

SECTION D

FINANCIAL STATEMENTS AND AUDIT REPORT



FINANCIAL STATEMENTS

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.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	ACTUAL 2015/16 \$M	BUDGET 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
REVENUE INFLOWS^a				
Land transport revenue	3	3,458	3,331	3,184
Interest revenue		5	0	7
Management of Crown land		63	67	79
Tolling		7	0	0
Fair value gain on long-term payables		11	0	0
Total revenue inflows	4	3,544	3,398	3,270
OUTFLOWS				
National Land Transport Programme		3,278	3,095	3,293
Road Policing Programme		315	297	298
Fuel excise duty/road user charges administration		5	5	5
Forecasting and strategy		1	1	1
Total outflows		3,599	3,398	3,597
SURPLUS/(DEFICIT)		(55)	0	(327)

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

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

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	NOTE	ACTUAL 2015/16 \$M	BUDGET 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
ASSETS				
Current assets				
Cash and cash equivalents	5	262	86	39
Receivables	6	248	257	267
Total assets		510	343	306
LIABILITIES				
Current liabilities				
Payables	7	299	496	397
Total current liabilities		299	496	397
Non-current liabilities				
Payables	7	708	0	351
Total non-current liabilities		708	0	351
Total liabilities		1,007	496	748
NET ASSETS				
General funds		(497)	(153)	(442)
GENERAL FUNDS CLOSING BALANCE^a	8	(497)	(153)	(442)

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

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

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	ACTUAL 2015/16 \$M	BUDGET 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
GENERAL FUNDS OPENING BALANCE				
General funds		(442)	(153)	(115)
Total general funds opening balance		(442)	(153)	(115)
CHANGES IN GENERAL FUNDS BALANCE				
Surplus/(deficit)		(55)	0	(327)
Total changes in general funds balance		(55)	0	(327)
GENERAL FUNDS CLOSING BALANCE				
General funds		(497)	(153)	(442)
TOTAL GENERAL FUNDS CLOSING BALANCE^a		(497)	(153)	(442)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	ACTUAL 2015/16 \$M	BUDGET 2015/16 \$M	ACTUAL 2014/15 \$M
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from land transport revenue		3,552	3,384	3,232
Payments to suppliers		(3,329)	(3,390)	(3,329)
Net cash from operating activities	9	223	(6)	(97)
NET INCREASE / (DECREASE) IN AMOUNTS HELD BY THE CROWN				
Amounts held by the Crown at the beginning of the year		39	92	136
AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR^b		262	86	39

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

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.

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

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 / STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

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

The financial statements for the National Land Transport Fund are for the year ended 30 June 2016, and were approved by the Board on 26 September 2016.

BASIS OF PREPARATION

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

Statement of compliance

The financial statements of the National Land Transport Fund have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Financial Reporting Act 2013 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.

Presentation currency and rounding

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue inflows

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

Revenue is recognised when the amount 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 in the surplus or deficit using the effective interest method.

Outflows

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

- The Transport Agency – for the funding of the National Land Transport Programme, and Fuel Excise Duty/Road User Charges administration
- 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, being a notional account, does not hold any physical assets.

Employee entitlements

The National Land Transport Fund has no employees.

Goods and services tax

All items in the financial statements are presented exclusive of 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.

PRIOR YEAR RESTATEMENT

We have restated some areas of the financial statements retrospectively. The restatement relates to the highly probable outflow of resources in the future, with respect to expenditure incurred by the Transport Agency which was funded by borrowings, and the public private partnership.

Statement of Comprehensive Revenue and Expense 2014/15

	AFTER RESTATEMENT \$M	BEFORE RESTATEMENT \$M	INCREASE / (DECREASE) IN SURPLUS OR DEFICIT \$M
SURPLUS OR DEFICIT			
Outflows – National Land Transport Programme	3,293	2,954	339
NET IMPACT ON SURPLUS/(DEFICIT)	(3,293)	(2,954)	(339)

Statement of Financial Position 2014/15

	AFTER RESTATEMENT \$M	BEFORE RESTATEMENT \$M	INCREASE / (DECREASE) IN NET ASSETS \$M
NET ASSETS			
Long-term payables	351	0	351
NET DECREASE IN NET ASSETS	(351)	0	(351)

