

Regional Software Holdings Limited
Annual Report Including Financial
Statements

For the Year Ended 30 June 2017

Regional Software Holdings Limited
For the Year Ended 30 June 2017

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Regional Software Holdings Limited

Entity Information for the Year Ended 30 June 2017

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 six 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 2017

RSHL's Director's Report

On behalf of Regional Software Holdings Ltd (RSHL), and the six regional council shareholders, it is our pleasure to present the Company's 2016/2017 Annual Report.

RSHL is a major shared services undertaking by the Northland, Waikato, Taranaki, Horizons, West Coast and Southland regional councils. 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 2016/2017 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. There was considerable focus on the completion of the final two modules of work from the initial development suite. The delivery of the mobile and self-service applications have provided considerable additional benefits, efficiencies and cost-savings to both external customers of the councils and internal users.

RSHL's Advisory Group spent considerable time and effort developing the work programme for 2016/2017 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. RSHL has delivered on the roadmap for 2016/2017. RSHL 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.

In terms of software delivery across the 2016/17 year, there were four releases of new functionality delivering a total of 8 major enhancements (two of which were RSHL funded and 6 were directly funded by councils) along with 19 minor enhancements. The focus has increasingly been on mobile solutions, online services, mapping capabilities and 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. RSHL'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.

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 worked with a number of other regional councils to attract them as either shareholders or customers. This year RSHL was invited to present a solution to Hawke's Bay Regional Council (HBRC). HBRC were going to market for a solution for their core operating solutions. After considerable effort from many parties, notably our own regional council staff under the leadership of John Crane and Datacom staff, RSHL secured HBRC's

business. Consequently, we welcome HBRC as a RSHL's first customer only, and look forward to their successful IRIS implementation and to their contribution to the achievements of the Company moving forward.

RSHL will continue to work with other regional councils to explore opportunities for them to become users of IRIS. RSHL is also 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.

The Board committed significant effort into the strategic plans and strategies going forward. RSHL continues to refine the IRIS product and proposition and is committed to working closely with the remaining regional councils. Opportunities to attract new regional councils as shareholders or users will continue to arise and RSHL will actively pursue these opportunities, noting that no process is ever guaranteed success.

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. During the year, we had a number of changes of membership of the Board. Neil Selman joined from Environment Southland and Ged Shirley replaced Michael McCartney from Horizons Regional Council. Further, Carol Cottam assumed leadership of the Advisory Group. We thank all current and past Directors and Staff for their contributions.

The Board has identified the value that can be provided from the use of an independent director to supplement the current skills around the table. It has commenced the process of identifying and seeking the appointment of an independent director. This process is expected to be completed early in the 2017/2018 year.

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.

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:

	2016-17		2015-16	
	Remuneration	Benefits	Remuneration	Benefits
MD Garrett	-	-	-	-
LJ Gibbs	-	-	-	-
MC Nicolson	-	-	-	-
MJ Nield	-	-	-	-
GA Alswailer (Resigned 30/6/2016)	-	-	-	-
NC Selman (Replaced GA Alswiler 6/2/2017)	-	-	-	-
MJ McCartney (Resigned 18/5/2017)	-	-	-	-
GP Shirley (Replaced MJ McCartney 18/5/2017)	-	-	-	-
	-	-	-	-
Total Remuneration	-	-	-	-

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

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.

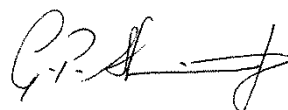
In the Board of Director's opinion, these financial statements fairly reflect the financial position and operations of Regional Software Holdings Limited for the year ended 30 June 2017.

Signed on behalf of the Board of Directors:



MJ Nield – Chairman

Date: 8 September 2017



Ged Shirley - Director

Date: 8 September 2017

Regional Software Holdings Limited
Statement of Financial Performance
For the Year Ended 30 June 2017

	Note	Actual 2016-17	Budget 2016-17	Actual 2015-16
Income				
Members Contributions	1	1,047,581	1,095,666	1,034,627
Interest Income		571		2,806
Other Income	2	77,648	59,483	57,750
Total Income		1,125,800	1,155,149	1,095,183
Expenses				
Administration Costs	3	34,000	73,963	28,437
Audit Fees		5,189	5,220	5,094
DATACOM Support Services		260,720	202,612	172,961
Environmental Charges		10,297	7,581	9,280
Implementation Costs		19,898	-	
Management Fees		121,102	120,965	141,574
External Contractors and Consultants		-	-	51,671
External Director Fees		-	30,000	
Other Direct Software Expenses		57,750	59,483	57,750
				-
Depreciation	7	688,589	655,325	625,532
Total Expenses		1,197,545	1,155,149	1,092,299
Surplus/(Deficit) Before Tax		(71,745)	-	2,884
Income Tax Expense	4	-	-	-
Surplus/(Deficit) After Tax		(71,745)	-	2,884

