

Regional Software Holdings Limited
Annual Report Including Financial
Statements

For the Year Ended 30 June 2018

Regional Software Holdings Limited
For the Year Ended 30 June 2018

CONTENTS

	Page
Entity Information	1
Directors' Report	2
Statement of Compliance & Responsibility	5
Statement of Financial Performance	6
Statement of Financial Position	7
Statement of Cash Flows	8
Statement of Accounting Policies	9
Notes to the Financial Statements	12
Statement of Intent & Performance Targets	18
Auditors' Report	20

Regional Software Holdings Limited

Entity Information for the Year Ended 30 June 2018

Legal Name

Regional Software Holdings Limited (RSHL)

Type of Entity and Legal Basis

RSHL is a Limited Liability Company incorporated and registered under the Companies Act 1993 and is a council-controlled organisation as defined in section 6 of the Local Government Act 2002.

The Company's purpose or mission

The primary objective is to provide a framework for collaboration between the shareholders. It supports the procurement or development of shared software resource products and services in a manner that provides a more cost effective alternative than individual councils can achieve on their own.

Structure of the Company

The Company comprises of a Board of seven directors. The Board oversee the governance of RSHL. In addition there is a general manager who is responsible for the day-to-day operations of RSHL and reporting to the Board. Each Shareholder is entitled to separately appoint one director each.

Main sources of RSHL's cash and resources

Funds are received by way of levies from each Council. These levies are set annually in the Statement of Intent. These are the primary source of funding to RSHL.

Outputs

Outputs are described in the statement of performance and reported upon as part of the Annual Report.

Regional Software Holdings Limited Directors' Report For the Year Ended 30 June 2018

Regional Software Holdings Limited's Director's Report

On behalf of RSHL, and the six regional council shareholders, it is our pleasure to present the Company's 2017/2018 Annual Report.

RSHL is a major shared services undertaking by the Northland, Waikato, Taranaki, Horizons, West Coast and Southland regional councils. Hawke's Bay Regional Council is also a customer of Regional Software Holdings Ltd. It is responsible for the long-term maintenance and development of the Integrated Regional Information System (IRIS) product as developed for and by the shareholding councils. Over the last few years, the six regional councils have developed a leading edge software solution (IRIS) for the regional council specific functions undertaken by those councils. The development project has been a remarkable success with the project being delivered to specification and within budget.

The 2017/2018 year was a busy and productive period for RSHL and the six councils. The year involved continuing to drive council implementations and the subsequent operational benefits and efficiencies.

RSHL's Advisory Group spent considerable time and effort developing the work programme for 2017/2018 as well as the roadmap for the ongoing development and enhancement of IRIS. A technology roadmap for all the underlying components of the IRIS solution was completed, ensuring that we have a sound understanding of the investment and activity required to keep the IRIS solution maintained and relevant from a technology perspective. Regional Software Holdings Ltd has delivered on the roadmap for 2017/2018. Regional Software Holdings Ltd is well placed and committed to keeping the IRIS offering up to date from a technical point of view and fit for purpose for all external and internal users.

Noting that, RSHL is committed to keeping the IRIS product and the underlying technology up to date and delivering on the needs of shareholders and customers alike, over the medium term, there is a need to undertake a reinvestment in the IRIS product to ensure the underlying technology remains current. This work may involve some additional investment in future years. The Company will work with shareholders and customers to ensure there is a clear understanding of what is being proposed to be undertaken, why it is being undertaken and the likely financial implications.

Six releases of new functionality were delivered over the year with a total of 11 major enhancements and 21 minor enhancements. The focus through the year has increasingly been on ensuring that our underlying technology platform remains current and fit for purpose.

Financially, the company is in a sound position as planned. The IRIS assets have been recognized in the financial statements. Regional Software Holdings Ltd.'s revenue comes from licence charges and fees from the shareholding councils. This funding is used for the maintenance and development of the IRIS product. Therefore, the company does not trade to make a profit. Rather, it charges to cover its planned level of expenditure. The continuing investment in the development and enhancement of IRIS ensures that the product maintains its value within the Company's balance sheet. The growth in the user base of IRIS allows the company to reduce the licence charges and fees. This is a real tangible financial benefit to the regional councils involved in IRIS.

