

Waka Kotahi NZ Transport Agency

Safety Camera System Programme - Current state financial
due diligence

3 December 2021
Draft



pwc



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Status of draft

Our work is not complete and as a result this draft report may not represent our final findings or conclusions. Amongst other things, the following matters remain outstanding:

- completing our internal review procedures.

As a result, this draft report should not be relied upon by anyone for any purpose whatsoever.



Waka Kotahi NZ Transport Agency
50 Victoria Street,
Wellington, New Zealand

Attention: Richard Stewart

Dear Richard,

Subject: Safety Camera System Programme - Current state financial due diligence

We report on the current state of the Safety Camera System Programme in accordance with our CSO (Appendix 1).

This report has been prepared for the purpose of providing due diligence on the proposed transfer of the safety camera network from NZ Police to Waka Kotahi NZ Transport Agency (Waka Kotahi) and should not be relied upon for any other purpose.

This is a draft report. The comments in this draft report are subject to amendment or withdrawal. Our definitive findings and conclusions will be those set out in the final report.

This report is strictly confidential. Unless described in the contract or as expressly agreed by us in writing, we accept no liability (including for negligence) to anyone else in connection with this report and it may not be provided to anyone else.

Yours faithfully

DRAFT

PricewaterhouseCoopers

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Our scope and process

Our scope



Our work has focused on assessing the “current state” of the Safety Camera network and we have in most instances focussed on the operating costs incurred in the financial year ended 30 June 2021.

Access to management



We have had uninhibited access to the NZ Police employees responsible for preparing the current state assessment.

Access to information



NZ Police has prepared a detailed assessment of the current state of the Safety Camera network, including providing us with a detailed financial model that also contains confirmatory source documentation such as invoices and emails. This information provided has given us a very good basis to perform our analysis.

Clarity of information



The information provided, together with our access to management, has allowed us to gain insight and understanding of the current state of the Safety Camera network. Specifically, the detailed workpaper provided by NZ Police was highly detailed and logical to follow.

Important scope comments

Further important details regarding the scope and process of our work are included in Appendix 2.

At a glance

Our views

1 The work performed by the NZ Police to assess the current state has been of a very high quality

As part of this process, NZ Police has undertaken a rigorous and detailed process to identify, assess and quantify the current state of the safety camera programme.

The key output of their work was a detailed Excel file that summarised their assessment of the current state and included detailed work papers and source information. This file provided us with a very sound basis to perform our due diligence procedures. In addition, it was evident, that a lot of thought has been used in assessing how best to allocate certain costs to the Safety Camera Programme.

Based on our work and interactions with NZ Police, in all instances it appears that NZ Police management has taken an unbiased and logical approach to estimating the current state. In addition, NZ Police management have at all times been extremely helpful in assisting us with our queries and have been open with their responses.

2 Current state operating expenses are estimated to be \$18.6m per annum

NZ Police's estimation of the current state of operating expenses is based on a mix of directly attributable costs, allocated shared costs and an apportionment of NZ Police's recurring overhead base.

The assessed costs appears to provide a reasonable view of the current state of the Safety Camera network, with the exception of mobile lease camera costs (see 3).

4 Net book value of assets to be transferred are minimal

The current net book value of assets to be transferred is \$203k. The vast majority of this relates to vehicles.

3 Mobile camera lease costs

In the current state, the mobile cameras are owned by NZ Police and are fully depreciated. Going forward, we understand that these mobile cameras will be replaced by new cameras and the intention is for them to be leased.

We have obtained leasing information to form a pro forma view of the current state as if the mobile cameras were already being leased. Assuming ^{s 9(2)(i)} this equates to an additional ^{s 9(2)(b)(ii)}.

4 Employee leave liabilities are substantial

The leave liabilities as at 31st October 2021 have been used as a proxy for the expected leave liabilities as at 30th June 2023.

While the numbers are expected to change the underlying information used appears appropriate.



Executive Report

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Background and scope overview – As part of the Road to Zero strategy the NZ Police has prepared a current state cost summary for the proposed transfer of the safety camera network to NZTA. PwC has been engaged to provide due diligence services for the proposed transfer.

Background

At present, NZ Police has responsibility for the safety camera network and the handling of offences, including prosecution. Most safety camera functions (with the exception of camera maintenance) are performed by NZ Police personnel.

In November 2019, the New Zealand Government announced its Road to Zero strategy for 2020 - 2030 and the associated initial action plan for 2020-2022. The strategy aims to reduce deaths and serious injuries on NZ's roads by 40% by 2030.

Cabinet agreed the following Government policy on safety cameras that ownership and operation of the camera network should be transferred from NZ Police to the Waka Kotahi at the appropriate time.

The transition of New Zealand's safety camera network from NZ Police to Waka Kotahi will be implemented as part of the Safety Camera System programme.

PwC view – The cost summary largely reflects actual incurred costs with a limited number of assumptions. The assumptions are logical given the scenario and appear to be reasonable.

Assessment of the current state

NZ Police has undertaken a rigorous and detailed process to identify, assess and quantify the current state of the safety camera programme.

NZ Police has prepared a summary report for funding for the current state of the safety camera network. In addition, they have prepared a detailed Excel workbook that breaks down the respective costs and articulates any assumptions utilised and the rationale behind these assumptions.

Where appropriate, NZ Police have also included supporting documentation to trace the calculation inputs back to. These include invoices and emails.

PwC work performed

In addition our scope of work outlined in Appendix 1, we have performed the following:

- Reviewed NZ Police's calculations and assessed the assumptions used in the estimation of certain costs.
- Traced back inputs to source data where appropriate.
- Contrasted the NZ Police report to the NZTA Blueprint document and investigated discrepancies.
- Interviewed the preparers from NZ Police.

Current state operating costs – NZ Police have estimated that estimated that current state operating costs are \$18.6m. In addition to this, we have estimated mobile camera costs of ^{s 9(2)(i)} based on the number of mobile camera under an assumed future operating lease model.

PwC view – NZ Police has performed a detailed bottom up assessment of operating costs. Based on our work, we consider NZ Police's approach to be robust and reflective of the current operating cost model within NZ Police. However, we recommend that the estimated lease cost of mobile cameras be factored into the assessment of operating costs.