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 2017

	Note	Actual 2016-17	Budget 2016-17	Actual 2015-16
Assets				
Current Assets				
Bank Accounts and Cash	5	353,075	172,266	196,758
Debtors and Prepayments	6	22,882	-	-
GST Receivable		6,547	-	45,663
Withholding Tax Paid		186	-	888
Total Current Assets		382,690	172,266	243,309
Non Current Assets				
Property, Plant and Equipment	7	5,102,358	5,204,217	5,284,399
Total Non Current Assets		5,102,358	5,204,217	5,284,399
Total Assets		5,485,048	5,376,483	5,584,399
Liabilities				
Current Liabilities				
Creditors and Accrued Expenses		177,426	-	148,341
GST Payable		-	-	-
Total Current Liabilities	8	177,426	-	148,341
Total Liabilities		177,426	-	148,341
Net Assets	9	5,307,622	5,376,483	5,379,367
Represented By:				
Equity				
Equity	9	5,149,150	5,149,150	5,149,150
Retained Earnings	9	158,472	227,333	230,217
Total Equity		5,307,622	5,376,483	5,379,367

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 2017

	Note	Actual 2015-16	Budget 2016-17	Actual 2015-16
Cashflows from Operating Activities				
Cash was provided from:				
Receipts from Customers		1,047,581	1,093,366	1,114,368
Interest		571	2,300	2,011
Other Income		57,750	59,483	53,625
Tax Refunds Received		848	-	514
Total Operating Receipts		1,106,751	1,155,148	1,170,518
Cash was applied to:				
Payments to Suppliers		417,963	499,824	459,042
Net GST Movement		(40,608)		66,567
Total Operating Payments		377,355	499,824	525,609
Net cash from operating		729,396	655,324	644,909
Cashflow from Investing Activities				
Cash was applied to:				
Purchase of Fixed/Intangible Assets		573,080	675,305	889,229
Term deposits			-	-
Total Investment Payments		573,080	675,305	889,229
Net cash from investing		(573,080)	(675,305)	(889,229)
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		156,316	(19,980)	(244,320)
Opening Cash Balance		196,759	192,246	441,078
Closing Cash Balance		353,075	172,265	196,758
Made up of:				
Westpac Current Account		68,290	25,000	160,555
Westpac Online Saver Account		284,785	147,266	36,203
		353,075	172,265	196,758

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 2017

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 2017, and were authorised for issue by the Board of Directors on 8 September 2017.

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 publically 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.

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 \$5,189 (GST exclusive) paid to Audit New Zealand.

Notes to the Financial Statements for the Year Ended 30 June 2017

1. Members Contributions

Statement of Intent set the member contributions to be \$1,095,666 (3% increase on the previous year). The Financial performance target set the Annual charges increase not to exceed CPI (2016/17 1.3%).

The board decided that member contributions be charged at only the CPI increase on the 15/16 figures which equated to only 1.3%.

2. Other Income

	2016-17	2015-16
Recovery of other direct software expenses	57,750	57,750
Hawkes Bay Regional Council Reimbursements	19,898	
Total Other Income	77,648	57,750

3. Administration Costs

	2016-17	2015-16
Administration Support	25,777	20,936
Accounting & Technical Support	6,314	
Insurance	1,785	1,780
Consultants and Technical Support		5,683
Bank Fees	124	38
Total Administration Support	34,000	28,437

4. Income Tax

	2016-17	2015-16
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	(71,745)	2,884
Tax at 28%	(20,089)	807
Plus/(Less) tax effects of:		
Temporary differences	(17,361)	(168,421)
Non-deductible expenses		-
Tax losses not recognised	(37,450)	(167,613)
Income Tax Expense	-	-

Unused tax losses of \$3,805,247 (2016; \$3,671,498) are available to carry forward and offset against future taxable income.

5. Bank Accounts and Cash

	2016-17	2015-16
Current Account	68,290	160,555
Savings Account	284,785	36,203
Total Bank Accounts and Cash	353,075	196,758

6. Debtors and Prepayments

	2016-17	2015-16
Debtors	22,882	-
Prepayments	-	-
Total Debtors & Prepayments	22,882	-

7. Property, Plant and Equipment

IRIS Software Intellectual Property

Carrying amount as of 01 July 2015		5,077,552
Additions		429,277
Work in Progress		403,102
Disposals (net of accumulated depreciation)		-
Depreciation Expense		(625,532)
Carrying Amount as of 30 June 2016		5,284,399

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)
Carrying Amount as of 30 June 2017		5,097,160

At balance date the work in progress value of the IRIS Asset is \$430,251 (2016: \$339,633) with \$290,598 capitalised during the year.