RSHL faces a number of opportunities going forward. In particular the Company continues to look to grow the number of IRIS users in other regional councils. RSHL has approached a number of other

regional councils to attract them as either shareholders or customers. This year RSHL has worked very closely and intensively with Hawke's Bay Regional Council (HBRC) in their implementation of IRIS. Whilst there have been challenges, the implementation has progressed well and the Company looks forward to HBRC going live with their implementation.

This time last year, we noted that Regional Software Holdings Ltd was starting to work with the regional council sector to establish how the company vehicle can be operationally and financially used for the betterment of the regional council community. This has resulted in the Regional Council Collaboration (ReCoCo) initiative. ReCoCo has been established to facilitate unitary and regional councils entering into collaboration initiatives where there are overlapping or shared objectives, covering areas of common interest or joint responsibility. The delivery vehicle that will be used to facilitate and administer ReCoCo is Regional Software Holdings Ltd. This exciting opportunity will allow the regional council sector to invest in new technologies that, as individual councils, would not be viable. ReCoCo will be, at worst fiscally neutral, and potentially cost-saving to Regional Software Holdings Ltd.

The success of IRIS and RSHL is due to the collaborative approach of the six regional councils. The success and richness of the IRIS product is a reflection of the contribution, expertise, and commitment of a team of well over 100 people from all the shareholding councils, in a variety of roles. It is a pleasure to record our appreciation to all involved. Mr Asbjorn Aakjaer has joined the Board as an independent director. We are already seeing and valuing Asbjorn's contribution to the Board. We thank all current and past Directors and Staff for their contributions.

The outlook for RSHL and the IRIS product is bright and there are significant opportunities to support the activities and achievements of New Zealand regional councils and unitary authorities.

Financial Statements

The financial statements required by section 67 of the Local Government Act 2002 (LGA (2002)), together with the audit report required by section 69 of the LGA (2002), are attached.

Registered Office

C/o Horizons Regional Council
11-15 Victoria Avenue
Palmerston North

Auditors

Audit New Zealand on behalf of the Controller and Auditor General.

Directors

The following directors were in office at the end of the year:

	2017-18		2016-17	
	Remuneration	Benefits	Remuneration	Benefits
MD Garrett	-	-	-	-
LJ Gibbs	-	-	-	-
MC Nicolson	-	-	-	-
MJ Nield	-	-	-	-
NC Selman	-	-	-	-
GP Shirley	-	-	-	-
A Aakjaer (Independent Director)	17,500	-	-	-
Total Remuneration	17,500	-	-	-

Interest Register

All Directors listed their interests in the register on being appointed to the company. The following interests were registered:

Director	Organisation	Interest
MD Garrett	G & G Properties (2008) Limited	Director & Shareholder
	Golden Cross Trust	Trustee
	Newmont Waihi Gold Water Rights Trust	Trustee
MC Nicolson	Hawk Hill Estates Limited	Director
	The Masters Group Holdings Limited	Director
MJ Nield	Taranaki Stadium Trust	Trustee
NC Selman	Real Estate Financial Services Ltd	Director & Shareholder
	Left Brain Creations Ltd	Director & Shareholder
	Market South Ltd	Director & Shareholder
A Aakjaer	Aakjaer Trustee Company Ltd	Director & Shareholder
	Negotiate Limited	Director & Shareholder
	Ice Bear Holdings Ltd	Director & Shareholder
	Waikato Regional Council	Consultant

Statement of Compliance

The Board of Directors hereby confirm that all statutory requirements in relation to the annual report, as outlines in the Local Government Act 2002, have been complied with.

Statement of Responsibility

In terms of the Local Government Act 2002 and the Companies Act 1993, the Board of Directors is responsible for the preparation of Regional Software Holdings Limited's financial statements and to assist the company meet its objectives and any other requirements in its Statement of Intent (SOI).

The Board of Directors of Regional Software Holdings Limited has the responsibility for establishing, and has established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

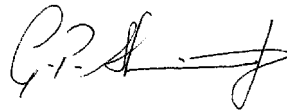
In the Board of Director's opinion, these financial statements fairly reflect the financial position and operations of Regional Software Holdings Limited for the year ended 30 June 2018.

