

SECTION D

FINANCIAL STATEMENTS AND AUDIT REPORTS



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	ACTUAL 2016/17 \$M	BUDGET 2016/17 \$M	ACTUAL 2015/16 \$M
REVENUE INFLOWS*				
Land transport revenue	3	3,584	3,409	3,458
Management of Crown land		72	57	63
Tolling revenue		9	7	7
Interest revenue		9	4	5
Total revenue inflows	4	3,674	3,477	3,533
OUTFLOWS				
National Land Transport Programme (NLTP)		3,082	3,239	2,909
Road Policing Programme		321	323	315
Fuel excise duty/road user charges administration		5	5	5
Forecasting and strategy		1	1	1
Total outflows		3,409	3,568	3,230
SURPLUS/(DEFICIT) FROM CURRENT NATIONAL LAND TRANSPORT FUND BALANCE		265	(91)	303
Fair value gain on long-term payables		17	0	11
National Land Transport Fund (NLTF) expenditure to be funded long-term		(310)	0	(369)
Finance charges		(3)	0	0
Deficit to be funded from future NLTF revenue		(296)	0	(358)
SURPLUS/(DEFICIT)		(31)	(91)	(55)

* This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

Explanations of major variances against budget are provided in note 17.

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	NOTE	ACTUAL 2016/17 \$M	BUDGET 2016/17 \$M	ACTUAL 2015/16 \$M
ASSETS				
Current assets				
Cash and cash equivalents	5	575	177	262
Receivables	6	232	283	248
Total assets		807	460	510
LIABILITIES				
Current liabilities				
Payables	7	346	420	299
Non-current liabilities				
Payables	7	989	0	708
Total liabilities		1,335	420	1,007
NET ASSETS				
General funds		(528)	40	(497)
GENERAL FUNDS CLOSING BALANCE*	8	(528)	40	(497)

* This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

Explanations of major variances against budget are provided in note 17.

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	ACTUAL 2016/17 \$M	BUDGET 2016/17 \$M	ACTUAL 2015/16 \$M
GENERAL FUNDS OPENING BALANCE				
General funds - current		211	131	(92)
General funds - non-current		(708)	0	(350)
Total general funds opening balance		(497)	131	(442)
CHANGES IN GENERAL FUNDS BALANCE				
Surplus/(deficit) from current NLTF balance		265	(91)	303
Surplus/(deficit) to be funded from future NLTF revenue		(296)	0	(358)
Total changes in general funds balance		(31)	(91)	(55)
GENERAL FUNDS CLOSING BALANCE				
General funds - current		476	40	211
General funds - non-current		(1,004)	0	(708)
TOTAL GENERAL FUNDS CLOSING BALANCE[†]		(528)	40	(497)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	ACTUAL 2016/17 \$M	BUDGET 2016/17 \$M	ACTUAL 2015/16 \$M
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from land transport revenue		3,690	3,475	3,552
Payments to suppliers		(3,377)	(3,533)	(3,329)
Net cash from operating activities	9	313	(58)	223
NET INCREASE/(DECREASE) IN AMOUNTS HELD BY THE CROWN				
Amounts held by the Crown at the beginning of the year		262	235	39
AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR[‡]		575	177	262

* This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

† The National Land Transport Fund is a notional account only. There are no actual cash and cash equivalents as funds are held by the Crown. However, this statement has been provided to meet the requirements of section 11 of the Land Transport Management Act 2003.

‡ Explanations of major variances against budget are provided in note 17.

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 / STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Land Transport Management Act 2003 includes a requirement for the Transport Agency to prepare at the end of the financial year an annual report on the National Land Transport Fund.

All revenue from fuel excise duty, road user charges, motor vehicle registration and licensing fees, revenues from Crown appropriations, management of Crown land interest, and tolling are accounted for in the National Land Transport Fund. The National Land Transport Fund is used to manage:

- the funding of the New Zealand Police Road Policing Programme
- the funding of the National Land Transport Programme for:
 - activities delivered by an approved organisation
 - state highway activities
 - research
 - other Transport Agency activities, such as transport planning.

National Land Transport Fund cash funds are held as part of the total Crown funds. The Ministry of Transport is responsible for authorising any payments from the National Land Transport Fund and administration of appropriations.

The National Land Transport Fund is a public benefit entity (PBE) for financial reporting purposes.

The financial statements for the National Land Transport Fund are for the year ended 30 June 2017, and were approved by the Transport Agency Board on 28 September 2017.

BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of the National Land Transport Fund have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Financial Reporting Act 2014 which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest million dollars (\$m).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue inflows

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the National Land Transport Fund's business. Revenue is shown net of goods and services tax (GST).

