Controller and Auditor-General
Tumuaki o te Mana Arotake

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Our 2018 work about local government

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Our 2018 work about local government

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

May 2019

ISBN 978-0-9951185-2-2

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Auditor-General's overview

E ngā mana, e ngā reo, e ngā karangarangatanga maha o te motu, tēnā koutou.

For councils, 2017/18 was a significant year. In addition to their annual reporting responsibilities, they were also required to complete their 2018-28 long-term plans (LTPs) and have these audited.

The LTPs show that councils are facing many significant and often conflicting challenges that they need to plan for. All councils are responding to the need to increase their spending on renewing infrastructure. The expenditure required is often higher than in previous years because of historical underinvestment and the need to improve services to meet increased standards and community expectations. Some councils are also responding to high levels of population growth.

Councils' 2017/18 financial information shows positive trends in investment in infrastructure. However, councils will need to maintain momentum in delivering significant capital projects to meet the levels of service they have committed to in their 2018-28 LTPs. This will require careful planning and management over an extended period of time.

Communities need to be well informed and, when appropriate, involved in the processes to address the challenges that they are facing. Communities are changing, as are their expectations of councils and government more generally. Communities want to interact with public organisations in different ways and be part of the conversation about responding to the range of challenges that could arise. Community members want to know what plans mean for them as individuals as well as for their community as a whole.

Councils need good information to support conversations with their communities and to make optimal decisions.

The LTPs and other work my Office has carried out during the year show that councils have more to do to collect better information about:

- the condition and performance of their critical assets;
- the likelihood of natural hazard events occurring (for example, flooding); and
- the effects of climate change on their infrastructure and community.

These challenges are not just for councils to deal with. Central and local government need to work together to address them. The local government sector is currently subject to two major reviews by central government. Both of these – the review of how drinking water, wastewater, and stormwater (the three waters) are supplied and regulated, and the Productivity Commission's funding and financing review – could result in significant recommendations for change.

Responding to challenges will require councils to be agile and they could need to act quickly. However, that should not come at the expense of following proper processes and informed decision-making. Frameworks exist so that matters can be dealt with quickly and appropriately. Councils need full and proper records of their work that show what decisions were made, how they made them, and the basis on which these were made.

We saw that some councils are looking to new and innovative solutions to fund the delivery of their work programmes. It is important that councils carry out appropriate due diligence, given the inherent risks associated with non-standard approaches.

An effective audit and risk committee can be a powerful advisory group to help councillors. Audit and risk committees can provide external and independent perspectives to the risks, issues, and challenges facing councils. Many councils already have committees in place and greatly benefit from their advice. I would like to see all councils have an effective audit and risk committee with an independent chairperson. This would support councillors to consistently make well-informed decisions on behalf of their communities.

Finally, councils need to carefully plan for the preparation, audit, and adoption of their 2018/19 annual reports, particularly with 2019 being an election year. In 2017/18, seven councils failed to meet their statutory deadline for adopting their annual report. We know that many councils missed their statutory deadline because they had to resolve challenging technical matters, such as the valuation of assets and how to account for unusual one-off transactions. In a few instances, my auditors contributed to the delays as they worked through some complex matters. To resolve these matters effectively and in a timely way, councils need to identify and consider complex issues early and obtain appropriate accounting advice. This will also require early involvement of their auditor.

Since my appointment in July 2018, I have had the opportunity to meet many mayors, chairpersons, and chief executives in local government. I appreciate the welcome they have given me and their thoughts on challenges for local government and priorities for my Office.

My staff and I look forward to continuing to work with local government organisations in the coming year.

Nāku noa, nā,

John Ryan

Controller and Auditor-General
23 May 2019

Introduction

1

1.1 This report presents the main findings from our audits of councils' long-term plans (LTPs), the results of our annual audits, and other work in local government during 2017/18.

1.2 Every three years, we are required to audit councils' LTPs. The 2018-28 LTPs are the most recent LTPs to be audited. In Part 2, we discuss the matters arising from our audits of councils' consultation documents and LTPs. We also provide information about the financial position that councils are in at the start of the 2018-28 LTP period.

1.3 The Auditor-General has the power to carry out discretionary work in the form of performance audits and inquiries into aspects of the public sector's performance. In Part 3, we discuss the discretionary work with a local government focus that we have completed during 2018.

1.4 In Parts 4 and 5, we discuss two main components of the 2017/18 annual audits of councils:

- how timely councils were in adopting their annual reports and making their annual reports and summary annual reports publicly available; and
- the types of audit opinions we issued on the financial statements and performance information of councils, their subsidiaries, and organisations associated with or related to councils.

2 Councils’ 2018-28 long-term plans and their financial results for 2017/18

2.1 We have published two reports describing the findings from our audits of the 2018-28 LTPs:

- *Long-term plans: Our audits of councils’ consultation documents*; and
- *Matters arising from our audits of the 2018-28 long-term plans*.

2.2 This Part sets out the main findings from our LTP reports. It also discusses the financial position councils are in (as derived from the audited 2017/18 annual reports) at the start of the 2018-28 LTP period.[1]

Our audits of councils’ long-term plan consultation documents

2.3 In August 2018, we published a report about our audits of councils’ consultation documents for their LTPs. We considered that all of the 2018-28 consultation documents were fit for purpose. However, many of the opportunities for improvement that we described in our 2015 report on the first consultation documents had not been realised.

2.4 Consultation documents contain the matters councils are consulting on and contextual information for these matters. Achieving a balance between contextual information and the issues being consulted on is one of the challenges councils face when preparing consultation documents. Too much contextual information can make a consultation document daunting to read and limit its effectiveness.

2.5 The more effective consultation documents used plain language and were clear about the matters being consulted on. We considered that Hauraki District Council, Waimate District Council, Horowhenua District Council, and Gisborne District Council had particularly useful consultation documents.

2.6 Because communities are diverse, it is important that councils understand the different groups in their community so they can present issues and options in a way that the entire community can understand and respond to. Some councils engaged with their communities before the consultation process started – for example, by setting up informal meetings at a venue where people could drop in and speak to councillors and staff, or by running radio advertising campaigns. These councils wanted to encourage community participation and understand what their communities expected. We considered this engagement before consultation to be valuable because it increased the likelihood that people would be familiar with the important issues and the choices their council was having to make.

2.7 To provide a useful resource for the next time councils prepare and consult on their LTPs, our report on consultation documents contains a mix of commentary and good-practice guidance. We encourage councils to challenge themselves on

1 The 2017/18 financial information excludes the results of Hurunui District Council and Kaikōura District Council. The annual reports of these councils had not been adopted when we completed the analysis for this report.

where they can improve, both in how they produce a consultation document and the processes they use to engage with their community.

Matters arising from our audits of the 2018-28 long-term plans and councils' 2017/18 financial results

2.8 In February 2019, we published *Matters arising from our audits of the 2018-28 long-term plans*. All but one LTP was an effective basis for decision-making and accountability. Four matters stood out from our audits of the 2018-28 LTPs and councils' 2017/18 financial results.

Councils' forecasts for capital expenditure and debt

Capital expenditure

2.9 The 2018-28 LTPs show significant forecast capital expenditure compared with previous LTPs and what councils as a whole have previously spent. In 2017/18, councils' total capital expenditure was $4.3 billion, which was about 84% of the $5.1 billion budgeted.[2] For 2018/19, councils as a whole forecast $5.7 billion on capital expenditure.

2.10 An increase in forecast capital expenditure is not new. What is new is the significant increase in the amount of forecast capital expenditure compared with previous LTPs. The increase in the forecast capital expenditure is mainly because of:

- councils' plans to meet demands arising from growth;
- new levels-of-service requirements (for example, the standards required through national policy statements); and
- the need to renew existing assets, because many assets are simply at the age where they need further investment.