Signed on behalf of the Board of Directors:



MJ Nield – Chairman

Date:



Ged Shirley - Director

Date:

Regional Software Holdings Limited
Statement of Financial Performance
For the Year Ended 30 June 2018

	Note	Actual 2017-18	Budget 2017-18	Actual 2016-17
Income				
Members Contributions	1	1,151,350	1,098,534	1,047,581
Interest Income		277		571
Other Income	2	77,255	58,905	77,648
Total Income		1,228,882	1,157,439	1,125,800
Expenses				
Administration Costs	3	42,870	46,029	34,000
Audit Fees		5,250	5,237	5,189
Datacom Support Services		278,468	203,205	260,720
Environmental Charges		9,476	13,303	10,297
Implementation Costs		19,505	-	19,898
Management Fees		148,773	120,454	121,102
External Director Fees		18,627	30,000	-
Other Direct Software Expenses		68,041	58,905	57,750
Depreciation	7	740,460	680,306	688,589
Total Expenses		1,331,470	1,157,439	1,197,545
Surplus/(Deficit) Before Tax		(102,588)	-	(71,745)
Income Tax Expense	4		-	-
Surplus/(Deficit) After Tax		(102,588)	-	(71,745)

Explanations of major variances against budget are provided in note 14
The accompanying notes form part of these financial statements

Regional Software Holdings Limited
Statement of Financial Position
As at 30 June 2018

	Note	Actual 2017-18	Budget 2017-18	Actual 2016-17
Assets				
Current Assets				
Bank Accounts and Cash	5	305,693	161,702	353,075
Debtors and Prepayments	6	6,317	-	22,882
GST Receivable		33,237	-	6,547
Withholding Tax Paid		94	-	186
Total Current Assets		345,341	161,702	382,690
Non Current Assets				
Property, Plant and Equipment	7	5,025,893	5,214,781	5,102,358
Total Non Current Assets		5,025,893	5,214,781	5,102,358
Total Assets		5,371,234	5,376,483	5,485,048
Liabilities				
Current Liabilities				
Creditors and Accrued Expenses	8	166,199	-	177,426
GST Payable		-	-	-
Total Current Liabilities		166,199	-	177,426
Total Liabilities		166,199	-	177,426
Net Assets	9	5,205,035	5,376,483	5,307,622
Represented By:				
Equity				
Equity	9	5,149,150	5,149,150	5,149,150
Retained Earnings	9	55,885	227,333	158,472
Total Equity		5,205,035	5,376,483	5,307,622

Explanations of major variances against budget are provided in note 14
The accompanying notes form part of these financial statements

Regional Software Holdings Limited
Statement of Cashflows for the year
Ended 30 June 2018

	Note	Actual 2017-18	Budget 2017- 18	Actual 2016-17
Cashflows from Operating Activities				
Cash was provided from:				
Receipts from Members		1,148,084	1,098,534	1,047,581
Interest		277		571
Other Income		94,926	58,905	57,750
Tax Refunds Received		-	-	848
Total Operating Receipts		1,243,288	1,157,439	1,106,751
Cash was applied to:				
Payments to Suppliers		(503,931)	(477,133)	(417,963)
Net GST Movement		(26,111)		40,608
Total Operating Payments		(530,042)	(477,133)	(377,355)
Net cash from operating		713,246	680,305	729,396
Cashflow from Investing Activities				
Cash was applied to:				
Purchase of Fixed/Intangible Assets		(760,628)	(690,688)	(573,080)
Term deposits		-	-	-
Total Investment Payments		(760,628)	(690,688)	(573,080)
Net cash from investing		(760,628)	(690,688)	(573,080)
Cashflow from Financing Activities				
Cash was provided from:				
Capital raised		-	-	-
Total Financing Receipts		-	-	-
Cash was applied to:				
Dividends		-	-	-
Total Financing Payments		-	-	-
Net cash from financing		-	-	-
Net increase (decrease) in cashflow for the year		(47,382)	(10,382)	156,316
Opening Cash Balance		353,075	172,084	196,759
Closing Cash Balance		305,693	161,702	353,075
Made up of:				
Westpac Current Account		141,786	25,000	68,290
Westpac Online Saver Account		163,907	136,702	284,785
		305,693	161,702	353,075

The GST (net) component of cash flows from operating activities reflects the net GST paid to and received from the Inland Revenue Departments. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent.

