

SECTION C

# FINANCIAL STATEMENTS AND AUDIT REPORTS



# STATEMENT OF RESPONSIBILITY

Under the Land Transport Management Act 2003, the Transport Agency Board is responsible for the preparation of the National Land Transport Fund financial statements and statement of performance, and for the judgements made in them.

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

The board has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the board's opinion, these financial statements and statement of performance fairly reflect the financial position and operations of the National Land Transport Fund for the year ended 30 June 2019.

## Signed on behalf of the board:



**SIR BRIAN ROCHE**

Chair  
1 October 2019



**DAVID SMOL**

Member of the  
Transport Agency  
Board  
1 October 2019

## Countersigned by:



**MARK RATCLIFFE**

Interim Chief Executive  
1 October 2019



**HOWARD  
CATTERMOLÉ**

Chief Financial Officer  
1 October 2019

# FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	ACTUAL 2018/19 \$M	BUDGET 2018/19 \$M	ACTUAL 2017/18 \$M
<b>REVENUE INFLOWS*</b>				
Land transport revenue	3	3,854.4	3,876.3	3,657.6
Management of Crown land		53.9	57.7	53.5
Tolling revenue		11.3	10.2	10.2
Interest revenue		9.9	12.0	11.7
Total revenue inflows	2	3,929.5	3,956.2	3,733.0
<b>OUTFLOWS</b>				
National Land Transport Programme		3,680.9	3,957.0	3,435.1
Road Policing Programme		337.5	353.0	333.0
Fuel excise duty/road user charges administration		4.9	4.9	5.2
Forecasting and strategy		1.0	1.0	0.9
Total outflows	2	4,024.3	4,315.9	3,774.2
<b>SURPLUS/(DEFICIT) FROM CURRENT NLTF BALANCE</b>		<b>(94.8)</b>	<b>(359.7)</b>	<b>(41.2)</b>
Fair value gain on long-term payables		2.8	25.5	19.6
NLTF expenditure to be funded long term		(670.9)	(477.7)	(557.3)
Finance charges		(7.7)	(7.5)	(5.7)
Deficit to be funded from future NLTF revenue		(675.8)	(459.7)	(543.4)
<b>SURPLUS/(DEFICIT)</b>		<b>(770.6)</b>	<b>(819.4)</b>	<b>(584.6)</b>

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

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	NOTE	ACTUAL 2018/19 \$M	BUDGET 2018/19 \$M	ACTUAL 2017/18 \$M
<b>ASSETS</b>				
Cash and cash equivalents	6	419.0	251.1	515.5
Receivables	3, 6	257.2	269.8	271.5
Total assets		676.2	520.9	787.0
<b>LIABILITIES</b>				
Payables	4, 6	2,558.9	2,453.1	1,899.1
Total liabilities		2,558.9	2,453.1	1,899.1
<b>NET ASSETS</b>		<b>(1,882.7)</b>	<b>(1,932.2)</b>	<b>(1,112.1)</b>
<b>GENERAL FUNDS</b>				
General funds		(1,882.7)	(1,932.2)	(1,112.1)
<b>GENERAL FUNDS CLOSING BALANCE*</b>	7	<b>(1,882.7)</b>	<b>(1,932.2)</b>	<b>(1,112.1)</b>

\* This heading 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 2019

	ACTUAL 2018/19 \$M	BUDGET 2018/19 \$M	ACTUAL 2017/18 \$M
<b>GENERAL FUNDS OPENING BALANCE</b>			
General funds - current	435.3	433.7	476.5
General funds - long term	(1,547.4)	(1,546.5)	(1,004.0)
Total general funds opening balance	(1,112.1)	(1,112.8)	(527.5)
<b>CHANGES IN GENERAL FUNDS BALANCE</b>			
Surplus/(deficit) from current NLTF balance	(94.8)	(359.7)	(41.2)
Surplus/(deficit) to be funded from future NLTF revenue	(675.8)	(459.7)	(543.4)
Total changes in general funds balance	(770.6)	(819.4)	(584.6)
<b>GENERAL FUNDS CLOSING BALANCE</b>			
General funds - current	340.5	74.0	435.3
General funds - long term	(2,223.2)	(2,006.2)	(1,547.4)
<b>TOTAL GENERAL FUNDS CLOSING BALANCE*</b>	<b>(1,882.7)</b>	<b>(1,932.2)</b>	<b>(1,112.1)</b>

