



B.29[16f]

Local government: Results of the 2014/15 audits



Local government: Results of the 2014/15 audits

Presented to the House of
Representatives under section 20 of
the Public Audit Act 2001.

April 2016

ISBN 978-0-478-44235-9

Contents

Auditor-General’s overview	4
Part 1 – Financial results	7
Revenue	8
Rates revenue	8
Uniform annual general charges	9
Operating expenditure	10
Capital expenditure	11
Capital expenditure compared with depreciation	14
Debt	15
Internal borrowing	17
Part 2 – Timeliness in annual reporting	18
Adopting annual reports	18
Public release of annual reports and summary annual reports	19
The importance of timely reporting	20
Part 3 – Our recent work in the local government sector	21
Governance and accountability of council-controlled organisations	21
Reviewing aspects of the Auckland Manukau Eastern Transport Initiative	22
Effectiveness of governance arrangements in the arts, culture, and heritage sector	23
Principles for effectively co-governing natural resources	23
Matters arising from the 2015-25 long-term plans	24
Inquiries	26
Part 4 – Other issues affecting the sector	30
Hutt City Council – council-controlled organisations	30
South Waikato District Council – investment fund separation	31
Auckland Council – employee costs	33
Part 5 – Local body elections	34
Communication during the pre-election period	34
Pre-election reports	36
Governance training for newly elected members	37
Audit committees after the elections	38
Part 6 – Airports	40
Our role in auditing airports	40
Overview of financial performance	41
Airport revenue	43
Airport infrastructure challenges	44
Airports’ importance to regions	45
Commercial undertaking or social infrastructure?	47
Concluding comments about airports	48
Part 7 – The audit reports we issued in 2015	50
Modified audit opinions	51
Unmodified audit opinions with “emphasis of matter” paragraphs	54
Unmodified opinions with “other matter” paragraphs	57

Appendices

- | | |
|--|----|
| 1 – Adopting and releasing annual reports and summary annual reports | 58 |
| 2 – Summaries of the non-standard audit reports issued in 2015 | 60 |

Figures

- | | |
|---|----|
| 1 – Comparisons of forecast and actual capital expenditure for all local authorities | 11 |
| 2 – Whole-of-council funding impact statement – variances between budgeted and actual capital expenditure | 13 |
| 3 – Core activity funding impact statements – total actual capital expenditure and variances to budgeted capital expenditure | 13 |
| 4 – Local authorities' performance in not meeting the statutory deadline for adopting annual reports, 2010/11 to 2014/15 | 18 |
| 5 – Number of local authorities that met statutory deadlines for release of annual reports and summary annual reports, 2010/11 to 2014/15 | 19 |
| 6 – Summary of airports' 2014/15 financial results and financial position | 41 |
| 7 – Share of total revenue, by airport | 42 |
| 8 – Audit reports issued on local government entities and licensing trusts | 50 |

Auditor-General's overview

Communities continue to expect that their local authority will manage spending well and keep rate increases to a minimum. But the demand for services, and therefore the need for ongoing investment in infrastructure, is generally not reducing. With a changing demographic profile – particularly an ageing population – and a corresponding change in the nature of some services likely to be required in the future, local authorities must think about the long term and consider how to adapt.

Financial analysis of local authorities' revenue and spending

Overall, capital expenditure in 2014/15 reduced from 2013/14 and continues to be substantially less than the amounts budgeted for. Although some local authorities are consistently spending money on assets in line with what they budgeted for, other local authorities have not managed so well. If the under-investment continues, it calls into question the long-term ability of local authorities to deliver services to their communities.

Because of its size, Auckland Council's figures continue to distort the sector's results. To get a clearer picture, we removed Auckland Council's results from some of our analysis. Having done so, we note steady increases in the other local authorities' revenue, operating expenditure, and debt.

This year, we have considered the use of uniform annual general charges as a rating mechanism and we also discuss internal borrowing. Members of the public often ask us about local authorities' rating practices and debt management, including internal borrowing, which can be difficult matters to understand.

Governance and accountability is important

Governance and accountability has been the focus for our work in 2014/15. All my recent reports have considered the factors that make for strong public sector governance and accountability. The common thread in all these reports is that effective governance relies on clear roles and responsibilities, good relationships between all parties, a clear sense of purpose, and a shared understanding of expectations. Governors need to have the right skills and experience to make an effective contribution, and they should set up strong and effective systems for reporting performance so people can hold the entity to account.

Audit committees are a useful governance tool. Although there is no model that will work in every situation, audit committees can enhance the performance and accountability of entities and can help entities to mitigate risks. I continue to encourage local authorities, particularly after the next local body elections,

to consider the merits of an audit committee and the value of having some independent members who contribute different perspectives, experience, and knowledge.

In 2014/15, two local authorities did not adopt their annual reports within the statutory deadline. Although this is a slight improvement on 2013/14, it is always disappointing when any local authority fails to adopt and publish its annual report within legislative time frames. I urge all local authorities to make it a priority to meet this requirement.

Airports

For this report, I decided to include a focus on airports, particularly because small regional airports have been experiencing increasing challenges.

Airports operate in a difficult environment. Their various stakeholders have competing objectives. High costs for often essential infrastructure and declining passenger numbers threaten the continuity and long-term viability of some airports. Good long-term planning for infrastructure and ongoing dialogue between all stakeholders about the future of some airports are essential.

Preparing for the next local body elections

With local body elections approaching, 2016 will be another busy time for local authorities. There are a number of matters that local authorities will be beginning to think about as part of their election project planning.

To help inform public debate during the pre-election period, every local authority's chief executive must prepare a pre-election report. This document is a valuable accountability document. It updates the reader on what the local authority has achieved against previously agreed objectives and the major projects planned for the next three years. It is a useful opportunity for local authorities to account for their performance.

I am pleased to note that improving governance and accountability has been a priority for the local government sector recently. Local Government New Zealand has several initiatives planned or introduced for the year ahead to enhance the governance capabilities of elected members. It is my hope that all new and returning elected members will take advantage of the training that is offered to them after the elections.

Future focus

Changes in 2014 to the Local Government Act 2002 require local authorities to be more strategic in their approach to delivering services. The new requirements encourage local authorities to seek efficiencies and improve arrangements for service delivery. Services must be regularly assessed to ensure that they are delivered in the most cost-effective way. In particular, equipping councillors with the skills to make decisions about infrastructure and the delivery of services in a changing environment is critical.

Investment and asset management is the theme of my work programme for 2015/16. I am paying particular attention to how well local authorities address the ongoing need to provide services, manage existing assets, and fund new infrastructure in the face of changing demographics and continued pressure to contain costs, keep rates affordable, and maintain prudent debt levels.

In 2016/17, my Office will look at how information is used and managed to support long-term decision-making. We will look at how local authorities are investing in systems to improve their understanding of their assets. This is important – good knowledge about the condition of assets is necessary for determining the nature and frequency of maintenance and the timing of renewals. Reliable asset condition information enables financial forecasts and asset management plans to better inform the 30-year infrastructure strategies that contribute to more effective planning. Elected members need reliable information to make good decisions about managing the assets that are critical to long-term service delivery.

My staff and I look forward to continuing to work with local authorities in the year ahead.



Lyn Provost
Controller and Auditor-General

4 April 2016

Financial results

- 1.1 In this Part, we summarise the financial results from the 2014/15 annual reports of local authorities, focusing on the audited information about revenue, operating and capital expenditure, and debt.¹
- 1.2 We also consider two additional financial matters that we know are of interest to local authorities and their stakeholders:
 - using uniform annual general charges (UAGCs) as a rating mechanism; and
 - internal borrowing.
- 1.3 Because of its size, Auckland Council dominates the consolidated financial results of all local authorities. When we remove Auckland Council from the overall results, we see increases in local authorities' revenue, operational expenditure, and debt compared with 2013/14.
- 1.4 The most significant result in the financial results is in capital expenditure, where overall spending fell compared to 2013/14 and continues to be substantially under-budget. Some local authorities have significantly improved their capital expenditure forecasting, but there are also some larger variances to budget than in previous years. This suggests that some local authorities are not carrying out enough capital work when it is needed. If the under-investment continues, the long-term ability to deliver services is called into question.
- 1.5 We also looked at capital expenditure on the renewal or replacement of assets and compared it to depreciation expenditure. The number of local authorities with renewals that were 40% or less of depreciation has more than doubled since 2013/14. This could indicate that future generations will inherit the cost of those deteriorating assets.
- 1.6 Our interest is in the effective and sustainable delivery of essential services to the community. Every local authority needs to consider its position and continue to review and refine its approach to maintaining and renewing the assets that are critical to the community. This includes local authorities continuing to refine their knowledge about assets' condition and assessing the likely future demand on these assets.

¹ The information excludes the results of Ruapehu District Council and Wairoa District Council. The annual reports of these two local authorities were not publicly available when we prepared this report.

Revenue

- 1.7 In 2014/15, local authorities recorded revenue of \$8.93 billion. When the dominating effect of Auckland Council is excluded, local authorities received total revenue of \$6.83 billion in 2014/15, compared to \$6.5 billion in 2013/14.²
- 1.8 The revenue of 11 local authorities increased by 10% or more. The revenue of five increased by 20% or more, and the revenue of three increased by 25% or more.
- 1.9 Taupo District Council had the largest percentage increase in revenue (68%). This was mainly because of a seven-year roading infrastructure project that was completed during the year. Part of State Highway 1 (from the Wairakei roundabout to the airport roundabout) and State Highway 5 (from Lake Terrace to the East Taupo Arterial roundabout), valued at \$54.5 million, is now the Council's asset.
- 1.10 Christchurch City Council had the largest dollar-value increase in revenue. The Council's revenue increased by \$126.9 million, an increase of 14%. Movements in several of the Council's revenue streams reflect increases in rates (see paragraph 1.14) and development contribution revenue. However, the largest movements were a \$75 million increase in vested assets (assets that the Council now owns) and a \$42 million increase in insurance receipts.³
- 1.11 Most of the movement in revenue can be put down to once-only projects or transactions. Factors outside of a local authority's control, such as the value of assets transferred to the local authority and development contributions, can significantly influence the local authority's performance against revenue budgets.

Rates revenue

- 1.12 We estimate that local authorities (including Auckland Council) collected rates of about \$5.1 billion in 2014/15, which was \$150 million or 3% more than in 2013/14.⁴

2 In 2014/15, Auckland had net losses of \$176 million related to valuations of financial instruments. This compares with the \$412 million net gain on revaluation of property, plant, and equipment in 2013/14 and makes up most of the \$513 million (20%) movement in Auckland Council's revenue. The 2013/14 figures are based on information collected historically. The 2013/14 figures disclosed in local authorities' 2014/15 annual reports might differ because the financial statements for the year ended 30 June 2014 were adjusted as part of the transition to the new public benefit entity accounting standards.

3 Christchurch City Council (2015), *30 June 2015 Annual Report*, page 167.

4 As a result of continuing inconsistencies in the presentation of rates revenue, particularly targeted water rates, it is not always possible to isolate rates from total revenue. However, we are confident that this is a reasonable estimate and that the comparison to 2013/14 is also reasonable. We expect that reporting against the 2015-25 long-term plans will be more consistent because of changes to the reporting regulations about targeted water rates.

- 1.13 In 2014/15, rates revenue represented 57% of local authorities' total revenue, up from 54% in 2013/14 and slightly more than historical results and average levels forecast in long-term plans.⁵ We could not determine any particular reason for this movement, but some projects that were delayed during the global financial crisis might have been budgeted for and completed during 2014/15, affecting rates and debt levels.
- 1.14 Selwyn District Council had the greatest percentage change in rates – an increase of 19% (\$6.2 million) – mainly because of growth in the district.⁶ Apart from Auckland Council, Christchurch City Council had the greatest dollar-value movement – an increase of \$26.2 million. This resulted from an increase in the number of rateable properties and property values as the rebuild progresses. Under transitional earthquake legislation, the Council can rate new properties from when they are completed rather than from the start of the next rating year.

Uniform annual general charges

- 1.15 Each local authority makes policy choices that affect how rates are set. It is difficult to distinguish the components of rates revenue and compare all local authorities in anything other than total rates revenue.⁷
- 1.16 The UAGC is a fixed charge applied to each separately used or inhabited part of a rating unit, no matter the value of the property. As a result, the UAGC influences how the rates burden falls on a community. As a first approach to considering this influence, we have assessed how local authorities are using the UAGC, based on the rates proposed for the first year of the 2015-25 long-term plans. We welcome comments on whether such a comparison would be useful.
- 1.17 In 2015/16, 62 local authorities used a UAGC as part of their rating approach. Four of the 16 local authorities that did not set a UAGC were regional councils, four were city councils, and eight were district councils in the lower North Island. In Hawke's Bay, Taranaki, and Southland, every local authority set a UAGC.⁸
- 1.18 The UAGCs for 2015/16 ranged from \$14.41 set by Otago Regional Council to \$804.29 set by Carterton District Council. The average UAGC was \$371.13. Twelve

5 The average rates revenue as a proportion of total operating income for the 2015-25 long-term plan forecast period is 53.4% and, for the 2012-22 long-term plan forecast period, 52%. See Controller and Auditor-General (2015), *Matters arising from the 2015-25 local authority long-term plans*, page 15.

6 Selwyn District Council (2015), *Annual Report 2015*, page 48.

7 We plan to provide more information in future reports about trends in rating for water supply. This will be possible when local authorities report against the information required for the 2015-25 long-term plans.

8 Among unitary councils, Auckland Council, Gisborne District Council, Nelson City Council, and Tasman District Council have a Uniform Annual General Charge. Chatham Islands Council and Marlborough District Council do not have a Uniform Annual General Charge.

local authorities set UAGCs well below this average, from \$14.41 to a little under \$100, and 12 set UAGCs above \$600.

- 1.19 Where we could extract the number of rating units for 2015/16 from the long-term plans,⁹ we estimated the revenue from UAGCs. It is only an estimate because, for various reasons, some rating units are not subject to the full UAGC. We were then able to estimate the proportion of the total rates revenue that is derived from the UAGC.
- 1.20 Using this approach, the average proportion of total rates revenue from UAGCs is 18.8%. The proportion ranged from 1.5% for Mackenzie District Council to 36.8% for Carterton District Council.¹⁰ These two local authorities have different revenue and financing policies. Carterton District Council's rating approach has minimal differentials¹¹ for its small district. Mackenzie District Council, a similarly sized district, has a more differentiated approach to its overall rating – but it has increasingly moved to uniform charges for water supply in recent years.

Operating expenditure

- 1.21 In 2014/15, local authorities' total operating expenditure was \$8.45 billion. This was 8% higher than in 2013/14 (\$7.82 billion).
- 1.22 When Auckland Council is excluded from these results, local authorities incurred total operating expenditure of \$6.15 billion in 2014/15, which is 5% more than the \$5.9 billion in 2013/14. This is in line with the overall revenue increase noted in paragraph 1.7. Auckland Council's operating expenditure is 27% of the operating expenditure of all local authorities. It makes up 54% of the sector-wide movement between years.
- 1.23 Taupo District Council had the most significant increase in operating expenditure. As noted in paragraph 1.9, the Council completed a significant roading project during 2014/15. The Council transferred the East Taupo Arterial to the New Zealand Transport Agency, with it becoming a State Highway. As a result, the Council recognised a loss for accounting purposes, and this contributed to its operating expenditure increasing by 111% (\$96.5 million).