Explanations of major variances against budget are provided in note 14

The accompanying notes form part of these financial statements

Regional Software Holdings Limited

Notes to the Financial Statements

For the Year Ended 30 June 2018

STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Regional Software Holdings Limited (RSHL) is a Council Controlled Organisation (CCO), owned by Waikato Regional Council (32.75%) Northland Regional Council (16.75%) Horizons Regional Council (15.50%) Taranaki Regional Council (15.50%) Southland Regional Council (15.50%) and West Coast Regional Council (4.00%). RSHL was incorporated on 17 October 2012. RSHL was primarily incorporated for the purposes of managing the investment and development of IRIS Software, and has designated itself a Public Benefit Entity (PBE), in keeping with the designation of the shareholders.

The financial statements are those of RSHL, for the 12 months ended 30 June 2018, and were authorised for issue by the Board of Directors on 22 August 2018.

Public Benefit Entity Simple Format Reporting

RSHL qualifies for Public Benefit Simple Format Reporting – Accrual (PBE-SFR-A) on the basis that the Company does not have publicly accountable (as defined) and has total annual expenses of less than \$2 million.

Basis of Preparation of the Financial Statements

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

All transactions in the financial statements are reported using the accrual basis of accounting.

Statement of Compliance

The financial statements of RSHL have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP).

The financial statements have been prepared in accordance with Tier 3 Public Benefit Entity (PBE) Standards.

Presentation Currency and Rounding

The financial statements have been prepared in New Zealand dollars and there will be rounding in the numbers in the financial statements, as the financial model used calculates to the cent but the annual report is rounded to the nearest dollar.

The functional currency of RSHL is New Zealand dollars.

Changes in Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Summary of Significant Accounting Policies

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Members Contributions and Other forms of Revenue (excluding investment revenue), including fees, charges, and other revenues are recognised on an accrual basis.

Interest revenue is recorded as it is earned.

Expenditure

Expenditure is recognised on an accrual basis when the service was provided, or the goods received.

Costs associated with maintaining the IRIS software suite are recognised as an expense when incurred.

Bank Accounts and Cash

Cash and cash equivalents includes include cash on hand, on demand or call deposits, other short-term deposits with original maturities of three months or less, and bank overdrafts.

Debtors

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Goods and Services Tax (GST)

RSHL is registered for GST; these financial statements are presented net of GST, except for receivables and payables which are inclusive of GST.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

Income tax expenses calculated using the taxes payable method. As a result no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

Creditors and Accrued Expenses

Creditors and accrued expenses are measured at the amount owed.

Property, Plant and Equipment

Software acquisition and development

Costs that are directly associated with the development of the IRIS software suite are recognised as property, plant and equipment.

Depreciation

Depreciation begins when the asset is available for use and ceases at the date that the asset is derecognised. The depreciation charge for each period is recognised through the Statement of Financial Performance.

The carrying value is depreciated on a straight-line basis over its useful life. The useful life and associated depreciation rate for the IRIS software suite is 10 years and 10%.

Where software in this category is replaced, upgraded or determined by RSHL to be of no further operational benefit, a change in value will be recognised through the Statement of Financial Performance. This change in value will be the difference between the carrying value of the original item and its fair value.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, RSHL has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Additional Disclosure

The Companies Act 1993 requires disclosure of the amount of donations, audit fees, fees for other services from the auditor, and the number of employees of the company who received remuneration and other benefits above \$100,000 per annum, in brackets of \$10,000. For this financial year, no staff were employed by RSHL. The audit fee for the period is expected to be \$5,250 (GST exclusive) paid to Audit New Zealand.

Budget Figures

The budget figures are derived from the Statement of Intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 3 standards, using accounting policies that are consistent with those adopted by the Board in preparing the financial statements.

Notes to the Financial Statements for the Year Ended 30 June 2018

1. Members Contributions

Statement of Intent set the member contributions to be \$1,098,534.