Revenue is recognised when the amount can be reliably measured, when it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the National Land Transport Fund activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activity giving rise to the revenue have been resolved.

Interest

Interest revenue is recognised in the net surplus or deficit using the effective interest method.

Outflows

The National Land Transport Fund accounts for the flow of funds to the:

- Transport Agency - for the funding of the National Land Transport Programme, and fuel excise duty/road user charges administration
- New Zealand Police - who provide the Road Policing Programme
- Ministry of Transport - for forecasting and strategy.

Under section 9(1) of the Land Transport Management Act 2003, the National Land Transport Fund funds search and rescue activities, and recreational boating safety and safety awareness.

The various activities are outlined in the statement of service performance.

Assets

The National Land Transport Fund, being a notional account, does not hold any physical assets.

Employee entitlements

The National Land Transport Fund has no employees.

Goods and services tax

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis.

Income tax

The National Land Transport Fund is a public authority, so is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Budget figures

The budget figures are derived from the *NZ Transport Agency statement of performance expectations* as approved by the Transport Agency Board. The budget figures have some differences in accounting policies to those adopted by the Transport Agency Board in preparing these financial statements. This is due to changes in accounting policies in 2015/16 after the budget figures were set.

2 / STATEMENT OF INFLOWS, OUTFLOWS AND CAPITAL EXPENDITURE FOR THE PREVIOUS TWO FINANCIAL YEARS

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
REVENUE INFLOWS			
Land transport revenue	3,584	3,458	3,184
Management of Crown land	72	63	79
Tolling revenue	9	7	0
Interest revenue	9	5	7
Total revenue inflows	3,674	3,533	3,270
OUTFLOWS			
National Land Transport Programme	3,082	2,909	2,943
Road Policing Programme	321	315	298
Fuel excise duty/road user charges administration	5	5	5
Forecasting and strategy	1	1	1
Total outflows	3,409	3,230	3,247
SURPLUS/(DEFICIT) FROM CURRENT NLTF BALANCE	265	303	23
Fair value gain on long-term payables	17	11	0
NLTF expenditure to be funded long term	(310)	(369)	(350)
Finance charges	(3)	0	0
Deficit to be funded from future NLTF revenue	(296)	(358)	(350)
SURPLUS/(DEFICIT)	(31)	(55)	(327)

This statement of inflows, outflows and capital expenditure for the previous two financial years is provided under the requirements of the Land Transport Management Act 2003.

Separate disclosure of the management of Crown land and interest is required under the Land Transport Management Act 2003.

3 / LAND TRANSPORT REVENUE

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
REVENUE		
Fuel excise duty	1,957	1,932
Road user charges	1,508	1,433
Motor vehicle registration and annual licensing fees	224	215
	3,689	3,580
LESS REFUNDS		
Fuel excise duty	61	65
Road user charges	39	52
Motor vehicle registration and annual licensing fees	1	1
	101	118
Less bad debt write-off	4	4
TOTAL LAND TRANSPORT REVENUE	3,584	3,458

As per the Land Transport Management Act 2003, a payment is made for maritime search and rescue activities from fuel excise duty prior to the duty becoming land transport revenue. This payment was \$9 million (2016: \$9 million).

4 / TOTAL REVENUE INFLOWS

The land transport revenue and tolling has been classified and treated as non-exchange revenue and accounted for in accordance with PBE IPSAS 23. The nature of these revenue streams is that of taxes and duties.

The interest earned on the nominal cash balance and the management of Crown land has been classified and treated as exchange revenue and accounted for in accordance with PBE IPSAS 9.

5 / CASH AND CASH EQUIVALENTS

The National Land Transport Fund is a notional account only. The cash and cash equivalents reported in these statements are held by the Crown in the consolidated fund.

6 / RECEIVABLES

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
Debtors - fuel excise duty	234	237
Debtors - motor vehicle register/road user charges	12	24
Provision for doubtful debt	(14)	(13)
TOTAL RECEIVABLES	232	248

7 / PAYABLES

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
Current payable to Transport Agency (for the NLTP) - current NLTF balance	331	299
Current payable to Transport Agency (for the NLTP) - to be funded from future NLTF revenue	15	0
Non-current payable to Transport Agency (for the NLTP) - to be funded from future NLTF revenue	989	708
TOTAL PAYABLES	1,335	1,007

Current payables are non-interest bearing and are normally settled by the end of the month following the date of supply. Therefore, the carrying value of payables approximates its fair value.

