

## Introduction

1.001 This article looks at some of the results and issues arising from the 1997-98 audits of regional and territorial local authorities. It discusses characteristics of the 1997-98 year from an audit perspective, as well as issues regarding the long-term financial strategy that each of these authorities must now prepare.

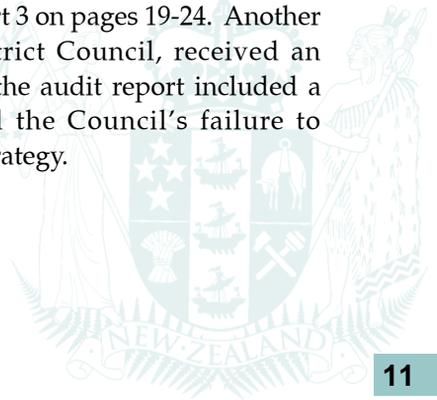
## The 1997-98 Audit Year

1.002 1997-98 was a year during which many local authorities were applying a great deal of time to compliance with the new financial management regime.

- For the nine local authorities that opted to comply with the new regime from 1 July 1997, their 1997-98 annual report was the first to be produced under this new regime. The issues arising from the audits of those nine local authorities are discussed in greater detail in Part 2 on pages 13-18.
- The remaining 77 local authorities dealt for the first time with producing a long-term financial strategy, and funding and borrowing policies.

1.003 All local authorities met the statutory deadline of adopting their 1997-98 audited annual report by 30 November 1998. Many of the audit reports were signed late in November 1998. However, the 77 local authorities will need to recognise that much more work will be required for the 1998-99 annual report.

1.004 Of the 86 local authorities, only one – Waipa District Council – received a qualified audit opinion. The details of this qualification are discussed in Part 3 on pages 19-24. Another local authority, Kaikoura District Council, received an unqualified audit opinion; but the audit report included a paragraph which emphasised the Council's failure to produce a long-term financial strategy.



## Long-term Financial Strategy

- 1.005 Six of the 77 authorities that were required for the first time to produce a long-term financial strategy failed to do so by the deadline of 30 June 1998.
- 1.006 As noted in paragraph 1.004, Kaikoura District Council was one of those six authorities. At the time of writing this report, its strategy had still not been completed. The Council has indicated that it will not be completed until 30 June 1999 – one year after the deadline.
- 1.007 An issue of concern to the Audit Office and others in local government is the fact that, because of when the legislative requirement took effect, the first triennial cycle for producing the long-term financial strategy (other than for the early nine) is concurrent with the triennial election cycle. If this cycle is retained, it will mean that the long-term financial strategy has to be produced in an election year by the outgoing council. Newly elected councillors may therefore have to wait until almost the end of their term before having input to the full planning cycle.
- 1.008 As the cycle can be changed at any time, however, we recommend that councils adjust their timing for preparing and adopting the long-term financial strategy so as to coincide with the second year of the election cycle. This would give a new council the opportunity:
- in the first year, to become familiar with the current strategy;
  - in the second year, to produce and adopt a new strategy; and
  - in the second and third years, to take the appropriate decisions to apply the new strategy.