\* 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 2019

	ACTUAL 2018/19 \$M	BUDGET 2018/19 \$M	ACTUAL 2017/18 \$M
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from land transport revenue	3,943.8	3,957.4	3,692.5
Payments to suppliers	(4,040.3)	(4,221.8)	(3,752.4)
Net cash from operating activities	(96.5)	(264.4)	(59.9)
<b>Net increase/(decrease) in amounts held by the Crown</b>	<b>(96.5)</b>	<b>(264.4)</b>	<b>(59.9)</b>
Amounts held by the Crown at the beginning of the year	515.5	515.5	575.4
<b>AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR*</b>	<b>419.0</b>	<b>251.1</b>	<b>515.5</b>

\* 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 2018/19 \$M	BUDGET 2018/19 \$M	ACTUAL 2017/18 \$M
<b>SURPLUS/(DEFICIT)</b>	<b>(770.6)</b>	<b>(819.4)</b>	<b>(584.6)</b>
<b>ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS</b>			
(Increase)/decrease in receivables	14.3	2.1	(40.5)
Increase/(decrease) in payables	659.8	552.9	565.2
Net movements in working capital items	674.1	555.0	524.7
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(96.5)</b>	<b>(264.4)</b>	<b>(59.9)</b>

# 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:

- National Land Transport Programme for:
  - activities delivered by approved organisations
  - state highway activities
  - research
  - other Transport Agency activities, such as transport planning
- New Zealand Police Road Policing Programme

The 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 does not have any employees.

The financial statements for the National Land Transport Fund are for the year ended 30 June 2019 and were approved by the board on 1 October 2019.

### 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 2013, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The National Land Transport Fund is designated as 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. Further detail on the use of the going concern assumption is in note 7.

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 in millions (\$M) and rounded to the nearest hundred thousand dollars.

### Budget figures

The budget figures are derived from the *2018/19 Amended statement of performance expectations* as approved by the board on 9 November 2018. 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 National Land Transport Fund is a notional entity, so is exempt from the payment of income tax.

## Accounting standards issued and not yet effective

The National Land Transport Fund financial statements have adopted all accounting standards, amendments and interpretations to existing standards that have been published and are mandatory from 1 July 2018.

## 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 has adopted 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.

PBE IFRS 9 impacts the classifications of the following financial assets:

- cash and cash equivalents
- receivables

Until 30 June 2018, the National Land Transport Fund had classified these financial assets in the category 'loans and receivables' under PBE IPSAS 29. From 1 July 2018, these financial assets are classified in the category 'financial assets measured at amortised cost'. There is no change in the measurement of the financial assets as a result of the reclassification.

The standard introduces an expected credit losses (ECLs) model that replaces the existing 'loss incurred' model for impairment under PBE IPSAS 29. This is disclosed in note 3.

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

	ACTUAL 2018/19 \$M	ACTUAL 2017/18 \$M	ACTUAL 2016/17 \$M
<b>REVENUE INFLOWS</b>			
Land transport revenue	3,854.4	3,657.6	3,584.2
Management of Crown land	53.9	53.5	71.6
Tolling revenue	11.3	10.2	9.0
Interest revenue	9.9	11.7	9.3
<b>Total revenue inflows</b>	<b>3,929.5</b>	<b>3,733.0</b>	<b>3,674.1</b>
<b>OUTFLOWS</b>			
National Land Transport Programme	3,680.9	3,435.1	3,082.7
Road Policing Programme	337.5	333.0	321.0
Fuel excise duty/road user charges administration	4.9	5.2	5.0
Forecasting and strategy	1.0	0.9	0.5
<b>Total outflows</b>	<b>4,024.3</b>	<b>3,774.2</b>	<b>3,409.2</b>
<b>SURPLUS/(DEFICIT) FROM CURRENT NLTF BALANCE</b>	<b>(94.8)</b>	<b>(41.2)</b>	<b>264.9</b>
Fair value gain on long-term payables	2.8	19.6	17.5
NLTF expenditure to be funded long-term	(670.9)	(557.3)	(310.2)
Finance charges	(7.7)	(5.7)	(3.1)
<b>Deficit to be funded from future NLTF revenue</b>	<b>(675.8)</b>	<b>(543.4)</b>	<b>(295.8)</b>
<b>SURPLUS/(DEFICIT)</b>	<b>(770.6)</b>	<b>(584.6)</b>	<b>(30.9)</b>

The statement of inflows, outflows and capital expenditure including 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

Land transport revenue and tolling revenue have been classified and treated as non-exchange revenue and accounted for in accordance with PBE IPSAS 23 *Revenue from Non-Exchange Transactions*. 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 no direct exchange relationship exists 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 have been classified and treated as exchange revenue and accounted for in accordance with PBE IPSAS 9 *Revenue from Exchange Transactions*.

## 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 administration of fuel excise duty and road user charges
- New Zealand Police which provides the Road Policing Programme
- the 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 performance.

## EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

**Land transport revenue** was \$21.9 million (1 percent) below budget due to lower fuel excise duty revenue, reflecting lower fuel volume demand than budgeted.

**National Land Transport Programme** was \$276.1 million (7 percent) below budget. This was due to lower than planned payments to approved organisations and lower than budgeted spend across state highway improvements, public transport and rapid transit as detailed in the statement of performance.

**National Land Transport Fund expenditure to be funded long term** was \$193.2 million (40 percent) above budget. This balance reflects expenditure on the Auckland Transport Package, public-private partnerships, the Housing Infrastructure Fund, and fair value changes of financial instruments. The most significant variance to budget relates to financial instruments associated with the public-private partnerships of \$259.3 million (56 percent) as a result of the fair value movements.



### 3 / LAND TRANSPORT REVENUE AND RECEIVABLES

#### Land transport revenue (included in the statement of comprehensive revenue and expense)

	ACTUAL 2018/19 \$M	ACTUAL 2017/18 \$M
<b>REVENUE</b>		
Fuel excise duty	2,040.2	1,956.6
Road user charges	1,726.9	1,593.8
Motor vehicle registration and annual licensing fees	227.7	228.1
Total revenue	3,994.8	3,778.5
<b>LESS REFUNDS</b>		
Fuel excise duty	71.1	70.9
Road user charges	54.3	43.0
Motor vehicle registration and annual licensing fees	1.0	1.0
Total refunds	126.4	114.9
Less bad debt write-off	14.0	6.0
<b>TOTAL LAND TRANSPORT REVENUE</b>	<b>3,854.4</b>	<b>3,657.6</b>

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 for 2018/19 was \$13.0 million (2017/18: \$12.1 million).

#### Receivables (included in the statement of financial position)

	ACTUAL 2018/19 \$M	ACTUAL 2017/18 \$M
Debtors - fuel excise duty	238.2	261.7
Debtors - motor vehicle register/road user charges	42.0	25.9
Provision for doubtful debt	(23.0)	(16.1)
<b>TOTAL RECEIVABLES</b>	<b>257.2</b>	<b>271.5</b>

Receivables are recognised at face value less an allowance for doubtful debt calculated using the ECLs model.