	2017-18	2016-17
Members Contributions as per SOI	1,098,534	1,047,581
Subsequently agreed contributions		
E-Learning Software Purchase	42,525	
E-Learning Software Monthly Licencing	9,991	
Total Member Contributions	1,151,350	1,047,581

2. Other Income

	2017-18	2016-17
Recovery of other direct software expenses	57,750	57,750
Hawkes Bay Regional Council Reimbursements	19,505	19,898
Total Other Income	77,255	77,648

3. Administration Costs

	2017-18	2016-17
Administration Support	1,851	25,777
Accounting & Technical Support	35,667	6,314
Insurance	1,970	1,785
External Contractors	2,933	-
Legal Expenses	315	-
Bank Fees	134	124
Total Administration Support	42,870	34,000

4. Income Tax

	2017-18	2016-17
Current Tax	-	-
Adjustments to current tax in prior years	-	-
Income Tax Expense	-	-
Relationship between income tax expense and accounting surplus/(deficit)		
Net surplus/(deficit) before tax	(102,588)	(71,745)
Tax at 28%	(28,725)	(20,089)
Plus/(Less) tax effects of:		
Temporary differences	36,587	(17,361)
Non-deductible expenses	-	-
Tax losses not recognised	(7,862)	(37,450)
Income Tax Expense	-	-

Unused tax losses of \$3,778,166 (2017; \$3,805,247) are available to carry forward and offset against future taxable income.

5. Bank Accounts and Cash

	2017-18	2016-17
Current Account	141,786	68,290
Savings Account	163,907	284,785
Total Bank Accounts and Cash	305,693	353,075

6. Debtors and Accrued Expenses

	2017-18	2016-17
Debtors	6,317	22,882
Prepayments	-	-
Total Debtors & Prepayments	6,317	22,882

7. Property, Plant and Equipment

IRIS Software Intellectual Property

Carrying amount as of 01 July 2016	5,284,399
Additions	183,604
Work in Progress	403,387
Disposals (net of accumulated depreciation)	-
Depreciation Expense	(688,589)
Work in Progress written off/impaired	(85,641)
IRIS Carrying Amount as of 30 June 2017	5,097,160

E-learning Software

Additions	-
Work in Progress	5,198
E-Learning Carrying Amount as of 30 June 2017	5,198
Total Asset Carrying Amount as of 30 June 2017	5,102,358

Carrying amount as of 01 July 2017	5,097,160
Additions	426,340
Work in Progress	281,100
Depreciation Expense	(737,625)
Work in Progress written off/impaired	(80,772)
IRIS Carrying Amount as of 30 June 2018	4,986,203

At balance date the work in progress value of the IRIS Asset is \$352,572 (2017: \$430,251) with \$704,617 capitalised during the year.

E-learning Software

Carrying amount as of 01 July 2017	5,198
Additions	37,327
Depreciation Expense	(2,835)
E-Learning Carrying Amount as of 30 June 2018	39,690
Total Asset Carrying Amount as of 30 June 2018	5,025,893

8. Creditors and Accrued Expenses

	2017-18	2016-17
Creditors	160,069	172,237
Accrued Expense - Audit New Zealand	5,250	5,189
Accrued Expense – Environment charge Feb 18	839	-
Accrued Expense – Xero Software subscription June 2018	41	-
Total Creditors and Accrued Expenses	166,199	177,426

9. Equity

	2017-18	2016-17
Contributed Capital		
Balance at 01 July	5,149,150	5,149,150
Capital Contribution	-	-
Balance at 30 June	5,149,150	5,149,150
Accumulated Surpluses		
Balance at 01 July	158,472	230,217
Surplus/(Deficit) for the year	(102,588)	(71,745)
Balance at 30 June	55,884	158,472
Total Equity	5,205,035	5,307,622

There are 10,000 shares which have been fully called to the value of \$515.00. Share capital is currently \$5,149,150.

10. Commitments

There are the following commitments at balance date (2017: Major Enhancements \$87,629, Minor enhancements \$14,460).

	Balance Committed
Major Enhancement Commitments – Datacom	
MAJ037 – Legislative changes to RMA	10,320
MAJ042A – Online service renewals consolidation (Part A)	5,338
MAJ042B – Online service renewals consolidation (Part B)	71,035
MAJ039 - Map component detailed design	3,375
MAJ040 – Mobile mapping enhancements (points, lines, polygons)	<u>2,863</u>
Total Commitments	<u>92,931</u>

There are no outstanding commitments for Minor Enhancements as at 30 June 2018.

11. Contingencies

There are no contingent liabilities at balance date and no contingent assets at balance date, (previous year: Nil).

12. Related Party Transactions

Related party transaction disclosures have not been made for transactions with related parties that are within a normal supplier/client or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect RSHL would have adopted in dealing with the party at arm's length in the same circumstances.