9 For six local authorities' 2015-25 long-term plans, we could not find the required disclosure of rating units.

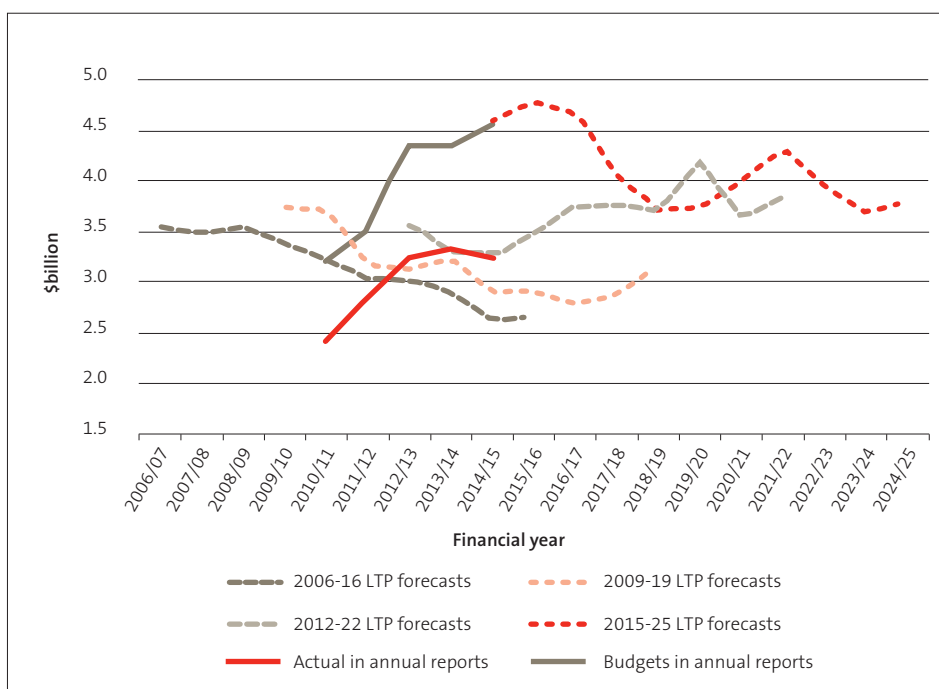
10 The Uniform Annual General Charge is part of the 30% limit for rates calculated uniformly. Therefore, the highest percentage within this range should be 30%. It is more than 30% because of the method of estimation applied, as explained in paragraph 1.19. For Carterton District Council, when the calculation is based on the exact number of rating units and taking into account the number of half-rated and excluded properties, the percentage of total rates revenue from the charge is 27%, below the 30% cap.

11 Rates can be set on a differential basis, where the local authority can take into account factors such as property value and location. Carterton District Council has a policy to maximise the Uniform Annual General Charge within the statutory limit and, by implication, to minimise the general rates based on property value.

Capital expenditure

- 1.24 Local authorities' capital expenditure in 2014/15 was \$2.2 billion, slightly less than the \$2.3 billion in 2013/14.¹²
- 1.25 Local authorities budgeted to spend \$3.4 billion on capital expenditure in 2014/15. However, only 66% of budgeted capital expenditure was actually spent.¹³
- 1.26 Figure 1 compares forecast and actual capital expenditure for all local authorities. It shows the forecasts of capital expenditure from all local authorities' 2006-16, 2009-19, 2012-22, and 2015-25 long-term plans, and budgeted and actual capital expenditure from the 2011 to 2015 annual reports.¹⁴

Figure 1
Comparisons of forecast and actual capital expenditure for all local authorities



12 This information has been extracted from the statement of cash flows of local authorities. It includes only the cash that the parent local authority (not any subsidiaries) spent on capital in 2014/15.

13 When capital expenditure as reflected in all local authorities' whole-of-council funding impact statements is compared to budget in those statements, 77% of budgeted capital expenditure has been incurred. It appears that the difference relates to the level of year-end accruals between years.

14 After the eight Auckland local authorities amalgamated in 2010, Auckland Council prepared its first long-term plan in 2012. This was a plan for the group. To make the long-term plan data in Figure 1 comparable with the annual report data, we have used the Auckland Council group figures. For all other local authorities, parent-only figures have been used.

- 1.27 Excluding Auckland Council, local authorities incurred capital expenditure of \$1.86 billion in 2014/15, which is 3% less than the \$1.93 billion in 2013/14. This decrease contrasts with the increases seen in revenue and operating expenditure.
- 1.28 The total capital expenditure spending, with Auckland Council excluded, is 62% of the amount budgeted.
- 1.29 Auckland Council's capital expenditure is 17% of the capital expenditure of all local authorities. Auckland Council spent 99.5% of its capital expenditure budget in 2014/15. The 120% result in 2013/14 was explained as responding to some timing delays and planning refinements from previous years.
- 1.30 In 2014/15, 65 local authorities incurred capital expenditure below budget, one more than in 2013/14. Five local authorities spent less than half of their budgeted capital expenditure. Thirty-nine local authorities performed better against their capital expenditure budgets in 2014/15 than in 2013/14.
- 1.31 As we have done in previous years, we collected and analysed the capital expenditure disclosed in the funding impact statements for 2014/15. Capital expenditure has to be disclosed in three categories:
- expenditure for new assets to meet **additional demand**;
 - expenditure to **improve levels of service**; and
 - expenditure to **renew or replace** existing assets.
- 1.32 For all local authorities, spending against each category of capital expenditure was well below budget. It ranged from 66% for spending to meet additional demand to 91% to improve levels of service and 71% to renew existing assets. This low level of capital expenditure calls into question the accuracy of budgets and highlights the risk, if under-investment continues, that local authorities might not be doing enough work to maintain service levels in the future.
- 1.33 The variances between budgeted and actual capital expenditure set out in Figure 2 indicate that budgets for spending to renew or replace existing assets are more accurate than budgets for demand spending and spending on levels of service. This result should give communities more reassurance about the continuity of services. We continue to encourage all local authorities to carefully assess the accuracy of budgets and other factors that result in substantial differences between the actual delivery of capital expenditure work and that planned.

Figure 2
Whole-of-council funding impact statement – variances between budgeted and actual capital expenditure

Capital expenditure types	Demand	Levels of service	Renewal or replacement
Range of variances	-100% to +1200%	-74% to +651%	-78% to +44%
Median expenditure variance compared to budget	-48%	-19%	-15%
Number of local authorities with variance to budget greater than +/- 40%	38	33	13

- 1.34 Of the core activities, the activities related to sewerage appear to have the most consistent results against budget (see Figure 3). However, the results show that local authorities carried out about 25% less work than planned. Water supply, roading and footpaths, and flood protection all have at least one category where the amount spent was within 10% of budget. However, the category of capital expenditure that is closest to achieving budget varies. Actual spending compared to budget varies less in each of the core activities for work to renew or replace existing assets than other expenditure categories.¹⁵

Figure 3
Core activity funding impact statements – total actual capital expenditure and variances to budgeted capital expenditure

Capital expenditure types		Demand	Levels of service	Renewal or replacement
Water supply	Capital expenditure	\$89.1m	\$128.6m	\$127.2m
	% of budget spent	76%	95%	85%
Roading and footpaths	Capital expenditure	\$122.8m	\$319.6m	\$583.2m
	% of budget spent	96%	90%	72%
Sewerage	Capital expenditure	\$107.7m	\$116.4m	\$461.4m
	% of budget spent	74%	77%	76%
Stormwater drainage	Capital expenditure	\$46.7m	\$42.6m	\$90.2m
	% of budget spent	71%	60%	86%
Flood protection	Capital expenditure	\$5.1m	\$46.6m	\$11.8m
	% of budget spent	217%	81%	99%

¹⁵ The range for renewal and replacement is 72% to 99%, compared to 71% to 217% for demand-related expenditure and 60% to 95% for expenditure to improve levels of service.

- 1.35 Our analysis of the core activity areas show that most local authorities spent at least 60% of their budgeted capital expenditure. The number of local authorities spending without any budget provision was unexpected and may warrant some attention from these local authorities.
- 1.36 The range of variances to budget for these activities is surprising. All activities and expenditure types had some budgets completely unspent.

Capital expenditure compared with depreciation

- 1.37 For 19 local authorities, capital expenditure (including renewals) was less than depreciation. Comparing capital expenditure to the depreciation charge can indicate whether local authorities are investing enough to pay for the upkeep of existing infrastructure. The capital expenditure of those local authorities that had spent less than 100% ranged from 51% to 99% of depreciation. This is a slight improvement on 2013/14, where the range was from 43% to 99%.
- 1.38 In contrast, as in previous years, several local authorities had high capital expenditure relative to depreciation. These were mainly regional councils. Environment Canterbury, Horizons Regional Council, Northland Regional Council, Taranaki Regional Council, and West Coast Regional Council all had ratios of three or more times depreciation. Such high ratios are common for regional councils because much of a regional council's assets, such as flood protection works, are not depreciated.
- 1.39 Waimakariri District Council's capital expenditure was also more than three times depreciation, mainly because of the timing of work to repair and rebuild some community facilities. Three large projects were completed near the end of 2014/15.
- 1.40 This year, we also considered capital expenditure on renewing or replacing existing assets (as opposed to all capital expenditure) because this is generally accepted as a better basis of comparison with depreciation. As we have noted in previous years, this calculation is only an indication that expenditure on existing assets is occurring at sustainable levels.
- 1.41 In 2014/15, 13 local authorities had renewals that were 40% or less of depreciation (six in 2013/14). Such low results are likely to indicate that the quality of the assets is deteriorating and could indicate costs that will fall on future generations.
- 1.42 However, it is not appropriate to assume, based on this, that the level of spending is inadequate. Individual local authorities need to consider whether they are adequately managing their assets. If the depreciation rates are not a reasonable

reflection of actual consumption and asset deterioration, this ratio will not indicate the true state of the infrastructure network. For this reason, depreciation rates need to be regularly reviewed and, where appropriate, updated.

- 1.43 We recognise that most local authorities continue to develop and refine their knowledge of their assets' condition, along with assessing future demand (increases or decreases depending on demographic changes).
- 1.44 Better asset information and local authorities considering depreciation rates further should provide elected members with enough information to make good decisions about asset investment. As local authorities refine their asset information, they need to use it to refine their asset management approach.
- 1.45 Our interest remains focused on the effective long-term delivery of essential services to the community. To achieve this, it is important that local authorities continue to focus on improving the accuracy of their forecasting of future physical infrastructure needs and their budgeting for delivering these services. With these fundamentals established, communities can be better assured of sustainable service delivery and that they are appropriately meeting the costs of these services through their rates.

Debt

- 1.46 Local authorities had debt of \$12.3 billion at 30 June 2015. This was \$861 million less than budgeted but \$1.4 billion more than at 30 June 2014. The debt was 93% of that budgeted, which is 2% higher than last year.
- 1.47 After excluding Auckland Council from these results, local authorities had debt of \$5.7 billion at 30 June 2015. The debt of the sector, excluding Auckland Council, was 88% of that budgeted, and 1% higher than last year.
- 1.48 The effect of debt on local authorities is best assessed by considering the cost of debt and, by implication, the effect on spending options. The proportion of rates revenue used to meet financing costs was 14% for 2014/15, an increase of 1% compared to 2013/14 and consistent with earlier years.¹⁶
- 1.49 Thirty-six local authorities spent more of their rates revenue on debt financing in 2014/15 than they did in 2013/14 and 35 spent less. Only one local authority held financing costs at the same level as in 2013/14. Seven local authorities had no financing costs in 2014/15. Ten local authorities had no debt at 30 June 2015. Financing debt was 24.8% of Auckland Council's rates revenue in 2014/15, compared to 21.5% in 2013/14.

¹⁶ Finance costs have been drawn from the Statement of Comprehensive Income. It is possible that these figures could include non-cash items. We also note that this calculation is only an indication of the pressure that debt can place on a local authority. Other sources of revenue, such as development contributions and user charges, also contribute to meeting the cost of debt.

- 1.50 Eleven local authorities had financing costs as a proportion of rates revenue at or above 15%, compared to only eight local authorities in this position in 2013/14. For nine of these 11 local authorities, the proportion of rates revenue spent on financing costs has increased from the year before. Five of these increases are minor,¹⁷ but three are financing cost increases of between 8% and 11%.¹⁸
- 1.51 In our view, managing financing costs that are more than 15% of rates revenue is likely to be challenging. It will reduce a local authority's ability to respond to unexpected events by borrowing further. However, there is no specific rule on the appropriate level of such costs. Each local authority's circumstances, and financial strategy limits, need to be considered.
- 1.52 Local authorities that borrow through the Local Government Funding Agency (LGFA) must comply with a set of financial covenants. These are set to ensure that local authorities are able to service their debt and to protect the interests of the LGFA guarantors.¹⁹ The LGFA requires externally credit-rated local authorities to meet a net²⁰ interest-to-rates-revenue ratio of less than 30%, and unrated local authorities to meet a ratio of less than 25%.
- 1.53 The LGFA identified no concerns about the debt position of local authorities at 30 June 2015. It noted that it is comfortable with the forecast debt increases because they are matched by equivalent revenue increases, which means that local authorities can continue to service total debt.
- 1.54 Overall, local authorities appear to have planned for the increase in debt and the cost of financing debt in 2014/15. The increase does not reflect a significant change in the sector's overall debt position.
- 1.55 The level of debt as a proportion of total assets remains low and consistent with previous years, at 5%.

17 In the range from -1.47% to 1.29%.

18 Based on the disclosures of total finance costs included in the Statement of Comprehensive Income and rates revenue, including targeted rates for water supply, Western Bay of Plenty District Council has a movement of 8.7% and the proportion of rates revenue is 25.9%. However, as disclosed in Note 8 to the financial statements (Council's annual report, page 138), \$6.1 million of the finance costs are non-cash unrealised market-to-market swap portfolio valuation changes. When these non-cash amounts are adjusted for, the proportion of rates used to fund debt is 15.5% and the movement between years is -1.7%.

19 Local authority members of the LGFA have a joint guarantor role. The LGFA limits are intended to be consistent with the requirements of credit rating agencies to maintain at least an "A" rating or higher. See the LGFA December 2015 briefing, *A snapshot of local government's financial health: a sector in good shape*, page 7.

20 The LGFA covenants are based on a net position – this allows for the offset of investments against debt. Our assessment is based on the gross debt position of the local authority.

Internal borrowing

- 1.56 During 2014/15, we received several enquiries from the public about local authorities' internal borrowing practices. It is important to note that total debt, as discussed in this Part, reflects local authorities borrowing from the external market. This debt is recorded in local authorities' financial statements. Internal borrowing is where an entity sources funding, usually for a capital project, from internal investments or reserves.
- 1.57 Since 2013, the Local Government Act 2002²¹ has required local authorities to disclose activities where the local authority used internal borrowing, the funds borrowed and repaid during the year, and the interest paid, if any. In our view, these disclosures have helped to make internal borrowing more transparent.
- 1.58 In general, the goal of internal borrowing is to use funds on hand and to reduce the overall cost to the local authority. One activity of a local authority can lend surplus funds to another at the prevailing investment/deposit interest rate rather than borrowing externally and paying interest to the external debt market at a higher rate.
- 1.59 We have not collated data on the total internal borrowing activity by local authorities for 2014/15. In future years, we might collect this information and analyse it, if we continue to receive queries about local authorities' internal borrowing.
- 1.60 In our view, when a local authority uses internal borrowing, it should take the following considerations into account:
- The project or item requiring funding should be of a capital or long-term nature and of a reasonable size for administrative efficiency.
 - There should be a defined and transparent benefit, such as a difference between the investment interest rate and the borrowing interest rate.
 - The robust approval processes and formal record-keeping that would be required for external borrowing should be in place for internal borrowing. This will be particularly important where different communities of interest are involved.
 - Internal borrowing should be sourced from funds not required for other purposes or not required for other purposes within the term of the borrowing arrangement. Enough funds should remain on hand to allow the local authority a funding "buffer" for unexpected events.
 - Interest should be charged to the activity using the funds, and interest should be attributed to the activity where the loan is drawn from.
 - Internal borrowing could be included as part of the local authority's prudential borrowing limits, in addition to the external borrowing limits.

2

Timeliness in annual reporting

- 2.1 In this Part, we describe when local authorities adopted their annual reports and publicly released their annual reports and summary annual reports. We also describe the importance of the statutory requirements for adopting annual reports and their public release.
- 2.2 The Local Government Act 2002 requires local authorities to:
- complete and adopt an annual report – containing audited financial statements and service performance information – within four months after the end of the financial year;
 - make the annual report publicly available within one month of adopting it; and
 - release an audited summary of the annual report within one month of adopting the annual report.
- 2.3 The statistics we use were compiled on 26 January 2016. Appendix 1 sets out more detail on when local authorities adopted and publicly released their annual reports and summary annual reports.