2.11 The largest increases to forecast capital expenditure compared with the 2015-25 LTPs are to address the demand from growth and to improve levels of services. Renewing existing assets remains the largest category of forecast capital expenditure.

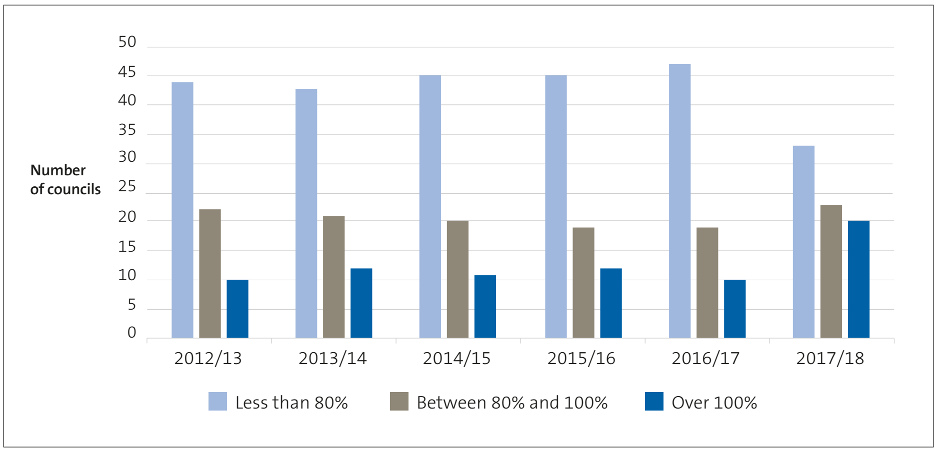
2.12 The capital expenditure forecasts included in LTPs will be challenging to achieve. Figure 1 shows that, from 2012/13 to 2016/17, most councils spent less than 80% of their capital expenditure budgets each year. Although the number of councils spending less than 80% of their capital expenditure budgets remains the largest category in 2017/18, the number of councils in that category has dropped compared with previous years.

2 This information is from the statement of cash flows of councils. It includes only the cash that councils spent on purchasing property, plant, and equipment and intangible assets. When capital expenditure, as reflected in all councils' whole-of-council funding impact statements, is compared with budget in those statements, 86% of budgeted capital expenditure has been incurred. We consider that the difference between the 84% and the 86% is because of year-end accruals.

2.13 Although it might differ for individual councils, we expect that councils will need to carefully plan, prioritise, and monitor their capital programme in 2018/19 and beyond so they can realistically achieve capital programme budgets and deliver the levels of service agreed with their communities.

Figure 1
How much councils spent of their budgeted capital expenditure, 2012/13 to 2017/18

In 2017/18, 33 councils spent less than 80% of their capital expenditure budgets. This was fewer than in previous years. For example, in 2016/17, 47 councils spent less than 80% of their capital expenditure budgets.



2.14 Most councils' capital expenditure is generally for reinvesting in their assets. When we analyse this level of expenditure, we remain concerned that councils as a whole might not be adequately reinvesting in their assets. This could result in the quality of their assets deteriorating. If councils continue to underinvest in their assets, the cost of reinvestment to regain the quality lost might fall on future generations.

2.15 To consider how councils are reinvesting in their assets, we compared renewal capital expenditure with depreciation. We consider depreciation to be the best estimate of what portion of the asset was "used up" during the financial year.

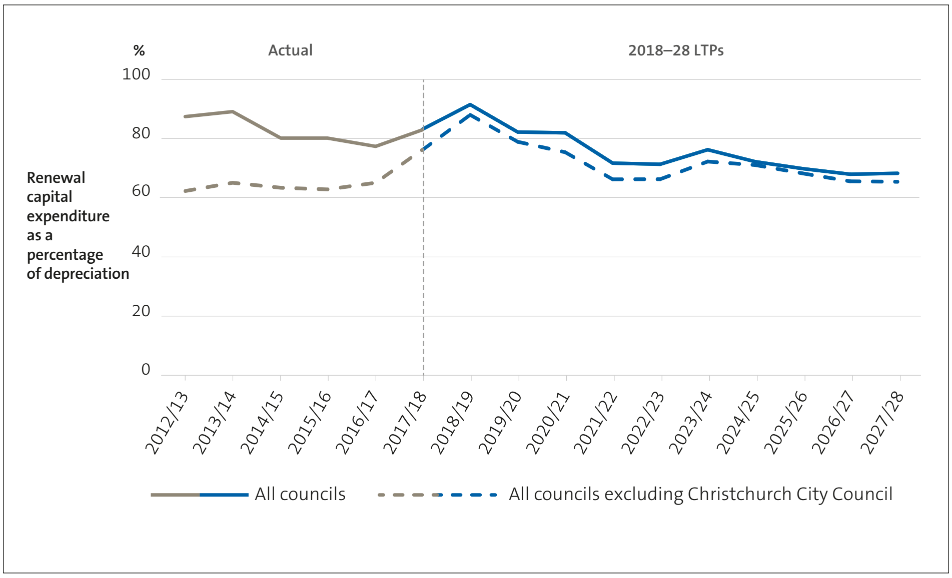
2.16 Figure 2 compares renewal capital expenditure with depreciation for all councils. This is in two distinct periods – the **actual expenditure from councils' annual reports up to 2017/18** and their **forecast expenditure described in the 2018-28 LTPs**. There are two lines on the graph. One line includes all councils. The other, dotted line excludes Christchurch City Council. Christchurch City Council's renewal capital expenditure is proportionately higher than other councils because of the rebuilding work required as a result of the Canterbury earthquakes. Excluding

Christchurch City Council gives a truer reflection of all councils' expenditure on reinvesting in their assets.

2.17 Renewals remain less than depreciation during these 16 years.

Figure 2
Renewal capital expenditure compared with depreciation for all councils, 2012/13 to 2027/28

The graph is divided into two distinct periods: the actual expenditure as described in councils' annual reports (2012/13-2017/18) and councils' forecast expenditure described in their 2018-28 LTPs (2018/19-2027/28). There are two lines on the graph. The solid line includes all councils, and the dotted line excludes Christchurch City Council. Both lines show that renewal capital expenditure is less than depreciation for the actual period from 2012/13 to 2017/18, as well as for the 10-year forecast period of the 2018-28 LTPs.



2.18 Our analysis indicates only whether the overall expenditure is enough to maintain existing assets. We urge individual councils to continue considering whether they are adequately maintaining their assets. From our audits of the 2018-28 LTPs, we found that most councils understood that they would need to plan for a renewals peak at some future stage, when renewal capital expenditure will have to exceed depreciation. Some councils still need to complete this work so they can make informed decisions about how assets will continue to be maintained in the future.

Debt

2.19 The increase in forecast capital expenditure described in councils' 2018-28 LTPs indicates that councils could face funding challenges. This is particularly so for councils that are dealing with growth in their cities or districts and are forecast to reach the debt limits that they have set (which are generally in line with the requirements of the institutions that they borrow from).

2.20 To date, councils are managing these funding challenges and debt remains within debt limits. Councils had $16.1 billion of debt at 30 June 2018. This was $0.2 billion less than what councils had budgeted and $1.2 billion more than at 30 June 2017.

Responding to climate change

2.21 Communities are already feeling the effects of climate change and that will compound the pressure of increasing capital expenditure forecasts. However, most councils are deferring making decisions about how to respond to the effects of climate change because there is too much uncertainty.

