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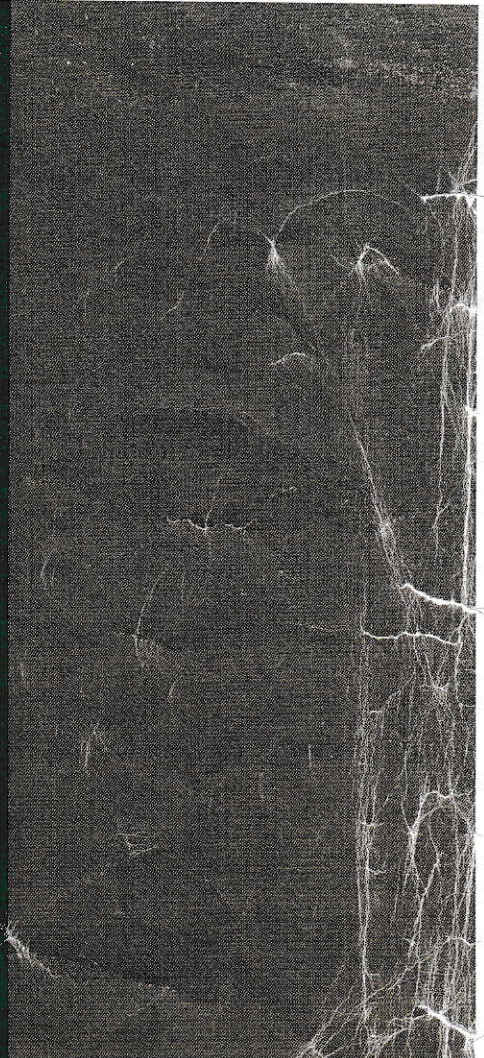
Tumuaki o-te Mana Arotake



OAG, 2011

Discussion paper

Local
government:
Improving the
usefulness of
annual reports



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Local government: Improving the usefulness of annual reports

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Auditor-General's overview

In 2010/11, local authorities received \$14.5 billion in revenue to finance the services they deliver to their communities. By law, local authorities are required to report on how well they are performing in delivering those services. Recent changes to the law have made local authorities' responsibilities for useful reporting more explicit.

This discussion paper sets out the legal requirements, provides examples of improved reporting, and aims to encourage ongoing improvements in local authorities' performance reporting. Our expectation is that sharing our information and recommendations will help all public entities, but especially those in the local government sector, to improve their performance reporting. This should help local authorities with their decision-making and management. We also hope that the public will be more informed about what to expect from their local authorities.

Useful performance reporting is always desirable, but it is even more critical in our current economic environment. The local government sector is operating under significant financial constraints. Affordability in a recessionary environment continues to be a major consideration for local authorities in deciding what services to deliver, how to deliver them, when to deliver them, and to what quality standard. As a result, local authorities are continually challenged to provide affordable services that meet their communities' expectations.

Local authorities also provide a diverse range of services. Therefore, it is important that they are transparent about the costs, standards, impacts, and outcomes of their activities. Comparison and communication of financial and non-financial performance over time is essential for showing the efficiency, effectiveness, and cost-effectiveness aspects of performance.

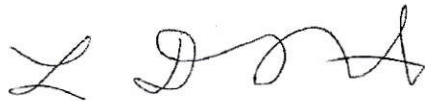
Local authorities report how much is spent on different services, but this provides only part of the performance story. The expenditure needs to be considered and explained alongside the key services and results, and over enough time (say, 5 to 10 years) to see the performance trends and cause-and-effect relationship between expenditure and outcomes. For example, a service could be cheap to provide, so it is efficient. But, if it fails to achieve the intended impact or outcome, then it may not be effective and cost-effective.

Earlier this year, we commissioned an analysis of six local authorities' publicly reported performance information for the last seven years (2003/04 to 2009/10). This discussion paper is based on that analysis. The analysis showed that the

quality of reported performance information for the six local authorities had improved, particularly for the 2009/10 annual reports compared with the earlier years.

