



Summary

Insights into local government: 2020

This report presents the main findings from our 2019/20 audits of councils and other work about local government.

The preparation of councils' 2019/20 annual reports and our audits of them were severely disrupted by Covid-19. Our auditors needed considerably more time to complete their audits compared with a normal year.

In response, Parliament extended the statutory reporting time frames for councils by two months. This was to help ensure that the quality of reporting was not compromised at a time when robust financial and performance reporting was even more critical than usual.

However, there were more qualified audit opinions issued on councils' annual reports than they had previously. Most qualifications were because the auditor was not able to obtain sufficient evidence to support non-financial performance reported by councils.

The performance that a council reports should tell a story about the services it delivers, why it delivers

them, and what difference it intends to make to its community. Councils need robust systems to collect and report financial and non-financial performance.

We have previously noted concerns that councils have not been adequately reinvesting in their assets. This trend continued in 2019/20. However, many councils identified this matter in their 2021-31 long-term plan consultation documents. In these documents, we saw some councils confront their infrastructure issues and propose to raise rates to provide sustainable services over the long term.

Well-planned, funded, and well-managed asset renewal programmes are critical to sustainable service delivery. Without this, communities can end up paying more for asset renewals and suffering unexpected disruptions to services because of asset failure.

There has been a concerted effort across the sector to enhance the performance and function of audit and risk committees. Governing bodies also have a role in assessing the design and effectiveness of councils' internal systems and controls. In a rapidly changing



environment, it is important that councils regularly review their policies to ensure that they remain appropriate and that they continue to be followed.

We also discuss the challenges faced by regional councils in managing conflicts of interest, including some of the conflict of interest issues and challenges we considered during the year. Many regional councils have elected members from agricultural backgrounds, and managing conflicting interests can be complicated as councils seek to make regulatory and planning decisions.

There are many proposed changes on the horizon to the traditional roles and functions of local

government. New regulatory requirements are being put in place or proposed (for example, new and updated national policy statements). Other areas for change are also being proposed, including the three waters and resource management reforms.

The proposed reforms have the potential to reshape New Zealand's system of local government. This has led to the recent announcement of a review into the future for local government. It is a difficult time for the local government sector, which needs to continue delivering and developing core services at the same time as its future role is considered.