2.22 It makes little sense for all 78 councils to individually focus on the effects of climate change. In our view, there is a need for continued leadership from central and local government to deal with climate change matters. In particular, they should consider:

- what data is needed and which public organisation is going to collect that data;
- the quality required of this data; and
- how this data will be used in future planning and accountability documents, such as the LTPs.

Better understanding the performance and condition of critical assets

2.23 To support better planning, councils need to do more to better understand the performance and condition of their most critical assets. Councils generally have information about the age of their assets. However, councils also need reliable and complete information about how those assets are actually performing to ensure that they are being managed in the most efficient and effective way.

2.24 In their LTPs, many councils described the strategies they are putting in place to define what their critical assets are and then collecting the information they need. However, the issues faced by councils are becoming more complex so they need to start prioritising completing this work.

2.25 We are mindful that it takes time to collect better asset condition information. If there are gaps or weaknesses in the information, it is important that councils communicate them and their possible implications to the community. Councils should take a precautionary approach for significant services in the meantime.

The content of the long-term plans

2.26 Since the introduction of the Local Government Act 2002, there have been many changes to the process, purpose, and content of LTPs. We have supported some of these changes – such as the introduction of financial and infrastructure strategies.

2.27 However, there are some matters that are, in our view, less effective. We consider it timely for the Department of Internal Affairs and the local government sector to discuss and review the required content for LTPs to ensure that they remain fit for purpose. These less-effective matters include:

- the current suite of mandatory performance measures;
- the disclosure requirements for financial and infrastructure strategies;
- disclosures required under the Local Government (Financial Reporting and Prudence) Regulations 2014; and
- how assumptions are disclosed.

3 Our recent reports and letters about local government

3.1 In 2018, we published a range of reports and letters related to local government:

- *Monitoring how water is used for irrigation*;
- *Port companies: Matters arising from our 2016/17 audits*;
- *Managing the supply of and demand for drinking water*;
- *Effectiveness of Auckland Council's post-implementation review process*;
- *Sea Change – Tai Timu Tai Pari: Creating a marine spatial plan for the Hauraki Gulf*; and
- *Managing stormwater systems to reduce the risk of flooding*.

3.2 We also published on our website four letters that we sent to councils. These letters responded to concerns raised with us about aspects of councils' performance. We chose to publish these letters on our website because the concerns raised were of high interest to the affected communities.

3.3 In this Part, we provide summaries of these reports and letters.

Monitoring how water is used for irrigation

3.4 We looked at how freshwater used for irrigation is tracked and measured by six councils. Together, these six councils monitor about 90% of freshwater used for irrigation in the country. To carry out our audit, we examined how well water meter installation was managed, the quality and use of data collected, and whether the data was contributing to positive change.

3.5 The six councils faced challenges, including a shortage of companies to install the water meters. Water meters have now been installed for almost all of the largest water takes. However, the quality of data collected can be poor, and there can be problems when data is collected manually. We considered that data collected electronically would be more accurate, timely, and useful.

3.6 The six councils are starting to use information from water meters to educate people and organisations holding water permits about how they can use freshwater more efficiently and to show how much water is used. However, we considered that more could be done. We recommended that councils continue to work with water permit holders and data service providers to improve the timeliness and completeness of the water-use data received.

3.7 Our main recommendations were for the Ministry for the Environment. We recommended that the Ministry:

- review the part of the Resource Management (Measurement and Reporting of Water Takes) Regulations 2010 that allows for manual data collection and annual data provision, and work with councils that have oversight of water

metering, to ensure that people and organisations holding water permits regularly submit accurate data using automated processes;
- work with councils that manage freshwater resources and other interested groups to use water-use data to encourage compliance with water permits and the limits they impose, enabling effective and efficient use of freshwater resources; and
- evaluate the benefits of water metering to understand how it has changed the way people and organisations holding water permits have used what they have been allocated.

Port companies: Matters arising from our 2016/17 audits

3.8 In June 2018, we wrote to port companies to raise two matters identified during our 2016/17 audits.

3.9 First, we identified considerable variation in individual port companies' reported returns. The different approaches port companies take to valuing their property, plant, and equipment partly account for the variation in reported returns.

3.10 We were concerned that this affects the ability of shareholders, Parliament, and the public to assess the performance of the individual port companies and the port sector as a whole.

3.11 Financial reporting standards allow port companies to value their property, plant, and equipment at either cost or fair value.[3] We consider that it is most appropriate to use fair value and to assess the fair value based on the expected cash flows to be generated. This will provide the most useful financial information to stakeholders, help inform investment decisions, and make company and sector performance more transparent.

3.12 Secondly, two port companies have been severely affected by earthquake damage, which had consequences for their business continuity and insurance cover.

3.13 Lyttelton Port Company Limited and CentrePort Limited had their assets badly affected by earthquake damage. The damage to these companies' assets and their ability to operate was considerable. However, both companies were able to continue operating, and both had insurance cover to assist with the amount of reinvestment needed for the future.

3.14 The consequences of such natural events are often ongoing and create a variety of uncertainties years after the events.

3 External Reporting Board (2015), *New Zealand Equivalent to International Financial Reporting Standard 16: Property, Plant and Equipment* (NZ IAS 16), Wellington. The term "fair value" is defined in for-profit accounting standards as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction".

3.15 In considering our letter to port companies, we recommend that councils regularly review and understand the performance of the investments they hold, whether the investment is in a port company, a council-controlled organisation, an investment property, or cash. Investment rates of return vary over time, and so can the cost of insuring property and plant.

3.16 In our 2013 discussion paper *Insuring public assets*, we asked "How well are risk assessments being done to inform decisions about insurance, including assessments of the likely costs to replace assets?" We encourage councils to ask these types of questions about their investments. For other assets, we encourage councils to ask "Have we done the work to understand and manage our risks?" and "Are we fully satisfied that our valuation methodologies and policies are current best practice?"

Managing the supply of and demand for drinking water

3.17 We audited four councils – Horowhenua District Council, Kāpiti Coast District Council, Manawatu District Council, and Palmerston North City Council – to understand the challenges they face in supplying drinking water to their communities.

3.18 Supplying drinking water can be complex. As with providing stormwater and wastewater infrastructure, drinking-water supply involves expensive underground assets – but it also needs expensive above-ground assets, such as water treatment plants and reservoirs. For all four councils, some aspects had been done well and others could be improved.

3.19 All four councils were facing challenges and funding constraints. In the absence of national outcomes for supplying drinking water, principles for decision-making, or requirements that set out what a high standard of water supply management should look like, councils are responding to their particular challenges in ways that they consider prudent and responsible.

3.20 Currently, there are stronger incentives for councils to take a traditional supply management approach and relatively weak incentives for councils to carry out demand management by conserving water when managing their drinking water supply. A traditional supply management approach tends to put less emphasis on leak reduction and water conservation, especially when water supplies are considered plentiful. We recognise that more councils are focusing more on water conservation and efficiency, including understanding more about the end use of water.

3.21 In our view, councils that have a broad range of objectives for providing drinking water and a greater balance between supply and demand management tools are in a better position to respond to future challenges. This is because they have taken a more comprehensive approach to providing drinking water. Although a traditional approach is satisfactory in the short or medium term, it risks limiting councils' ability to take a planned and deliberate approach to responding to the range of challenges that could arise.

Effectiveness of Auckland Council's post-implementation review process

3.22 Post-implementation reviews (PIRs) evaluate how well a project has been managed and whether the benefits of that project have been achieved. They are an important part of an organisation's performance management framework, providing information about performance and lessons for future projects.

3.23 As part of our regular reviews of Auckland Council, we reviewed the process used for carrying out the PIRs of two of its projects: "Contact Centre Consolidation" and "Libraries Fit for the Future". We looked at how effective, fair, and balanced the PIR process was for each project.