We consider that local authorities should continue to find ways to improve the quality of their reported performance information. I commend the features of the better annual reports and our recommended improvements.

I hope that all local authorities (and other public entities) will use this discussion paper to help them focus on what they are trying to achieve in measuring and reporting performance. Ultimately, what matters is the ability to improve that performance and the outcomes it achieves for the public. I would like to thank Deloitte for their help in carrying out the analysis for this report.

A handwritten signature in black ink, appearing to read 'Lyn Provost', with a stylized, flowing script.

Lyn Provost
Controller and Auditor-General

20 September 2011

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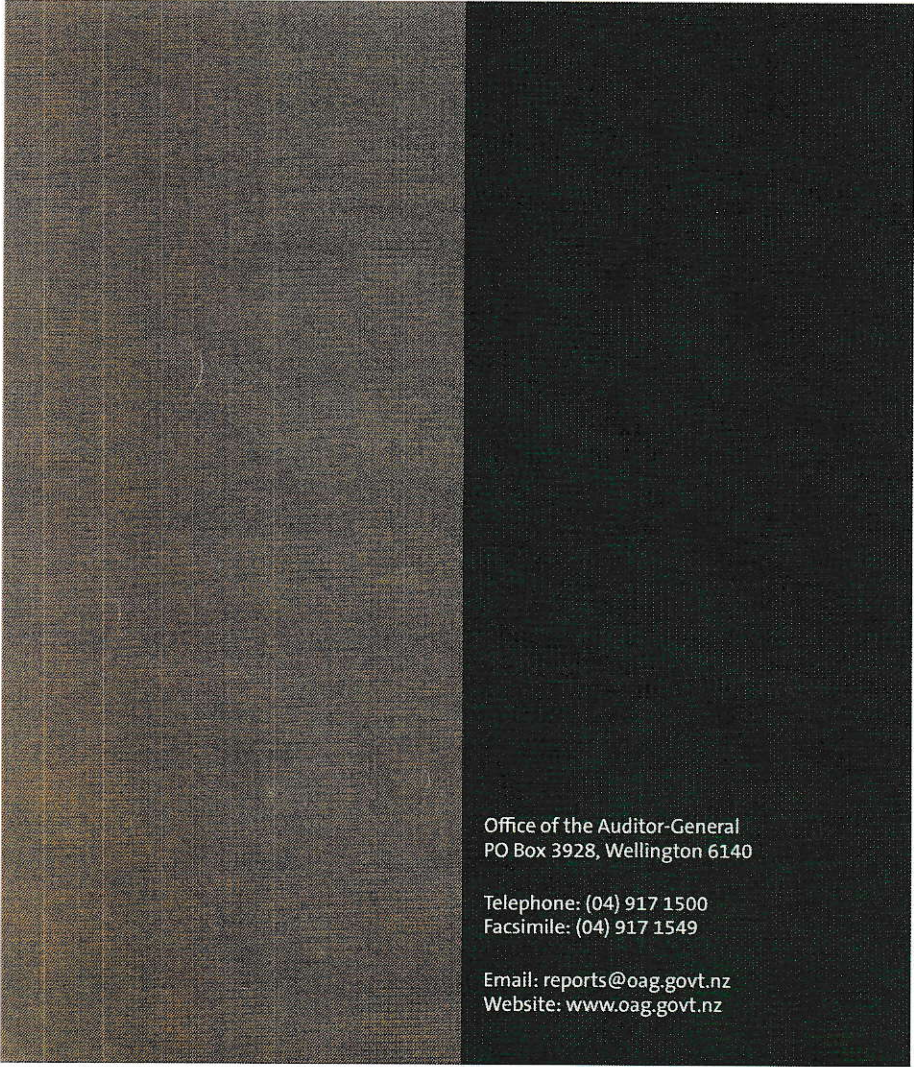
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