Related Party Transactions Significant to RSHL Requiring Disclosure:

Shareholder	Share	2017/18 (Incl GST)	2016/17 (Incl GST)	Description of services
Waikato Regional Council	32.75%	166,317	142,609	Management fees
Horizons Regional Council	15.50%	13,912	28,662	Accounting support costs
Northland Regional Council	16.75%	895	-	Reimbursement of Advisory Chair travel costs
Southland Regional Council	15.50%	42,795	-	Reimbursement of duplicate payment received
Taranaki Regional Council	15.50%	1,276	-	Reimbursement of Board Chair Travel and Parking
Waikato Regional Council	32.75%	17,850	9,929	IRIS Implementation Costs
Horizons Regional Council	15.50%	197		IRIS Implementation Costs
Northland Regional Council	16.75%	3,540	11,550	IRIS Implementation Costs
Taranaki Regional Council	15.50%	845	1,403	IRIS Implementation Costs

Total services purchased for IRIS implementation of \$22,431 (Inc GST) (2017: \$22,882 (Incl GST)) were on-charged to Hawkes Bay Regional Council (non-related party).

13. Events After Balance Date

There are no significant events after balance date.

14. Explanations on Major Variances

Explanations for major variances from RSHL's budgeted figures in the 30 June 2018 Statement of Intent are as follows:

Statement of Financial Performance	Actual	Budget	Variance	%	
Members Contributions	1,151,350	1,098,534	52,816	5%	Members contributions were exactly as per the SOI, however subsequent agreement to fund new software purchase and licencing (non IRIS) resulted in additional contributions
Other Income	77,255	58,905	18,350	31%	Budget does not factor in reimbursement for implementation costs incurred with the Hawkes Bay Regional Council Implementation project of \$19,505. The remainder of the small variance is the allowance for inflation on the contract price for the external software which was not incurred.

Administration Costs	42,870	46,028	(3,158)	(7%)	The administrative services costs associated with the service provided by Horizons were lower than budgeted.
Audit and Other Fees	5,250	5,237	13	0%	Minor variance between estimated charge and agreed charge.
DATAKOM Support Services	278,468	203,205	75,263	37%	Reflects impact \$80,772 worth of impaired of work in progress, Offset by costs of deployment being capitalised.
Environmental Charges	9,476	13,303	(3,827)	(29%)	Budget reflected an expected increase in price which did not occur.
Management Fees	148,773	120,454	28,319	24%	Higher costs due to increased activity including investigating ReCoco requirements and responding to potential customer enquiries.
Implementation costs	19,505	0	19,505		Implementation costs incurred for Hawkes Bay Regional Council, resulted in unbudgeted costs, entirely offset by reimbursement in other revenue.
Independent Director	18,627	30,000	(11,373)	(38%)	Independent Director appointed in November so costs prorated combined with some travel reimbursement. Budget assumed full year of Director Fees.
Other Direct Software Expenses	68,041	58,905	9,136	16%	Costs incurred for additional licencing fully offset by additional revenue.
Depreciation	740,460	680,306	60,154	9%	Higher capitalisation occurred during the year than was expected.
Statement of Financial Position					
Bank Accounts and Cash	305,693	161,702	143,991	89%	Opening cash balance commenced higher than budget.
GST Receivables	33,237	-	33,237		Timing budget does not account for receivables.
Property, Plant and Equipment	5,025,893	5,214,784	(188,888)	(4%)	Reflects the impact of \$80,772 of capital work in progress costs being impaired as the future economic benefits associated with them would not flow to RSHL , combined with the

					underspend in capital development budget.
Statement of Cash Flow					
Total Operating Receipts	1,243,288	1,157,439	85,848	7%	Higher member contributions due to agreement to fund the purchase of some non IRIS software and licencing. Combined with reimbursement of costs from Hawkes Bay Regional Council implementation.
Total Operating Payments	530,042	477,133	52,909	11%	Additional licencing costs for Non IRIS software combined with Hawkes Bay Regional Council Implementation and additional management fees.
Total Investment Payments	760,628	690,688	69,940	10%	E-Learning & Cognise licencing was not budgeted. This was funded by additional shareholder contributions.