3.24 Our review found the process used for carrying out the PIRs was robust and followed good practice guidance. The planning and fieldwork was effective, which meant relevant evidence was collected. There were some matters that, in our view, could be improved and our report includes several recommendations about the PIR process.

3.25 There are lessons for all councils in our report. We consider the use of PIRs to be good practice. For all councils considering carrying out a PIR, we prepared a checklist to support effective reviews.[4]

Sea Change – Tai Timu Tai Pari: Creating a marine spatial plan for the Hauraki Gulf

3.26 The Sea Change – Tai Timu Tai Pari project was to prepare a marine spatial plan for the Hauraki Gulf, New Zealand's first marine spatial plan. We audited how the public organisations involved, including Auckland Council and Waikato Regional Council, set up the project and supported the Stakeholder Working Group and Project Steering Committee. We also looked at how the organisations planned during the project for implementation of the marine spatial plan.

3.27 We wanted to identify what other organisations could learn from this collaborative approach. Similar collaborative approaches are increasingly used for managing rivers, lakes, and streams (and other natural resources) and to support councils' decision-making.

4 For the checklist, see: Office of the Auditor-General (2018), *Effectiveness of Auckland Council's post-implementation review process*, Appendix 2, at www.oag.govt.nz.

3.28 The project was large and ambitious. It was aimed at addressing a complex problem that involved many overlapping interests. In many ways, the project was a successful example of a stakeholder-led collaborative approach. It resulted in a completed plan with general support from those who prepared it.

3.29 However, the project plan is not easy to implement, and those involved in the project were frustrated at the lack of progress in implementing the plan. There needed to be more communication of the plan with stakeholders to ensure that everyone was in agreement. There also needed to be more of a balance between the stakeholder-led group having enough independence during the project and still having the right amount of involvement from government organisations.

3.30 It is important to allow enough time for collaboration between representatives so they can effectively discuss, negotiate, and agree on complex issues. Towards the end of the project, and when the plan had been finished, there was little discussion with the community. Community involvement on the project plan is important because it provides an opportunity for community members to provide feedback. The plan could have had been better communicated with the community, which would have helped give the plan wider support.

3.31 The project's success ultimately depends on how the plan is used and whether its recommendations are incorporated into local and central government decision-making.

3.32 Collaborative approaches are increasingly used to prepare plans for protecting natural resources. We encourage all organisations that are setting up collaborative planning projects to consider what can be learned from the Sea Change – Tai Timu Tai Pari project.

Managing stormwater systems to reduce the risk of flooding

3.33 Our report described how Dunedin City Council, Porirua City Council, and Thames-Coromandel District Council managed their stormwater systems to protect people and their property from the effects of flooding. Flooding is our most frequent natural hazard, with multiple, social, environmental, and economic implications.

3.34 The three councils had an incomplete understanding of the flood risk in their districts. Much of their assessment of flood risk has been based on the information collected after a flood. This reactive approach risks councils focusing on reducing the effects of the most recent flood, rather than considering all possible flooding events and their effects and prioritising work to the most significant risk. It also means that the councils cannot forecast accurately and risk being poorly prepared for unanticipated events.

3.35 The three councils have gaps in their understanding of the current state of their stormwater systems. These gaps limit their ability to make well-informed and deliberate decisions about how to manage those systems. It also means that the councils are unlikely to have had informed conversations with their communities about the potential risk of flooding and the cost of reducing that risk.

3.36 Councils as a whole are planning to continue spending less than depreciation on renewing stormwater assets, which might indicate that they are underinvesting in maintaining those assets. Underinvestment will increase the risk of stormwater systems being unable to cope with rainfall that results in flooding. The historical underinvestment in stormwater systems creates a level of urgency for improvement. People need to be confident that the stormwater system will continue to protect their homes and property from flooding.

3.37 The three councils were already aware of some of the issues that we identified and are planning improvements. These councils are at varying stages of making improvements. However, all three have more to do.

3.38 Our main findings and recommendations are relevant to all councils. All councils face challenges when managing their stormwater systems, including ageing infrastructure, limited capacity, managing costs to the community, and having the right people and skills in their organisations. We recommended that all councils consider our findings and what actions they need to take to minimise the risk of flooding in their communities.

Inquiry requests and correspondence

3.39 The Auditor-General gets many inquiry requests from the public, including from ratepayers, members of Parliament, and councillors, to inquire into aspects of local government performance.

3.40 In 2018, we received more than 220 queries and requests for us to look into local government issues. The most common types of issues and concerns raised were:

- conflicts of interest by councillors;
- concerns about the use of ratepayer funds;
- councils' developments/initiatives and support for third-party initiatives; and
- concerns with local governance and management process/behaviour.

3.41 We are not a complaints-resolution organisation. Where possible, we encourage people to raise their complaints with their council first. This will allow the council to have the opportunity to respond directly to the correspondent.

3.42 There are limitations to our role. In most instances, the Auditor-General has the power only to inquire and report on issues raised, not the power to intervene and stop councils' process. It is also not our role to identify, monitor, or enforce the legal or moral obligations of councils.

3.43 For most inquiry requests, we can close an issue by obtaining relevant information from the organisations that were requested for an inquiry. If not, we pass the information on to our appointed auditor of the organisation for consideration and any appropriate action during the annual financial audit. For some significant issues, we carry out a more in-depth inquiry.

3.44 Before carrying out any inquiry work, we consider how serious these matters are and whether, by carrying out an inquiry, there will be lessons that other organisations can use.

Tasman District Council – Waimea Dam

3.45 We received correspondence from several people raising concerns about aspects of Tasman District Council's Waimea Community Dam development. Correspondents asked us to intervene in decisions being made by the Council about the Waimea Community Dam and how it will be funded. In November 2018, we wrote to the Council with our response to the matters raised. The Council published our letter on its website.

3.46 The concerns raised with us included issues about the adequacy of consultation, the accuracy of publicly available information, the accuracy of information that the Council used to inform its decisions, compliance with resource management expectations, the adequacy of the consideration of possible alternatives, the appropriateness and robustness of the design, and the appropriateness of scientific advice and methods used.

3.47 After visiting the Council, examining documents, and talking to staff, we determined that the concerns raised were mostly about policy decisions made by the Council. Policy decisions are for councillors to make and are outside of our mandate to comment on or intervene in.

Rotorua Lakes Council – Mudtopia

3.48 We received a request to inquire into the Rotorua Lakes Council's financial management, accountability, and governance of the Mudtopia event.

3.49 In particular, we were asked to carry out an independent and forensic audit of various transactions relating to Mudtopia. The correspondent also raised concerns about the procurement of some services for Mudtopia, which suggested a conflict of interest.

3.50 After examining documents provided by the correspondent and the Council and talking to Council staff, we decided not to carry out a formal inquiry into the matters raised.

3.51 We drew this conclusion because the expenses incurred by the Council from the Mudtopia event were already publicly available for scrutiny. The public had the ability to question the Council about individual expenses and hold the Council accountable.

3.52 We did find matters for improvement in the Council's process and decision-making in relation to the governance arrangements and support of the event.

3.53 We expect public organisations to have full and proper records of their work that show what decisions were made, how the organisations made those decisions, and the basis on which they were made.

Greater Wellington Regional Council – bus services

3.54 We received correspondence asking us to look into various aspects of the governance, management, design, and implementation of the new bus network and services by the Greater Wellington Regional Council. In September 2018, we wrote to the Council and published the letter on our website.

3.55 To prepare our letter, we reviewed extensive material, available on the Council's website, about the planning and procurement of the new bus services. We also reviewed extensive additional information the Council made available to us. We spoke with some of the bus operators to understand their views on what the issues were.

