

SECTION E  
**FINANCIAL  
STATEMENTS  
AND AUDIT  
REPORT**

New urban cycling  
and walking pathway  
in Rotorua



# FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	ACTUAL 2014/15 \$M	BUDGET 2014/15 \$M	ACTUAL 2013/14 \$M
<b>REVENUE INFLOWS<sup>a</sup></b>				
Land transport revenue	3	3,184	3,155	2,994
Government contribution to land transport revenue		7	0	3
Management of Crown land and interest		79	75	99
<b>Total revenue flows</b>	<b>4</b>	<b>3,270</b>	<b>3,230</b>	<b>3,096</b>
<b>OUTFLOWS</b>				
National Land Transport Programme		2,954	3,093	2,771
Road Policing Programme		298	297	307
Fuel excise duty/road user charges administration		5	5	5
Forecasting and strategy		1	1	1
<b>Total outflows</b>		<b>3,258</b>	<b>3,396</b>	<b>3,084</b>
<b>SURPLUS/(DEFICIT)</b>		<b>12</b>	<b>(166)</b>	<b>12</b>

<sup>a</sup> 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.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	NOTE	ACTUAL 2014/15 \$M	BUDGET 2014/15 \$M	ACTUAL 2013/14 \$M
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	39	10	136
Receivables	6	267	239	229
<b>Total assets</b>		<b>306</b>	<b>249</b>	<b>365</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	7	397	652	468
<b>Total liabilities</b>		<b>397</b>	<b>652</b>	<b>468</b>
<b>NET ASSETS</b>		<b>(91)</b>	<b>(403)</b>	<b>(103)</b>
General funds		(91)	(403)	(103)
<b>GENERAL FUNDS CLOSING BALANCE <sup>a</sup></b>	<b>8</b>	<b>(91)</b>	<b>(403)</b>	<b>(103)</b>

<sup>a</sup> 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.

## STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	ACTUAL 2014/15 \$M	BUDGET 2014/15 \$M	ACTUAL 2013/14 \$M
<b>GENERAL FUNDS OPENING BALANCE</b>				
General funds		(103)	(237)	(115)
<b>Total general funds opening balance</b>		<b>(103)</b>	<b>(237)</b>	<b>(115)</b>
<b>CHANGES IN GENERAL FUNDS BALANCE</b>				
Surplus/(deficit)		12	(166)	12
<b>Total changes in general funds balance</b>		<b>12</b>	<b>(166)</b>	<b>12</b>
<b>GENERAL FUNDS CLOSING BALANCE</b>				
General funds		(91)	(403)	(103)
<b>TOTAL GENERAL FUNDS CLOSING BALANCE <sup>a</sup></b>		<b>(91)</b>	<b>(403)</b>	<b>(103)</b>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	ACTUAL 2014/15 \$M	BUDGET 2014/15 \$M	ACTUAL 2013/14 \$M
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from land transport revenue		3,232	3,214	3,081
Payments to suppliers		(3,329)	(3,228)	(3,059)
<b>Net cash from operating activities</b>	<b>9</b>	<b>(97)</b>	<b>(14)</b>	<b>22</b>
<b>Net (decrease)/increase in amounts held by the Crown</b>		<b>(97)</b>	<b>(14)</b>	<b>22</b>
Amounts held by the Crown at the beginning of the year		136	24	114
<b>AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR <sup>b</sup></b>		<b>39</b>	<b>10</b>	<b>136</b>

<sup>a</sup> This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

<sup>b</sup> 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.

# 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 and management of Crown land, and interest are accounted for in the National Land Transport Fund. The National Land Transport Fund is used to manage:

- the funding of the NZ 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.

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 is a public benefit entity (PBE) for financial reporting purposes.

The financial statements for National Land Transport Fund are for the year ended 30 June 2015, and were approved by the Board on 19 October 2015.

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

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

These financial statements comply with 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).

### Standards issued

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The National Land Transport Fund has applied these standards in preparing the 30 June 2015 financial statements.