Non-current payables are a mixture of interest and non-interest bearing advances that will be settled between 2 and 27 years. Non-interest bearing non-current payables are discounted to present value as at 30 June 2017.

8 / GENERAL FUNDS CLOSING BALANCE

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
General funds - current	476	211
Total general funds - current	476	211
NLTP EXPENDITURE TO BE FUNDED LONG-TERM		
Accelerated Auckland Transport Programme	(236)	(112)
Public-private partnerships	(557)	(380)
Reinstatement of earthquake-damaged roads in Christchurch	(41)	(39)
Tauranga Eastern Link	(107)	(107)
Fair value changes in financial instruments	(63)	(70)
Total general funds - non-current	(1,004)	(708)
TOTAL GENERAL FUNDS CLOSING BALANCE	(528)	(497)

The National Land Transport Fund has a negative general funds balance due to the programmes that were accelerated and current funding was sourced from the Crown. The funding received has been recognised as long-term payables, which are not due until 2 to 27 years from balance date.

Although the National Land Transport Fund has a negative general funds balance, the directors consider the going concern assumption valid due to the following:

- The National Land Transport Fund's liquidity is actively managed.
- The National Land Transport Fund's has a positive cash balance of \$575 million as at 30 June 2017 (2016: \$262 million).
- The National Land Transport Fund's long-term forecasts show its ability to repay these obligations when they fall due.
- The main revenue source of the National Land Transport Fund is land transport revenue, which is forecast with inputs from other government departments and has been accurately forecast in recent years.
- The National Land Transport Fund has the option to slow down expenditure on the National Land Transport Programme, or utilise the short-term borrowing facility of \$250 million if required to meet obligations as they fall due in the short term.
- A long-term financial liabilities policy prioritises borrowing repayments over other commitments and limits borrowings to an annual repayment threshold of 10 percent of the land transport revenue.

9 / RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FROM OPERATING ACTIVITIES

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
NET SURPLUS/(DEFICIT) AFTER TAX	(31)	(55)
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:		
(Increase)/decrease in receivables	16	19
Increase/(decrease) in payables	328	259
Net movements in working capital items	344	278
NET CASH FROM OPERATING ACTIVITIES	313	223

10 / CAPITAL COMMITMENTS AND OPERATING ROADING PLANNED OUTFLOWS

The planned aggregate funding outflows for the National Land Transport Fund are as follows:

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
Not later than one year	5,382	3,958
Later than one year and not later than five years	2,771	4,803
Later than five years	6,051	3,956
TOTAL PLANNED FUNDING	14,204	12,717

11 / CONTINGENCIES

Contingent liabilities

The National Land Transport Fund has no contingent liabilities (2016: nil).

Contingent assets

The National Land Transport Fund has no contingent assets (2016: nil).

12 / RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

The National Land Transport Fund is a wholly owned entity of the Crown

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the National Land Transport Fund would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the nominal terms and conditions for such transactions.

Key management personnel compensation

Under the definition of PBE IPSAS 20, the National Land Transport Fund has no key management personnel.

13 / FINANCIAL INSTRUMENT CATEGORIES

The carrying amounts of financial assets and liabilities in each of the categories are as follows:

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
LOANS AND RECEIVABLES		
Cash and cash equivalents	575	262
Receivables	232	248
TOTAL LOANS AND RECEIVABLES	807	510
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Payables	1,335	1,007
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	1,335	1,007

14 / FINANCIAL INSTRUMENT RISKS

The National Land Transport Fund's activities expose it to a variety of financial instrument risks, including credit risk and liquidity risk. The National Land Transport Fund has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the National Land Transport Fund, causing the National Land Transport Fund to incur a loss.

In the normal course of business, the National Land Transport Fund is exposed to credit risk from debtors and other receivables. For these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

The cash balance is nominal and held within the Government's Crown account.

The National Land Transport Fund holds no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

The National Land Transport Fund's maximum credit risk exposure for each class of financial instrument is as follows:

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
Receivables	232	248
TOTAL CREDIT RISK	232	248

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings.

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
CASH AND CASH EQUIVALENTS		
AA+	575	262
TOTAL CASH AND CASH EQUIVALENTS	575	262

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the National Land Transport Fund will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash.

The National Land Transport Fund mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

Contractual maturity analysis of financial liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts below are contractual cash flows which in some instances will differ from the carrying amount of the relevant liability in the statement of financial position.