Statement of Changes in General Funds Balance 2014/15

	AFTER RESTATEMENT \$M	BEFORE RESTATEMENT \$M	INCREASE / (DECREASE) IN GENERAL FUNDS \$M
GENERAL FUNDS			
General funds opening balance	(115)	(103)	(12)
General funds movement			
Surplus/(deficit)	(327)	12	(339)
GENERAL FUNDS CLOSING BALANCE	(442)	(91)	(351)

The restatements above related to the expenditure incurred on the reinstatement of earthquake damaged roads in Christchurch, Tauranga Eastern Link and Transmission Gully. The restatements have impacted the disclosure on the Output Class Funding to the Transport Agency under local road maintenance and state highway improvements.

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

	ACTUAL 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M	ACTUAL (RESTATED) 2013/14 \$M
REVENUE INFLOWS			
Land transport revenue	3,458	3,184	2,994
Interest revenue	5	7	3
Management of Crown land	63	79	99
Tolling	7	0	0
Fair value gain on long-term payables	11	0	0
Total revenue inflows	3,544	3,270	3,096
OUTFLOWS			
National Land Transport Programme	3,278	3,293	2,783
Road Policing Programme	315	298	307
Fuel excise duty/road user charges administration	5	5	5
Forecasting and strategy	1	1	1
Total outflows	3,599	3,597	3,096
SURPLUS/(DEFICIT)	(55)	(327)	0

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 2015/16 \$M	ACTUAL 2014/15 \$M
REVENUE		
Fuel excise duty	1,932	1,790
Road user charges	1,433	1,335
Motor vehicle registration and annual licensing fees	215	181
	3,580	3,306
LESS REFUNDS		
Fuel excise duty	65	60
Road user charges	52	52
Motor vehicle registration and annual licensing fees	1	1
	118	113
Less bad debt write-off	4	9
TOTAL LAND TRANSPORT REVENUE	3,458	3,184

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 (2015: \$9m).

4 / TOTAL REVENUE INFLOWS

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

The interest earned on the nominal cash balance and the management of Crown land revenue 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 2015/16 \$M	ACTUAL 2014/15 \$M
Debtors - fuel excise duty	237	249
Debtors - motor vehicle register/road user charges	24	32
Provision for doubtful debt	(13)	(14)
TOTAL RECEIVABLES	248	267

7 / PAYABLES

	ACTUAL 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
Transport Agency (for the National Land Transport Programme) – current	299	397
Transport Agency (for the National Land Transport Programme) – non-current	708	351
TOTAL PAYABLES	1,007	748

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

Non-current payables are a mixture of interest and non-interest bearing advances which will be settled between 2 to 28 years. Non-interest bearing non-current payables are discounted to present value as at 30 June 2016.

8 / GENERAL FUNDS CLOSING BALANCE

The Fund has a negative general funds balance due to the programmes which were accelerated and current funding was sourced from the Crown. The funding received has been recognised as long-term payables which are not due until 2 to 28 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 \$262 million as at 30 June 2016.
- The Fund's long-term forecasts showed its ability to repay these obligations when they fall due.
- The main revenue source of the Fund is the 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.
- There is a long-term financial liabilities policy that prioritises borrowing repayments over other commitments and limits borrowings to an annual repayment threshold of 10% of the land transport revenue.

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

	ACTUAL 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
SURPLUS/(DEFICIT)	(55)	(327)
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:		
(Increase)/decrease in receivables	19	(38)
Increase/(decrease) in payables	259	268
Net movements in working capital items	278	230
NET CASH FROM OPERATING ACTIVITIES	223	(97)

10 / CAPITAL COMMITMENTS AND OPERATING ROADING PLANNED OUTFLOWS

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

	ACTUAL 2015/16 \$M	ACTUAL 2014/15 \$M
Not later than one year	3,958	3,386
Later than one year and not later than five years	4,803	5,893
Later than five years	3,956	3,792
TOTAL PLANNED FUNDING	12,717	13,071

11 / CONTINGENCIES

Contingent liabilities

The National Land Transport Fund has no contingent liabilities (2015: Nil).