15. Statement of Performance Targets for 2017-18

Performance target	Level of Achievement		Comment
	2017-18	2016-17	
<p>Non-Financial</p> <p>RSHL Advisory Group meets regularly & is effective (Self-assessed by the Advisory Group, compared to expectations in the Terms of Reference for the Advisory Group).</p>	Achieved	Achieved	<p>The Advisory Group (AG) has continued to operate in an effective and constructive manner throughout the year, and in line with the expectations in the Terms of Reference.</p> <p>The AG met every month by video conference. Four in-person meetings were also held across the year.</p>
<p>A robust and consistent process operates to develop, approve, communicate and refine the annual roadmap for RSHL major enhancement projects.</p>	Achieved	Achieved	<p>The major enhancements roadmap for 2017/18 was developed and approved by the Advisory Group.</p>
<p>Major Enhancement projects identified on the Annual Roadmap are completed on time and within budget.</p>	Achieved	Achieved	<p>There were eight major enhancement projects on the annual road map for 2017/18.</p> <p>Seven of these were completed within budget and as scheduled during 2017/18 and the remaining project is in progress and due to be completed as scheduled on the annual road map in 2018/19.</p>
<p>Budgets and processes for support and minor enhancements are effectively managed. (Assessed by the Advisory Group)</p>	Achieved	Achieved	<p>The minor enhancements and support budgets were fully consumed.</p>
<p>User (non-IT) participation in RSHL management and development processes is increased. (Measured by membership of formal RSHL groups).</p>	Achieved	Not Achieved	<p>Users continue to collaborate and participate in RSHL through the User Groups.</p> <p>As noted in minutes of Advisory Group Meeting 21 June 2018:</p> <ul style="list-style-type: none"> • There has been user participation in the Wednesday fortnightly meetings to provide feedback on development features throughout the year. • Development of MAJ42 (RMA changes) involved consent representatives from each of the seven participating Councils.

Performance target	Level of Achievement		Comment
Reporting and Payments (Section 9.3 of Business Plan) are completed on time.	Partially Achieved	Partially Achieved	The reporting and payments timetable has largely been met, with the exception of the revised Business Plan which did not pass through a formal approval process within the timeframe set out in the reporting timetable.
Consider a new service area or areas outside of the current scope of IRIS ¹ .	Achieved	Achieved	RSHL has been established as the 'delivery vehicle' for collaborative and cross-sector projects as part of the Regional Council Collaboration initiative (ReCoCo).
An independent director will be appointed to the Board by December 2017	Achieved	New Measure	New director Asbjorn Aakjaer appointed 30 November 2017
Financial	2017-18	2016-17	
RSHL will operate within 5% (plus or minus) of its overall annual budget.	Not Achieved	Achieved	Revenue was 6% higher than budget, Total expenditure is 15% higher than budget. Additional Depreciation is the main driver of the expenditure variance, additional licensing and implementation costs were fully offset by additional revenue. There were unbudgeted prior year work in progress write offs which contributed to 7% of the expenditure increase. See note 14 for more variance analysis.
Annual charges will be kept to a maximum of 2% increase year on year	Achieved	New Measure	Although the 2% threshold from member contributions has been exceeded, the annual charges stated in the Statement of Intent has been achieved.
Growth	2017-18	2016-17	
Respond to requests from Councils with the intent of adding one further Council to IRIS as a shareholder or customer by end of 2018.	Achieved	Achieved	Hawke's Bay Regional Council (HBRC) are currently implementing IRIS as a customer of RSHL, with the first phase of their implementation due to go live in November 2018. RSHL has also responded to an expression of interest from another regional council and is currently in discussion around their intent to implement IRIS and join the RSHL collaboration group.

¹ Consider does not mean commit to do, but to identify & evaluate one or more opportunities

Independent Auditor's Report

To the readers of Regional Software Holdings Limited's financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of Regional Software Holdings Limited (the company). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 6 to 17, that comprise the statement of financial position as at 30 June 2018, the statement of financial performance and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 18 to 19.

In our opinion:

- the financial statements of the company on pages 6 to 17:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Simple Format Reporting –Accrual (Public sector) stand (; and
- the performance information of the company on pages 18 to 19 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2018.

Our audit was completed on 22 August 2018. This is the date at which our opinion is expressed.

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

Basis for 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 opinion.

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

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

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 company's statement of intent.

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 company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company'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 company 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 of Directors 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 of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 5, 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 company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



Clint Ramoo
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand