

FINANCIAL STATEMENTS AND AUDIT REPORTS



STATEMENT OF RESPONSIBILITY

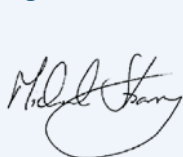
In terms of the Land Transport Management Act 2003, we are responsible for the preparation of the National Land Transport Fund financial statements and statement of service performance, and for the judgements made in them.

We are responsible for any end-of-year performance information provided by the National Land Transport Fund under section 19A of the Public Finance Act 1989.

We are responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the National Land Transport Fund for the year ended 30 June 2018.

Signed on behalf of the board:



MICHAEL STIASSNY
Chair
28 September 2018



MARK DARROW
Chair of the Audit, Risk
and Assurance Board
Committee
28 September 2018

Countersigned by:



FERGUS GAMMIE
Chief Executive
28 September 2018



HOWARD CATTERMOLE
General Manager
Investment and Finance
28 September 2018



JENNY CHETWYND
General Manager
Strategy, Policy and
Planning
28 September 2018

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	ACTUAL 2017/18 \$M	BUDGET 2017/18 \$M	ACTUAL 2016/17 \$M
REVENUE INFLOWS*				
Land transport revenue	3	3,658	3,555	3,584
Management of Crown land		53	67	72
Tolling revenue		10	7	9
Interest revenue		12	13	9
Total revenue inflows	2	3,733	3,642	3,674
OUTFLOWS				
National Land Transport Programme (NLTP)	2	3,435	3,266	3,082
Road Policing Programme		333	322	321
Fuel excise duty/road user charges administration		5	5	5
Forecasting and strategy		1	1	1
Total outflows		3,774	3,594	3,409
SURPLUS/(DEFICIT) FROM CURRENT NATIONAL LAND TRANSPORT FUND BALANCE		(41)	48	265
Fair value gain on long-term payables		20	20	17
National Land Transport Fund (NLTF) expenditure to be funded long-term		(557)	(518)	(310)
Finance charges		(6)	(6)	(3)
Deficit to be funded from future NLTF revenue		(543)	(504)	(296)
SURPLUS/(DEFICIT)		(584)	(456)	(31)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	NOTE	ACTUAL 2017/18 \$M	BUDGET 2017/18 \$M	ACTUAL 2016/17 \$M
ASSETS				
Cash and cash equivalents	6	515	509	575
Receivables	3	272	253	232
Total assets		787	762	807
LIABILITIES				
Payables	4	1,899	1,832	1,335
Total liabilities		1,899	1,832	1,335
NET ASSETS		(1,112)	(1,070)	(528)
General funds		(1,112)	(1,070)	(528)
GENERAL FUNDS CLOSING BALANCE*		(1,112)	(1,070)	(528)

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

STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE FOR THE YEAR ENDED 30 JUNE 2018

	ACTUAL 2017/18 \$M	BUDGET 2017/18 \$M	ACTUAL 2016/17 \$M
GENERAL FUNDS OPENING BALANCE			
General funds	(528)	(614)	(497)
Total general funds opening balance	(528)	(614)	(497)
CHANGES IN GENERAL FUNDS BALANCE			
Surplus/(deficit)	(584)	(456)	(31)
Total changes in general funds balance	(584)	(456)	(31)
GENERAL FUNDS CLOSING BALANCE			
General funds	(1,112)	(1,070)	(528)
TOTAL GENERAL FUNDS CLOSING BALANCE*	(1,112)	(1,070)	(528)

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	ACTUAL 2017/18 \$M	BUDGET 2017/18 \$M	ACTUAL 2016/17 \$M
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from land transport revenue	3,692	3,660	3,690
Payments to suppliers	(3,752)	(3,609)	(3,377)
Net cash from operating activities	(60)	51	313
NET INCREASE/(DECREASE) IN AMOUNTS HELD BY THE CROWN	(60)	51	313
Amounts held by the Crown at the beginning of the year	575	458	262
AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR*	515	509	575

* 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.

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

	ACTUAL 2017/18 \$M	BUDGET 2017/18 \$M	ACTUAL 2016/17 \$M
NET SURPLUS/(DEFICIT) AFTER TAX	(584)	(456)	(31)
Add/(less) movements in working capital items:			
(Increase)/decrease in receivables	(40)	(2)	16
Increase/(decrease) in payables	564	509	328
Net movements in working capital items	524	507	344
NET CASH FROM OPERATING ACTIVITIES	(60)	51	313

NOTES TO THE FINANCIAL STATEMENTS

1 / ENTITY INFORMATION

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, being a notional account, does not hold any physical assets.

The National Land Transport Fund has no employees.

The financial statements for the National Land Transport Fund are for the year ended 30 June 2018, and were approved by the board on 28 September 2018.

BASIS OF PREPARATION

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 generally accepted accounting practice in New Zealand (NZ GAAP).

The National Land Transport Fund is a public benefit entity (PBE) for financial reporting purposes. The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

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

The accompanying notes form part of these financial statements. Where an accounting policy is specific to a note, the policy is described in the note to which it relates.

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

Budget figures

The budget figures are derived from the *Statement of performance expectations* as approved by the Board on 9 June 2017. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are materially consistent with those adopted by the Board in preparing these financial statements. The budget figures are not audited.

Explanations of major variances against budget are provided in the notes.

Taxes

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST-inclusive basis.

The Transport Agency is a public authority, so is exempt from the payment of income tax.

Standards issued and not yet effective

All standards, amendments and interpretations to existing standards that have been published and are mandatory for accounting periods beginning on 1 July 2017 have been applied within the National Land Transport Fund financial statements.

Financial instruments

In January 2017, the External Reporting Board issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

The National Land Transport Fund financial statements will adopt PBE IFRS 9 in 2018/19. This is consistent with the Treasury's decision to adopt PBE IFRS 9 for the financial statements of the government of New Zealand in 2018/19. No material measurement changes are expected from adopting the standard.

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

	ACTUAL 2017/18 \$M	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
REVENUE INFLOWS			
Land transport revenue	3,658	3,584	3,458
Management of Crown land	53	72	63
Tolling revenue	10	9	7
Interest revenue	12	9	5
Total revenue inflows	3,733	3,674	3,533
OUTFLOWS			
National Land Transport Programme	3,435	3,082	2,909
Road Policing Programme	333	321	315
Fuel excise duty/road user charges administration	5	5	5
Forecasting and strategy	1	1	1
Total outflows	3,774	3,409	3,230
SURPLUS/(DEFICIT) FROM CURRENT NATIONAL LAND TRANSPORT FUND BALANCE	(41)	265	303
Fair value gain on long-term payables	20	17	11
National Land Transport Fund expenditure to be funded long term	(557)	(310)	(369)
Finance charges	(6)	(3)	0
Deficit to be funded from future National Land Transport Fund revenue	(543)	(296)	(358)
SURPLUS/(DEFICIT)	(584)	(31)	(55)

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.

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 payment of taxes and duties does not entitle the payer to an equivalent value of services or benefits, because there is no direct exchange relationship between paying taxes and duties and receiving services or benefits from the National Land Transport Fund. Revenue is recognised when specific criteria have been met for each of the National Land Transport Fund activities and the revenue can be reliably measured.

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.

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 - which provides 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 also funds search and rescue activities and recreational boating safety and safety awareness.

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

EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

Revenue inflows

Land transport revenue was \$103 million above budget due to higher road user charges revenue.

Outflows

National Land Transport Programme was \$169m above budget. This was due to higher expenditure on local roads, public transport and state highway maintenance.

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.

The most significant variance to budget related to the fair value movements of financial instruments.

3 / LAND TRANSPORT REVENUE AND RECEIVABLES

	ACTUAL 2017/18 \$M	ACTUAL 2016/17 \$M
REVENUE		
Fuel excise duty	1,957	1,957
Road user charges	1,594	1,508
Motor vehicle registration and annual licensing fees	228	224
	3,779	3,689
LESS REFUNDS		
Fuel excise duty	71	61
Road user charges	43	39
Motor vehicle registration and annual licensing fees	1	1
	115	101
Less bad debt write-off	6	4
TOTAL LAND TRANSPORT REVENUE	3,658	3,584

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 \$12 million (2017: \$9 million).

Receivables (included in the statement of financial position)

	ACTUAL 2017/18 \$M	ACTUAL 2016/17 \$M
Debtors - fuel excise duty	262	234
Debtors - motor vehicle register/road user charges	26	12
Provision for doubtful debt	(16)	(14)
TOTAL RECEIVABLES	272	232

4 / PAYABLES

	ACTUAL 2017/18 \$M	ACTUAL 2016/17 \$M
Current payable to Transport Agency (for the NLTP) - current NLTF balance	352	331
Current payable to Transport Agency (for the NLTP) - to be funded from future NLTF revenue	23	15
Non-current payable to Transport Agency (for the NLTP) - to be funded from future NLTF revenue	1,524	989
TOTAL PAYABLES	1,899	1,335

Current payables are recorded at their face value. Current payables are non-interest bearing and are normally settled on 30-day terms. The carrying value of current payables approximates their fair value.

Non-current payables are a mixture of interest and non-interest bearing advances which will be settled between 1 to 32 years. Non-interest bearing non-current payables are discounted to present value as at 30 June 2018.

5 / PLANNED OUTFLOWS

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

	ACTUAL 2017/18 \$M	ACTUAL 2016/17 \$M
Not later than one year	3,941	5,382
Later than one year and not later than five years	5,791	2,771
Later than five years	5,864	6,051
TOTAL PLANNED FUNDING	15,596	14,204

6 / FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

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

	ACTUAL 2017/18 \$M	ACTUAL 2016/17 \$M
LOANS AND RECEIVABLES		
Cash and cash equivalents	515	575
Receivables	272	232
TOTAL LOANS AND RECEIVABLES	787	807
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Payables	1,899	1,335
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	1,899	1,335

Financial 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 these risks.

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 each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

Credit quality of financial assets

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. The largest debtor is the Crown, which has a Standard and Poor's credit rating of AA+.

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 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 that in some instances, will differ from the carrying amount of the relevant liability in the statement of financial position.

	2017/18				2016/17			
	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	380	20	493	1,800	352	44	367	1,095

7 / GENERAL FUNDS AND CAPITAL MANAGEMENT

	ACTUAL 2017/18 \$M	ACTUAL 2016/17 \$M
General funds - current	435	476
Total general funds - current	435	476
NATIONAL LAND TRANSPORT PROGRAMME EXPENDITURE TO BE FUNDED LONG TERM		
Auckland Transport Package	(357)	(236)
Public-private partnerships	(1,001)	(557)
Reinstatement of earthquake-damaged roads in Christchurch	(24)	(41)
Tauranga Eastern Link	(107)	(107)
Fair value changes in financial instruments	(58)	(63)
Total general funds - non-current	(1,547)	(1,004)
TOTAL GENERAL FUNDS CLOSING BALANCE	(1,112)	(528)

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 that are not due until 1 to 32 years from balance date.

Although the fund has a negative general funds balance, the directors consider the going concern assumption valid due to the following.

- The fund's liquidity is actively managed.
- The fund has a positive cash balance of \$515 million as at 30 June 2018 (2017: \$575 million).
- The fund's long-term forecasts show its ability to repay these obligations when they fall due.
- The main revenue source of the fund is land transport revenue, which is forecast with inputs from other government departments and has been accurately forecast in recent years.
- The 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 debt management framework is in place to determine a sustainable and efficient level of future liabilities. The framework is based on the expected level of fund inflows and forward commitments, and comprises measures and target operating ranges to guide decision making.

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 actively and prudently manages the National Land Transport Fund and has policies in place to ensure the viability of the long-term position of the fund as well as ensuring the fund effectively achieves the requirements set out in the Land Transport Management Act 2003.

8 / RELATED PARTY TRANSACTIONS

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 relationship under normal terms and conditions for such transactions. 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.

9 / CONTINGENCIES

The National Land Transport Fund has no contingent liabilities or contingent assets (2017: Nil).

10 / COMMITMENTS TO REGIONS REPORTING

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

	LTMA COMMITMENT \$M	ACTUAL TO DATE \$M
Wellington land transport (western corridor)	660	376
Bay of Plenty	150	132
TOTAL	810	508

All regional commitments were approved for payment from the National Land Transport Fund within the timeframes specified in the Land Transport Management Amendment Act 2008.

Bay of Plenty relates to Rotorua projects and is forecast to be complete by 2023/24.

Wellington land transport (western corridor) relates to Transmission Gully and is forecast to be complete by 2021/22.

11 / EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date.

STATEMENT OF SERVICE PERFORMANCE – FINANCIALS

OUTPUT CLASS FUNDING TO THE NZ TRANSPORT AGENCY

	ACTUAL 2017/18 \$M	BUDGET 2017/18 \$M	ACTUAL 2016/17 \$M
Investment management	59	62	60
Public transport	382	336	334
Walking and cycling	50	71	42
Road safety promotion	36	35	33
Local road improvements	246	157	141
Local road maintenance	627	595	595
Regional improvements	140	138	69
State highway improvements	1,167	1,278	1,256
State highway maintenance	728	594	552
TOTAL OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY	3,435	3,266	3,082
Auckland Transport Package	122	70	124
Public-private partnerships	459	463	174
Reinstatement of earthquake-damaged roads in Christchurch	(17)	0	2
Fair value changes in financial instruments charged to surplus or deficit	(7)	(15)	10
TOTAL OUTPUT CLASS FUNDING (LONG TERM)	557	518	310

State highway maintenance was \$134 million above budget due to significant weather events and spend related to the Kaikōura earthquake to ensure a viable alternate route between Picton and Christchurch.

Local road improvements and local road maintenance were \$121 million above budget in total. This was due to increased activity by local councils and other approved organisations as the third and final year of the National Land Transport Programme was concluded.

Public transport was \$46 million above budget. The higher spend was driven by increased expenditure on infrastructure (new electric train units in Auckland) and improvements in public transport services (mostly in Auckland).

State highway improvements were \$111 million below budget. This was primarily driven by programme slippage on the Waikato Expressway, as a result of poor weather, the Wellington Northern Corridor, due to delays in securing a number of consents and re-scoping of the East West Link project.

INDEPENDENT AUDITOR'S REPORT



TO THE READERS OF NATIONAL LAND TRANSPORT FUND'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

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

We have audited:

- the financial statements of the NLTF on pages 231 to 239, that comprise the statement of financial positions as at 30 June 2018, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the service delivery and investment performance measures included in the performance information of the NLTF on pages 187 to 208 and 240.

In our opinion:

- the financial statements of the NLTF on pages 231 to 239:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity International Public Sector Accounting Standards; and
- the service delivery and investment performance measures included in the performance information of the NLTF on pages 187 to 208 and 240:
 - presents fairly, in all material respects, the NLTF's performance for the year ended 30 June 2018, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 28 September 2018. This is the date at which our opinion is expressed.