3.56 The Council's short-term priority was addressing implementation issues, such as ensuring that there are enough buses and drivers and the real-time transport information is accurate. Those were issues that the Council was taking steps to address and were not matters we could help with.

3.57 One of the concerns raised with us was whether the Council had diverted funding for buses to trains. The Council and the New Zealand Transport Agency made available information indicating that funding had not been diverted from buses to trains.

3.58 At the time, our impression was that the Council was taking reasonable and practical steps, in the circumstances, to address the operating issues with the network. As well as the more immediate actions, it had identified some medium and longer-term actions to address the implementation issues.

3.59 By the end of 2018, the Council and others had appeared before a Parliamentary select committee on several occasions. Because of the select committee's involvement, and efforts by the Council to remedy issues, we decided not to inquire further. However, we will continue to monitor developments and review any new issues or information that arise to decide whether further work is warranted.

Kāpiti Coast District Council – investment fund proposals

3.60 Kāpiti Coast District Council has been exploring how to manage its finances over the long term, in accordance with its financial strategy. This included exploring the establishment of two long-term investment funds.

3.61 Several people contacted us to raise concerns about the proposal by the Council to establish these investment funds. The proposal was to borrow up to $20 million from the New Zealand Local Government Funding Agency to invest in two new long-term investment funds to help meet future growth and resilience-related expenditure.

3.62 The Council expected to achieve an overall net return of 3.5% on the money invested after paying interest on the money borrowed and associated costs. This would have involved an investment mix of up to 65% investment in equities to achieve the overall investment returns expected.

3.63 We met with the Mayor and Chief Executive of the Council to discuss the Council's plans. In December 2018, we wrote a letter to the Chief Executive describing our views and expectations. We published this letter on our website.

3.64 It is not our role to question councils' policy decisions. However, we did expect the Council to carry out appropriate due diligence, given the nature of the proposals and the inherent risks involved. We also expected the Council to provide good governance over the investment funds and provide clear and transparent reporting on the performance of the funds. We set out these expectations in our letter.

3.65 The Council has since decided not to proceed with the proposal.

Timeliness of annual reporting

4

4.1 In this Part, we set out when councils adopted their annual reports and publicly released their annual reports and summary annual reports. We also discuss the importance of the statutory requirements for adopting annual reports and their public release.

4.2 The Local Government Act 2002 requires councils to:

- complete and adopt an annual report that contains audited financial statements and service performance information within four months after the end of the financial year;
- make the audited annual report publicly available within one month of adopting it; and
- make an audited summary of the annual report publicly available within one month of adopting the annual report.

4.3 Appendix 1 provides more detail on when councils adopted and publicly released their annual reports and summary annual reports.

Adopting annual reports

4.4 In 2017/18, seven councils[5] missed the deadline to complete and adopt their audited annual report within four months after the end of the financial year. Hurunui District Council and Kaikōura District Council had not adopted their audited annual report by 31 January 2019, which is three months after their statutory deadline and seven months after their balance date. The two councils had to work through complex asset recognition issues, which contributed to the delay, as did the audit of the valuations.

4.5 For 2017/18, more than twice the number of councils did not meet the statutory deadline in any given year since 2013/14 (see Figure 3). This is also the highest number of councils that have not met their reporting obligations since 2010/11.

Figure 3
Number of councils that did not meet the statutory deadline for adopting annual reports, 2013/14 to 2017/18

Statutory deadline for	Number of councils that did not meet the statutory deadline				
	2013/14	2014/15	2015/16	2016/17	2017/18
Adopting the annual report	3	2	2	3	7

4.6 The increase in councils failing to meet the statutory deadline and delaying finalising annual reports is unsatisfactory. Although we acknowledge that in 2018

5 The seven councils are Chatham Islands Council, Hurunui District Council, Kaikōura District Council, Timaru District Council, Waimate District Council, West Coast Regional Council, and Westland District Council.

councils needed to prepare their LTPs, they knew the statutory obligations and should have had appropriate procedures in place to meet them.

4.7 Councils that do not meet the deadline are failing to provide their community and stakeholders with the timely information that they are entitled to receive.

4.8 Councils that failed to meet the statutory deadline disclosed only that they were not able to adopt their annual report within four months after the end of the financial year and did not say why.

4.9 Through our audits, we know that some councils missed their statutory deadline because they had to resolve technical matters, such as the valuation of assets and how to account for unusual one-off transactions. To resolve these matters effectively, councils should get appropriate accounting advice and discuss their proposed treatment with their auditors at an early stage.

Public release of annual reports and summary annual reports

4.10 Three councils missed the one-month deadline for making their summary annual reports publicly available.

4.11 Figure 4 shows the number of councils that met the statutory deadline for releasing annual reports and summary annual reports from 2013/14 to 2017/18.

Figure 4
Performance in meeting the statutory deadline for releasing annual reports and summary annual reports, 2013/14 to 2017/18

Statutory deadline for	Number of councils that met the statutory deadlines				
	2013/14	2014/15	2015/16	2016/17	2017/18*
Releasing the annual report	72	75	74	72	76
Releasing the summary annual report	71	73	70	65	73

* We excluded Kaikōura District Council and Hurunui District Council from our analysis because they had not adopted their annual reports at the time of writing.

4.12 Any delay undermines effective accountability, which can undermine communities' trust and confidence in their councils.

The importance of timely reporting

4.13 Annual reports provide information that helps communities to assess how well their council is performing. Therefore, the information in the annual reports must be comprehensive, understandable, accurate, and timely.

4.14 Releasing annual reports and summary annual reports is an important part of a council's accountability to its community. The summary annual report contains the most understandable information for most readers, and it is easy to circulate and make widely available.

4.15 We consider that many councils need to better manage how they produce and publish their annual reports and summary annual reports.

4.16 When adopting their annual reports in 2019, councils will need to take into consideration the local body election time frames.

4.17 Most councils publish their annual report on their website. We expect that all councils will publish their annual reports on their website within a few days of adopting them.

5 The audit reports we issued in 2018

5.1 During 2018, we issued 378 audit reports on the financial statements and performance information of councils, their subsidiaries, and organisations associated with or related to councils (see Figure 5).

Figure 5
Audit reports issued on councils and subsidiaries, and organisations associated with or related to councils

	Standard audit reports issued with unmodified opinion	Non-standard audit reports				Total number of audit reports issued*
		Unmodified opinion and "emphasis of matter" paragraph	Modified opinion (qualified)	Modified opinion (disclaimer)	Modified opinion (adverse)	
Councils	68	3	5			76
Council-controlled organisations	136	15	8	1		160
Energy companies and subsidiaries (owned by councils)	8					8
Airport companies and subsidiaries (owned by councils)	22	2	1			25
Port companies and subsidiaries (owned by councils)	20	5				25
Other local government organisations	70	9	2	2	1	84
Total	**324**	**34**	**16**	**3**	**1**	**378**

* We sometimes issue more than one audit report for an organisation if unfinished audits from previous years are completed during the same year. For an explanation of the different types of audit opinions, see "The Kiwi guide to audit reports" at www.oag.govt.nz/blog.

5.2 Through these audit reports, we inform readers of public organisations' financial statements and performance information about the reliability of that information.

5.3 We have identified two main matters out of the non-standard audit reports that we issued. The first is that several councils, including Auckland Council, Carterton District Council, and Whakatane District Council, either could not provide us with sufficient information or had weak underlying systems for reporting on some matters. The second matter was the continuing effect of the November 2016 Kaikōura/Hurunui earthquake, which has resulted in several uncertainties about the extent of damage to organisations that operate significant infrastructure assets affected by the earthquake. Further explanation about these audit reports is outlined below.