Annual opex funding

NZD in 000s	Reported	Est. of mobile cam cost	Adjusted
Field operations direct costs			
Camera lease	^{s 9(2)(b)(ii)}		
Maintenance			
Vans - Running costs			
Van -Dep'n / Cap charge			
Personnel (TCO)	4,774	-	4,774
Total field operations direct costs	^{s 9(2)(b)(ii)}		
Back office costs			
PIB personnel	3,573	-	3,573
PIB opex	1,582	-	1,582
PIPs support	803	-	803
PPS personnel	111	-	111
Total field operations direct costs	6,069	-	6,069
Allocated overhead costs	^{s 9(2)(b)(ii)}		
Total annual opex funding	^{s 9(2)(b)(ii)}		

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xlsm

NZ Police have performed a detailed bottom-up build of operating costs. There are three main cost categories:

- **Field operations direct costs** – These costs are directly attributable to camera operations with no shared elements or cost allocations. NZ Police have based their assessment of the current state on the current camera ownership / operating model. At present, the mobile camera fleet is owned and fully depreciated. We understand that the mobile camera fleet will be replaced in the near to medium term and a leasing model will be adopted. Using the current lease cost estimates, we have estimated the lease costs for the current number of mobile cameras.
- **Back office costs** – These costs support the infringement process whether the infringements were officer issued or camera issued. These costs are typically shared across camera and non-camera activities. NZ Police has undertaken a high level activity based costing process to allocate these costs.
- **Allocated overhead costs** – These costs support the entirety of NZ Police. They have been allocated to the camera operations based on FTEs after adjusting for non-recurring items.

Each of these are discussed in detail in the following sections.

Current state one-off costs – NZ Police has undertaken an exercise to estimate the value of transferring assets and potentially transferring liabilities

NZD in 000s	Amount
Net book value of assets	
Vehicles and equipment	203
Net book value of assets	203
Leave liabilities	
TCO leave liabilities	(2,705)
PIB leave liabilities	(1,411)
Total leave liabilities	(4,115)
Total one-off payment	(3,913)

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xls, Leave Liability 31 October 2021.xlsx

Estimated transferring assets and liabilities are comprised of:

- **Net book value of assets** – This relates to the expected net book value of assets as at 30th June 2023. This amount is paid to NZ Police by NZTA.
- **Leave liabilities** – These costs relate to leave liabilities for traffic camera operator (TCO) staff and police infringement bureau (PIB) staff which are attributable to the camera operations. This amount is paid to NZTA by NZ Police. The amounts here represent the balances as at 31 October 2021 and have been used as a proxy for the numbers as at 30 June 2023.



Field operations direct costs

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Field operations direct costs mainly relate to TCOs and camera lease costs.

Field operations direct costs breakdown

NZD in 000s	Reported	Est. of mobile cam cost	Adjusted
Camera lease			
Equipment lease	s 9(2)(b)(ii)		
Mobile camera leases			
Total camera lease			
Maintenance			
Third party	s 9(2)(b)(ii)		
Calibrations Personnel	127	-	127
Travel	28	-	28
Site security	37	-	37
Total maintenance	s 9(2)(b)(ii)		
Vans - Running costs			
Running Costs			
Total maintenance			
Van -Dep'n / Cap charge			
Depreciation	324	-	324
Capital Charge	50	-	50
Total maintenance	374	-	374
Personnel (TCO)			
Traffic Camera Operator	4,774	-	4,774
Total maintenance	4,774	-	4,774
Total field operations direct costs	s 9(2)(b)(ii)		

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xls

Field operations direct costs

These costs are directly related to safety camera operations and have no shared function with other units or division. Consequently, these amounts are directly traceable to supporting documentation such as invoices and general ledgers.

For further information refer to the following pages for analysis.

Static camera costs – Relates to the annual lease of 48 static cameras across the country

Static camera lease costs

NZD in 000s	Amount
Individual static camera monthly lease expense	§ 9(2)(b)(ii)
Number of static cameras	48
Total monthly static camera lease expense	§ 9(2)(b)(ii)
Months per annum	12
Total annual static camera lease expense	§ 9(2)(b)(ii)

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xlsm

NZ Police methodology

The total annual static camera lease expense has been calculated by extrapolating a monthly invoice for the lease expense for all cameras over a 12 month period.

Source

The source of the information is the tax invoice from Redflex Traffic Systems Pty Ltd for the lease of 48 cameras for the 31 days in August 2021.

Work performed

- We have vouched the monthly cost to invoice and noted no discrepancies.
- We have checked the calculation and noted no errors.

Conclusion

We consider NZ Police's approach and calculation methodology to be reasonable.

We note that NZ Police's methodology is conservative as:

- Cameras lease costs are actually charged by the day. Using the daily § 9(2)(b)(ii) multiplied by 48 cameras over 365 days equals § 9(2)(b)(ii).
- § 9(2)(b)(ii). Therefore the cost estimate used by NZ Police is the maximum lease charge for 48 static cameras.

Mobile camera costs – The current mobile camera fleet is owned and fully depreciated. We have estimate the lease cost of the mobile camera fleet as if they were leased.

NZD in 000s	Amount
Daily lease expense per mobile camera system	s 9(2)(b)(ii)
Number of mobile camera systems	45
Total daily mobile camera lease expense	s 9(2)(b)(ii)
Days per annum	365
Total annual mobile camera lease expense	s 9(2)(b)(ii)

Source: Re: [EXTERNAL] RE: [Governance documents] Mobil Replacement Programme Board meeting 18 November

The current mobile camera fleet is owned and fully depreciated. Accordingly, there is no current 'ownership' cost in NZ Police's estimate.

However, given the impending replacement of the mobile camera fleet, we believe it is appropriate to factor in the pro forma cost of leasing this fleet under the future operating model. We have estimated this cost as s 9(2)(b)(ii) per annum based on the following:

- s 9(2)(b)(ii) provided to NZ Police / Waka Kotahi by Redflex
- The daily cost has been multiplied by the number of mobile cameras to give a total daily cost
- The total daily costs has been multiplied by 365 to give the annual costs

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Third party camera maintenance – The majority of third party camera cost maintenance relates to static cameras

Third party maintenance

NZD in 000s	Amount
Static cameras	§ 9(2)(b)(ii)
Mobile cameras	
Red light cameras	
Total third party maintenance cost	

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xlsm

Methodology

The cost has been calculated using the following method:

- Static cameras – The sum of costs incurred from Redflex NZ Operations for static cameras for the 2020 financial year.
- Mobile cameras – The sum of costs incurred from § 9(2)(b)(ii) for the 2021 financial year. Items separately funded have been excluded as they are one-off.
- Red light cameras – The sum of costs incurred from Redflex NZ Operations for red light cameras for the 2020 financial year.