Adopting annual reports

- 2.4 For 2014/15, Ruapehu District Council and Wairoa District Council failed to complete and adopt their audited annual report within the statutory deadline. Ruapehu District Council also failed to meet its statutory reporting deadline for 2013/14.
- 2.5 Local authorities need to know – and have appropriate procedures to meet – their statutory obligations. Figure 4 shows the number of local authorities that have failed to meet the statutory deadline for adopting their annual report in the last five years.

Figure 4
Local authorities' performance in not meeting the statutory deadline for adopting annual reports, 2010/11 to 2014/15

Statutory deadline for	Number of local authorities not meeting the statutory deadline				
	2010/11	2011/12	2012/13	2013/14	2014/15
Adopting the annual report	8	1	6	3	2

- 2.6 Of the 76 local authorities that adopted their annual reports before the statutory deadline, 32 did so in the last week of October, one week before the deadline. Some local authorities planned to adopt their audited annual report in the last week of October because that was when the council had its next scheduled meeting.
- 2.7 However, about 30% of local authorities that adopted their annual report in the last week of October did so at an extraordinary council meeting. This could indicate that local authorities had delays in the preparation and then the auditing of their annual reports and had to schedule a last-minute meeting to meet deadlines. This situation creates extra pressures on those who prepare and those who audit annual reports.
- 2.8 Local authorities will need to carefully consider their annual report adoption in 2016 to take into consideration the local body election time frames.

Public release of annual reports and summary reports

- 2.9 The public release of audited annual reports has improved on previous years.
- 2.10 Of the local authorities that adopted their annual report within the statutory deadline, one local authority missed the one-month deadline for releasing its annual report to the community. Three local authorities missed the one-month deadline for releasing their summary annual reports (see Figure 5).

Figure 5
Number of local authorities that met statutory deadlines for release of annual reports and summary annual reports, 2010/11 to 2014/15

Statutory deadline for	Number of local authorities meeting the statutory deadlines				
	2010/11	2011/12	2012/13	2013/14**	2014/15*
Releasing the annual report	73	77	75	72	75
Releasing the summary annual report	72	75	74	71	73

* Out of the 76 that had met the statutory deadline for completing and adopting the annual report.

** The 2013/14 statistics for public release dates do not include the two local authorities that adopted their annual reports after 5 December 2014.

The importance of timely reporting

- 2.11 Annual reports provide information that helps communities to assess how well their local authority performs. For communities to do this effectively, the information must be accurate, useful, and timely. We discussed this in our May 2015 report, *Being accountable to the public: Timeliness of reporting by public entities*.
- 2.12 Releasing annual reports and summaries is an important way for local authorities to be accountable to their communities. The summary is the most accessible and understandable information for most readers. It is also the easiest document to circulate and make widely available.
- 2.13 In our view, many local authorities need to better manage how they produce and publish their annual and summary annual reports.
- 2.14 Most local authorities publish their annual report on their website. Local authorities should be able to publish their annual reports on a website within a few days of adopting their annual reports. We expect all local authorities to be able to achieve this.

Our recent work in the local government sector

- 3.1 In this Part, we discuss our recent work looking at various governance and accountability structures, and some of the local government-related inquiries we have carried out.
- 3.2 For local authorities, 2014/15 was an important year. They faced the three-yearly requirement to produce long-term plans – an important accountability obligation – and to consult communities on those plans. We discuss briefly our review of the long-term plans.
- 3.3 During 2014/15, we published several reports on our *Governance and accountability* theme. The reports that will be of particular interest to local authorities include:
- *Governance and accountability of council-controlled organisations;*
 - *Reviewing aspects of the Auckland Manukau Eastern Transport Initiative;*
 - *Effectiveness of governance arrangements in the arts, culture, and heritage sector;*
 - *Principles for effectively co-governing natural resources;* and
 - *Matters arising from the 2015-25 local authority long-term plans.*
- 3.4 All these reports are available on our website. In this Part, we summarise them briefly.

Governance and accountability of council-controlled organisations

- 3.5 Council-controlled organisations (CCOs) have been part of the local government sector since the Local Government Act 2002 first came into effect. Under the Local Government Act 1974, they were called local authority trading enterprises. CCOs can provide local authorities with many advantages and benefits, but they can also present challenges and costs.
- 3.6 In 2001, we published a report on *Local Authority Governance of Subsidiary Entities*, in which we identified some principles that contribute to the good governance of local authority subsidiaries. Those principles can be summed up as:
- having a clear purpose;
 - having effective accountability and monitoring mechanisms; and
 - appointing the right people.
- 3.7 Our October 2015 report, *Governance and accountability of council-controlled organisations*, revisits those principles and confirms that they remain relevant. We have added one more principle: a CCO's success depends on establishing

an effective working relationship, based on mutual respect and trust, between the CCO and the local authority. An effective relationship goes beyond statutory requirements and requires ongoing commitment from both parties. How well the other principles are applied can largely depend on this.

- 3.8 CCOs operate in a political environment and are accountable to the community for their use of community assets or ratepayer funds. We have seen how important it is for local authorities to carry out their statutory functions well, because it provides the foundations for an effective relationship.
- 3.9 We encourage all local authorities with CCOs, and those considering setting up CCOs, to carefully consider the observations in our report.

Reviewing aspects of the Auckland Manukau Eastern Transport Initiative

- 3.10 Section 104 of the Local Government (Auckland Council) Act 2009 requires the Auditor-General to review the service performance of the Auckland Council and its CCOs from time to time.
- 3.11 In 2014/15, we decided to review Auckland Transport's governance, accountability, and programme management arrangements for the Auckland Manukau Eastern Transport Initiative (AMETI).
- 3.12 AMETI is a package of transport improvements. The programme has a long history and is scheduled to be finished in 2028.
- 3.13 Consistent with our governance and accountability work programme theme, we wanted to determine the effectiveness of AMETI's governance, accountability, and programme management arrangements, because of how important these are to effective service delivery. Local authorities are often responsible for large and complex projects, so our review and observations should also be useful to other local authorities.
- 3.14 Our report made 12 recommendations to help Auckland Transport strengthen AMETI's governance, accountability, and programme management arrangements. Our recommendations highlight:
- the importance of Auckland Transport focusing on the health of relationships with stakeholders and on the benefits delivered to date, as part of its monitoring and reporting on delivery of projects to achieve intended programme outcomes;
 - the need to clearly define the expected benefits and report regularly to funders on the benefits realised;

- the value of having clearly defined roles and responsibilities to ensure that current technical assessments and quality assurance processes are effective and support record-keeping and institutional knowledge for the duration of the programme's delivery.

3.15 It is important that strong systems and processes support decision-making, sustain programme delivery, and help to build and maintain important strategic relationships for all projects.

Effectiveness of governance arrangements in the arts, culture, and heritage sector

3.16 Public entities in the arts, culture, and heritage sector play an important role in ensuring that all New Zealanders have access to the arts and their heritage, and in supporting and developing artists and arts organisations. Many of these entities act as guardians for some of New Zealand's most important tangible and intangible heritage and creative output.

3.17 We looked at six entities' governance arrangements²² to determine their effectiveness. These arrangements play an important role in maintaining freedom of artistic expression and ensuring that personal interests do not unduly influence the preservation of heritage.

3.18 To help our review, we prepared criteria for evaluating five aspects of effective governance arrangements:

- strategic direction;
- leadership and culture;
- monitoring and review;
- risk management; and
- internal controls.

3.19 We found that all six entities had effective governance structures and that each Board took its governance role seriously. We found some areas where the entities could strengthen their engagement with external stakeholders and improve their risk-management awareness and processes.

Principles for effectively co-governing natural resources

3.20 We looked at a selection of co-governance and co-management arrangements in the environment sector to identify issues and challenges for those involved and principles for the arrangements' success.

²² The Museum of New Zealand Te Papa Tongarewa, Auckland Art Gallery, Govett Brewster Art Gallery, Wellington Museums Trust, Creative New Zealand, and Te Māngai Pāho (Māori Broadcast Funding Agency).

- 3.21 This is an evolving area and formal agreements often follow informal arrangements or long negotiations, sometimes with little consideration for the arrangements' long-term implications and sustainability.
- 3.22 We reviewed the governance and management of six natural resources or environmental projects and two smaller examples. They were:
- Waikato River Authority;
 - Tūpuna Maunga o Tāmaki Makaurau Authority (Auckland);
 - Te Waihora Co-Governance Agreement (Lake Ellesmere, Canterbury);
 - Rotorua Te Arawa Lakes Strategy Group;
 - Ngā Poutiriao o Mauao (Tauranga);
 - Maungatautari Ecological Island Trust (Waikato);
 - Ngāti Whātua Orākei Reserves Board; and
 - Parakai Recreation Reserve Board.
- 3.23 Our report identified key lessons for those involved in co-governance and co-management, as well as principles to consider when setting up and operating co-governance and co-management environmental projects.
- 3.24 Successful arrangements come from effective relationships. All parties to a relationship need to value it and prioritise building an effective relationship. This takes time and commitment. Building and maintaining mutual trust and respect need constant attention to achieve good environmental outcomes.
- 3.25 We identified five principles that contribute to successful co-governance and co-management of environmental arrangements. Parties need to:
- build and maintain a shared understanding of what everyone is trying to achieve;
 - build the structures, processes, and understanding about how people will work together;
 - involve people who have the right experience and capacity;
 - be accountable and transparent about performance, achievements, and challenges; and
 - plan for financial sustainability and adapt as circumstances change.

Matters arising from the 2015-25 long-term plans

- 3.26 Our December 2015 report, *Matters arising from the 2015-25 local authority long-term plans*, was the second of two recent reports on the long-term plan process. The first was our report *Consulting the community about local authorities' 10-year plans*, which included our observations from our audits of local authorities' consultation documents.

- 3.27 Our report on the consultation documents said that, overall, local authorities responded well to the new consultation requirements. However, the quality of the documents varied and opportunities for improvement remained.
- 3.28 Our second report sets out the main findings and observations from our audits of the 2015-25 long-term plans. It includes comments on the new requirement for local authorities to produce infrastructure strategies, presents the financial trends that emerge when the long-term plans for all local authorities are considered together, and discusses the effect of demographic changes on the ability of local authorities to effectively plan for the needs of their communities.
- 3.29 An ageing population is a significant matter for New Zealand. As a population ages, its needs for community services will change. Infrastructure needs will also change. As people move into retirement and on to fixed incomes, affordability becomes more of an issue.
- 3.30 Also, some local authorities expect their population to gradually decline, while other local authorities are facing strong growth. Both scenarios will affect the services required.
- 3.31 Local authorities face many challenges as they seek to address the effects of demographic and population change while continuing to provide affordable, sustainable local services.
- 3.32 We saw a range of initiatives in the long-term plans, particularly to do with economic development. These initiatives were not always linked to changing demographics. In general, we saw little discussion about how local authorities intend to respond to potentially changing requirements for services and infrastructure beyond the next 10 years.
- 3.33 It is important that local authorities are transparent in their proposals for adapting to a changing environment, so that their communities – who will pay for these proposals – can contribute to the decision-making process. The new requirement for long-term plans to include 30-year infrastructure strategies is a positive step towards having more transparency and accountability in local authorities' plans for maintaining and replacing their assets.
- 3.34 As part of local authorities' asset management planning, we noted that individual local authorities need to consider whether the capital expenditure they have forecast for renewal or replacement is adequate.
- 3.35 We compared the renewal expenditure to depreciation on the basis that depreciation is a reasonable estimate of the consumption of the service potential inherent in the asset. Our analysis showed that the proportion of renewal expenditure to depreciation varies.

- 3.36 This does not necessarily indicate that renewal or replacement expenditure will be inadequate. It may be that the depreciation rates established for accounting purposes do not accurately reflect actual consumption of the assets or that the assets are in a phase of their (long) life cycles where renewal and replacement does not yet need to be considered.
- 3.37 Local authorities need to understand the reason for the variance and ensure that they have robust information about their assets and that the depreciation rate being used is appropriate.
- 3.38 Overall, local authorities have risen to the challenge of effectively planning for how they will provide services into the future. However, there is still room for improvement.

Inquiries

- 3.39 The Auditor-General is able to inquire into concerns about how public entities use resources. This can include financial, governance, and management matters. Parliament funds this discretionary function and, from 2014/15, has given us additional funding for inquiries work. We have used this funding to set up a dedicated inquiries team.
- 3.40 We get inquiry requests from members of Parliament, public entities, and members of the public. Many of the inquiry requests are about local government, including requests under the Local Authorities (Members' Interests) Act 1968. Under this Act, we have a specific role to help local authorities and councillors manage financial conflicts of interest.
- 3.41 Our decision to inquire into a specific matter is discretionary and takes into account a number of considerations. This includes the seriousness of the issue, whether we have the resources and technical skills to consider the matter properly, and whether the issue could be better addressed through other avenues.
- 3.42 In 2014/15, we received 281 inquiry requests, which is 100 more than in 2013/14. Most of the increase was about central government matters. The number of requests about central government doubled and the number of inquiry requests about local government matters increased by about 50%. Some of the increase was because 2015 was a long-term plan year.
- 3.43 Both of our most recent significant inquiries into local authorities have been about managing conflicts of interest. This remains an important challenge for local authorities and elected members. We discuss these two inquiries – into Queenstown Lakes District Council and Ashburton District Council – in more detail in paragraphs 3.52-3.59.

Completed inquiries in 2014/15

3.44 In paragraphs 3.45-3.59, we outline the major local government inquiries that we completed or considered in 2014/15 and in the first half of 2015/16.

3.45 The terms of reference for the major inquiries that are under way, and the completed inquiry reports, are available on our website.

3.46 In 2014/15, we completed 160 inquiries on local government matters. We usually have about 15 inquiry matters open at a time. We also responded to 47 Local Authorities (Members' Interests) Act matters in 2014/15.

3.47 Our general inquiries workload spans a range of local government activity. The inquiry requests that we received were about such matters as:

- long-term plans;
- activities and decisions of CCOs and concerns about local authority decisions about CCOs, including perceived subsidy arrangements;
- spending proposals for significant projects or for projects that the complainants did not consider appropriate for local government, such as promoting a yacht race;
- operational matters for infrastructure projects, such as sewerage and wastewater schemes;
- financial management and financial prudence, including debt;
- matters of ongoing concern to ratepayers, such as rates increases;
- amalgamations; and
- financial and non-financial conflicts of interest.

3.48 Inquiry requests can be a useful source of information for us and our auditors. They show which local government matters concern people and can help us to plan what work to do.

3.49 In many instances, we ask the requester to contact the local authority with their question or concern. This is especially important where the local authority is consulting on the matter in the long-term plan process. However, it is also appropriate that local authorities have a chance to respond directly to complaints. Sometimes, we did not carry out a formal inquiry but passed the information on to our appointed auditor of the local authority for consideration and any appropriate action during the annual financial audit. We deal with these routine inquiry requests carefully to work out the most appropriate response and best use of the information.

- 3.50 We tend to get more inquiry requests about the larger metropolitan local authorities. Most inquiry requests come from Auckland, which accounted for 17% of the inquiries about local government matters. This is to be expected, because of the larger population and the stronger interest in local government after the local government reforms. A few smaller local authorities generated more complaints than usual because of high public interest in matters such as proposals to make significant changes to rates.
- 3.51 A few councillors complain to us about their own councils relatively often. We consider that councillors should generally raise their concerns with the chief executive or their fellow councillors at the council table.

Significant inquiries

Queenstown Lakes District Council: Managing a conflict of interest in a proposed special housing area

- 3.52 In October 2015, we completed an inquiry into how Queenstown Lakes District Council and its chief executive managed the chief executive's conflict of interest in a proposal for land owned by his family to become a special housing area. We carried out this inquiry in response to concerns raised by some people in Queenstown.
- 3.53 We considered that the chief executive appropriately disclosed the conflict of interest to the mayor and the senior local authority officers at the relevant time. The mayor and the senior officers sought to appropriately manage the interest, including seeking our views on the proposed approach to managing the conflict of interest.
- 3.54 We concluded that the approach taken to manage the conflict of interest was reasonable. However, we also said that the Council could have taken steps to address the matter more effectively. These included seeking legal advice to consider whether there were likely to be any impediments to the chief executive's ability to meet his responsibilities under section 42 of the Local Government Act 2002, particularly advising members and leading staff. We concluded that the chief executive's conflict of interest affected his ability to fulfil his core role as adviser to the council and provide leadership to staff.
- 3.55 Local authority employees have the same rights and privileges as private individuals. These rights and privileges need to be considered in the light of their responsibilities to the local authority. In some instances, a choice might have to be made between those rights and responsibilities.