#### Debtors - motor vehicle register/road user charges

Debtors - motor vehicle register/road user charges is net of ECLs of \$23.0 million (2017/18: \$16.1 million). The National Land Transport Fund applies the simplified approach and recognises lifetime ECLs for Debtors - motor vehicle register/road user charges. Lifetime ECLs result from all possible default events over the expected life of the receivable. The ECLs for Debtors - motor vehicle register/road user charges are calculated in two groups, motor vehicle register debtors and road user charges debtors, to reflect the differences in collection and default rate history.

The impact of changes to the estimation technique or assumptions used in calculating the lifetime ECLs during 2018/19, following the adoption of PBE IFRS9, is shown in the table below.

	LIFETIME ECL - DEBTORS - MOTOR VEHICLE REGISTER/ ROAD USER CHARGES 2018/19 \$M
Opening balance as at 1 July 2018	16.1
Impairment expensed	20.9
Amounts written off	(14.0)
<b>CLOSING BALANCE AT 30 JUNE 2019</b>	<b>23.0</b>

Receivables are written off when they are deemed uncollectable. The total receivables written off during the year amounted to \$14.0 million (2017/18: \$6.0 million). Of the receivables written off none were still subject to enforcement activities.

#### Debtors - fuel excise duty

There was no indication that Debtors - fuel excise duty was impaired as at 30 June 2019.

## 4 / PAYABLES

	ACTUAL 2018/19 \$M	ACTUAL 2017/18 \$M
Current payable to the Transport Agency - current balance	335.7	351.8
Current payable to the Transport Agency - to be funded from future revenue	15.0	23.0
Non-current payable to the Transport Agency - to be funded from future revenue	2,208.2	1,524.3
<b>TOTAL PAYABLES</b>	<b>2,558.9</b>	<b>1,899.1</b>

Current payable to the Transport Agency - current balance is non-interest bearing and normally settled by the end of the month following the date of supply. Therefore, the carrying value of payables approximates their fair value.

Current payable to the Transport Agency - to be funded from future revenue is a mixture of interest and non-interest-bearing advances that will be settled within one year.

Non-current payable to the Transport Agency - to be funded from future revenue is a mixture of interest and non-interest-bearing advances that will be settled between one year and 31 years.

Non-interest bearing non-current payables are discounted to present value as at 30 June 2019.

## 5 / PLANNED OUTFLOWS

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

	ACTUAL 2018/19 \$M	ACTUAL 2017/18 \$M
Not later than one year	4,306.0	3,941.0
Later than one year and not later than five years	4,280.0	5,791.0
Later than five years	6,300.0	5,864.0
<b>TOTAL PLANNED OUTFLOWS</b>	<b>14,886.0</b>	<b>15,596.0</b>

## 6 / FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### Financial instruments

The carrying amounts of financial assets and liabilities are categorised as follows.

	ACTUAL 2018/19 \$M	ACTUAL 2017/18 \$M
<b>FINANCIAL ASSETS MEASURED AT AMORTISED COST</b>		
Cash and cash equivalents	419.0	515.5
Receivables	257.2	271.5
<b>TOTAL FINANCIAL ASSETS MEASURED AT AMORTISED COST</b>	<b>676.2</b>	<b>787.0</b>
<b>FINANCIAL LIABILITIES MEASURED AT AMORTISED COST</b>		
Payables	2,558.9	1,899.1
<b>TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST</b>	<b>2,558.9</b>	<b>1,899.1</b>

### Financial risks

The National Land Transport Fund's activities expose it to a variety of financial instrument risks, including market risk, 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.

### Market risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The National Land Transport Fund's exposure to the risk of changes in market rates relates primarily to interest rates on long-term debt held by the Transport Agency. The National Land Transport Fund has the obligation to fund the Transport Agency's long-term debt repayments, so is exposed to the underlying interest rate risk.

Interest rate swaps are held by the Transport Agency to mitigate risks associated with interest rate fluctuations for the underlying debt instruments, details of which are in the financial statements of the Transport Agency.