The rationale of using 2020 opposed to 2021 was to account for lower than usual costs in 2021 for static and red cameras.

Source

The source of the information is the detailed vendor accounts for Redflex NZ and § 9(2)(b)(ii).

Work performed

We have checked the calculation and noted no errors.

Conclusion

We consider the estimated costs to be reasonable.

Calibrations personnel (1 of 2) – Relates to the direct personnel costs related to the camera network

Calibrations personnel and travel

NZD in 000s	Amount
Calibrations	
Static cameras	
Cost	15
Allowance	5
New systems testing	16
Dedicated calibrations personnel	37
Total static cameras	73
Mobile cameras	
Cost	12
Allowance	-
Dedicated calibrations personnel	36
Total static cameras	48
Red light cameras	
New systems testing	1
Dedicated calibrations personnel	4
Total static cameras	5
Total calibrations costs	127

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xism

Methodology

The calibrations personnel cost has been calculated using the following method:

- Determine the average annual cost per FTE as the total annual cost divided by FTEs and convert to an hourly rate by dividing the average by 2040. The hourly rate can be converted to a daily rate by multiplying by 8. The daily allowance for staff is \$110 per day.
- Static camera calibrations requires two staff over 2 days in 12 districts for a total of 48 days.
- Mobile camera calibrations require 2 staff for 20 days for a total of 40 days.
- New system testing require 6 staff over 7 days for a total of 42 days. The cost is allocated 94% to static cameras and 6% to red light cameras based on the weighting of 48 static cameras and 3 red light cameras.
- Dedicated calibrations personnel relates to 1 FTE solely dedicated to calibrations and is apportioned 48%, 47% and 5% across static, red light and mobile cameras respectively.

Source

The source of the information is calibrations unit direct personnel expenses for FY21 and email correspondence from the manager of calibration services detailing the staff and days required for calibrations as well as the daily allowance.

Calibrations personnel (2 of 2) – Relates to the direct personnel costs related to the camera network

Calibrations personnel and travel

NZD in 000s	Amount
Calibrations	
Static cameras	
Cost	15
Allowance	5
New systems testing	16
Dedicated calibrations personnel	37
Total static cameras	73
Mobile cameras	
Cost	12
Allowance	-
Dedicated calibrations personnel	36
Total static cameras	48
Red light cameras	
New systems testing	1
Dedicated calibrations personnel	4
Total static cameras	5
Total calibrations costs	127

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xlsm

Work performed

- We have vouched the inputs to calculation to the email correspondence and noted no discrepancies.
- We have checked the calculation and noted no errors.

Conclusion

We consider the methodology and calculations to be reasonable.

Travel costs – Relates to cost incurred by calibrations staff in relation to accommodation and rental cars

NZD in 000s	Amount
Travel	
Static cameras	
Rental car cost	5
Accommodation cost	10
Total static cameras	14
Mobile cameras	
Rental car cost	4
Accommodation cost	-
Total static cameras	4
Red light cameras	
Rental car cost	1
Accommodation cost	8
Total static cameras	10
Total travel costs	28

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xlsx

Methodology

Travel costs have been estimated using the following:

- Rental car costs - assumed to be \$200 per day. The cost initially appears high, but is based on the need for a larger vehicle to carry equipment or alternatively the need for two vehicles
- Accommodation - assumed to be \$200 per day.
- Static cameras require 24 days for the rental car and 24 days for 2 staff for a total of 48 days accommodation.
- Mobile cameras require 20 days for the rental car and there is no accommodation cost.
- Red light cameras require 7 days for rental cars and 7 days for 6 staff for a total of 42 days accommodation.

Source

The source of the information is the email correspondence from the manager of calibration services detailing the staff and days required for calibrations.

Work performed

- We have vouched the inputs to calculation to the email correspondence and noted no discrepancies.
- We have checked the calculation and noted no errors.

Conclusion

We consider the estimation to be reasonable.

Site security – Relates to the CCTV monitoring of static cameras to prevent vandalism

Site security

NZD in 000s	Amount
CCTV monthly leasing cost	s 9(2)(b)(ii)
Months per annum	12
Annual CCTV leasing cost	s 9(2)(b)(ii)

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xlsm

Methodology

The CCTV costs have been calculated by extrapolating a monthly invoice for the lease expense for the CCTV cameras over a 12 month period.

Source

The source of the information is the detailed vendor accounts for s 9(2)(b)(ii)

Work performed

- We have vouched the monthly cost to detailed vendor account and noted no discrepancies.
- We have checked the calculation and noted no errors.

Conclusion

We consider the estimation to be reasonable.

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Running costs – Relates to the general running costs such as fuel and fleet management of the mobile camera fleet vans

Running costs - mobile vans

NZD in 000s	Amount
VW Transporter	s 9(2)(b)(ii)
Hyundai i Max	
Annual running costs	

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xlsm

Methodology

The running costs has been calculated using the FY21 running costs for all vehicles.

Source

The source of the information is the fleet operating expense database for FY12 to period 4 of FY22.

Work performed

- We have checked that all FY21 costs are included and noted no errors.
- We investigated two vehicles with no recorded running costs [Q3]

Conclusion

We consider the calculation to be reasonable.

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Vehicle depreciation and capital charge – Relates to the depreciation of motor vehicles and the capital charge applied to investments by the Treasury

NZD in 000s	Vehicles	Depreciation	Capital charge
VW Transporter	32	317	44
Hyundai i Max	12	-	4
Mitsubishi Outlander	1	7	2
Totals	45	324	50

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xlsx

Methodology

The depreciation and capital charges have been calculated using the following method:

- Depreciation – Vehicles are depreciated straight line over 6 years from date of capitalisation. 11 vehicles have residual values ranging from \$6000 to \$7600. The remainder are fully depreciated.
- Capital charge – calculated as 5% of the book value of the vehicles.

Source

The source of the information is the fixed asset register.

Work performed

We have checked the calculation and noted no errors.

Conclusion

We consider the estimation to be reasonable

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Traffic camera operator (TCO) costs – Relates to personnel costs of TCO which are directly attributable to the camera network

District	Average FTEs	NZD in 000s	Methodology
Districts North			<p>The traffic camera operator costs have been calculated using the personnel costs for the TCO job profile for FY21 has been used as a proxy for annual personnel costs – Given proximity of time to FY21 this is assumed to be the most accurate view.</p> <p>Source</p> <p>The source of the information is data extract for the traffic camera operator job profile for FY21.</p> <p>Work performed</p> <ul style="list-style-type: none"> We have checked the calculation and noted no errors. <p>Conclusion</p> <p>We consider the methodology to be reasonable.</p>
Northland	5	337	
Waitemata	8	539	
Auckland City	4	282	
Counties/Manukau	6	387	
Waikato	7	455	
Bay of Plenty	6	414	
Total north	35	2,412	
Districts South			
Central	8	589	
Eastern	5	402	
Wellington	6	414	
Tasman	3	246	
Canterbury	5	382	
Southern	4	330	
Total south	31	2,362	
Total TCO cost	67	4,774	

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xlsx



Back office costs

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PIB personnel (1 of 3) – NZ Police has undertaken a high level activity based costing exercise to allocate the cost of its 81 PIB personnel across the various PIB functions. Based on this exercise 61% of PIB personnel cost has been allocated to the safety camera programme

PIB personnel costs

NZD in 000s	Driver	Camera	Shared	Non-camera	Total FTEs	Camera activity %	Estimated safety camera costs	Estimated total cost	Allocation %
Document management system inputs	FTEs	3	-	1	4	n.a.	215	287	75%
Systems (incl. Tulip & PIPS)	Camera activity %	-	2	-	2	66%	95	144	66%
Verification / Errors	FTEs, camera activity %	8	15	2	25	66%	1,284	1,794	72%
Adjudication	Camera activity %	-	10	-	10	30%	215	718	30%
Accounts	FTEs	4	-	4	8	n.a.	287	574	50%
Transfer of liability / admin	Camera activity %	-	5	-	5	95%	341	359	95%
Customer services	Camera activity %	-	6	-	6	30%	129	431	30%
Courts	Camera activity %	-	5	-	5	68%	244	359	68%
Overheads / Mgt	Camera activity %	-	16	-	16	66%	762	1,155	66%
Total		15	59	7	81	n.a.	3,573	5,820	61%

In order to estimate the PIB costs attributable to safety cameras, NZ Police has undertaken a high level activity based costing exercise to allocate costs by key function / node. Specifically, NZ Police has performed the following:

- Identified specific functions performed by PIB as outlined in the table above.
- Allocated FTEs to each node based on their roles.
- Estimated the total cost of each node by multiplying the number of node FTEs by the average personnel cost per FTE
- For each node, identified a key activity driver (i.e. FTEs, estimated camera activity or a combination of both). This was determined by discussions with the team leads from each nodes.

- Allocated FTEs as either camera, shared or non-camera. This was also determined by discussions with the respective team leads.
- Estimated the camera activity % for each activity, where applicable. The camera activity % is an estimate by NZ Police of the activity performed by each node in related to safety cameras. On the following page, we assess NZ Police's camera % assumptions for each node.

Where the key driver is FTEs, the cost attributable to safety cameras is calculated as the direct camera FTEs multiplied by the average personnel cost per FTE.

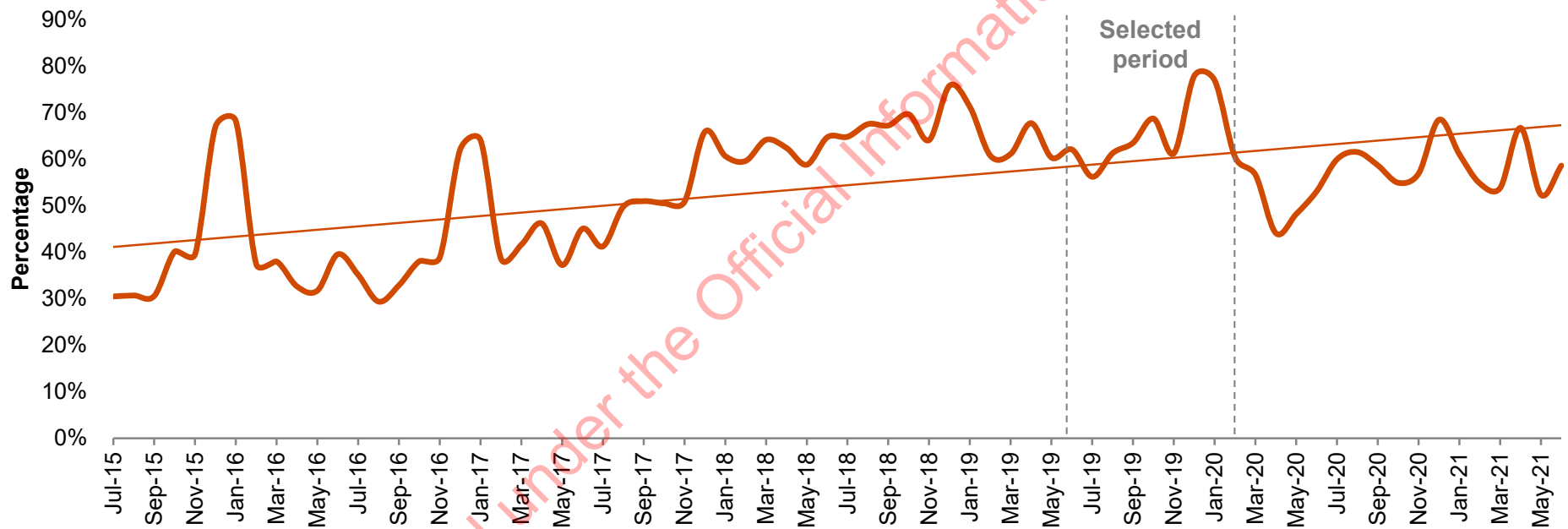
Where the key driver is camera activity, the cost attributable to safety cameras is calculated by multiplying the total node cost by the camera activity %.

PIB personnel (2 of 3) – We have assessed assumptions behind the camera activity percentages used by NZ Police and consider them to be reasonable basis for allocation

Node	Activity driver	Camera activity %	Basis of activity %
Document management system inputs	FTEs	n.a.	n.a
Systems (incl. Tulip & PIPS)	Camera activity %	66%	Based on the proportion of camera tickets issued vs officer issued tickets (see overleaf for how this has been determined)
Verification / Errors	FTEs, Camera activity %	66%	Based on the proportion of camera tickets issued vs officer issued tickets (see overleaf for how this has been determined)
Adjudication	Camera activity %	30%	NZ Police has assumed that only 30% of time is spent on camera related activity on the basis that most camera issued infringements don't go to adjudication
Accounts	FTEs	n.a.	n.a
Transfer of liability / admin	Camera activity %	95%	NZ Police has assumed that the vast majority of activity relates to safety cameras on the basis that officer issued ticket liability is rarely disputed
Customer services	Camera activity %	30%	NZ Police has assumed that only 30% of time is spent on camera related activity on the basis that customer service largely relates to disputing the ticket itself which is typically more weighted to officer issued infringements.
Courts	Camera activity %	68%	Estimated based on FTE allocation. We noted that this is materially consistent with the proportion of camera tickets issued vs officer issued tickets
Overheads / Mgt	Camera activity %	66%	Based on the proportion of camera tickets issued vs officer issued tickets (see overleaf for how this has been determined)

PIB personnel (3 of 3) – NZ Police has used the proportion of camera infringements issued as a proxy for activity for a number of the nodes

% Camera Infringements to Total Infringements



Selected period

The selected period ranges from June 2019 to February 2020. This period has been selected as it is the most recent period excluding COVID-19 lockdowns. During this time the average percentage of camera infringements issued to total infringements was **66%**. During this period [x%] of cameras were down, compared to the normal level of [y%] – [Q21].

PIB operating expenses and ICT & projects (1 of 2) – Relates to allocated opex and IT costs incurred by the police infringement bureau

NZD in 000s	Key driver	Driver %	Allocated cost
Opex			
NZ Post / notices / reminder notices	Camera % activity	66%	s 9(2)(b)(ii)
Verification / Errors	Camera % activity	80%	126
s 9(2)(b)(ii) Document scanning	Documents %	20%	s 9(2)(b)(ii)
Systems (incl. Tulip & PIPS)	Camera % activity	66%	139
Customer services	Camera % activity	66%	25
PIB opex			1,582
ICT			
Systems (incl. Tulip & PIPS)	Camera % activity	66%	759
Total			2,341

Methodology

The allocated PIB opex and IT costs have been allocated by node using a key activity driver.

Nodes

The nodes and their key drivers are as follows:

- NZ Post** – The key driver is the camera % and NZ Police has assumed 66% based on the proportion of camera tickets issued vs officer issued tickets . This assumption appears reasonable.
- Verification / Errors** – The key driver is percentage activity assuming 80% of activity is related to cameras given the cost relates to one contractor role where 80% is dedicated to cameras. This assumption appears reasonable.
- s 9(2)(b)(ii) Document scanning** – The key driver is documents 20% of documents relate to cameras given that mobile and static camera issued tickets bypass this system. This assumption appears reasonable.
- Customer services** – The key driver is the camera % and NZ Police has assumed 66% based on the proportion of camera tickets issued vs officer issued tickets . This assumption appears reasonable.
- Systems (Opex and ICT)** – The key driver is the camera % and NZ Police has assumed 66% based on the proportion of camera tickets issued vs officer issued tickets . This assumption appears reasonable.

PIB operating expenses and ICT & projects (2 of 2) – Relates to allocated opex and IT costs incurred by the police infringement bureau

NZD in 000s	Key driver	Driver %	Allocated cost	Source
Opex				
NZ Post / notices / reminder notices	Camera % activity	66%	§ 9(2)(b)(ii)	The source of the information is the personnel costs for PIB opex and IT costs for FY21 and email correspondence regarding nodes and key drivers.
§ 9(2)(b)(ii) n / Errors	Camera % activity	80%	126	
§ 9(2)(b)(ii) document scanning	Documents %	20%	§ 9(2)(b)(ii)	
Systems (incl. Tulip & PIPS)	Camera % activity	66%	139	
Customer services	Camera % activity	66%	25	
PIB opex			1,582	
ICT				
Systems (incl. Tulip & PIPS)	Camera % activity	66%	759	
Total			2,341	

Work performed

- We have vouched the calculation inputs to email correspondence and noted no discrepancies.
- We have reviewed the drivers for each node and the driver figures and we consider them to be reasonable.
- We have checked the calculation and noted no errors.

Conclusion

We consider the allocation methodology and associated calculations to be reasonable.

PIPs depreciation and capital charge – Relates to the depreciation of PIP assets and the capital charge applied to investments by the Treasury

NZD in 000s	Depreciation	Capital charge
Software	38	5
Hardware	2	0
Totals	39	5

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xlsm

Methodology

The depreciation and capital charges have been calculated using the following method:

- Depreciation – PIP assets are depreciated straight line over 5 years from date of capitalisation. No assets have residual values.
- Capital charge – Taken as 5% of the book value of the vehicles.

Source

The source of the information is the PIPs fixed asset register.

Work performed

- We have checked the calculation and noted no errors.

Conclusion

We consider the estimate to be reasonable.

Prosecutions – Relates to the allocated cost of prosecutions personnel (PPS) for time spent on camera related infringements

NZD in 000s	Amount
Direct personnel expenses	
Constabulary and AO	62
Employees	43
Total direct personnel expenses	106
Leave provision movement	
General Leave - Con/AO	0
General Leave - Emp	1
TOIL	0
Retiring Leave	(0)
Long Service Leave	(1)
Sick Leave	-
Total leave provision movement	0
Indirect personnel	
Allowances	3
Allowances - Transport	0
Temps and Casuals	1
ACC and Insurance	(0)
Training	0
Recruiting and Transfer	0
Other Costs	0
Total indirect personnel	5
Total PPS cost	111

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xslm

Methodology

The prosecutions cost have been calculated using the following method:

- It is assumed 27% of annual charges relate to traffic offences and traffic offences are typically resolved in one hearing. To account for multiple hearings a 0.5% uplift has been applied.
- For all charges it is assumed that NZ Police FTEs provide 80% of the resources and the remaining 20% is provided by crown law
- It is assumed that there are 850 hearings for speed cameras and 3 for red light cameras annually. This is used to determine the percentage of camera hearings to total hearings
- The percentage is then applied to total prosecutions FTEs to give the number of dedicated camera FTEs. This is then used to allocate prosecutions personnel costs to cameras. It is assumed there is approximately 1 FTE attributable to prosecutions.