Ashburton District Council: Allegations of conflicts of interest affecting decisions on a second bridge

- 3.56 In October 2014, we completed an inquiry into how three elected members of Ashburton District Council managed questions about conflicts of interest.
- 3.57 The questions arose in the context of the decisions the Council had to make on its project to build a second bridge across the Ashburton River in 2026. We considered the possible financial and/or non-financial conflicts of interest of one elected member who owned property next to the designated area and two other elected members whose family members owned property in the designated area of the planned second bridge.
- 3.58 The different conflict of interest questions that the three councillors had to consider are a good illustration of the matters that arise in local authorities throughout the country. Deciding whether there is a conflict of interest and, if so, how to manage it is rarely straightforward. In an appendix to that report, we included a summary of the different types of interest and the risks that conflicts create for individual members and local authorities.²³
- 3.59 We concluded that the decision to designate land for the bridge project did not have a certain or significant enough effect on the value of the property for the elected member to be regarded as having a financial interest. We concluded that all three councillors made reasonable choices about whether to participate in Ashburton District Council's decisions. The final decision about whether to take part in the council deliberations rests with the individual councillor, and there is considerable room for judgement.

²³ We issued guidance on managing conflicts of interest for local authorities (in 2010) and for public entities generally (in 2007). The 2010 guidance covers how to manage financial conflicts of interest, including the ability for a member to apply to the Auditor-General for permission to take part in decision-making on a matter despite having a financial interest and the circumstances and considerations that apply.

4

Other issues affecting the sector

- 4.1 During our annual audits, the appointed auditor sometimes draws issues affecting an individual local authority to our attention. Some of these queries are seeking guidance, and others are for our information.
- 4.2 We looked into three matters that we consider worth bringing to the attention of others.

Hutt City Council – council-controlled organisations

- 4.3 In 2014, Hutt City Council amended its 2012-22 long-term plan to implement its *Urban Growth Strategy 2012-2032*, *CBD Making Places 2030*, and *Economic Development Strategy 2009-2014*. These are all designed to rejuvenate the city. The amendment provided for an accelerated capital programme, including some high-profile and high-value projects.
- 4.4 To facilitate the capital programme, the long-term plan amendment made some changes to the previously adopted financial strategy. However, it kept the main rate, debt level, and sustainability measures of the previous financial strategy. In 2013, the Council adopted a policy called *Purchase and Sale of Property for Advancing Strategic Projects*.²⁴
- 4.5 During 2014/15, the Council asked one of its CCOs, UrbanPlus Limited, to create three subsidiary organisations. The purpose of these subsidiary organisations, as stated in the Council's annual report, was to advance the Council's rejuvenation strategy by buying properties within the city.²⁵
- 4.6 The subsidiary companies were set up to protect the Council and UrbanPlus Limited from additional risk and debt, and to allow property purchases without the vendors knowing that the Council was involved. The Council told us that the vendor's asking price sometimes increases when a local authority is involved in a property purchase, and the Council wished to avoid this.
- 4.7 Section 56 of the Local Government Act 2002 requires the local authority to consult its community before setting up a CCO. Section 14(1) of the Act sets out principles for local authorities, including doing business "in an open, transparent and democratically accountable manner". However, there is no requirement to consult when a CCO establishes a subsidiary.
- 4.8 In this situation, there was some concern that the Council's focus on maintaining confidentiality, to ensure that it paid a fair market price for the properties it bought, could have a detrimental effect on its ability to meet the community's expectations of accountability. There was also concern about how well the Council recorded its decisions and processes.

²⁴ Hutt City Council (2014), *Hutt City Annual Plan 2014-2015*, pages 7 and 9, and Hutt City Council (2015), *Hutt City Council Annual Report 2014-2015*, page 83.

²⁵ Hutt City Council (2015), *Hutt City Council Annual Report 2014-2015*, page 83.

- 4.9 During the 2014/15 audit, we considered whether creating these subsidiaries could have affected the audit opinion. In particular, we considered whether the standards of transparency that the community might reasonably expect were met, given that the community was not consulted before the three subsidiaries were formed.
- 4.10 We concluded that the audit report did not need to bring the matter to the attention of readers. We were comfortable that, because the Council's and UrbanPlus Limited's annual reports appropriately disclosed the setting up of these entities, transparency objectives had been met. In reaching this view, we determined that the activity was not material to the financial statements of the Council and that the transactions were in line with well-recorded and well-consulted policies. The actions appeared to be well intended, with no sign of inappropriate or unethical behaviour.
- 4.11 Despite this, we considered that the Council's management and oversight of the process was deficient. We recommended that, for any future activity, the Council:
- seek internal and, where necessary, external advice to support its decision-making;
 - ensure that all managers involved are kept informed to ensure that accountabilities to the council are not compromised; and
 - ensure that key considerations and decisions, including the rationale for how decisions are reached, who makes them, and under what authority they are made are clearly recorded, with appropriate reporting to the full council.
- 4.12 It is important that local authorities carefully consider the principles of transparency and accountability in the actions of their CCOs and ensure that decisions are made openly and transparently.

South Waikato District Council – investment fund separation

- 4.13 In 2013/14, South Waikato District Council transferred most of its investment fund, valued at slightly more than \$26 million, to two trusts – South Waikato Investment Fund and South Waikato Development Trust. These trusts are not public entities, and the Council does not control them.
- 4.14 The Council set up the investment fund in the 1990s using the proceeds of the sale of power company shares. Since 1998, the Council has managed the fund in-house. It has mainly used income from the fund to subsidise rates. In 2006, the Council resolved to make a portion of the fund available for activities focused on economic development, including to build facilities and amenities, enhance local employment opportunities, and attract people to move to, and stay in, the district. In 2012, the Council amended its Investment Policy so the fund could be used to fund community services and other specific projects.

- 4.15 In 2012, the Council assessed that the likelihood of South Waikato District Council being included in a local government reorganisation within the next five years was medium to high. The Council's concern was that, if there were to be an amalgamation, the investment fund might no longer be available exclusively for the benefit of the ratepayers of the current South Waikato District.
- 4.16 In September 2013, the Council consulted the community on an amendment to the 2012-22 long-term plan that would help to transfer the investment fund out of the Council's control. The aim was to protect the fund should an amalgamation take place, ensure that the fund was safeguarded for the South Waikato District community, and ensure that people with the right networks, experience, and skills in driving economic development manage the fund.
- 4.17 After the consultation process, the Council adopted the proposed changes to its policies and the investment fund was transferred into two trusts outside the Council's control. The trusts were established with a clear objective to maintain the goals of the investment fund that the Council had previously set.
- 4.18 The trusts are separate entities, and the Council does not control what they do. However, the Council was involved in setting up the trusts and drafting the trust deeds. The Council determined the process for selecting the trust members, but the actual selection was managed through the Waikato branch of the Institute of Directors. The Council is confident that the trusts and trustees have the best interests of the district at heart.
- 4.19 We considered whether the audit report should alert the community to these transactions. The Council's actions in removing significant public funds from the direct control of the Council could be considered financially imprudent.
- 4.20 However, after considering the planning process for setting up the trusts, the consultation carried out, and the clarity of the information presented to the community about the implications of the transfer, we concluded that the community had been appropriately involved in the decision-making process. We also noted that the Council had sought professional advice from several advisors, that none of the advisors had raised concerns about the proposal, and that the advisors had helped the Council to achieve its objectives.
- 4.21 Local authorities are able to use public money for various activities that add value to their communities. This comes with a responsibility to ensure that they make appropriate decisions about that use and disclose those decisions transparently.
- 4.22 Local authorities must carefully consider public expectations of how funds are used and how they will communicate the Council's decisions and actions to the community.

Auckland Council – employee costs

- 4.23 In our 2012 guidance on severance payments, we noted that:
- ... public sector employers are expected to follow good human resources practices to avoid employment relationship breakdown, and to follow proper processes to avoid or reduce risk. Their overriding duty under the Employment Relations Act 2000 is to act in good faith.*²⁶
- 4.24 However, in some circumstances, employment relationships do break down and, occasionally, severance payments might be necessary if the relationship ends.
- 4.25 The Local Government Act 2002²⁷ and applicable accounting standards govern the disclosure of severance payments in the local government sector. The payments made when a person's employment ends can consist of several elements, including some that must be disclosed and some that do not have to be disclosed, such as payments provided for in the employment contract.²⁸
- 4.26 Contractual payments do not have to be disclosed under legislation. However, the Local Government Act 2002 requires the disclosure of payments that exceed contractual provisions.
- 4.27 In our audit of the financial statements of Auckland Council and Group for 2014/15, we noted that the Council made total payments of more than \$6 million to departing staff during the year. Many of these payments were made under legacy employment contracts. Of these payments, only 27 payments totalling \$0.5 million were disclosed as severance payments to meet the requirements of the Local Government Act 2002. After completing our audit, we were satisfied that an in-house legal review of the payments had correctly identified contractual payments and severance payments.
- 4.28 It is common practice to focus on meeting the specific legislative disclosure requirements. However, the information available to the reader of the financial statements can be significantly reduced if other payments are not included.
- 4.29 We suggest that local authorities carefully consider the intention of the legislation. In the interests of transparency and accountability to the public, we recommend that local authorities disclose all redundancy payments, regardless of whether they are contractual payments or severance payments.

26 Controller and Auditor-General (2012), *Severance payments: A guide for the public sector*, Wellington, page 7.

27 Clause 33 of Schedule 10.

28 These include payments that are established under the ordinary contractual employment arrangement, such as any specified period of notice that can be paid out instead of worked, any payment if an employee's position becomes redundant, accrued annual leave, and any benefits that are part of the employee's remuneration package and that they have become entitled to by the time they leave, such as bonus or incentive payments.

5

Local body elections

- 5.1 The period around local body elections is usually a time of heightened tension and vigorous political debate. It is a challenging time for local authorities as they administer the elections in their districts and then induct newly elected councillors into their governance roles.
- 5.2 We have a role in considering whether local authorities use their resources appropriately, but we do not regulate the conduct of candidates during local body elections. We also have an interest in how elected members meet their governance responsibilities. In this Part, we discuss some matters relevant to the elections.
- 5.3 These matters include:
- communication during the pre-election period;
 - pre-election reports;
 - governance training for newly elected members; and
 - audit committees after the elections.

Communication during the pre-election period

- 5.4 The local body elections are held every three years on the second Saturday in October. In 2016, polling day is Saturday 8 October.
- 5.5 Nominations will open for candidates on 15 July. From then until the end of the election period, candidates are able to promote their candidacy. This includes currently elected members (sitting candidates) who have decided to stand for re-election.
- 5.6 To ensure that sitting candidates do not gain an unfair advantage over non-sitting candidates, local authorities must manage communications during the pre-election period. It is not the role of local authorities to promote the re-election prospects of currently elected members.
- 5.7 Local authorities must remain politically neutral throughout this period and ensure that ratepayer funds are not used to promote electioneering. To do otherwise would be contrary to the principles in the Local Electoral Act 2001 about promoting public confidence in local electoral processes. Local authorities must be transparent and impartial, and ensure that the electoral process produces public confidence in its outcome.
- 5.8 In 2004, we published *Good Practice for Managing Public Communications by Local Authorities* (our 2004 guide). In it, we note that it is neither possible nor practicable to stop all communications during the pre-election period and that routine local authority business needs to continue. Determining what is

appropriate communication and what is communication that could be seen to be creating an electoral advantage requires careful judgement.

5.9 Our 2004 guide includes some useful principles to guide local authorities towards making appropriate decisions about communication during the pre-election period.

5.10 Principle 12 in our 2004 guide states:

A local authority must not promote, nor be perceived to promote, the re-election prospects of a sitting member. Therefore, the use of Council resources for re-election purposes is unacceptable and possibly unlawful.

5.11 An example of when a sitting candidate could use the local authority's resources to support their election prospects would be using a local authority email account to communicate with constituents. Using the local authority's mail facilities or a mobile phone supplied by the local authority for this purpose could create a perception that the local authority is supporting sitting candidates.

5.12 Even if the candidate or the local authority does not intend this, it is important not to create a false perception of support.

5.13 We advise local authorities to adopt a communication protocol setting out how they intend to manage communications during the pre-election period. This will provide clarity to staff, elected members, and the public about the boundaries and ensure that the local authority plays no role in inadvertently promoting sitting candidates.

5.14 Because elected members will often act as spokespeople for the local authority, the publicity provided by such activities can be seen as an opportunity to promote their re-election. Although elected members need to continue to fulfil their roles and responsibilities, including communicating matters of council business to the public, media releases should be limited to what is strictly necessary to communicate that business. Managers should oversee and authorise public communications during the pre-election period to manage misperceptions and minimise risks to the local authority.

5.15 Principle 13 in our 2004 guide states:

A Council's communications policy should also recognise the risk that communications by or about Members, in their capacities as spokespersons for Council, during a pre-election period could result in the Member achieving electoral advantage at ratepayers' expense. The chief executive officer (or his or her delegate) should actively manage the risk in accordance with the relevant electoral law.

- 5.16 Images or information that could raise the profile of a member should not be used during the pre-election period. Some local authorities adopt their annual reports in August and September and make them publicly available soon after, along with a summary annual report. This makes them available during the pre-election period. Annual reports and summaries usually contain information about the elected members, including photographs. This can lead to concerns in the community and from non-sitting candidates that the documents are an advertising opportunity for sitting members funded by the local authority. Local authorities need to ensure that they do not promote elected members who are standing for re-election and carefully consider what is appropriate in each circumstance.

Pre-election reports

- 5.17 Amendments to the Local Government Act 2002 in 2010 introduced a new requirement for pre-election reports. Chief executives were required to produce a pre-election report for the first time during the 2013 local elections.
- 5.18 Section 99A(4) of the Local Government Act 2002 states that:
... the purpose of a pre-election report is to provide information to promote public discussion about the issues facing the local authority.
- 5.19 The pre-election report is intended to stimulate debate about funding and expenditure matters during the election. It should tell the community how the local authority is performing and what major projects it expects to carry out during the next three years. It also provides information on whether the local authority has met its self-imposed targets and stayed within financial limits set out in its financial strategy, adopted as part of the long-term plan.
- 5.20 The chief executive is responsible for preparing the pre-election report, which must be apolitical and contain no statements by, or photographs of, elected members.
- 5.21 The pre-election report must be published at least two weeks before nomination day.²⁹ This can include placing the pre-election report on the local authority's website.
- 5.22 We have no role in auditing these reports. However, the retrospective financial information included in the pre-election report will come from previously audited sources, such as the annual report or long-term plan. Local authorities should aim to ensure that the current-year information reflects the information that will be included in the audited annual report as closely as possible.

- 5.23 The pre-election report is a useful way to be accountable to the community. The information it contains is gathered outside the political process and should contribute to informed debate by providing factual and objective information about how the local authority is performing.
- 5.24 We look forward to observing the positive contribution that these reports should make to the election debate in each community later in 2016.

Governance training for newly elected members

- 5.25 In previous reports, we have commented on the importance of having rigorous accountability, governance, and management controls. We noted that:
- ... weaknesses in governance can often expose entities that are poorly equipped to manage uncertainties (or risk) or that are incapable of making well-founded investment decisions.³⁰*
- 5.26 Elected members are responsible for what the local authority does and how it does it. In the end, the people who elected them will hold them accountable for the decisions they make on the community's behalf.
- 5.27 Many newly elected councillors have little or no governance experience and limited knowledge of the local government environment. They must be informed quickly if they are to effectively represent their communities.
- 5.28 Local Government New Zealand is taking an active role in supporting local authorities to improve the governance capabilities of their elected members. Local Government New Zealand has worked with the Institute of Directors to create a series of governance workshops through its Centre of Excellence, Finance and Governance Excellence Initiative. These workshops offer professional governance training to local authorities and look at the following topics:
- applied governance essentials;
 - leadership;
 - strategy;
 - debating and influencing skills; and
 - critical thinking.
- 5.29 The series of five workshops is designed to be completed during the three years between local body elections.
- 5.30 Also, Local Government New Zealand runs a series of workshops around the country for all elected members in the months immediately after the elections. Individual workshops, targeted at new mayors and chairpersons and first-time and returning councillors, explain what it takes to be an effective member and

30 Controller and Auditor-General (2014), *Local government: Results of the 2012/13 audits*, Wellington.

provide an overview of responsibilities. We have taken part in these workshops before, giving presentations on a range of topics relevant to our mandate and role in local government.