The basis for 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 audit opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is 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 is responsible for such internal control as they determine is necessary to enable them 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 for the audit of the financial statements and the performance information

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 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 responsible for the other information. The other information comprises the information included on pages 175 to 186, 187 to 208 (excluding service delivery and investment performance measures) and 209 to 230, 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

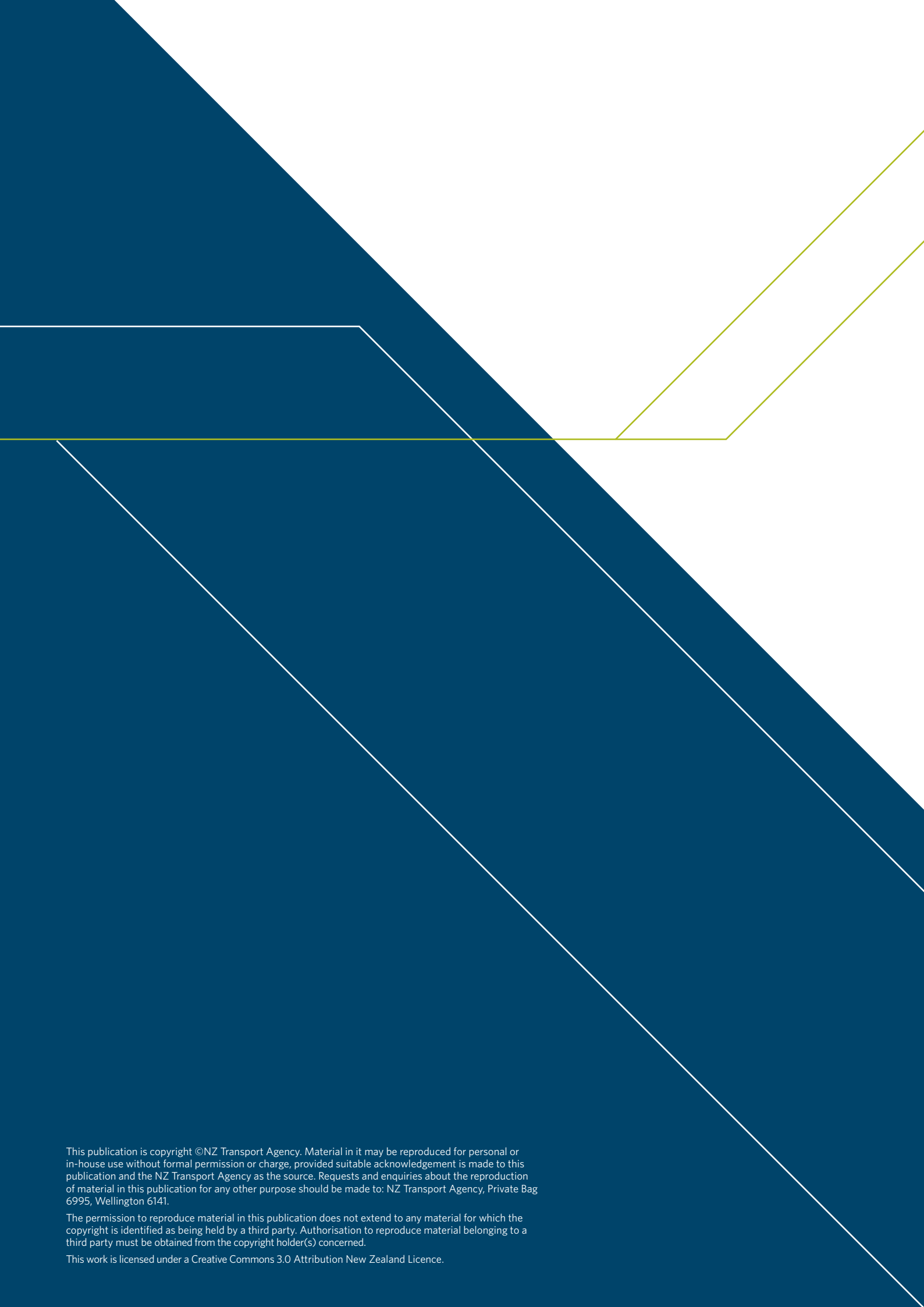
We are independent of the NLTF in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing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

Other than in our capacity as auditor, we have no relationship with, or interests, in the NLTF.

BRENT MANNING

KPMG

On behalf of the Auditor-General
Wellington, New Zealand



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