Source

The source of the information is the PPS personnel costs for FY21.

Work performed

- We have reviewed the assumptions and we consider them to be reasonable.
- We have checked the calculation and noted no errors.

Conclusion

We consider the estimation to be reasonable.



Allocated overhead costs

Released under the Official Information Act 1982

Allocated overhead costs – Relates to the allocation of total NZ Police overhead (adjusted for certain one-off / non-recurring expenses). The allocation of overheads is inherently judgemental, however, NZ Police’s allocation methodology appears fair and reasonable

Allocated overhead costs

NZD in 000s

	Amount
Total Overheads / Support Costs for NZ Police	s 9(2)(b)(i)
PIB Support costs already included in Direct Cost Analysis	

Subtotal

Total abnormal / one-off items	s 9(2)(b)(i)
Overheads to be applied	

Overheads to be applied

Overhead Attribution Factor	s 9(2)(b)(i)
Overheads applicable FTEs transferred	

Overheads applicable FTEs transferred

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xlsx

Methodology

The allocated overhead costs have been calculated using the following method:

- The total overheads is derived from the audited FY21 accounts and amounts already allocated have been excluded.
- Material one-off / non-recurring expenses have been identified and excluded from the allocated base. Whilst we have been provided the details of these expenses, we have redacted these for the purposes of this report for confidentiality.
- An overhead attribution factor is then applied to the net position to calculate the applicable overheads. The determination of this factor is discussed on the following page.

Source

The source of the information is the annual accounts, the detailed general ledger and NZ Police FTE information.

Work performed

- We have reconciled the overheads to the audited annual accounts and noted no errors. [Q14]
- We have discussed the one-off / non-recurring items with NZ Police and agree with treatment that they have adopted. All amounts agree to supporting documentation. [Q15]
- We have checked the calculation and noted no errors.

Conclusion

We consider the methodology to be reasonable.

Overhead attribution factor – This the percentage of FTEs related to camera operations to total NZ Police FTEs

FTEs directly attributed	FTEs	Allocation	Allocated FTEs
Traffic camera operators	66	100%	66
Police infringement services (PIB)	78	66%	52
Prosecutions	1	100%	1
Calibrations	1	100%	1
Total FTEs directly attributed			119
Total FTEs (NZ Police)			14,255
Overhead Attribution Factor			0.84%

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xls

Methodology

The overhead attribution factor has been calculated using the following method:

- Directly attributable staff (I.e. TCOs) have been allocated at 100% as there is no shared function in their role
- PIB staff have allocated 66% of the total inline with the percentage of camera issued tickets
- Shared services such as calibrations and prosecutions have been allocated the estimated FTE used within their respective calculations
- The number of directly attributable FTEs is divided by total NZ Police FTEs to calculate the overhead attribution factor.

Source

The source of the information is the NZ Police FTE information.

Work performed

- We have reconciled the FTE numbers in the calculation and ensured consistency within the work paper and noted no errors.
- We have checked the calculation and noted no errors.

Conclusion

We consider the methodology to be reasonable.



Net book value of assets

Released under the Official Information Act 1982

Net book value of assets – Relates to the forecasted net book value of motor vehicles as at 30th June 2023

NZD in 000s	FY23F
Vehicles and equipment	
Vans	200
PIPs	3
Cameras	-
Net book value of assets	203

Source: Traffic-Camera-Expenditure-FY20-21 + Summary (Final).xlsm

Methodology

The forecasted net book value has been calculated using the following method:

- Depreciation is straight line for all asset classes. A depreciation schedule was prepared and given the predictability of straight line depreciation the net book value was determined.

Source

The source of the information is all camera related fixed asset registers.

Work performed

- We have checked the calculation and noted no errors.

Conclusion

We consider the methodology to be reasonable.

Released under the Official Information Act 1982



Employee leave liabilities

Released under the Official Information Act 1982

Leave liabilities – Relates to the leave liabilities for directly attributable staff and shared services staff

NZD in 000s	TCO	PIB
Alt Leave > 12 mths	28	1
Alternative Leave	49	2
Annual Leave	437	236
Commissioners Days	12	2
Long Service Leave	177	120
Long Service Leave Bank	308	208
PCT	3	4
Shift Workers Leave	85	1
Sick Leave	1,600	835
Time Off In Lieu	5	1
Total leave liabilities	2,705	1,411

Source: Leave Liability 31 October 2021.xlsx

Methodology

The leave liabilities amount has been calculated using the following method:

- Leave balances from all TCO and PIB staff has been determined at a point in time.
- 100% of TCO staff leave liabilities has been allocated as these FTEs are directly attributable to the camera network. 66% of the PIB staff leave liabilities has been allocated inline with the percentage of camera tickets issued.
- The 31st October 2021 has been used as a proxy for the numbers. However, the amounts are expected to change. It is noted that the October numbers are higher than usual due to the COVID-19 Delta variant lockdown which has resulted in less leave being taken in the previous months.

Source

The source of the information is the employee leave balances output.

Work performed

- We considered the balances included to be appropriate and do not consider the amounts to be incomplete.
- We have checked the calculation and noted no errors.

Conclusion

We consider the methodology to be reasonable.



Appendices

Appendices

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6AoG Consultancy Services Order (CSO)

Part A – for Participating Agency (client) to complete

The Participating Agency (referred to as the client in Parts A – E of this Consultancy Services Order) will complete this and email the entire form (including all Parts) to the Provider.

Today's Date	28/05/21	CSO or Project name	Automated Speed Compliance
Agency	New Zealand Transport Agency (NZTA)	Provider	PwC
Agency contact name & title	Neil Cook	Provider contact name & title	s 9(2)(a)
	Deputy General Manager Regulatory Services		
Nominated Personnel	Richard Stewart	Nominated Personnel	
Agency email address	richard.stewart@nzta.govt.nz Programme Director, Safety Camera System Enterprise Change, Corporate Support	Provider email address	
Agency phone #	s 9(2)(a)		
Sub Category	Consulting	GCDO Assurance Sub Panel	no

A1. Purpose and any background information

The Safety Camera System is a critical workstream in delivering Road to Zero outcomes for Waka Kotahi.

Road to Zero is New Zealand's road safety strategy for 2020-2030. This is reflected in the Government Policy Statement on Land Transport (GPS) 2021 with safety being a key strategic priority and RtZ a key programme.

In response to the recent IQA determination that the Safety Camera System workstream of Tackling Unsafe Speeds Programme needs a re-set a number of activities have taken place. The programme team has been reset, a draft blueprint has been created and there has been alignment in the senior leadership over sequencing of the outputs and timeline.

As a next step, the programme team have agreed that each team within the programme should conduct the due diligence for their respective areas to gain a deep knowledge of current NZ Police operations.

Each of the programme team are a specialist within their particular field (people, process, technology etc), there is a need for some specialist support in a due diligence exercise.

May 2021

Waka Kotahi therefore require the support of PwC's due diligence specialists to facilitate a planning process to ensure nothing important is missed.

Waka Kotahi requires the following:

- Facilitating a workshop with all the leads from the programme to identify the required due diligence activities
- Facilitating a joint workshop between the Waka Kotahi and NZ Police teams to ensure we are on the same page
- Providing advice on logistical matters e.g. handling confidential and commercially sensitive materials
- Documenting a Due Diligence Plan, including the activities, who and when

A2. Specific questions / instructions for Provider

A3. Additional Information e.g. risks to client, additional contact information

A4. Client specific requirements

Name	Position	Role
s 9(2)(a)		s 9(2)(a) on this engagement.
		s 9(2)(a) deliver this engagement with the support of a delivery team. She will lead the development and facilitation of the workshop series.
Analysts as required	Senior Analyst	We will use a Senior Analyst to support us in the preparation and delivery of this work.

A5. Timeframes

The Services will be provided between 31 May 2021 and 10 July 2021.

A6. Indicative budget

A7. Outputs of the Services

- 2x workshop output capture documents.
- Our envisioned deliverables will be a concise due diligence report(s) and accompanying Microsoft Excel data pack.

May 2021

CSO

Part B – for Provider to complete

The Provider will complete Part B and email the form back to the client

B1. Specific Services to be provided

The ask:

Workshops

- Facilitating a workshop with all the leads (10) from the programme to identify the required due diligence activities.
- Facilitating a joint workshop between the Waka Kotahi and NZ Police teams to ensure alignment.

Preparation time for workshops

- Workshop 1:** Programme Leads identify activities they need to undertake to ensure a fulsome due diligence process is taken around the transfer of the safety camera network. § 9(2)(a) will work together to run the process on the day.
- Workshop 2:** We will work with you to put together a joint Waka Kotahi and NZ Police workshop to bring cohesion and alignment. We suggest a joint sponsor team of Waka Kotahi and 1 police representative to scope this out. We have assumed a workshop of 25 people max. We will require a 4 person workshop team from PwC to assist with the workshop preparation and delivery. § 9(2) will run the scoping sessions.

Post Session Output

- We will provide a capture document shortly after each session

Financial due diligence services for proposed transfer of safety cameras from NZ Police to Waka Kotahi
We will report on the following procedures as set out below:

Phase 1 - The current state of safety camera related activities
Our due diligence of the current state of safety related camera activities will be limited to the most recent financial year or the most recently completed and available last twelve month (LTM) period. We will not seek to perform historical trend analysis on the basis that this has limited relevance to the future state of safety camera related activities.

- Quality of financial information
 - Understand and assess the process undertaken by NZ Police to identify and 'carve out' the transferring cost base and associated assets and liabilities.
- Transferring cost base
 - Employee costs
 - Understand and summarise the details for transferring employees (which we understand to be approximately 71 Traffic Camera Operators)

- Understand and document employee incentive and superannuation schemes (including KiwiSaver).
- Analyse current employee provisions such as holiday pay and long service leave, noting that we understand that these will be settled by NZ Police on transfer to Waka Kotahi and that all transferring employees will be subject to new employment agreements.
- Understand and document employee benefits provided such as health insurance (if applicable)

b. Other safety camera related direct costs

- Understand and document estimated costs in relation to:
 - Camera repairs & maintenance
 - Camera operational costs - e.g. electricity, DVDs, rent for fixed sites (if applicable) and insurance
 - Vehicle repairs & maintenance
 - Vehicle operating costs (fuel, RUCs if diesel, COF/WOF, insurance)
 - Traffic Camera Operator training costs
- Indirect costs
 - Understand and assess other indirect costs required to operate the safety camera network.

3. Non - transferring cost base

- Understand and document of the current cost base in NZ Police that will not be transferred to Waka Kotahi (e.g. IT related costs for non-transferring systems).
- To help assess the future state, classify these costs as either:
 - Costs that will need to be replaced by equivalent costs within Waka Kotahi immediately post transfer;
 - Costs that will need to be covered by either Transitional Services Agreement or long-term agreements with NZ Police (e.g. The Police Infringement Bureau, the Police Prosecution Service and the Police Calibration Service); or
 - Costs that need do not need to be replaced

4. Transferring assets and liabilities

- Plant, property and equipment (PP&E)
 - Understand and document the PP&E to be transferred to Waka Kotahi, including safety camera related PP&E (e.g. safety cameras and vans etc.) as well as peripheral PP&E such as computers and other PP&E.
 - Obtain a detailed fixed asset listing / register and assess the listing for completeness. For the avoidance of doubt, it is not intended that our scope will extend to a physical PP&E count.