- 5.31 We encourage local authorities to include these workshops in their post-election induction programmes for councillors and encourage all new and returning councillors to participate. They are a valuable means of supporting and training elected members, so that they are well placed to assume the important responsibilities that come with their election to office.

Audit committees after the elections

- 5.32 When each new council is sworn in at the first meeting after the local body elections, the Mayor will begin considering a governance structure for the council.³¹ Councils can establish the committees, subcommittees, and other subordinate decision-making bodies that they consider appropriate.³² One such committee could be an audit committee.
- 5.33 Although there are no specific legislative requirements for a local authority to have an audit committee, the Local Government Act 2002 requires a local authority to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a way that promotes the community's current and future interests.³³ An audit committee can help a local authority to meet this requirement.
- 5.34 Good governance principles also encourage the use of an audit committee, which can make a useful contribution to improving the performance and accountability of the local authority. Although it is not the solution to every problem, it can add value.
- 5.35 An audit committee cannot replace the accountability arrangements of the council – the responsibility for good governance rests with the elected members – but it can be an important tool.
- 5.36 An effective audit committee helps the local authority to manage risks. Independent members with relevant skills and experience contribute their knowledge and independent perspectives. This can enhance effectiveness by helping to inform and focus the discussion of matters to be considered and decided.
- 5.37 In our previous reports to Parliament, we have commented on the value of audit committees.³⁴ Our reviews of audit and risk management practices have shown

31 Section 41A(3) of the Local Government Act 2002.

32 Clause 30(1) of Schedule 7 of the Local Government Act 2002.

33 Section 101(1) of the Local Government Act 2002.

34 See, for example, our February 2015 report, *Local government: Results of the 2013/14 audits*, page 3.

that this is a needed area of focus. We acknowledge the comments of the Local Government and Environment Committee in 2015, which expressed concern that two-thirds of local government audit committees had no external members and supported us in our efforts to improve these committees.

- 5.38 Anyone considering the specific needs of the local authority should consider what is needed to provide the best assurance. Does the local authority have the right balance of assurance, monitoring, evaluation, and other mechanisms to determine whether it is performing well and appropriately managing risk?
- 5.39 No one-size-fits-all structure is effective in every organisation. Each local authority must determine its specific needs and risk framework before deciding on an appropriate structure.
- 5.40 In going through this process, it is useful to consider some core principles about what constitutes an effective audit committee:
- Independence of perspective, experience, and knowledge is needed in an audit committee, and an independent chairperson is often best placed to facilitate free and frank discussion.
 - Clarity of purpose will help ensure that the audit committee is fit for purpose.
 - The committee members should have the right mix of skills and experience.
 - An effective audit committee operates in an environment of co-operation and trust, with open communication facilitated by the chairperson.
- 5.41 Our website has a resource on audit committees to provide a place for sharing experiences, tips, tools, and other insights. We encourage those seeking information on audit committees to use this resource. We also ask those who believe they have an effective audit committee to share their views on what has worked in their organisation.

6

Airports

- 6.1 In this Part, we discuss the public entity airports that we audit. They include airports that local authorities wholly or partly own and airports operated as joint ventures between local authorities and the Crown.
- 6.2 Some airports fall outside our mandate because private interests own most of their shares.
- 6.3 Some local authorities own airports that an in-house business unit manages. We do not audit them separately from the local authority and have not included them in this Part.
- 6.4 Airports, particularly small regional airports, have experienced some challenges lately, with some losing airline services. We decided to take a closer look at the airports within our mandate, given their value to local communities.

Our role in auditing airports

- 6.5 The Auditor-General audits 19 airport authorities and airport companies (for simplicity, we call them airports). These include six airports jointly owned by local authorities and the Crown. These are referred to as joint-venture airports.
- 6.6 The Crown and each local authority manage joint-venture airports in partnership. Each owns 50%, but the Crown plays no role in the airport's day-to-day operations. The Crown and the local authority share the cost of infrastructure investment in, for example, airport buildings and runways. The parties might share any deficits equally, and it is usual for surpluses to be retained within the business. The Ministry of Transport oversees the Crown's interest in joint-venture airports.
- 6.7 The Crown partly owns Christchurch International Airport Limited, Dunedin International Airport, and Hawke's Bay Airport Limited.
- 6.8 Local authorities wholly own seven airports.
- 6.9 Eastland Group operates Gisborne Airport Limited under lease from Gisborne District Council. Gisborne Airport Limited is required to prepare financial statements and have them audited under the Companies Act 1993.
- 6.10 Invercargill Airport Limited is 97.2% owned by Invercargill City Holdings Limited, a subsidiary of Invercargill City Council. The remaining shares are held by Hokonui Research and Development Limited (0.7%), Oraka-Aparima Runaka Incorporated (0.7%), Te Runaka o Awarua Charitable Trust (0.7%), and Waihopai Runaka Holdings Limited (0.7%).
- 6.11 Omarama Airfield Limited is 50% owned by Waitaki District Council and 50% owned by an incorporated society.

Overview of financial performance

6.12 Figure 6 provides an overview of the financial performance of the airports that we audit. These airports vary significantly in size.

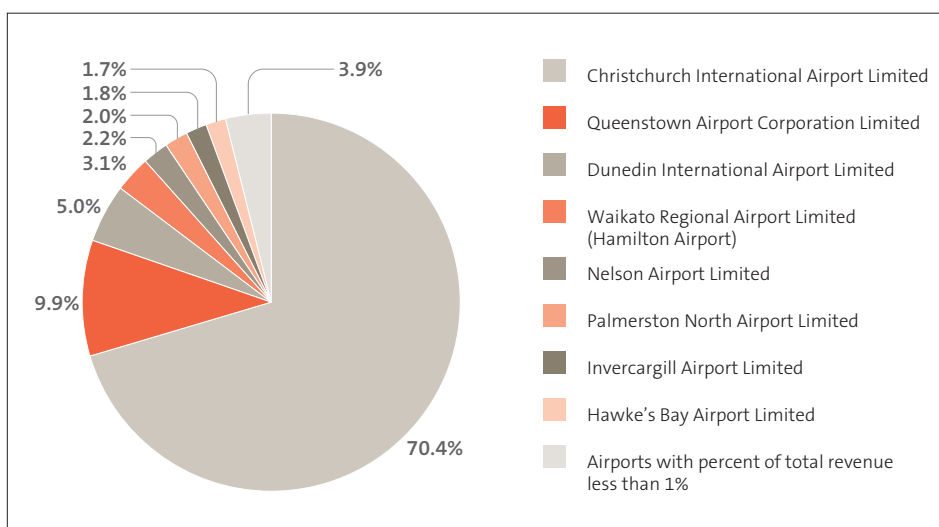
Figure 6
Summary of airports' 2014/15 financial results and financial position

Entity name	Revenue \$000	Pre-tax surplus or (deficit) \$000	Equity \$000	Total liabilities \$000	Total assets \$000
Joint venture airports					
New Plymouth Airport Joint Venture	2,006	(164)	22,885	5,233	28,118
Taupo Airport Authority	444	(200)	9,914	1,088	11,002
Whanganui Joint Venture Airport	450	(324)	7,587	382	7,969
Westport Airport Authority	137	(147)	3,616	84	3,700
Whakatane Airport Authority	194	(232)	890	878	1,768
Whangarei District Airport	571	120	4,626	79	4,705
Wholly local authority-owned airports					
Hokitika Airport Limited	661	115	2,773	632	3,405
Marlborough Airport Limited	1,618	6	1,264	5,782	7,046
Nelson Airport Limited	5,403	2,161	11,350	1,815	13,165
Palmerston North Airport Limited	4,943	911	49,305	12,238	61,543
Queenstown Airport Corporation Limited	24,836	11,506	161,060	39,067	200,126
Rotorua Regional Airport Limited	2,322	50	1,740	1,229	2,969
Waikato Regional Airport Limited (Hamilton Airport)	7,765	289	59,669	18,874	78,543
Crown- and local authority-owned airports					
Christchurch International Airport Limited	177,383	50,205	766,766	446,029	1,212,795
Dunedin International Airport Limited	12,722	2,477	45,920	26,813	72,733
Hawke's Bay Airport Limited	4,381	1,830	27,065	7,768	34,833

Entity name	Revenue \$000	Pre-tax surplus or (deficit) \$000	Equity \$000	Total liabilities \$000	Total assets \$000
Partially local authority-owned airports					
Invercargill Airport Limited	4,435	1,094	17,769	7,480	25,249
Omarama Airfield Limited	170	42	1,350	11	1,361
Other airports					
Gisborne Airport Limited	1,379	634	2,558	966	3,524
Total	251,819	70,373	1,198,108	576,448	1,774,555

6.13 At the end of 2014/15, these airports had total assets of \$1.77 billion. Their total equity was \$1.20 billion. They reported total revenue of \$251.8 million, 85% of which was earned by three airports (see Figure 7).

Figure 7
Share of total revenue, by airport



6.14 The airports listed in Figure 6 reported total pre-tax profits of \$70.4 million, 88% of which was earned by two airports. Five airports, all joint ventures, reported a deficit.

6.15 The operating revenues and pre-tax profits reported in 2014/15 were up from reported results in 2013/14.

6.16 Seven of the airports paid dividends to their shareholders in 2014/15 totalling \$16.6 million. Dividends ranged from \$10,000 to \$9.9 million. Most of the \$16.6 million was paid to the shareholders of Christchurch International Airport (60% of the total), Queenstown Airport (26%), and Dunedin International Airport (7%). The remaining 7% was paid to the shareholders of Hawke's Bay, Nelson, Hokitika, and Palmerston North Airports. In 2013/14, the same seven companies paid dividends totalling \$12.6 million.

Airport revenue

- 6.17 The Airport Authorities Act 1966 specifies that an airport company is to be managed as a "commercial undertaking".³⁵
- 6.18 All of the airports in our mandate, except for Gisborne Airport Limited, are held in a council-controlled trading organisation (CCTO). They are run at arm's length from a local authority and governed by a Board. The Local Government Act 2002 defines CCTOs as CCOs that operate to make a profit.³⁶ However, many local authorities see their airports as an essential public service, and aim to achieve no more than a break-even financial position.
- 6.19 Because airports are commercial entities, they are self-funding. Airport infrastructure decisions are commercial investment decisions, largely funded by airports and recovered through airline fees.
- 6.20 The revenue that airports generate is therefore important to their viability and sustainability.
- 6.21 In 2014/15, only three airports, two of which are joint ventures, received capital contributions from shareholders. These contributions totalled \$7.3 million. In 2013/14, the same three airports received capital contributions totalling \$1.1 million. Such contributions are often for runway maintenance and resurfacing.
- 6.22 Airport revenue includes aeronautical revenue, which is the income an airport receives from landing fees and passenger service charges, and other revenue that can be generated from car parking fees, retail leases, property leases, and advertising.
- 6.23 Airports' landing fees and passenger service charges and how they calculate the charges are not regulated, although Auckland, Wellington, and Christchurch International Airports are subject to information disclosure requirements under the Commerce Act 1986. Under the Airports Authorities Act 1966, airport companies with revenue of more than \$10 million a year must consult with the

³⁵ Airport Authorities Act 1966, section 4(3).

³⁶ Local Government Act 2002, section 6(1).

major airlines³⁷ that use their services every five years and whenever they propose changes to aeronautical charges.

- 6.24 We were told that, because of the importance of airlines to the connectivity and sustainability of their communities, airports will often compromise when they consult on proposed landing charges and set lower-than-desirable fees to ensure that the airlines continue to serve their airport. This could mean that airports have to increase their revenue stream from other sources to make up for the shortfall.
- 6.25 Our analysis showed that aeronautical revenue varies considerably between airports and appears unrelated to the size of the airport facilities or passenger volumes. The reported information shows that aeronautical revenue as a percentage of total revenue varied from 23% to 68%. Because each airport discloses aeronautical revenue slightly differently, with some separately disclosing landing fees and others including fees such as airfield rental, it was difficult to identify any clear patterns.

Airport infrastructure challenges

- 6.26 Airports typically complete master plans as part of the long-term planning for their major infrastructure. Some airports (Auckland, Wellington, and Christchurch International Airports) are required to carry out separate consultation about capital expenditure for projects that exceed 20% of aeronautical assets. Smaller airports are not required to consult on capital expenditure proposals,³⁸ but most usually do.
- 6.27 Airports experience resistance from the dominant airlines to proposals for infrastructure development that the airlines see as unnecessary and that could result in increases to airport charges.
- 6.28 Some infrastructure investment requirements can affect an airport's long-term viability. Accessing funding for such investments can be challenging, and some airports do not generate enough revenue to fund major works. We were told that joint-venture airports find it difficult to obtain loans because they do not have a capital structure.
- 6.29 Many of the costs of maintaining airport infrastructure are the same, no matter the size of the airport facilities, passenger volumes, or revenue. For example, the cost of overlaying the runway at Palmerston North Airport was \$3 million, while full replacement can cost \$20 million. This would be a significant investment for that airport, which has total assets of \$61.5 million. Invercargill Airport is currently replacing its terminal at a total cost of \$12 million, and New Plymouth Airport is looking at upgrading its terminal building with an estimated cost of \$11 million.

37 Those that contribute 5% or more of aeronautical revenue.

38 Section 4C of the Airport Authorities Act 1966.

- 6.30 Maintaining and renewing airport infrastructure can be costly, but it is often needed to meet Civil Aviation Authority standards. For example, if an airport operates at night, it needs landing lights and navigation facilities whether it receives one flight a week or 10 flights a night.
- 6.31 Joint-venture airports are in a slightly different position. They might receive some funding from the Crown and the local authority shareholder. The Crown funding is subject to the Minister of Transport approving a capital programme. In 2013/14, the Crown provided total funding of \$116,000 to two joint-venture airports.
- 6.32 Airports need to keep up with technological advances. Often, this means having to invest in new infrastructure to remain competitive. For example, the air navigation system is changing from ground-based navigation aids to the satellite-based global positioning system, the certification regulations for aerodrome safety are being re-assessed, and security requirements might be reviewed. All these could require further infrastructure investment.
- 6.33 The challenges that airports face reinforce the need to carefully consider long-term investment needs and the implications and consequences of not completing required infrastructure works.

Airports' importance to regions

- 6.34 Our recent report on the 2015-25 long-term plans³⁹ showed that the populations of most districts outside the major centres will grow slowly or remain relatively static. A few districts are likely to have fewer residents in 2025 than today. Local authorities see economic development as important to the long-term prosperity of their regions, with many local authorities including economic development initiatives in their long-term plans.
- 6.35 Airports form part of New Zealand's air transport network and are seen as an important contributor to a region's economy. Airports connect New Zealanders and businesses by enabling people and cargo to move between different cities and towns.
- 6.36 A study last year by Business and Economic Research Limited into the effect of stopping flights between Wellington and Taupo suggested that the short-term effect on business spending in Taupo was about \$1.8 million a year, with much larger longer-term implications.⁴⁰

39 Controller and Auditor-General (2015), *Matters arising from the 2015-25 local authority long-term plans*, Wellington.

40 *Cessation of Wellington-Taupo air service* – note prepared for Taupo District Council by Business and Economic Research Limited, March 2015.