	2016/17				2015/16			
	0-1 YEAR \$M	1-2 YEARS \$M	2-5 YEARS \$M	OVER 5 YEARS \$M	0-1 YEAR \$M	1-2 YEARS \$M	2-5 YEARS \$M	OVER 5 YEARS \$M
Payables	352	44	367	1,095	304	21	181	839

15 / CAPITAL MANAGEMENT

The National Land Transport Fund's capital is its general funds. General funds are represented by net assets.

The National Land Transport Fund is subject to the financial management and accountability provisions of the Public Finance Act 1989, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

The Transport Agency manages the National Land Transport Fund general funds as a by-product of prudent management of revenues, expenses, liabilities and general financial dealings to ensure the National Land Transport Fund effectively achieves the requirements set out in the Land Transport Management Act 2003.

16 / COMMITMENTS TO REGIONS REPORTING

The Land Transport Management Amendment Act (LTMA) 2008 requires disclosure of expenditure incurred from 2008/09 to date, in fulfilling the Crown's commitment as per the Act.

	LTMA COMMITMENT \$M	DUE BY	ACTUAL TO DATE \$M
Bay of Plenty	135	2015/16	131
Wellington land transport (Western corridor) *	625	2016/17	372
TOTAL	760		503

* Changes were made to the Land Transport Management Act 2008 Amendment in 2013.

All other regional commitments have been fully met.

17 / EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanations for significant variations from the National Land Transport Fund's budgeted figures are as follows:

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Revenue inflows

Land transport revenue was \$175 million above budget due to increased travel demand as a result of raised levels of economic activity.

Outflows

National land transport programme was \$157 million below budget. This was largely due to lower expenditure on state highway improvements due to savings made at the tender box and establishment phases taking longer than expected.

National Land Transport Fund expenditure to be funded long-term reflects the expenditure on the Accelerated Auckland Transport Programme, the public-private partnerships, the reinstatement of earthquake-damaged roads in Christchurch and the fair value changes of financial instruments. These were not budgeted for in the National Land Transport Fund.

18 / EVENTS AFTER THE BALANCE DATE

No significant events occurred after the balance date.

STATEMENT OF SERVICE PERFORMANCE - FINANCIALS

	ACTUAL 2016/17 \$M	BUDGET 2016/17 \$M	ACTUAL 2015/16 \$M
Investment management	60	59	60
Public transport	334	332	307
Walking and cycling	42	36	40
Road safety promotion	33	36	30
Local road improvements	141	142	104
Local road maintenance	595	585	553
Regional improvements	69	98	13
State highway improvements	1,256	1,385	1,340
State highway maintenance	552	566	462
TOTAL OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY	3,082	3,239	2,909
Accelerated Auckland Transport Programme	124	0	112
Public-private partnerships	174	0	215
Reinstatement of earthquake damaged roads in Christchurch	2	0	23
Fair value changes in financial instruments charged to surplus or deficit	10	0	19
TOTAL OUTPUT CLASS FUNDING (LONG TERM)	310	0	369

Walking and cycling was \$6 million above budget as there was a bigger emphasis taken by approved organisations on cycling facilities.

Regional improvements was \$29 million below budget. Momentum for this activity has been slower than expected. Many of these projects are safety corridors, where gaining alignment with stakeholder and communities has slowed progress.

State highway improvements were \$129 million below budget. There were some substantial savings at tender on a number of high cost construction contracts with the resultant negotiation and establishment phases taking longer than expected.

INDEPENDENT AUDITOR'S REPORT



TO THE READERS OF NATIONAL LAND TRANSPORT FUND'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2017

The Auditor-General is the auditor of National Land Transport Fund (the "NLTF"). The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out the audit of the financial statements and the performance information, of the NLTF, on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the NLTF on pages 238 to 249, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the NLTF on pages 231 to 236, and page 250.

In our opinion:

- the financial statements of the NLTF on pages 238 to 249:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity International Public Sector Accounting Standards.
- the performance information on pages 231 to 236, and page 250:
 - presents fairly, in all material respects, the NLTF's performance for the year ended 30 June 2017, including:
 - for each class of reportable outputs:
 - its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 28 September 2017. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board

The Board are responsible on behalf of the NLTF for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board are responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the NLTF for assessing the NLTF's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the NLTF, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the Auditor

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the NLTF's statement of performance expectations.



We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NLTF's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- We evaluate the appropriateness of the reported performance information within the NLTF's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NLTF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NLTF to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the NLTF to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the NLTF audit. We remain solely responsible for our audit opinion.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board are responsible for the other information. The other information comprises the information included on pages 190 to 228 and 254 to 257, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the NLTF in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interest in the NLTF.

BRENT MANNING

KPMG

On behalf of the Auditor-General
Wellington, New Zealand