditor-General has initiated this proposal, and it has been accepted and adopted by the Government as a short-term measure. There has also been engagement between the Auditor-General and the Opposition. We have a shared understanding that the Auditor-General will prioritise work to ensure that large and significant entities are audited as soon as possible. The extension for 2021/22 year is provided for now for efficiency reasons but every effort will be made to see the work programme completed in the normal legislated timeframe.

Crown Entities Act 2004

The Bill proposes to extend by 2 months the timeframes by which auditors must audit reports and statements for the 2020/21 and 2021/22 financial years. The extension only applies to entities subject to the audit requirements of the Crown Entities Act, whose financial year ends at 30 June, covering most Crown entities, organisations listed in Schedule 4 of the Public Finance Act 1989, and companies listed on Schedule 4a of the Public Finance Act 1989.

Local Government Act 2002

The Bill proposes to extend by 2 months the timeframe by which annual reports of local authorities and council-controlled organisations need to be prepared. The extension applies only for annual reports for the 2020/21 financial year and the 2021/22 financial year.