- 6.37 In 2013, the New Zealand Airports Association⁴¹ commissioned another study. The results indicated that Marlborough Airport made a direct contribution to the region of \$1.5 million a year. Its total contribution, including enabling imports and exports to the region, was \$197 million.
- 6.38 Local Government New Zealand has acknowledged that regional growth is important for national economic and social prosperity. It is looking at the transport factors that contribute to regional economic development. It encourages decision-makers in central government to work with local authorities to ensure that transport decisions do not have negative effects on the regions.
- 6.39 The Government recognises the importance of all transport modes to the national economy in its 2015 National Infrastructure Plan.⁴² Strong links between road, rail, shipping, and aviation are vital for moving people and freight around the country and overseas.
- 6.40 Last year, the Ministry of Transport announced its “Futures Visions”. These visions identify potential drivers of change with the aim of enabling organisations to plan how they might respond to a different future. The Ministry of Transport hopes that the visions will stimulate debate and generate ideas on how New Zealand’s transport system might change in the long term.
- 6.41 The Ministry’s vision for the future of domestic air travel in New Zealand involves people living outside the main urban centres and commuting into the cities by air for work. Cheaper and faster travel will allow for growth in regional centres. The Ministry states:
- In our vision, New Zealand remains one of the most connected of countries, from our metropolises to our regional centres.*⁴³
- 6.42 We note that the Futures Visions work is intended only to start conversations about how the transport system might evolve. Regional centres thriving as a result of cheap and efficient flights to the main cities is one of many possibilities.
- 6.43 It is encouraging to see central and local government stakeholders considering the role and future of airports within the transport sector. The Ministry of Transport and the New Zealand Airports Association are working together to investigate the future of the domestic air network. They seek to identify the main matters affecting the network’s future development. They will ultimately report their findings and that report should provide some useful analysis to inform future thinking.

41 The New Zealand Airports Association is the industry association for airports and related businesses.

42 National Infrastructure Unit (2015), *National Infrastructure Plan 2015: The Thirty Year New Zealand Infrastructure Plan*, The Treasury, Wellington.

43 See www.transport.govt.nz/futures.

Commercial undertaking or social infrastructure?

- 6.44 As well as connecting people and places, and contributing to a region's economic profile, airports also provide an important service for the health sector. Patients are transferred by air in emergencies or for specialist treatment in the larger hospitals. Depending on the level of criticality, patients are transferred using scheduled airline flights or chartered air ambulance aircraft.
- 6.45 For more remote communities, quick access to urgent medical services that are not available locally can sometimes be the difference between life and death. Without a local airport, patients would face a longer journey by road.
- 6.46 However, despite contributing important economic benefits and vital social services to their communities, airports are first and foremost required to operate as commercial undertakings. This is a requirement of the Airport Authorities Act 1966.⁴⁴
- 6.47 This statutory obligation confirms the primary objective of airports. However, in reality, many local authorities choose not to seek a full return on their investment. Instead, local authorities take the view that their community gets many other benefits from the air connections that the airport provides.
- 6.48 Air New Zealand is often the only airline servicing regional airports. If the airline stops flying to an airport, that airport's viability is at risk unless another operator picks up the route.
- 6.49 Airlines decide where they will provide direct services based on viability. Passenger numbers, costs to operate the aircraft, air navigation service costs, and airfares affect viability. Smaller airports are typically serviced by smaller aircraft. This is in part because of small passenger volumes but also because of the shorter runways. Smaller aircraft are, relative to seat numbers, more expensive to operate than larger aircraft.
- 6.50 The costs of air navigation services can affect whether an airline services a particular airport. A decreasing number of flights into an airport spreads the airport's costs between fewer users, increasing the cost for each flight.
- 6.51 In November 2014, Air New Zealand announced the gradual removal of the 19-seat Beech aircraft from its fleet by August 2016 and an increase in its 68-seat ART-72 fleet. Some routes operated by the Beech aircraft have already ended. The larger 50-seat Bombardier aircraft, which usually flies less often, has replaced the Beech aircraft on other routes.

- 6.52 Air New Zealand's decision meant that the airline no longer serviced several small regional airports, including Westport, Kaitaia, and Whakatane. Many local authority owners of airports are concerned about the effect on their communities.
- 6.53 Several independent operators have since stepped in to provide replacement services, largely because of the efforts of the local authorities. Sounds Air operates a Westport-Wellington service and a Taupo-Wellington service. Air Chathams operates a Whakatane-Auckland service. Sun Air now flies from Whakatane to Gisborne and to Hamilton. Barrier Air operates a Kaitaia-Auckland service. Kiwi Regional Airlines has announced its intention to cover a route network including Dunedin, Queenstown, Nelson, and Hamilton.
- 6.54 The ability of these smaller operators to continue providing these services in the long term is uncertain. Barrier Air is already reported as struggling to attract enough passengers to make its route viable. It might have to stop the service if passenger numbers do not increase. Buller District Council underwrites the Sounds Air Westport-Wellington service.

Concluding comments about airports

- 6.55 Airports operate in a challenging environment. The commercial priorities of airlines and airports can sometimes conflict with the wider objectives of local authority shareholders for their airports to play a role in the economic and social wellbeing of their districts. Although airports are required to make a profit, some airports keep their airport charges low to ensure that airlines continue to provide flights. Because they are largely self-funding, airports must find alternative revenue streams from activities such as car parking and retail leases.
- 6.56 The revenue that airports generate is critical to their ongoing viability. Although this can be said of many small- to medium-sized enterprises, airports form part of New Zealand's national transport network. Airports play a valuable role in New Zealand's connectivity. The failure of an airport can have a negative effect on the economic vitality and connectivity of the community it services.
- 6.57 New Zealand's airports vary greatly in size and passenger volumes, but all have costly and sometimes unavoidable infrastructure requirements. Some of these requirements are not dictated by airport capacity. The smaller airports can struggle to meet these infrastructure needs from limited revenue streams.
- 6.58 Of the 19 airports we audited, just two earned 88% of the total surplus in 2014/15. Five airports reported pre-tax surpluses of less than \$250,000, and five reported a deficit.

- 6.59 Despite the important role they play in regional economies, the ability of some airports to continue servicing their communities depends on the airlines. What the airlines do is largely dictated by market forces and the viability of the route, which the smaller regional airports have little to no control over.

7

The audit reports we issued in 2015

- 7.1 In this Part, we provide an overview of the audit results for local authorities and other local government entities.
- 7.2 We issued 720 audit reports on local government entities (see Figure 8).⁴⁵ Of the 720 reports, 637 were standard audit reports and 83 were non-standard audit reports. Appendix 2 contains summaries of non-standard modified audit opinions and unmodified audit opinions with “emphasis of matter” or “other matter” paragraphs.

Figure 8
Audit reports issued on local government entities and licensing trusts

	Total number of audit reports issued*	Standard audit reports	Non-standard audit reports issued			
			Modified opinion (disclaimer)	Modified opinion (adverse)	Modified opinion (qualified)	Unmodified but including “emphasis of matter” or “other matter” paragraph/s
Local authorities	80	77	-	-	1	2
Council-controlled organisations	204	175	1	1	8	19
Energy companies and subsidiaries	66	63	2	-	-	1
Airports and subsidiaries	22	21	-	-	-	1
Port companies and subsidiaries	48	48	-	-	-	-
Licensing trusts	45	37	-	-	3	5
Miscellaneous other local government entities	99	85	-	4	3	7
Small entities**	156	131	-	-	17	8
Total	720	637	3	5	32	43

* Public entities can have multiple audit reports issued if unfinished audits from previous years are completed during the same year.

** This category is made up of administering bodies and boards, cemetery boards, fish and game councils, and local authority sinking fund commissioners.

45 Local authorities, most CCOs, airports, port companies, other local government miscellaneous entities, administering bodies and boards, and local authority sinking fund commissioners have a 30 June balance date. Energy companies and cemetery boards have a 31 March balance date. Fish and game councils have a 31 August balance date, and other entities, including some CCOs and miscellaneous other local government entities, have a balance date in March, August, October, or December.

- 7.3 We compared the results of the audit reports we issued in 2015 with the audit reports we issued in 2014 to look for any emerging patterns. There was no significant difference in the number of standard and non-standard audit reports we issued during 2014 and 2015 for the local government sector as a whole, and no significant changes between years.

Modified audit opinions

Disclaimers of opinion

- 7.4 During 2015, we expressed disclaimers of opinion on the financial or service performance information of three local government entities.
- 7.5 We expressed a disclaimer of opinion for Vbase Limited, a subsidiary of Christchurch City Council (for 2014/15). We could not get enough appropriate audit evidence because earthquake damage affected:
- the carrying value of insurance receivables, because it was unclear how much of the insurance receivables will be recovered and when that recovery will take place;
 - the carrying value of the current and deferred tax balances that should be recognised in the financial statements and would be affected by how much of the insurance receivables will be recovered and when that recovery will take place; and
 - the comparative information presented in the financial statements.
- 7.6 We were also unable to get enough appropriate audit evidence to support the “financial performance targets” section of Vbase Limited’s statement of service performance, but we issued an unmodified opinion on its statement of cash flows.
- 7.7 We expressed disclaimers of opinion for Counties Power Limited and Group (for 2014/15) and Network Waitaki Limited and Group (for 2014/15) on the completeness and accuracy of network reliability performance reporting. No independent evidence was available to support the completeness and accuracy of fault information, and controls over the completeness and accuracy of data about the customer connections were limited.
- 7.8 We issued unmodified opinions for those two entities on their financial statements and other performance measures that were not affected by the limitations affecting the completeness and accuracy of the reported performance information about the network’s reliability.

Adverse audit opinions

- 7.9 In 2015, we expressed five adverse opinions on the financial or performance information of four local government entities.
- 7.10 Because they did not recognise their museum collection assets or the associated depreciation expense in their financial statements, as required by generally accepted accounting practice, we expressed adverse opinions for:
- Otago Museum Trust Board Incorporated (for 2013/14 and 2014/15); and
 - Pukaki ki Rotorua Charitable Trust (for 2013/14).
- 7.11 We also expressed adverse opinions for two entities that had not reported against performance measures and targets in their statements of service performance because they did not prepare a statement of intent for the reporting year. They also failed to comply with the law by not preparing a statement of intent for the next reporting period. The entities were:
- BG Contracting Sicon Ferguson Joint Venture (for 2013/14); and
 - He Tini Awa Trust (for 2014/15).
- 7.12 Our audit of the He Tini Awa Trust was also limited because we could not obtain assurance about hall-hire revenue because of limited controls over that revenue. We drew attention to the disclosures in the financial statements that referred to the disestablishment basis appropriately being used in preparing the financial statements because the Trust was expected to be wound up within 12 months.

Qualified audit opinions

- 7.13 During 2015, we expressed 32 qualified opinions on the financial or service performance information of 22 local government entities. We express a qualified opinion when there is a disagreement with the treatment or disclosure of an issue in the financial statements or when we cannot get enough audit evidence about a matter.
- 7.14 We expressed a qualified opinion on the financial statements of Christchurch City Council for 2014/15. We could not obtain enough appropriate audit evidence about:
- the carrying value of the Council's roading network, wastewater system, and stormwater system because of a lack of information to quantify the financial effects of earthquake damage on these assets – this matter also affected the comparative information;
 - the Council's capital work in progress balance because of the rebuilding activities that are under way – the Council was unable to accurately assign this balance into completed assets, assets still under construction, and operating expenditure; and

- the carrying value of insurance receivables recognised in the Council’s financial statements, because it is unclear how much of the insurance receivables will be recovered and when that recovery will take place.
- 7.15 Because of the limitations in scope affecting our audit, we were unable to obtain audit evidence in “what did it cost” sections and the associated variance explanations, including the reported comparative information in the Council’s statement of service provision.
- 7.16 We were unable to get audit evidence for the correct amount of tax expense or tax liability for Destination Coromandel Trust (2013/14) and whether interest or penalties could be charged, because its tax status had not been confirmed with the Inland Revenue Department.
- 7.17 Our audit of Bay Venues Limited (a subsidiary of Tauranga City Council) was also limited. Comparative information in the 30 June 2014 financial statements included inadequate information from another company, Tauranga City Aquatics Limited. Tauranga City Aquatics Limited had amalgamated with Tauranga City Venues Limited to form Bay Venues Limited. We had previously given Tauranga City Aquatics Limited a qualified audit opinion because it had limited controls over its revenue.
- 7.18 Because we could not get enough assurance about the completeness of revenue and/or expenditure and/or other items (such as inventory, livestock, annual leave balances, or unrepresented vouchers), we expressed qualified opinions for the following public entities:
- World Buskers Festival Trust, a trust controlled by Christchurch City Council (for 2014/15);
 - Experience Mid Canterbury, a trust controlled by Ashburton District Council (for 2013/14);
 - Kaikoura Enhancement Trust and Group, a trust controlled by Kaikoura District Council (for 2010/11, 2011/12, and 2012/13);
 - The Hauraki Rail Trail Charitable Trust (for 2013/14);
 - Waipa Community Facilities Trust, a trust controlled by Waipa District Council (for 2013/14 and 2014/15);
 - Waimakariri District Libraries Trust Incorporated, a trust controlled by Waimakariri District Council (for 2013/14);
 - Parakai Licensing Trust, whose financial statements were appropriately prepared on a disestablishment basis (for 2010/11 and 2011/12);
 - Te Kauwhata Licensing Trust (for 2014/15);
 - North Canterbury Fish and Game Council (for 2013/14 and 2014/15);

- Mataroa Hall Board (for 2013/14);
- Whatitiri Domain Board (for 2012/13 and 2013/14);
- Oakura Reserve Board (for 2011/12 and 2012/13);
- Ohau Hall Board (for 2013/14);
- Ruakaka Central Domain Board (for 2013/14);
- Awakaponga Public Hall Board (for 2012/13);
- Poukiore Domain Board (for 2013/14);
- Balfour Cemetery Trust (for 2011/12);
- Mangere Lawn Cemetery (for 2010/11 and 2011/12); and
- Calcium Cemetery (for 2011/12, 2012/13 and 2013/14).

Unmodified audit opinions with “emphasis of matter” paragraphs

Local authorities

- 7.19 We drew attention to disclosures in Kaipara District Council’s financial statements for 2014/15 about the possible significant financial effect if the ruling on the Mangawhai Ratepayers and Residents Association’s appeal to the Court of Appeal was not in favour of the Council. This would overturn the High Court’s judgment on the Council’s ability to use past and future rates revenue to service the debt raised to fund the Mangawhai Community Wastewater Scheme.
- 7.20 We drew attention to disclosures in the financial statements of the Chatham Islands Council that referred to the Council failing to adopt a rates resolution when setting the 2013/14 rates. Adopting a rates resolution is required by the Local Government (Rating) Act 2002.

Council-controlled organisations

- 7.21 We drew attention to the uncertainties in measuring the carrying value of an insurance settlement receivable because of inherent uncertainties in the information on which the carrying value of the asset was based for Tuam Limited, a subsidiary of Christchurch City Council (for 2014/15).
- 7.22 We drew attention to the uncertainties in measuring the fair value of shares in incubator and accelerator companies because of the “early stage” nature of the investments and the absence of quoted market prices. The three entities, which are also subsidiaries of Wellington City Council, are:
- Creative HQ Limited (for 2014/15);
 - Grow Wellington Limited and Group (for 2013/14, 2014/15); and

- Wellington Regional Economic Development Agency Limited Group (for 2014/15).
- 7.23 We drew attention to the uncertainty of the outcome of a review of the Dunedin Venues Limited's and Dunedin Venues Management Limited's operations, including their governance and management structures and their funding model, by their parent entity, Dunedin City Council (for 2013/14). We also drew attention to the financial difficulties these two companies face.
- 7.24 We drew attention to the disclosures in the 30 June financial statements of Innovation Waikato Limited and Group (a subsidiary of Hamilton City Council) that referred to adjustments made to the closing balances in the 2013 financial statements to correct errors made in 2012.
- 7.25 We drew attention to the disclosures in the 30 June 2014 financial statements of New Zealand Food Innovation (Waikato) Limited and Waikato Innovation Park (Waikato) Limited and Group (subsidiaries of Hamilton City Council). We drew attention to the disclosures in the financial statements that referred to the 30 June 2013 financial statements not being audited and, therefore, the 2012 comparative information in the 2013 financial statements not being audited.