May 2021

May 2021

CSO

iii. Understand and document the current depreciation policies, including what basis has been used (i.e. straight-line or diminishing value) and the rates currently applied.

iv. Understand and document the current ownership mix of the PP&E. That is, clearly document which assets are owned and which are leased (and whether they are operating or finance leases).

v. Prepare a summary of leased assets along with the key terms of the lease. This will include documenting key lease terms (e.g. annual lease expense, expiry or lease and guaranteed residual payments)

b. Inventory

i. Understand and document what (if any) inventory is to be transferred to Waka Kotahi including spare parts and other safety camera related peripherals such as DVDs.

c. Other assets and liabilities

i. Based on inquiry of NZ Police, document and understand what other assets and liabilities are required to operate safety camera related activities and identify potential asset gaps that will need to be filled to help facilitate the future state.

Phase II - The future state of safety camera related activities
Based on workshops with you, we will prepare a detailed scope of work to assess the assumptions underpinning the transition to future state and the assumed future state.

B2. Sub Category and Tier to be Provided		
Selection	Sub-category of Services	Tier (1/2/3)
	Accounting	
	Assurance	
	Audit	
	Finance and economics	
	Procurement and logistics	
	Taxation	
	Business change	
	Human resource	
	Marketing and public relations	
	Operations management and risk	

B3. Can you confirm that the Nominated Personnel (if any) is available to provide the Services?

PricewaterhouseCoopers New Zealand confirm that the Nominated Personnel are available to provide the Services

B4. Can you confirm that the timeframe is acceptable?

PricewaterhouseCoopers New Zealand confirm that the timeframe is acceptable

B5. Estimated Start and End Date

Start	31/05/21	End	10/07/21
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B6. Estimate / Quote (excluding GST, if any)

Fees	s 9(2)(b)(ii)
Administration Fee (1% of Charges)	
Expenses	
Total	
Identify whether the Total is an Estimate / Quote and the method that the Charges have been calculated	Estimate Any additional hours will be charged on a time and materials basis. Hours not used will not be charged.

PwC professional fees would be based on actual time incurred. To provide the NZTA with this support, PwC suggest an estimated fee of s 9(2)(b)(ii) including GST. This is an estimate only, PwC will only charge for actual time incurred and will not exceed the estimate without prior discussion and approval.

Individual Personnel Rates

PwC propose the following team for this engagement. The members of the team understand the key aspects of the work and you have our commitment that these key members of our team will be available and present, as needed in key workshops and meetings.

Name	Position	Hourly Rate
s 9(2)(a)	Partner	s 9(2)(b)(ii)
	Director	
	Senior Analyst	
	Senior Analyst	

CSO

B7. Conflict of Interest declaration and Additional Information	
<p>I, s 9(2)(a) of PricewaterhouseCoopers New Zealand has made diligent inquiry whether PricewaterhouseCoopers New Zealand has any actual, potential or perceived Conflict of Interest were it to provide the Services described in this Consultancy Services Order and I have disclosed any actual, potential or perceived Conflict of Interest and how it will be managed below:</p>	
<p>We have actively made diligent inquiry for any actual, potential or perceived Conflict of Interest through our internal risk management processes and practices. We confirm that no such conflict of interest exists. If a conflict of interest was to arise we would disclose and manage this conflict in accordance with standard procedure.</p>	

B8. Additional information	
<p>"Assumptions and qualifications upon which the services are provided"</p> <p>The Services have been prepared for the purposes noted above, and for none other. If you use them for any other purpose, you do so at your own risk.</p> <p>During the course of this assignment, we may come to hold information that was provided to us in confidence, and in respect of which we therefore owe a duty of confidentiality. In commissioning us to perform the Services, you are acknowledging this, and will respect this duty of confidentiality.</p> <p>We are providing the Services to Waka Kotahi and therefore they should not be relied upon by any of your employees or advisors in any personal capacity.</p> <p>Unless specifically provided for in the Consultancy Services Order:</p> <ul style="list-style-type: none"> a) The Services do not involve an audit or examination conducted in accordance with New Zealand auditing standards, and we will not express an opinion on any financial statements or information taken as a whole, nor provide any opinion on the achievability of prospective financial information, and b) The Services are not designed to reveal fraud or misrepresentation, and we will not be seeking to do so. <p>Draft versions of reports and other outputs will be provided for your information, comment and engagement during the assignment, but will always be subject to amendment and updating. If you rely on drafts or incomplete deliverables, you do so at your own risk.</p>	

B9. Signatures	
Name of Provider's authorised signatory	s 9(2)(a)
Signature of authorised signatory	s 9(2)(a)
<p>The client accepts and authorises this Consultancy Services Order</p>	

Name of client's authorised signatory	Neil Cook
Signature of authorised signatory	s 9(2)(a)
Date of acceptance	31 May 2021
Client's job reference or purchase order number	[if required] 80002535

Please send this link below to your agency contacts to complete after each engagement. For long engagements, we recommend sending this at key milestones to seek feedback throughout the engagement.

[Consultancy \(https://www.research.net/r/ClientSatisfactionSurvey-AoGcontracts-CSO\)](https://www.research.net/r/ClientSatisfactionSurvey-AoGcontracts-CSO)

[GCDO Assurance \(https://www.research.net/r/GCDOAssuranceServices-CSO\)](https://www.research.net/r/GCDOAssuranceServices-CSO)

Scope and Process: Supplementary information

Scope	Process
Scope	We point out that the scope of our work did not include a review of the Group's markets or its competitive position in those markets. Furthermore our work did not include a review of the Group's tax affairs or its pension arrangements/
Due diligence process	Our work was performed over a 4 week period commencing 4 November 2021. All work was performed remotely. We had uninhibited access to NZ Police financial management.
Basis of our work	We have not carried out anything in the nature of an audit nor, except where otherwise stated, have we subjected the financial or other information contained in this report to checking or verification procedures. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of the information in this report that has been provided to us and upon which we have relied, except where otherwise stated. The statements and opinions expressed in this report are based on information available to us at the date of the report. We reserve the right, but are under no obligation to amend our report if any additional relevant information is later made available to us.

Released under the Official Information Act 1982

Glossary

Term	Definition/Meaning	Term	Definition/Meaning
FTE	Full time equivalent		
FYXX	Financial year ending 30 th June XX		
n.a.	Not applicable		
NZTA	New Zealand Transport Agency		
p.a.	Per annum		
PIB	Police Infringement Bureau		
PIPs	Software that stores speed camera and correspondence images		
PPS	Prosecutions		
TCO	Traffic camera operators		

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