5.4 Of the 378 audit reports, 358 included unmodified opinions. An unmodified opinion means that we had no concerns about the information reported. However, we drew attention to important disclosures in 32 of those audit reports and referred to certain matters in two audit reports.

5.5 The remaining 20 audit reports contained modified opinions. This means that either we disagreed with how the organisation reported information or we could not get the evidence that we needed.

5.6 Appendix 2 summarises the matters included in the non-standard audit reports that we issued.

Disclaimers of opinion

5.7 Sometimes we cannot obtain the evidence that we need from an organisation. This lack of evidence can fundamentally affect our view of the organisation's financial statements and performance information.

5.8 This usually occurs when the organisation is dealing with circumstances outside its control, such as responding to natural disasters. In such situations, we issue a disclaimer of opinion. This means that we do not have the evidence to form an opinion on the financial statements and/or performance information.

5.9 In 2018, we issued a disclaimer of opinion for Innovative Waste Kaikōura Limited, a council-controlled organisation of Kaikōura District Council,[6] for the year ended 30 June 2017.

5.10 We were unable to obtain enough evidence about the service performance information for Innovative Waste Kaikōura Limited, which had its activities disrupted by the November 2016 Kaikōura/Hurunui earthquake. The company also failed to prepare a statement of intent for the year beginning 1 July 2017.

6 Our opinion for Innovative Waste Kaikōura Limited for 2016/17 was issued on 21 September 2018.

5.11 We also issued a disclaimer of opinion for the Gardens Event Trust,[7] a council-controlled organisation of Christchurch City Council, for the years ended 31 March 2014 and 31 March 2015.

5.12 The Gardens Event Trust could not give us enough evidence to verify its income and expenses in the financial statements because it had lost documents. Therefore, we could not provide assurance on the financial statements. The Gardens Event Trust's financial statements were appropriately prepared using a basis other than a going concern because it was about to stop operating.

Adverse opinions

5.13 Sometimes we disagree with the way an organisation applies accounting standards. If we consider the disagreement to be fundamental to the financial statements or performance information, we issue an adverse opinion.

5.14 In 2018, we issued an adverse opinion for Canterbury Museum Trust Board for 2017/18.

5.15 The Museum's collection assets are integral to what it does. However, Canterbury Museum Trust Board does not recognise these assets or the associated depreciation expense in its financial statements.

5.16 Canterbury Museum Trust Board is of the view that all of its collection assets cannot be reliably measured.

Qualified opinions

5.17 If an aspect of an organisation's financial statements or performance information either does not comply with accounting standards or the organisation cannot provide us with the necessary information to support it, we issue a qualified opinion. In 2018, we issued 16 qualified opinions.

5.18 Five of the qualified opinions were for councils, and three of those five concerned performance information. Many organisations are required to report performance information, which is important information about what they have achieved during the year. Organisations report their achievements against objectives and targets that are set before the beginning of the financial year. Performance information, together with financial statements, should provide an integrated story about an organisation's performance.

5.19 For Auckland Council, we could not verify that the Council's adjusted performance results for 2017/18 were correct because the Council could not produce accurate recording of processing times for building consents and non-notified resource consents.

7 Our opinions for Gardens Event Trust for 2013/14 and 2014/15 were issued on 8 August 2018.

> Auckland Council reported that 52% of its building consents were processed within the statutory time frames. All other high-growth councils (as defined by the National Policy Statement on Urban Development Capacity 2016) achieved compliance of 93% or higher, except for Whangarei District Council, which reported 73%.

5.20 For Carterton District Council and Whakatane District Council, we could not rely on some of their underlying systems for reporting performance information.

5.21 Hawke's Bay Regional Council received a qualified opinion because we could not verify the carrying value of the expenditure for developing the Ruataniwha Water Storage Scheme and the tax effects on the development expenditure for the Scheme when it was disposed of.

5.22 For Taranaki Regional Council, we could not determine whether the carrying value of Yarrow Stadium was accurate because the Council had not completed its assessment on the repair options to accurately estimate the impairment of the stadium.

5.23 We issued four qualified opinions on council-controlled organisations. We could not verify the carrying value of the council-controlled organisations' property, plant, and equipment assets because proper valuation or impairment assessments were not carried out.

5.24 Appendix 2 sets out the reasons why we issued qualified opinions.

Unmodified audit opinions with "emphasis of matter" paragraphs

5.25 Sometimes public organisations report matters in their financial statements and performance information that are important enough that we draw attention to them in our audit report. We do this by adding an "emphasis of matter" paragraph. That paragraph does not affect our audit opinion, and readers can rely on the financial statements and performance information. In 2018, 32 audit reports contained "emphasis of matter" paragraphs.

5.26 The November 2016 Kaikōura/Hurunui earthquake caused significant damage to several organisations' assets. The uncertainties about the extent of this damage affected how the assets were valued and how much insurance the organisations would receive. The financial statements contained disclosures about these uncertainties, which were important to understanding the financial statements. We drew attention to those disclosures in our 2017/18 audit reports.

5.27 There were several organisations that decided to cease operations. This affects the way that the financial statements are prepared and how assets are valued. The financial statements contain disclosures about the effect of ceasing to operate. These disclosures are important to understanding the financial statements, so we drew attention to them.

5.28 Appendix 2 sets out the list of organisations with "emphasis of matter" paragraphs in their audit reports.

Unmodified audit opinions with "other matter" paragraphs

5.29 Sometimes, public organisations do not report matters in their financial statements and performance information that we consider is relevant to readers. As a result, we will include an "other matter" paragraph in the audit report to highlight the matter that we consider relevant, although the financial statements and performance information as it has been presented can still be relied on. This paragraph does not affect our audit opinion and readers can rely on the financial statements and performance information.

5.30 We issued no audit reports containing "other matter" paragraphs in 2018.

Appendix 1
Adoption of annual reports and release of annual reports and summary annual reports

When councils adopted their annual reports

When the annual report was adopted	Number adopted for financial year				
	2013/14	**2014/15**	**2015/16**	**2016/17**	**2017/18**
Within two months after the end of the financial year	1	1	0	0	0
Between two and three months after the end of the financial year	14	16	27	15	15
Between three and four months after the end of the financial year	60	59	49	60	56
Subtotal: Number meeting statutory deadline	**75**	**76**	**76**	**75**	**71**
Percentage of councils meeting statutory deadline	*96%*	*97%*	*97%*	*96%*	*91%*
Between four and five months after the end of the financial year	1	0	0	2	3
More than five months after the end of the financial year	0	1	1	1	2
Not issued as at the date of compilation	2	1	1	0	2
Total	**78**	**78**	**78**	**78**	**78**

When councils released their annual reports

Time after adopting annual report	Number released for financial year				
	2013/14	2014/15	2015/16	2016/17	2017/18
0-5 days	16	25	28	23	27
6-10 days	8	19	15	19	11
11-20 days	18	8	14	8	16
21 days to one month	30	23	17	22	22
Subtotal: Number meeting statutory deadline	**72**	**75**	**74**	**72**	**76**
Percentage of councils meeting statutory deadline	*92%*	*96%*	*95%*	*92%*	*97%*
Number not meeting the deadline	4	1	3	6	0
Not issued as at the date of compilation	2	2	1	0	2
Total	**78**	**78**	**78**	**78**	**78**

When councils released their summary annual reports

Time after adopting annual report	Number released for financial year				
	2013/14	**2014/15**	**2015/16**	**2016/17**	**2017/18**
0-5 days	5	14	16	7	15
6-10 days	5	12	14	15	11
11-20 days	14	8	11	11	10
21 days to one month	47	39	29	32	37
Subtotal: Number meeting statutory deadline	**71**	**73**	**70**	**65**	**73**
Percentage of councils meeting statutory deadline	*91%*	*93%*	*90%*	*83%*	*94%*
One month to 40 days	3	1	6	9	2
41-60 days	2	0	1	4	1
More than 60 days	0	1	0	0	0
Not issued as at the date of compilation	2	3	1	0	2
Total	**78**	**78**	**78**	**78**	**78**

Appendix 2
Summaries of the non-standard audit reports we issued in 2018

Modified audit opinions – Disclaimers of opinion

Innovative Waste Kaikōura Limited (Kaikōura District Council)

Year ended 30 June 2017

We were unable to form an opinion on the statement of service performance because we could not get enough evidence that the reported performance was accurate or complete. This limitation in scope arose because the November 2016 earthquake had disrupted the company's normal management processes in reporting non-financial performance against the statement of intent. In addition, we drew attention to the disclosure in the financial statements outlining that the Board of Directors breached the law by failing to prepare a statement of intent for the year beginning 1 July 2017.