Other local government entities

- 7.26 We drew attention to the disclosures in the financial statements of the New Zealand Local Authority Protection Programme Disaster Fund that referred to the Trustees having decided to prepare special-purpose financial statements rather than general purpose financial statements so that members of the Fund could continue to assess the performance of the Fund consistently.
- 7.27 Also, we drew attention to the uncertainties associated with the gross claim liabilities and the related reinsurance recoveries arising from the Canterbury earthquakes during 2010 and 2011 for the Fund for the years ended 30 June 2014 and 30 June 2015.
- 7.28 We drew attention to the disclosures in New Zealand Mutual Liability Riskpool's 30 June 2014 financial statements about the uncertainties associated with the outstanding claims liability and reinsurance receivables. There are inherent uncertainties involved in estimating those amounts using actuarial assumptions, including leaky building claims, which are subject to significant uncertainty.
- 7.29 We drew attention to the disclosures in West Coast Development Holdings and Group's 31 March 2015 financial statements about the uncertainties associated with assessing and measuring any impairment of the carrying value of investments in associates because of deteriorating milk pay-out prices.

Audit opinions and the “going concern” assumption

- 7.30 We drew attention to disclosures about New Zealand Local Government Insurance Corporation Limited and Group (trading as Civic Assurance) (for 2013/14) preparing its financial statements using the going-concern assumption, despite the company being in arbitration with its reinsurers about the limits of cover under the reinsurance programme.
- 7.31 We also drew attention to the uncertainty about when Civic Assurance will be able to resume its normal business activities and whether it will make enough profit to allow all of its deferred tax assets to be recovered.
- 7.32 We drew attention to disclosures in the financial statements for four entities about uncertainties relating to their use of the going-concern assumption:
- Te Horowhenua Trust, a subsidiary of Horowhenua District Council (for 2014/15);
 - Northland Fish and Game Habitat Trust (for 2013/14);
 - Rimutaka Licensing Trust and Group (for 2013/14 and 2014/15); and
 - Ruawhata Hall Board (for 2013/14).
- 7.33 We drew attention to disclosures in the financial statements of Vision Manawatu about it expecting to cease operations within the next 12 months (for 2014/15).
- 7.34 We drew attention to disclosures in several other financial statements where the entity was no longer a going concern and where the financial statements had been correctly prepared using an alternative basis of accounting. These public entities were:
- Christchurch Stadium Trust, a trust that had forecast financial difficulties and required additional support from external parties (for 2013/14);
 - Auckland Council Property Limited, a subsidiary of Auckland Council (for 2014/15);
 - FreightGate Limited (for 2014/15);
 - Kauri Finance Limited, a subsidiary of Porirua Community Trust (for 2014/15);
 - Mana Community Grants Foundation, a subsidiary of Porirua Community Trust (for 2014/15);
 - Taranaki Provincial Patriotic Council (for 2012/13);
 - Whanganui District Council Sinking Fund Commissioners (for 2013/14);
 - Puhoi Cemetery, which was to be vested in Auckland Council on 20 February 2014 (for 2013/14);
 - Blacks Cemetery Trustees, whose functions Central Otago District Council took over in December 2012 (for 2010/11 and 2011/12);

- Taranaki Tree Trust (for 2014/15);
- Tararua Foundation (for 2014/15); and
- Partnership Wellington Trust Incorporated, a subsidiary of Wellington City Council (for 2014/15).

Audit opinions and breaches of the law

7.35 For three public entities, we drew attention to disclosures in the financial statements indicating that these entities did not have a statement of intent because they were inactive and had no performance to report. They failed to comply with the law by not issuing a statement of intent for the next reporting year. The three entities were:

- Canterbury Economic Development Company Limited (for 2014/15);
- Tauwhareparae Forests Limited, which is a subsidiary of Gisborne District Council (for 2014/15); and
- Westland Nature Trust Limited, which is a subsidiary of Westland District Council (for 2013/14).

7.36 We drew attention to the disclosure in the financial statements of Whanganui Gas Limited (a subsidiary of Whanganui District Council) about the company not complying with the law by failing to publish a statement of intent for the year ended 30 June 2015 (although the company was able to report performance information for the year ended 30 June 2015).

Unmodified opinions with “other matter” paragraphs

7.37 We drew attention to the fact that New Zealand Food Innovation South Island Limited (for 2013/14) failed to comply with the law by not completing a statement of intent for 2013/14 by 30 June 2013.

7.38 We drew attention to the fact that two public entities breached the law by failing to meet a statutory reporting deadline. The relevant public entities were:

- Aoraki Development and Promotions Limited, which is a subsidiary of Timaru District Council (for 2014/15); and
- Aorangi Stadium Trust, which is a subsidiary of Timaru District Council (for 2014/15).

Appendix 1

Adopting and releasing annual reports and summary annual reports

The 2014/15 audit results shown in the tables below are based on information available at 26 January 2016.

When local authorities adopted their annual reports

When the annual report was adopted	Number adopted for financial year				
	2010/11	2011/12	2012/13	2013/14	2014/15
Within two months after the end of the financial year	2	1	2	1	1
Between two and three months after the end of the financial year	12	15	16	14	16
Between three and four months after the end of the financial year	56	61	54	60	59
Subtotal: Number meeting statutory deadline	70	77	72	75	76
<i>Percentage of local authorities meeting statutory deadline</i>	<i>90%</i>	<i>99%</i>	<i>92%</i>	<i>96%</i>	<i>97%</i>
Between four and five months after the end of the financial year	2	1	4	1	0
More than five months after the end of the financial year	6	0	2	2	1
Not adopted as at 26 January 2016	0	0	0	0	1
Total	78	78	78	78	78

When local authorities released their annual reports

Time after adopting annual report	Number released for financial year				
	2010/11	2011/12	2012/13	2013/14	2014/15
0-5 days	35	36	29	16	25
6-10 days	8	9	9	8	19
11-20 days	10	13	16	18	8
21 days to one month	30	19	21	30	23
Subtotal: Number meeting statutory deadline	73	77	75	72	75
<i>Percentage of local authorities meeting statutory deadline</i>	<i>94%</i>	<i>99%</i>	<i>96%</i>	<i>92%</i>	<i>96%</i>
Number not meeting the deadline	5	1	3	4	1
Not issued as at the date of compilation	0	0	0	2	2
Total	78	78	78	78	78

When local authorities released their summary annual reports

Time after adopting annual report	Number released for financial year				
	2010/11	2011/12	2012/13	2013/14	2014/15
0-5 days	38	21	15	5	14
6-10 days	12	7	4	5	12
11-20 days	15	12	21	14	8
21 days to one month	7	35	34	47	39
Subtotal: Number meeting statutory deadline	72	75	74	71	73
<i>Percentage of local authorities meeting statutory deadline</i>	<i>92%</i>	<i>96%</i>	<i>95%</i>	<i>91%</i>	<i>93%</i>
One month to 40 days	2	1	2	3	1
41-50 days	0	1	0	2	0
51-60 days	0	1	0	0	0
More than 60 days	4	0	2	0	1
Not issued as at the date of compilation	0	0	0	2	3
Total	78	78	78	78	78

Appendix 2

Summaries of the non-standard audit reports issued in 2015

Modified audit opinions – disclaimers of opinion

Vbase Limited (Christchurch City Council)

Year ended 30 June 2015

We were unable to obtain enough appropriate audit evidence to determine the:

- Carrying value of insurance receivable of \$125 million – the company has not made any allowance for any amount that might not be recoverable. Further, the company has also recognised an expense of \$23 million for a reduction in the nominal value of the insurance receivable is appropriate because it considers that this amount will be received in future years.
- Current and deferred tax – any misstatements in the company's financial statements arising from the above matter would have a consequential effect on the company's current and deferred tax liability, which would be affected by any change in the recoverability of the insurance receivable and any decision about the possible replacement or repair of Lancaster Stadium.

Also, we could not provide assurance on the comparative information presented in the financial statements of the company because we needed to issue a disclaimer of opinion on the company's financial statements for the year ended 30 June 2014.

Our audit was also limited on the statement of service performance because we could not get enough appropriate audit evidence to support the "financial performance targets" section of the statement of service performance.

We issued an unmodified opinion on the statement of cash flows.

Counties Power Limited and Group

Year ended 31 March 2015

We were unable to form an opinion on two performance measures that are used to measure the network reliability performance – the System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) – in the statement of service performance. We could not confirm the completeness and accuracy of all the SAIDI and SAIFI outages because of:

- no independent evidence to record electricity connection faults; and
- limited control over the completeness and accuracy of interconnection point data, representing individual customer connections to the network.

Also, we could not provide assurance on the comparative information presented in the 31 March 2015 statement of service performance because we needed to issue a disclaimer of opinion on the company and Group's previous year's statement of service performance (due to the same limitations).

We issued an unmodified opinion on the financial statements and other performance measures in the statement of service performance for the years ended 31 March 2015.

Network Waitaki limited

Year ended 31 March 2015

We were unable to form an opinion on two performance measures that are used to measure the network reliability performance – the System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) – in the statement of service performance. We could not confirm the completeness and accuracy of all the SAIDI and SAIFI outages because of:

- no independent evidence to record electricity connection faults; and
- limited control over the completeness and accuracy of interconnection point data, representing individual customer connections to the network.

Also, we could not provide assurance on the comparative information presented in the 31 March 2015 statement of service performance because we needed to issue a disclaimer of opinion on the company and Group's previous year's statement of service performance (due to the same limitations).

We issued an unmodified opinion on the financial statements and other performance measures in the statement of service performance for the year ended 31 March 2015.

Modified audit opinions – adverse opinions

Otago Museum Trust Board

Year ended 30 June 2014

The Trustees did not recognise the Trust Board's museum collection assets it owns, nor the associated depreciation expense, in the Trust's financial statements. This is not in keeping with New Zealand Equivalent to International Accounting Standard 16 (NZ IAS 16): *Property, Plant and Equipment*, which requires assets to be recognised and depreciated during their useful lives in the financial statements.

Otago Museum Trust Board

Year ended 30 June 2015

The Trustees did not recognise the Trust Board's museum collection assets it owns, nor the associated depreciation expense, in the Trust's financial statements. This is not in keeping with Public Benefit Entity International Public Sector Accounting Standard 17 (PBE IPSAS 16): *Property, Plant and Equipment*, which requires assets to be recognised and depreciated during their useful lives in the financial statements.

Pukaki ki Rotorua Charitable Trust

Year ended 30 June 2014

The Trustees did not recognise the Trust's artwork assets in its financial statements. This is not in keeping with New Zealand Equivalent to International Accounting Standard No.16 (NZ IAS 16): *Property, Plant and Equipment*, which requires assets to be recognised and depreciated during their useful lives in the financial statements.

BG Contracting Sicon Ferguson Joint Venture

Year ended 31 March 2014

The Joint Venture did not report performance information because it failed to prepare a statement of intent for the year beginning 1 April 2013. The Local Government Act 2002 requires a statement of intent and performance information to be prepared.

We drew attention to the disclosure in the financial statements that the Joint Venture failed to prepare a statement of intent for the year beginning 1 April 2014.

He Tini Awa Trust (Manawatu-Wanganui Regional Council)*Year ended 30 June 2015*

The Trust did not report performance information because it failed to prepare a statement of intent for the year beginning 1 April 2013. The Local Government Act 2002 requires a statement of intent and performance information to be prepared.

We drew attention to the fact that the Trust failed to prepare a statement of intent for the reporting period beginning 1 July 2015.

Also, our audit was limited because we could not get enough assurance about the completeness of hall hire receipts. The Trustees had limited controls over that revenue.

Finally, we drew attention to the disclosures in the financial statements that referred to the disestablishment basis appropriately being used in preparing the financial statements. The Trust was expected to be wound up within 12 months.

Modified audit opinions – qualified opinions**Christchurch City Council and Group***Year ended 30 June 2015*

Because of the effects of the earthquakes on the assets owned by the Council and Group, it has been difficult to prepare financial statements that comply with generally accepted accounting practice and legislation. As a result, our work was limited – we were unable to get enough audit evidence about a range of matters:

- Valuation of property, plant and equipment – the Council was unable to quantify the financial effect of unrepaired earthquake damage to roading, sewerage, and stormwater systems. Although the Council revalued its roading network and sewerage system assets at 30 June 2015, we were unable to confirm that the valuations had adequately accounted for the unrepaired earthquake damage to these assets. Also, the Council was unable to revalue its stormwater system assets because it did not have enough information on the condition of these assets to prepare a valuation that complies with generally accepted accounting practice. Our audit on the comparative information presented for the land, buildings, roading network, sewerage system, and stormwater system classes was also limited, for the same reasons.
- The Council was unable to determine the amount of revaluations and depreciation expense that relate to earlier reporting periods for certain property, plant and equipment – as a result, the carrying value and the associated depreciation expense might be materially incorrect. This matter also affected the comparative information. Our audit of the comparative information for water supply assets was also limited, for the same reasons.
- Capital work in progress balance – the Council was unable to accurately classify the amount of capital work in progress of \$804 million (completed by the Stronger Christchurch Infrastructure Rebuild Team) into completed assets, assets still under construction, and operating expenditure that would otherwise be recognised in the statement of comprehensive income. Further, the Council was unable to identify completed assets within the completed work in progress balance. The completed assets have not been depreciated and the old and damaged assets that have not been replaced have not been written off.

- Carrying value of insurance receivable – the Council is still negotiating with its insurers and has not allowed for any amount that might not be recoverable. We were not able to get enough appropriate audit evidence to confirm that the receipt of the insurance receivables is virtually certain, in keeping with the Council's and Group's accounting policy, because of uncertainties about the timing and amount of any insurance receivables. We were also unable to determine whether current and deferred tax balances are materially correct until the Council decides on the future of the Lancaster Park Stadium. For tax purposes, the Stadium is deemed to be irreparable and a replacement stadium will be built. This decision is subject to negotiations between the Council and its insurers.

Due to the limitations in scope affecting our audit, we were unable to obtain audit evidence in "what did it cost" sections and the associated variance explanations, including the reported comparative information in the statement of service provision.

Destination Coromandel Trust (Thames-Coromandel District Council and Hauraki District Council)

Year ended 30 June 2014

Our audit was limited because of the uncertainty over the tax expense and tax liability for the Trust. The tax status of the Trust has not been confirmed with the Inland Revenue Department. Without knowing the Trust's tax status, we could not verify whether the tax expense and tax liability were overstated or whether the Trust could be charged interest or penalties by the Inland Revenue Department.

Bay Venues Limited (Tauranga City Council)

Year ended 30 June 2014

Our audit of the comparative information presented in the 30 June 2014 financial statements was limited because the information included the 30 June 2013 financial information for Tauranga City Aquatics Limited. That company's information was qualified because of limited controls over revenue. (Tauranga City Aquatics Limited was amalgamated with Tauranga City Venues Limited on 1 July 2013 to form Bay Venues Limited.)

The World Buskers' Festival Trust (Christchurch City Council)

Year ended 30 June 2015

Our audit was limited because we could not get enough assurance about the completeness of door donations revenue. The Board of Trustees had limited controls over that revenue.

Experience Mid Canterbury (Ashburton District Council)

Year ended 30 June 2014

Our audit was limited because we could not get enough assurance about a liability for un-presented vouchers.

Kaikoura Enhancement Trust and Group (Kaikoura District Council)

Years ended 30 June 2011, 30 June 2012, and 30 June 2013

Our audit was limited because we could not get enough assurance about the carrying value of the inventory and the associated cost of goods sold. This is because the Trust did not perform a stock take of inventory and there were insufficient records to determine the balance of inventory.

Appendix 2

Summaries of the non-standard audit reports issued in 2015

The Hauraki Rail Trail Charitable Trust

Year ended 30 June 2014

Our audit was limited because we could not get enough assurance about the completeness of commission revenue. The Board of Trustees had limited controls over that revenue.

Waipa Community Facilities Trust (Waipa District Council)

Years ended 30 June 2014 and 30 June 2015

Our audit was limited because we could not get enough assurance about the completeness of cash receipts. The Trustees had limited controls over some cash receipts.

Waimakariri District Libraries Trust Incorporated (Waimakariri District Council)

Year ended 30 June 2014

Our audit was limited because we could not get enough assurance about receipts from fundraising. The Board had limited controls over that revenue.

