



Summary of our report

Local government: Results of the 2016/17 audits



This report presents the results of our annual audits and other work in local government during 2016/17. Some of our findings are recurring, which is of concern.

Elected members are ultimately responsible for what a local authority does, how it does it, and the consequences. We acknowledge the multiple demands on local authorities to balance service delivery and costs, and we hope that the findings in this report make a useful contribution to addressing matters that need to be considered.

The financial results for 2016/17 did not reveal dramatic changes or significant new trends compared to previous years. That said, the concerns that we have had in recent years remain.

We continue to be concerned that local authorities might not be investing enough to ensure ongoing delivery of services. We recognise that we cannot make firm conclusions using financial information alone and that each local authority has different circumstances. However, where underinvestment occurs beyond the short term, service levels may not be maintained in the future as the risks of asset failure increase.

Relevant and reliable information about assets remains a challenge for local authorities. Without good information about assets, elected members cannot make good decisions about whether they are spending the right amount at the right time on the assets they govern.

Local authority revenue and debt continues to increase. This is not wholly unexpected, and local authorities as a whole are managing their debt prudently. However, local authorities should continue to be mindful of the level of debt they hold and ensure that they have enough forms of revenue to service it.

Rating practices have continued to raise compliance and legal concerns. We continue to recommend that local authorities seek guidance and expert assurance and advice when setting and administering rates. The Northland Regional Council case highlights some of the complexities in the rating area.

Vital statistics:

- 60 pages
- Presented to Parliament on 29 March 2018
- Download from www.oag.govt.nz
- Contact: reports@oag.govt.nz

There were several large severance payments to departing senior employees in 2016/17. Our auditors reviewed how the local authorities and council-controlled organisations that made these payments authorised and disclosed them in their annual reports. Disclosure requirements are not straightforward. It can be helpful to readers of annual reports for entities to add extra information to explain the disclosures of severance payments.

We continue to recommend that public entities take a careful approach to making severance payments to ensure that they are not a waste of public funds and will withstand scrutiny.

During 2017, we issued 375 audit reports on the financial statements and performance information of local authorities, their subsidiaries, and related organisations. Of the 375 reports, 359 included unmodified audit opinions, which meant that reliable information is available to most communities and stakeholders.

Earthquake-related issues affected the opinions we issued for Kaikōura District Council and Hurunui District Council. The November 2016 earthquake demonstrated, yet again, how dramatic, disruptive, and expensive these events can be. They serve as a reminder for local authorities to plan for and try to mitigate the risks of natural hazards.

Local authorities are required to publicly release their adopted annual report and annual report summaries within statutory time frames. In 2017, six local authorities did not release their annual reports within one month of adoption and 13 missed the deadline to release their summary annual reports. It is concerning that some local authorities are not meeting their basic accountability obligations.

We administer the Local Authorities (Members' Interest) Act 1968, which governs the financial interests that elected members can have with the local authorities they serve. The Act can also have implications for the eligibility of those seeking election to council. The Act is 50 years old, outdated, and challenging to administer. We will continue to raise our concerns with the Department of Internal Affairs (as the administering department for the Act).

Looking ahead

When this report is published, local authorities should have prepared their consultation documents for their 2018-28 long-term plans and will be starting to receive feedback from their communities.

In completing our work on local authority consultation documents and long-term plans, we have a particular focus on local authorities' asset-related forecasts. We are particularly interested in the matters we have raised above and in understanding the effects of any underinvestment in maintaining assets.

We will report our findings of our audits on the local authority consultation documents and 2018-28 long-term plans later in the year.