Gardens Event Trust (Christchurch City Council)

Years ended 31 March 2014 and 31 March 2015

We were unable to form an opinion on the financial statements because we could not get enough evidence to verify the Trust's income and expenses. This limitation in scope arose because source documents were lost and could not be located. In addition, we drew attention to disclosures in the financial statements outlining that the Trust appropriately used a basis other than that of going concern to prepare its financial statements because the Trust was due to cease operating.

Modified audit opinions – Adverse opinions

Canterbury Museum Trust Board

Year ended 30 June 2018

We disagreed with the Trustees not recognising the museum collection assets it owns, nor the associated depreciation expense, in the Trust's financial statements, in keeping with the requirements of generally accepted accounting practice.

Modified audit opinions – Qualified opinions

Auckland Council

Year ended 30 June 2018

Our audit was limited on the Council's statement of service performance, because we could not determine whether the Council's adjusted performance results for the year ended 30 June 2018 were materially correct for the building consent and non-notified resource consent processing time measures, because of inaccurate recording of processing times.

Carterton District Council

Year ended 30 June 2018

Our audit was limited on the Council's performance information because we were unable to get enough evidence to confirm the completeness of some complaint and response times information. This limitation arose because the Council does not have a reliable system for recording complaints and response times.

Hawke's Bay Regional Council
Year ended 30 June 2018
Our audit was limited because we were unable to get enough evidence to determine the tax effects on the expenditure incurred in relation to the Ruataniwha Water Storage Scheme. This is because the Council could not determine the amount of deductible expenditure in relation to losses arising from the disposal of the Scheme.
Taranaki Regional Council
Year ended 30 June 2018
Our audit was limited because we could not determine the carrying value of Yarrow Stadium, nor how much that value has been impaired, because an assessment of options and costs for repairing and/or reinstating the stands within the Stadium was not completed at the time of authorising the financial statements.
Whakatane District Council
Year ended 30 June 2018
Our audit on the Council's statement of service provision was limited because we were unable to get enough evidence about some response and processing times for water supply and sewerage call-outs, nor the processing times of building consent applications. This limitation arose because the Council's systems for reporting response and processing times were not reliable.
Destination Westland Limited (Westland District Council)
Year ended 30 June 2018
Our audit was limited because we could not determine the carrying value of the company's property, plant, and equipment assets. This limitation arose because the company did not carry out a full impairment assessment of its property, plant, and equipment assets. In addition, we drew attention to disclosures in the financial statements outlining that the company's assessment that it is a going concern is dependent on the ongoing financial support that has been provided by its parent entity, Westland Holdings Limited.
Westland Holdings Limited (Westland District Council)
Year ended 30 June 2018
Our audit was limited because we could not determine the carrying value of the company's airport-related property, plant, and equipment assets. This limitation arose because the company did not carry out a full impairment assessment of its property, plant, and equipment assets.
Dunedin City Holdings Limited (Dunedin City Council)
Year ended 30 June 2018
Our audit was limited because we could not determine the value of stadium assets, which should have been recognised in the financial statements on a commercial basis, because the valuation that was carried out did not take into account how the stadium assets were being used and how they should be accounted for.
Taranaki Stadium Trust (Taranaki Regional Council)
Year ended 30 June 2018
Our audit was limited because we could not determine the carrying value of the Yarrow Stadium, nor how much that value has been impaired. This is because an assessment of options and costs for repairing and/or reinstating the stands within the Stadium was not completed at the time of authorising the financial statements.

Hawke's Bay Regional Investment Company Limited (Hawke's Bay Regional Council)
Year ended 30 June 2017
Our audit was limited because we were unable to get enough evidence to verify that the carrying value of the expenditure for developing the Ruataniwha Water Storage Scheme is recoverable. We were also unable to determine the deferred tax balances that should arise from the impairment of the Ruataniwha Water Storage Scheme intangible asset.
Invercargill City Forests Limited (Invercargill City Council)
Year ended 30 June 2018
Our audit was limited because the company's financial statements included unaudited financial information for the period between 1 July 2017 and 30 September 2017, which related to an associate, IF Forestry Group Limited. The investment in IF Forestry Group Limited was sold on 30 September 2017. As a result, we were unable to obtain enough independent evidence to confirm the financial information because the associate is not a public entity and, as such, the Auditor-General is not its auditor.
Tararua Aquatic Community Trust (Tararua District Council)
Year ended 30 June 2017
Our audit was limited because we could not get enough assurance about pool income because the Trustees had limited controls over that revenue.
The World Buskers' Festival Trust (Christchurch City Council)
Year ended 30 June 2018
Our audit was limited because we could not get enough assurance about door donations revenue because the Board had limited controls over that revenue.
Waipa Community Facilities Trust (Waipa District Council)
Year ended 30 June 2018
Our audit was limited because we could not get enough assurance about the Trust's cash receipts from trading and facilities activities. The Board had limited controls over that revenue.
Hauraki Rail Trail Charitable Trust (Hauraki District Council, Matamata-Piako District Council, and Thames-Coromandel District Council)
Year ended 30 June 2017
Our audit was limited because we could not get enough assurance about commission revenue because the Trustees had limited controls over that revenue.
Hauraki Rail Trail Charitable Trust (Hauraki District Council, Matamata-Piako District Council, and Thames-Coromandel District Council)
Year ended 30 June 2018
Our audit of the comparative information included in the 30 June 2018 financial statements was limited because in 2017 we were unable to get enough assurance about commission revenue.

Unmodified opinions with "emphasis of matter" paragraphs

Ruapehu District Council

Year ended 30 June 2018

We drew attention to disclosures in the financial statements outlining the uncertainties about whether the District Council had complied with the Local Government (Rating) Act 2002 when it set its wastewater targeted uniform annual charge.

Greater Wellington Regional Council

Year ended 30 June 2018

We drew attention to disclosures in the financial statements outlining the uncertainties that arose because of the damage done by the Kaikōura earthquake, which include estimates of the expected insurance proceeds and the related costs to repair or replace assets.

Manawatu-Wanganui Regional Council

Year ended 30 June 2018

We drew attention to the disclosures in the financial statements outlining the uncertainties in measuring the fair value of the Council's investment in CentrePort Limited, which has experienced a significant amount of damage due to the Kaikōura earthquake.

WRC Holdings Limited (Greater Wellington Regional Council)

Years ended 30 June 2017 and 30 June 2018

We drew attention to disclosures in the financial statements outlining the uncertainties related to the effects of the Kaikōura earthquake. These uncertainties include the estimates that have been made to value the insurance proceeds that are expected to be received and the costs to repair or replace assets. They also include the estimates that have had to be made to account for the possible impairment of assets and the related tax treatment.