Contingent assets

The National Land Transport Fund has no contingent assets (2015: 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 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
LOANS AND RECEIVABLES		
Cash and cash equivalents	262	39
Receivables	248	267
TOTAL LOANS AND RECEIVABLES	510	306
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Payables	1,007	748
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	1,007	748

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 these risks. 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 2015/16 \$M	ACTUAL 2014/15 \$M
Receivables	248	267
TOTAL CREDIT RISK	248	267

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 2015/16 \$M	ACTUAL 2014/15 \$M
CASH AND CASH EQUIVALENTS		
AA+	262	39
TOTAL CASH AND CASH EQUIVALENTS	262	39

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 (refer to note 8 for additional information).

Contractual maturity analysis of financial liabilities

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

	2015/16				2014/15			
	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	304	21	181	839	402	5	29	568

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's 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	367
TOTAL	760		497

* 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 \$127 million above budget primarily due to a change in road user behaviour as a result of lower petrol prices and the reduced ACC levy.

Tolling is a new revenue source from the new toll roads in Tauranga.

Outflows

National land transport programme was \$183 million above budget. This was largely due to expenditure on the Auckland Accelerated Package, reinstatement of earthquake-damaged roads in Christchurch and the expenditure in Transmission Gully during the year. This is offset by underspend in Approved Organisations payments and lower expenditure on maintenance due to the good condition of the state highways, and low level of emergency works required.

18 / EVENTS AFTER THE BALANCE DATE

The Transport Agency has entered into Preferred Bidder negotiations with the Northern Express Group for the Pūhoi to Warkworth project. This is the second Public private partnership for a state highway project in New Zealand. Pending the successful completion of negotiations, the Transport Agency expects to award the contract for the Pūhoi to Warkworth project by late calendar year 2016.

On 3 July 2016, the Prime Minister announced a new \$1 billion Housing Infrastructure Fund to accelerate housing supply in New Zealand's high growth areas. The Transport Agency is working closely with the relevant government agencies and departments to determine the design of the Housing Infrastructure Fund and how to operationalise it from a transport perspective. It is likely the National Land Transport Fund will be used as an effective mechanism to enable transport-related funds from the Housing Infrastructure Fund to be administered.

There were no other significant events after the balance date.

OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY

	ACTUAL 2015/16 \$M	BUDGET 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
Investment management	60	59	51
Public transport	307	331	298
Walking and cycling	40	31	30
Road safety promotion	30	34	33
Local road improvements	104	149	188
Local road maintenance	576	555	542
Regional improvements	13	65	0
State highway improvements	1,686	1,311	1,618
State highway maintenance	462	560	533
TOTAL OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY	3,278	3,095	3,293

Public transport was \$24 million below budget as less funding was needed due to infrastructure project delays and services being delivered at a lower cost.

Walking and cycling was \$9 million above budget as there was a significant spend this year, largely from approved projects carried over from the 2012-15 NLTP.

Local road improvements were \$45 million below budget. This is due to delivery being well under expected levels as approved organisations focussed on other priorities such as the Central Rail Link.

Local road maintenance was \$21 million above budget. This was due to expenditure incurred relating to reinstatement of earthquake-damaged roads in Christchurch.

Regional improvements were \$52 million below budget. Momentum for this activity has been slow, but confidence still remains that funding will reach the GPS funding range.

State highway improvements were \$375 million above budget due to the expenditure incurred on the Auckland Accelerated Package and the Transmission Gully project. Also, the construction programme was ahead of expectation.

State highway maintenance was \$98 million below budget due to the state highway network being in a good condition and a lower level of emergency works were needed this year.

INDEPENDENT AUDITOR'S REPORT



To the readers of National Land Transport Fund's financial statements and performance information for the year ended 30 June 2016

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 242 to 254, that comprise the statement of financial position as at 30 June 2016, 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 235 to 240.

In our opinion:

- the financial statements of the NLTF:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2016; 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 2016, 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 26 September 2016. 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. Also, we did not evaluate the security and controls over the electronic publication 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 performance information 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 Crown Entities Act 2004 and 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 performance information 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 performance information, 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 WELLINGTON

ON BEHALF OF THE AUDITOR-GENERAL

WELLINGTON, NEW ZEALAND