### 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.

	2018/19				2017/18			
	LESS THAN 1 YEAR \$M	1-2 YEARS \$M	2-5 YEARS \$M	OVER 5 YEARS \$M	LESS THAN 1 YEAR \$M	1-2 YEARS \$M	2-5 YEARS \$M	OVER 5 YEARS \$M
Payables	356.0	243.0	661.0	2,670.0	380.0	20.0	493.0	1,800.0

**7 / GENERAL FUNDS AND CAPITAL MANAGEMENT**

	ACTUAL 2018/19 \$M	ACTUAL 2017/18 \$M
General funds – current	340.5	435.3
Total general funds – current	340.5	435.3
<b>NATIONAL LAND TRANSPORT PROGRAMME TO BE FUNDED LONG TERM</b>		
Auckland Transport Package	(370.0)	(357.7)
Housing Infrastructure Fund	(3.0)	0.0
Public-private partnerships*	(1,783.5)	(1,053.4)
Reinstatement of earthquake-damaged roads in Christchurch	0.0	(23.7)
Tauranga Eastern Link	(107.0)	(107.0)
Fair value changes in financial instruments	40.3	(5.6)
Total general funds – non-current	(2,223.2)	(1,547.4)
<b>TOTAL GENERAL FUNDS CLOSING BALANCE</b>	<b>(1,882.7)</b>	<b>(1,112.1)</b>

\* Includes related interest rate swaps.

The National Land Transport Fund has a negative general funds balance due to programmes that were accelerated and debt funding sourced from the Crown. The funding received has been recognised as long-term payables that are not due until 1 year to 31 years from balance date.

Although the National Land Transport Fund has a negative general funds balance, the board considers the going concern assumption valid because:

- the Fund's liquidity is actively managed
- the Fund has a positive cash balance of \$419.0 million as at 30 June 2019 (2017/18: \$515.5 million)
- the Fund's long-term forecasts demonstrate its ability to repay its obligations when they fall due
- the Fund's main revenue source is land transport revenue, which is forecast with inputs from other government departments and has been accurately forecast in recent years and is forecast to be sufficient to meet all future outgoings and commitments
- the Fund has the option to slow expenditure on the National Land Transport Programme or utilise the short-term borrowing facility of \$175 million if required to meet seasonal cash-flow cycles
- the Fund has the option to utilise the short-term borrowing facility of \$75 million to cover any revenue or expenditure shocks
- a debt management framework is in place to determine a sustainable and efficient level of future liabilities and 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 borrowing, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

The Transport Agency actively and prudently manages the National Land Transport Fund general funds as a by-product of prudent management of revenues, expenses, liabilities and general financial management.

The Transport Agency has policies in place to ensure the viability of the long-term position of the National Land Transport Fund as well as ensuring the National Land Transport 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 normal terms and conditions for such transactions.

## 9 / CONTINGENCIES

The National Land Transport Fund has no contingent liabilities or contingent assets (2017/18: \$nil).

The National Land Transport Fund may have exposure to those contingent liabilities of the Transport Agency arising from the delivery of the National Land Transport Programme.

## 10 / COMMITMENTS TO REGIONS REPORTING

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

	LTMA COMMITMENT \$M	TOTAL EXPENDITURE TO 30 JUNE 2019 \$M
Wellington land transport (Western Corridor)	625.0	379.2
Bay of Plenty	135.0	133.1
<b>TOTAL</b>	<b>760.0</b>	<b>512.3</b>

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.

Wellington land transport (Western Corridor) relates to Transmission Gully and is forecast to be completed in 2020.

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

## 11 / EVENTS AFTER BALANCE DATE

There were no significant events after balance date.