## 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.

Revenue is recognised when the amount of revenue can be reliably measured; 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 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
- The NZ Police – who provide 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 funds search and rescue activities, and recreational boating safety and safety awareness.

The various activities are outlined in the statement of performance.

### Assets

The National Land Transport Fund account being a notional account does not hold 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 goods and services tax (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 and consequently 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 Transport Agency *Statement of performance expectations* as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

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

	ACTUAL 2014/15 \$M	ACTUAL 2013/14 \$M	ACTUAL 2012/13 \$M
<b>REVENUE INFLOWS</b>			
Land transport revenue	3,184	2,994	2,758
Government contribution to land transport revenue	7	3	3
Management of Crown land and interest	79	99	95
<b>Total revenue flows</b>	<b>3,270</b>	<b>3,096</b>	<b>2,856</b>
<b>OUTFLOWS</b>			
National Land Transport Programme	2,954	2,771	2,519
Road Policing Programme	298	307	280
Fuel excise duty/road user charges administration	5	5	0
Forecasting and strategy	1	1	0
<b>Total outflows</b>	<b>3,258</b>	<b>3,084</b>	<b>2,799</b>
<b>SURPLUS/(DEFICIT)</b>	<b>12</b>	<b>12</b>	<b>57</b>

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 2014/15 \$M	ACTUAL 2013/14 \$M
<b>REVENUE</b>		
Fuel excise duty	1,790	1,650
Road user charges	1,335	1,247
Motor vehicle registration and annual licensing fees	181	188
	<b>3,306</b>	<b>3,085</b>
<b>LESS REFUNDS</b>		
Fuel excise duty	60	46
Road user charges	52	42
Motor vehicle registration and annual licensing fees	1	1
	<b>113</b>	<b>88</b>
Less bad debt write-off	9	2
<b>TOTAL LAND TRANSPORT REVENUE</b>	<b>3,184</b>	<b>2,994</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 was \$9m (2014: \$7m).

### 4 TOTAL REVENUE FLOWS

The land transport revenue 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 2014/15 \$M	ACTUAL 2013/14 \$M
Debtors - fuel excise duty	249	199
Debtors - motor vehicle register/road user charges	18	30
<b>TOTAL RECEIVABLES</b>	<b>267</b>	<b>229</b>



## 7 PAYABLES

	ACTUAL 2014/15 \$M	ACTUAL 2013/14 \$M
Transport Agency (for the National Land Transport Programme)	397	468
<b>TOTAL PAYABLES</b>	<b>397</b>	<b>468</b>

Payables are non-interest bearing and are normally settled by the end of the month following date of supply, therefore the carrying value of creditors and other payables approximates their fair value.

## 8 GENERAL FUNDS CLOSING BALANCE

Although the National Land Transport Fund has negative equity, the Fund's liquidity will be actively managed over the next 12 months. The Board has agreed to commit to the creation of future surpluses to reinstate equity to being positive over time.

## 9 RECONCILIATION OF NET SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	ACTUAL 2014/15 \$M	ACTUAL 2013/14 \$M
NET SURPLUS/(DEFICIT) AFTER TAX	12	12
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:		
(Increase)/decrease in receivables	(38)	(15)
Increase/(decrease) in payables	(71)	25
<b>Net movements in working capital items</b>	<b>(109)</b>	<b>10</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(97)</b>	<b>22</b>

## 10 CAPITAL COMMITMENTS AND OPERATING ROADING COMMITMENTS

The National Land Transport Fund has no commitments.

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

	ACTUAL 2014/15 \$M	ACTUAL 2013/14 \$M
Not later than one year	3,386	2,940
Later than one year and not later than five years	5,893	1,247
Later than five years	3,792	696
<b>TOTAL FUNDING COMMITMENTS</b>	<b>13,071</b>	<b>4,883</b>

## 11 CONTINGENCIES

### Contingent liabilities

The National Land Transport Fund has no contingent liabilities (2014: Nil).