Parakai Licensing Trust

Years ended 31 March 2011 and 31 March 2012

Our audit was limited because we could not get enough assurance about rental revenue and debtors. The Board had limited controls over that revenue and debtors.

We also drew attention to the disclosures in the financial statements that referred to the disestablishment of the Trust on 10 July 2013.

Te Kauwhata Licensing Trust

Year ended 31 March 2015

Our audit was limited because we could not get enough assurance about the completeness of some public bar, lounge bar, and wholesale revenue. The Trust had limited controls over that revenue.

Mataroa Hall Board

Year ended 30 June 2014

Our audit was limited because we could not get enough assurance about hireage revenue. The Board had limited controls over that revenue.

Whatitiri Domain Board

Years ended 30 June 2013 and 30 June 2014

Our audit was limited because we could not get enough assurance about local authority grants and interest revenue. The Board had limited controls over that revenue.

Oakura Reserve Board

Years ended 30 June 2012 and 30 June 2013

Our audit was limited because we could not get enough assurance about revenue and bonds held. The Board had limited controls over the revenue and bonds held.

Ohau Hall Board

Year ended 30 June 2014

Our audit was limited because we could not get enough assurance about revenue other than grants. The Board had limited controls over that revenue.

Ruakaka Central Domain Board

Year ended 30 June 2014

Our audit was limited because we could not get enough assurance about the completeness of hall hire receipts. The Board had limited controls over that revenue.

Awakaponga Public Hall Board

Year ended 30 June 2013

Our audit was limited because we could not get enough assurance about revenue other than interest. The Board had limited controls over that revenue.

North Canterbury Fish and Game Council

Years ended 31 August 2014 and 31 August 2015

Our audit was limited because we could not get enough assurance about the quantity of inventories or biological assets held as at balance date.

Poukiore Hall Board

Year ended 30 June 2014

Our audit was limited because we could not get enough assurance about the balance of inventories at balance date. There was not enough appropriate audit evidence about the quantities and condition of livestock recognised in the statement of the financial position.

Our audit was also limited because we could not get enough assurance about donation revenue. The Board had limited controls over that revenue.

Balfour Cemetery Trust

Year ended 31 March 2012

Our audit was limited because we were unable to obtain enough appropriate evidence to support payments for the purchase and installation of a shed.

Mangere Lawn Cemetery

Years ended 31 March 2011 and 31 March 2012

Our audit was limited because we could not get enough assurance about the receipt of operating revenue, other than revenue from sale of monuments.

We drew attention to the fact that the Board had limited controls over that revenue. Also, the Trustees failed to comply with the law by engaging in the business of selling headstones.

Calcium Cemetery

Years ended 31 March 2012, 31 March 2013, and 31 March 2014

Our audit was limited for the years from 31 March 2012 to 31 March 2014 because we were unable to obtain enough appropriate audit evidence to support payments for grave digging.

Also, our audit was limited for the year ended 31 March 2013 because we could not get enough assurance about donation receipts. The Board had limited controls over that revenue.

Unmodified opinions with “emphasis of matter” paragraphs**Kaipara District Council***Year ended 30 June 2015*

We drew attention to the disclosures in the financial statements that referred to the possible significant financial effect that could arise if the ruling on the Mangawhai Ratepayers and Residents Association’s appeal to the Court of Appeal was not in favour of the Council. This would overturn the High Court’s judgement on the Council’s ability to use rates revenue, both past and future, to service the debt raised to fund the Mangawhai Community Wastewater Scheme.

Chatham Islands Council*Year ended 30 June 2015*

We drew attention to the disclosures in the financial statements that referred to the Council failing to adopt a rates resolution when setting the 2013/14 rates, as required by the Local Government (Rating) Act 2002.

Tuam Limited (Christchurch City Council)*Year ended 30 June 2015*

We drew attention to the disclosures in the financial statements that referred to the uncertainties associated with the carrying value of settlement receivables recognised in trade and other receivables.

Creative HQ Limited (Wellington City Council)*Year ended 30 June 2015*

We drew attention to the disclosures in the financial statements about the uncertainties in measuring the fair value of shares in incubator and accelerator companies. The uncertainties were due to the early nature of the investments, the absence of quoted market prices, and the reliance placed on the information supplied by the incubator and accelerator companies.

Grow Wellington Limited and Group (Wellington City Council)*Years ended 30 June 2014 and 30 June 2015*

We drew attention to the disclosures in the financial statements about the uncertainties in measuring the fair value of shares in incubator and accelerator companies. The uncertainties were due to the early nature of the investments and the absence of quoted market prices.

Wellington Regional Economic Development Agency Limited Group (Wellington City Council)*Year ended 30 June 2015*

We drew attention to the disclosures in the financial statements about the uncertainties in measuring the fair value of shares in incubator and accelerator companies. The uncertainties were due to the early nature of the investments, the absence of quoted market prices, and the reliance placed on the information supplied by the incubator and accelerator companies.

Dunedin Venues Limited (Dunedin City Council)

Year ended 30 June 2014

We drew attention to the disclosures in the financial statements that outlined the uncertainty of the outcome of a review of the company's operations, including its governance and management structures and its funding model, by Dunedin City Council. We also drew attention to the disclosures in the financial statements about the company's financial difficulties.

Dunedin Venues Management Limited (Dunedin City Council)

Year ended 30 June 2014

We drew attention to the disclosures in the financial statements that outlined the uncertainty of the outcome of a review of the company's operations, including its governance and management structures and its funding model, by Dunedin City Council.

We also drew attention to the disclosures in the financial statements about the company's financial difficulties.

Innovation Waikato Limited and Group (Hamilton City Council)

Year ended 30 June 2014

We drew attention to disclosures in the financial statements about adjustments made to the closing balances in the 2013 financial statements (to correct errors from an earlier year).

New Zealand Food Innovation (Waikato) Limited (Hamilton City Council)

Year ended 30 June 2014

We drew attention to disclosures in the financial statements about the 30 June 2013 financial statements not being audited. Because of this, the comparative information in the current year's financial statements has not been audited.

Waikato Innovation Park (Waikato) Limited and group (Hamilton City Council)

Year ended 30 June 2014

We drew attention to disclosures in the financial statements about the 30 June 2013 financial statements not being audited. Because of this, the comparative information in the current year's financial statements has not been audited.

New Zealand Local Authority Protection Programme Disaster Fund

Year ended 30 June 2014

We drew attention to disclosures in the financial statements about the Trustees' decision to prepare special purpose financial statements rather than general purpose financial statements. They did this so that members of the Fund could assess the performance of the Fund consistently with information used in the past.

We also drew attention to disclosures in the financial statements about uncertainties in the gross claim liabilities and related reinsurance recoveries after the Canterbury earthquakes in 2010 and 2011.

Appendix 2

Summaries of the non-standard audit reports issued in 2015

New Zealand Local Authority Protection Programme Disaster Fund

Year ended 30 June 2015

We drew attention to the disclosures in the financial statements that referred to the uncertainties associated with the gross claim liabilities and the related reinsurance recoveries arising from the Canterbury earthquakes during 2010 and 2011.

New Zealand Mutual Liability Riskpool

Year ended 30 June 2014

We drew attention to disclosures in the financial statements about uncertainties associated with the outstanding claims liability and reinsurance receivables of the Scheme. There are inherent uncertainties involved in estimating those amounts using actuarial assumptions, and also a high degree of uncertainty about leaky building claims.

West Coast Development Holdings Limited and Group

Year ended 31 March 2015

We drew attention to disclosures in the financial statements that referred to uncertainties associated with assessing and measuring any impairment of the carrying value of investments in associates due to deteriorating milk pay-out prices.

New Zealand Local Government Insurance Corporation Limited

Year ended 31 December 2014

We drew attention to disclosures about New Zealand Local Government Insurance Corporation Limited and Group (trading as Civic Assurance) preparing its financial statements using the going-concern assumption, despite the company being in arbitration with its reinsurers about the limits of cover under the reinsurance programme. We also drew attention to the uncertainty about when Civic Assurance will be able to resume its normal business activities and whether it will make enough profit to allow all of its deferred tax assets to be recovered.

Te Horowhenua Trust (Horowhenua District Council)

Year ended 30 June 2015

We drew attention to disclosures in the financial statements about the uncertain outcome of a review by the Horowhenua District Council, which includes reviewing the services currently provided by the Trust. The validity of the going concern assumption depends on the Council's decision about whether the Trust will continue to deliver its services.

Northland Fish and Game Habitat Trust

Year ended 31 August 2014

We drew attention to disclosures in the financial statements about the Trust's uncertain future. The validity of the going concern assumption depends on decisions that the Trustees will make about the future of the Trust.

Rimutaka Licensing Trust and Group

Years ended 31 March 2014 and 31 March 2015

We drew attention to disclosures in the financial statements about uncertainty over the use of the going concern assumption. There is pressure on the Trust's turnover and the validity of the going concern assumption depends on decisions to be made by the Trustees.

Ruawhata Hall Board

Year ended 30 June 2014

We drew attention to disclosures in the financial statements about uncertainties over the disestablishment of the Board and the transfer of its activities to the Department of Conservation or Tararua District Council. The Department of Conservation is yet to decide whether it would approve the disestablishment of the Hall Board.

Vision Manawatu Trust

Year ended 30 June 2015

We drew attention to disclosures in the financial statements about the Trust expecting to cease operations within the next 12 months.

Christchurch Stadium Trust

Year ended 31 December 2014

We drew attention to disclosures in the financial statements about the going concern basis appropriately not being used in preparing the financial statements. The Trust had a limited life and an obligation to decommission the stadium and wind up once Christchurch has a new permanent stadium. We also drew attention to disclosures in the financial statements about expected financial difficulties, which the Trust will not be able to manage without additional support from external parties.

Auckland Council Property Limited (Auckland Council)

Year ended 30 June 2015

We drew attention to disclosures in the financial statements about the disestablishment basis appropriately being used in preparing the financial statements. The company was to be disestablished on 1 August 2015.

FreightGate Limited

Year ended 30 June 2015

We drew attention to disclosures in the financial statements about the disestablishment basis appropriately being used in preparing the financial statements. The directors have resolved to wind up the company.

Kauri Finance Limited (Porirua Community Trust)

Year ended 31 March 2015

We drew attention to disclosures in the financial statements about the disestablishment basis appropriately being used in preparing the financial statements. The directors have resolved to wind up the company.

Mana Community Grants Foundation (Porirua Community Trust)*Year ended 31 March 2015*

We drew attention to disclosures in the financial statements about the disestablishment basis appropriately being used in preparing the financial statements. The Trustees have resolved to wind up the Foundation.

Taranaki Provincial Patriotic Council*Year ended 30 September 2013*

We drew attention to disclosures in the financial statements about the disestablishment basis appropriately being used in preparing the financial statements. The Council transferred its activities and assets to the Taranaki Patriotic Trust on 1 October 2013.

Whanganui District Council Sinking Fund Commissioners*Year ended 30 June 2014*

We drew attention to disclosures in the financial statements about the disestablishment basis appropriately being used in preparing the financial statements. The Sinking Fund was wound up on 30 June 2014.

Puhoi Cemetery*Period ended 20 February 2014*

We drew attention to disclosures in the financial statements about the disestablishment basis appropriately being used in preparing the financial statements. The control and management of the cemetery was transferred to Auckland Council on 20 February 2014.

Blacks Cemetery Trustees*Years ended 31 March 2011 and 31 March 2012*

We drew attention to disclosures in the financial statements about the disestablishment basis appropriately being used in preparing the financial statements. Central Otago District Council decided to disestablish the Trust and take over its functions in December 2012.

Taranaki Tree Trust*Year ended 30 June 2015*

We drew attention to disclosures in the financial statements about the going concern basis appropriately not being used in preparing the financial statements. The Trust has indicated that its business operations are ending in the next 12 months.

Tararua Foundation*Year ended 31 March 2015*

We drew attention to disclosures in the financial statements about the going concern basis appropriately not being used in preparing the financial statements. The Foundation sold all of its assets and liabilities to Trust House and became a dormant entity.

Partnership Wellington Trust Incorporated (Wellington City Council)

Year ended 30 June 2015

We drew attention to disclosures in the financial statements about the realisation basis appropriately being used in preparing the financial statements. Partnership Wellington Trust Incorporated and Wellington Regional Economic Development Agency Limited signed an asset transfer agreement in December 2014.

Canterbury Economic Development Company Limited

Year ended 30 June 2015

We drew attention to disclosures in the financial statements about the company not having a statement of service performance because it is inactive and did not have any performance information to report.

We also drew attention to the company not complying with the law because it failed to complete a statement of intent for the period beginning 1 July 2015 by 30 June 2015.

Tauwhareparae Forests Limited (Gisborne District Council)

Year ended 30 June 2015

We drew attention to disclosures in the financial statements about the company not having a statement of service performance because it is inactive and did not have any performance information to report.

We also drew attention to the company not complying with the law because it failed to complete a statement of intent for the period beginning 1 July 2015 by 30 June 2015.

Westland Nature Trust (Westland District Council)

Year ended 30 June 2014

We drew attention to disclosures in the financial statements about the company not having a statement of service performance because it is inactive and did not have any performance information to report.

We also drew attention to the company not complying with the law because it failed to complete a statement of intent for the period beginning 1 July 2014 by 30 June 2014.

Whanganui Gas Limited (Whanganui District Council)

Year ended 30 June 2015

We drew attention to disclosures in the financial statements about the company not preparing a statement of service for the year ended 30 June 2015, as required by the Energy Companies Act 1992.

We also drew attention to disclosures about the company reporting its performance information according to measures that would have been agreed and approved by the Board of Directors in the statement of intent for the year ended 30 June 2015 if a statement of intent had been prepared under the Energy Companies Act.

Unmodified opinions with “other matter” paragraphs

New Zealand Food Innovation South Island Limited (Christchurch City Council)

Year ended 30 June 2014

We drew attention to the company failing to comply with the law because it did not issue a statement of intent by 30 June 2013 for the reporting period beginning 1 July 2013.

Aoraki Development and Promotions Limited (Timaru District Council)

Year ended 30 June 2015

We drew attention to the company failing to comply with the law because it breached the statutory reporting deadline.

Aorangi Stadium Trust (Timaru District Council)

Year ended 30 June 2015

We drew attention to the company failing to comply with the law because it breached the statutory reporting deadline.

Publications by the Auditor-General

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

- Department of Conservation: Prioritising and partnering to manage biodiversity – Progress in responding to the Auditor-General’s recommendations
- Public sector accountability through raising concerns
- A review of public sector financial assets and how they are managed and governed
- Improving financial reporting in the public sector
- Principles for effectively co-governing natural resources
- Governance and accountability for three Christchurch rebuild projects
- Central government: Results of the 2014/15 audits
- Delivering scheduled services to patients – Progress in responding to the Auditor-General’s recommendation
- Matters arising from the 2015-25 local authority long-term plans
- Earthquake Commission: Managing the Canterbury Home Repair Programme – follow-up audit
- Ministry for Primary Industries: Preparing for and responding to biosecurity incursions – follow-up audit
- Governance and accountability of council-controlled organisations
- Queenstown Lakes District Council: Managing a conflict of interest in a proposed special housing area
- Reviewing aspects of the Auckland Manukau Eastern Transport Initiative
- Annual Report 2014/15

Website

All these reports, and many of our earlier reports, are available in HTML and PDF format on our website – www.oag.govt.nz.

Notification of new reports

We offer facilities on our website for people to be notified when new reports and public statements are added to the website. The home page has links to our RSS feed, Twitter account, Facebook page, and email subscribers service.

Sustainable publishing

The Office of the Auditor-General has a policy of sustainable publishing practices. This report is printed on environmentally responsible paper stocks manufactured under the environmental management system standard AS/NZS ISO 14001:2004 using Elemental Chlorine Free (ECF) pulp sourced from sustainable well-managed forests. Processes for manufacture include use of vegetable-based inks and water-based sealants, with disposal and/or recycling of waste materials according to best business practices.

Office of the Auditor-General
PO Box 3928, Wellington 6140

Telephone: (04) 917 1500
Facsimile: (04) 917 1549

Email: reports@oag.govt.nz
Website: www.oag.govt.nz

Photo acknowledgement:
© iStock LazingBee.