# STATEMENT OF PERFORMANCE

## OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY

	ACTUAL 2018/19 \$M	BUDGET 2018/19 \$M	ACTUAL 2017/18 \$M
Investment management	60.1	70.3	58.9
Public transport	509.8	549.0	382.4
Walking and cycling	57.3	79.0	50.1
Road safety promotion and demand management	44.7	52.0	35.5
Local road improvements	225.7	192.8	246.2
Local road maintenance	677.0	691.0	627.0
Regional improvements	138.5	112.3	140.1
State highway improvements	1,231.2	1,380.0	1,167.3
State highway maintenance	707.5	665.0	727.6
Rapid transit	9.9	130.4	0.0
Transitional rail	19.2	35.4	0.0
Funding to the Transport Agency - current	3,680.9	3,957.2	3,435.1
Road policing	337.5	353.0	333.0
<b>TOTAL OUTPUT CLASS FUNDING</b>	<b>4,018.4</b>	<b>4,310.2</b>	<b>3,768.1</b>
Auckland Transport Package	12.5	12.5	121.7
Housing Infrastructure Fund	3.0	23.3	0.0
Public-private partnerships	724.3	465.0	433.3
Reinstatement of earthquake-damaged roads in Christchurch	(23.6)	(23.0)	(17.3)
Fair value changes in financial instruments to surplus or deficit	(45.3)	(0.1)	19.6
<b>TOTAL OUTPUT CLASS FUNDING (LONG TERM)</b>	<b>670.9</b>	<b>477.7</b>	<b>557.3</b>

## EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

**State highway improvements** were \$148.8 million (11 percent) below budget. This is due to lower activity than planned across several projects. Amongst these projects are Auckland's Northern Corridor Improvements, Western Ring Route, MacKays to Peka Peka, Pūhoi to Warkworth, Christchurch Northern Arterial, Peka Peka to Ōtaki, Waikato Expressway and Western Belfast Bypass.

**State highway maintenance** was \$42.5 million (6 percent) above budget. The main contributors were traffic growth claims resulting from heavy traffic increasing by more than 10 percent in Bay of Plenty West, Central Otago, Northland and West Waikato.

Other emergency works also had a significant impact on expenditure and were \$24 million above budget. Severe weather events, including a West Coast rain event resulting in the loss of Waiho Bridge, river erosion on State Highway 6 at Haast, and a detour route following the closure of Manawatū Gorge, were key drivers of this overspend.

**Rapid transit** expenditure was \$120.5 million (92 percent) below budget. Budgeted spend was based on anticipated progress on the original plan for the City Centre to Mangere light rail project. Progress and expenditure has been impacted by the evaluation process underway to assess alternate project approaches by the Transport Agency and NZ Infra. As a result, rapid transit activity will not meet budget over the remainder of the 2018-21 National Land Transport Programme and the balance of unused funding has been reallocated to other output classes.

**Public transport** was \$39.2 million (7 percent) below budget primarily as a result of delays in delivery of infrastructure projects such as the Auckland Manukau Eastern Transport Initiative busway phase 1 (property), Auckland's Downtown Ferry Terminal Redevelopment, components of the Hamilton to Auckland rail project, and technology-based solutions related to public transport across several regions.

An acceleration of activity is expected in 2019/20 and forecast to exceed budget over the 2018-21 National Land Transport Programme driven by strong delivery of local authority infrastructure projects and input cost pressures.

**Public-private partnerships** were \$259.3 million (56 percent) above budget as a result of the fair value movements of related financial instruments.

# INDEPENDENT AUDITOR'S REPORT



## TO THE READERS OF NATIONAL LAND TRANSPORT FUND'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

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 251 to 262, that comprise the statement of financial positions as at 30 June 2019, 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 201 to 233

In our opinion:

- the financial statements of the NLTF on pages 251 to 262:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; 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 201 to 233:
  - presents fairly, in all material respects, the NLTF's performance for the year ended 30 June 2019, 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 1 October 2019. 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 our 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 is responsible for the other information. The other information comprises the information included on pages 190 to 200, 201 to 233 (excluding service delivery and investment performance measures), 234 to 248, and 263 to 264 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.

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#### BRENT MANNING

KPMG, On behalf of the Auditor-General  
Wellington, New Zealand

