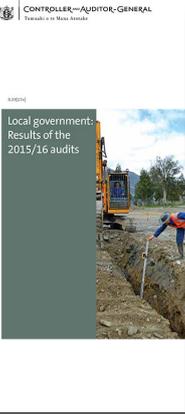




Summary of our report

Local government: Results of the 2015/16 audits



CONTROLLER AND AUDITOR-GENERAL
Tumuaki o te Mana Arotake

Local government:
Results of the
2015/16 audits

Investing in infrastructure needs careful thought

Local authorities continue to report a low level of capital expenditure on renewals compared to depreciation expenditure. Depreciation represents each local authority's best estimate of the proportion of assets that it has used up during the period. Renewal capital expenditure represents the extent to which the proportion of assets used has been reinstated.

Any significant shortfall in reinvestment, particularly for multiple years, can indicate that a local authority's assets are being run down and whether local authorities are investing enough to maintain their existing infrastructure.

Furthermore, local authorities are carrying out substantially less capital work than budgeted. This indicates that local authorities might be underinvesting in their assets.

Each local authority's circumstances are unique. We encourage each local authority to consider whether it is underinvesting in its assets and, if so, the likely effect of that underinvestment on service levels

We expect individual local authorities to have a comprehensive understanding of their critical assets and the cost of adequately maintaining them, and to periodically renew components reaching the end of their useful lives. Elected members need this information to decide how to manage the assets they govern. Only then can they have meaningful conversations with their communities about how to fund the reinvestment in assets or the consequences of not doing so.

Prioritising communication with communities and stakeholders

Most local authorities, their subsidiaries, and related organisations received an unmodified audit opinion on their 2015/16 financial statements. This means that most communities and stakeholders are receiving information that they can rely on. Only 4.9% of the annual audit reports issued in 2016 contained modified opinions, meaning that either we disagreed with how the organisation reported information or we could not get the supporting information we needed.

Vital statistics:

- 44 pages
- Presented to Parliament on 12 April 2017
- Download from www.oag.govt.nz
- Contact: reports@oag.govt.nz

Seventy-six local authorities met the statutory deadline for adopting their annual report. However, the decrease in local authorities making their audited annual report and summary annual report available to the public in a timely manner and within the statutory deadline is of concern.

It is important that ratepayers and communities receive timely information. A delay undermines effective accountability, which in turn undermines communities' continued trust and confidence in their local authority. We expect all local authorities to set up strong and effective systems for reporting on their performance and to have effective project management processes to meet statutory deadlines for accountability documents.

In 2014, changes were made to the Local Government Act 2002 as part of measures to enable more efficient and focused consultation on long-term and annual plans. Local authorities are now required to consult on annual plans only if they propose significant changes from their long-term plans. As a result, local authorities had to consider how they would consult on their 2016/17 annual plans.

We commend those local authorities that looked for new ways to engage with their community and had conversations with their community before finalising their 2016/17 annual plans.

Getting it right

Elected members are ultimately responsible for “getting it right” when it comes to what the local authority does and how it does it. This means that elected members should ask appropriate questions and be satisfied that their local authority has appropriate policies and practices.

A local authority's power to set rates is essentially the power to tax people for the costs of the services the local authority provides. A recent High Court decision highlighted the importance of getting it right when setting rates. Although setting rates can be complex, it is concerning that some local authorities are not meeting best practice. Local authorities are responsible for ensuring that they comply with their legal and accountability obligations.

Other work in the local government sector that we have completed in the last year, such as examining the Canterbury rebuild and our review of service performance for Auckland Council, highlight some important lessons, including the need for good project monitoring and governance. During this work, we noted that getting the basics right did not happen consistently.