MWRC Holdings Limited (Manawatu-Wanganui Regional Council)

Year ended 30 June 2018

We drew attention to the disclosures in the financial statements about the uncertainties in measuring the fair value of the company's investment in CentrePort Limited. CentrePort Limited properties were damaged by the Kaikōura earthquake and there is a high degree of uncertainty about the amount and timing of insurance money to be received, the amount and timing of capital spending that will be needed to repair assets, and any current or future changes in demand for CentrePort Limited's operations.

CentrePort Limited (Greater Wellington Regional Council)

Year ended 30 June 2018

We drew attention to disclosures in the financial statements outlining the uncertainties related to the effects of the Kaikōura earthquake.

CentrePort Properties Limited (Greater Wellington Regional Council)

Year ended 30 June 2018

We drew attention to disclosures in the financial statements outlining the uncertainties related to the effects of the Kaikōura earthquake, including the extent of damage to properties and the insurance proceeds that are expected to be received.

Harbour Quays A1 Limited (Greater Wellington Regional Council)

Year ended 30 June 2018

We drew attention to disclosures in the financial statements outlining the uncertainties arising because of the damage done to the company's assets by the Kaikōura earthquake.

Harbour Quays F1F2 Limited (Greater Wellington Regional Council)	
Year ended 30 June 2018	
We drew attention to disclosures in the financial statements outlining the uncertainties arising because of the damage done to the company's assets by the Kaikōura earthquake.	
Port Investments Limited (Greater Wellington Regional Council)	
Year ended 30 June 2018	
We drew attention to disclosures in the financial statements outlining the uncertainties related to the effects of the Kaikōura earthquake.	
Invercargill City Property Limited (Invercargill City Council)	
Year ended 30 June 2018	
We drew attention to disclosures in the financial statements outlining that the company is experiencing financial difficulties and, as a result, is reliant on financial support of its parent company.	
Cranley Farms Limited	
Year ended 31 May 2017	
We drew attention to disclosures in the financial statements outlining uncertainties about the company's ability to continue as a going concern because it depends on the support of funders and shareholders.	
Auckland Council Investments Limited (Auckland Council)	
Year ended 30 June 2018	
We drew attention to disclosures in the financial statements outlining that the Board of Directors appropriately used a non-going-concern basis when preparing their financial statements. This decision reflected the fact that the company transferred its shares in Ports of Auckland Limited and Auckland International Airport Limited to Auckland Council on 2 July 2018 and will be disestablished.	
Blakely Construction Limited (Selwyn District Council)	
Year ended 30 June 2018	
We drew attention to disclosures in the financial statements outlining that the Board of Directors appropriately used a disestablishment basis to prepare the financial statements because the company was amalgamated into another company and removed from the Companies Register from 2 July 2018.	
Wellington Regional Economic Development Agency Limited (Wellington City Council)	
Years ended 30 June 2016 and 30 June 2017	
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-stage nature of the investments, the absence of quoted market prices, and the reliance placed on the information supplied by the incubator and accelerator companies.	
NZ Mutual Liability Riskpool	
Year ended 30 June 2017	
We drew attention to the disclosures in the financial statements outlining the uncertainties affecting the value of the outstanding claims provision and related reinsurance receivables. Estimates have had to be used to value the outstanding claims provision and the reinsurance receivables, which include using actuarial assumptions, and leaky building claims, which are subject to a high degree of uncertainty.	

Waitaki District Health Services Limited (Waitaki District Council)
Year ended 30 June 2018
We drew attention to disclosures in the financial statements outlining the work being done by the company to confirm whether or not it may owe staff money under the Holidays Act 2003, and the basis for how the company had calculated the related contingent liability in its financial statements.
Tauwhareparae Forests Limited (Gisborne District Council)
Year ended 30 June 2017
We drew attention to the disclosure in the financial statements outlining that, in spite of the requirements of the Local Government Act 2002, the company did not prepare a statement of service performance. This is because the company is inactive had no performance to report. In addition, we also highlighted that the company did not comply with the Local Government Act 2002 because it did not complete a statement of intent by 30 June 2017 for the year beginning 1 July 2017.
Forest Growth Holdings Limited (Invercargill City Council)
Year ended 30 June 2018
We drew attention to two disclosures in the financial statements. The first disclosure outlined that the financial statements had been prepared on a disestablishment basis, because the Board of Directors had resolved that the company would cease operations and become dormant within the next 12 months. The second disclosure outlined that the Board of Directors breached the law by failing to prepare a statement of intent for the year ending 30 June 2018.
Christchurch Agency for Energy (Christchurch City Council)
Year ended 30 June 2018
We drew attention to disclosures in the financial statements outlining that the Trust appropriately used a disestablishment basis when preparing its financial statements. This is because the Trust intends to cease operating in the next 12 months. Any remaining assets will be transferred at the direction of the settlor of the Trust, for a similar charitable purpose, in keeping with the Trust Deed.
Tarata Ngatimaru Pukehou Joint Venture (New Plymouth District Council)
Year ended 30 June 2018
We drew attention to disclosures in the financial statements outlining that the Joint Committee appropriately used a disestablishment basis when preparing its financial statements. The forest harvesting was completed and the joint venture was to cease after 30 September 2018.
HarbourCold Dunedin Joint Venture (Otago Regional Council)
Year ended 30 June 2018
We drew attention to disclosures in the financial statements about the joint venture appropriately using a basis other than that of a going concern when preparing its financial statements. The joint venture will be disestablished within one year, with any operations and remaining assets being distributed between the joint venture participants by 30 June 2019.
North Shore Heritage Trust (Auckland Council)
Years ended 30 June 2016 and 30 June 2017
We drew attention to disclosures in the financial statements outlining that the Trustees appropriately used a dissolution basis when preparing the financial statements because the Trustees have resolved to wind up the Trust when all of its existing funds have been depleted.

Venture Southland (Invercargill City Council, Southland District Council, and Gore District Council)

Year ended 30 June 2018

We drew attention to disclosures in the financial statements outlining that the Joint Committee appropriately used a basis other than that of a going concern when preparing its financial statements. The Joint Committee intends to disestablish the Group in the next 12 months and transfer any remaining operations, assets, liabilities, and existing contracts to a new entity before 30 June 2019.

Marlborough Kaikōura Rural Fire Authority

Year ended 30 June 2017

We drew attention to disclosures in the financial statements outlining that the Authority appropriately used a basis other than that of a going concern when preparing its financial statements. The Authority transferred its functions and operations, including response assets, to Fire and Emergency New Zealand on 1 July 2017, with the remaining assets to be transferred when the Authority is dissolved on 30 June 2018.

South Canterbury Rural Fire District Committee

Year ended 30 June 2017

We drew attention to disclosures in the financial statements outlining that the Committee appropriately used a basis other than that of a going concern when preparing its financial statements. This is because the functions and operations of the Committee, including its response assets, were or are expected to be transferred to Fire and Emergency New Zealand.

Southern Rural Fire Authority

Year ended 30 June 2017

We drew attention to disclosures in the financial statements outlining that the Authority appropriately used a basis other than that of a going concern when preparing its financial statements. The Authority transferred its functions and operations, including response assets, to Fire and Emergency New Zealand on 1 July 2017, with the remaining assets to be transferred when the Authority is dissolved on 30 June 2018.

Whanganui Joint Venture Airport (Whanganui District Council)

Years ended 30 June 2015 and 30 June 2016

We drew attention to disclosures in the financial statements outlining that the joint venture breached the law by failing to complete its annual reports within three months of the end of the financial year.

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