### Contingent assets

The National Land Transport Fund has no contingent assets (2014: 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 PBE IPSAS 30 categories are as follows:

	ACTUAL 2014/15 \$M	ACTUAL 2013/14 \$M
<b>LOANS AND RECEIVABLES</b>		
Cash and cash equivalents	39	136
Receivables	267	229
<b>TOTAL LOANS AND RECEIVABLES</b>	<b>306</b>	<b>365</b>
<b>FINANCIAL LIABILITIES MEASURED AT AMORTISED COST</b>		
Payables	397	468
<b>TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST</b>	<b>397</b>	<b>468</b>

## 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 2014/15 \$M	ACTUAL 2013/14 \$M
Receivables	267	229
<b>TOTAL CREDIT RISK</b>	<b>267</b>	<b>229</b>

#### *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 2014/15 \$M	ACTUAL 2013/14 \$M
<b>CASH AND CASH EQUIVALENTS</b>		
AA+	39	136
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>39</b>	<b>136</b>

## 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.

	2014/15 LESS THAN 6 MONTHS \$M	2013/14 LESS THAN 6 MONTHS \$M
Payables	397	468

### *Contractual maturity analysis of financial assets*

The table below analyses financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

	2014/15 LESS THAN 6 MONTHS \$M	2013/14 LESS THAN 6 MONTHS \$M
Cash and cash equivalents	39	136
Receivables	267	229

## 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 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	DUE BY	ACTUAL TO DATE \$M
Bay of Plenty	135	2015/16	130
Wellington land transport (Western corridor) *	625	2016/17	361
<b>TOTAL</b>	<b>760</b>		<b>491</b>

\* 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 higher than budgeted by \$29 million. Increased fuel excise duty was the main driver for being above budget.

#### Outflows

National Land Transport Programme was lower than budgeted by \$139 million. This was largely due to underspending in Approved Organisations payments, which was partially offset by accelerated spend on the state highway.

# OUTPUT CLASS FUNDING TO THE NZ TRANSPORT AGENCY

	ACTUAL 2014/15 \$M	BUDGET 2014/15 \$M	ACTUAL 2013/14 \$M
Management of the funding allocation system	31	30	30
Transport planning	15	23	14
Sector research	5	6	4
Public transport	298	319	272
Road safety promotion	33	33	31
New and improved infrastructure for local roads	188	167	125
Renewal of local roads	248	251	233
Maintenance and operation of local roads	291	385	303
Walking and cycling	30	18	18
New and improved infrastructure for state highways	1,282	1,284	1,215
Renewal of state highways	175	214	161
Maintenance and operation of state highways	358	362	365
<b>TOTAL OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY</b>	<b>2,954</b>	<b>3,093</b>	<b>2,771</b>

# INDEPENDENT AUDITOR'S REPORT



## To the readers of National Land Transport Fund's financial statements and performance information for the year ended 30 June 2015

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, including the performance information for appropriations, of the NLTF on her behalf.

### Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the NLTF on pages 263 to 275, that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive revenue and expense, statement of changes in general funds balance 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
- the statement of performance of the NLTF on pages 257 to 261.

In our opinion:

- the financial statements of the NLTF:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2015; 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:
  - presents fairly, in all material respects, the NLTF's performance for the year ended 30 June 2015 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;
    - what has been achieved with the appropriations; and
    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 19 October 2015. 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, and explain our independence.

### Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the NLTF's financial statements and performance information 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.



An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the appropriateness of the reported performance information within the NLTF's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information.

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

### Responsibilities of the Board

The Board is responsible for preparing financial statements and a statement of performance that:

- comply with generally accepted accounting practice in New Zealand;
- present fairly the NLTF's financial position, financial performance and cash flows; and
- present fairly the NLTF's performance.

The Board's responsibilities arise from the Land Transport Management Act 2003.

The Board is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and statement of performance that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and the statement of performance, whether in printed or electronic form.

### Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

### Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



**BRENT MANNING**

KPMG

ON BEHALF OF THE AUDITOR-GENERAL

WELLINGTON, NEW ZEALAND