E-learning Software

Additions		-
Work in Progress		5,198
Carrying Amount as of 30 June 2018		5,198

Total Asset Carrying Amount as of 30 June 2017		5,102,358
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8. Creditors and Accrued Expenses

	2016-17	2015-16
Creditors	172,237	143,247
Accrued Expense - Audit New Zealand	5,189	5,094
Total Creditors and Accrued Expenses	177,426	148,341

9. Equity

Contributed Capital	2016-17	2015-16
Balance at 01 July	5,149,150	5,149,150
Capital Contribution	-	-
Balance at 30 June	5,149,150	5,149,150
Accumulated Surpluses	2016-17	2015-16
Balance at 01 July	230,217	227,334
Surplus/(Deficit) for the year	(71,745)	2,884
Balance at 30 June	158,472	230,217
Total Equity	5,307,622	5,379,367

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 (previous year: NIL).

	Balance Committed
Major Enhancement Commitments – Datacom	
MAJ028 – Integration Strategy	7,097
MAJ029 – Upgrade to SQL 2016	35,990
MAJ030 – Mobile Capture – Management Sites	4,640
MAJ031- Mobile Capture – Enforcements, Infringements	8,000
MAJ035 – Data Migration Update	<u>31,902</u>
Total Commitments	<u>87,629</u>

	Balance Committed
Minor Enhancement Commitments – Datacom	
User stories / Preliminary Analysis	1,230
MIN045 – Address for Service Regime	90
MIN050 – Warning or Esc if workflow runs longer	150
MIN058 – Ability to show contact details have been verified	690
MIN061 – Automatic creation of mobile inspections configurable	2,880
MIN062 – Improve efficiency of entry of enforcements	1,290
MIN065 – Single mobile inspection for Regime with activity with multiple auths	300
MIN067 – New Management Site Types	5,610
MIN068 – Contact address billing flag indicator	30
MIN069 – Stylesheet update – council trialled changes	<u>2,190</u>
Total Commitments	<u>14,460</u>

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 arms length in the same circumstances.

Related Party Transactions Significant to RSHL Requiring Disclosure:

Shareholder	Share	2016/17 (Incl GST)	2015/16 (Incl GST)	Description of services
Waikato Regional Council	32.75%	142,609	156,701	Management Services
Horizons Regional Council	15.50%	28,662	23,041	Administration Services
Taranaki Regional Council	15.50%	1,403	Nil	IRIS Implementation Services
Waikato Regional Council	32.55%	9,929	Nil	IRIS Implementation Services
Northland Regional Council	16.75%	11,550	Nil	IRIS Implementation Services

Total services purchased for IRIS implementation of \$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 2017 Statement of Intent are as follows:

Statement of Financial Performance	Actual	Budget	Variance	%	
Members Contributions	1,047,581	1,095,666	(48,085)	(4%)	Members contributions were reduced to fit within the CPI price increase measure of 1.03%, this resulted in lower revenue than the 3% budget increase.
Other Income	77,648	59,483	18,165	30%	Budget does not factor in Other Income being members purchasing software from an external Company at a group rate \$57,750 or the new Hawkes Bay Regional Council Implementation project \$19,898. (Both are increased revenue vs. increased costs offset).

Administration Costs	34,000	73,962	(58,560)	(54%)	The administrative services costs associated with the service provided by Horizons were lower than budgeted.
Audit and Other Fees	5,189	5,220	(31)	(1%)	Minor variance between estimated charge and agreed charge.
DATAKOM Support Services	260,720	202,612	58,108	29%	Reflects impact of the WIP written off during year on top of the usual SLA work.
Environmental Charges	10,297	7,581	2716	36%	Budget does not reflect the standard monthly charge being incurred.
Management Fees	121,102	120,965	137	0%	
Implementation costs	19,898	0	19,898		New business with the introduction of Hawkes Bay Regional Council as a customer, resulted in unbudgeted costs, entirely offset by reimbursement in other revenue.
Independent Director	0	30,000	(30,000)		Director is yet to be appointed, recruitment is underway.
Other Direct Software Expenses	57,750	59,483	(1,733)	3%	Budget incorrectly assumed inflation increase which did not occur with this contract.
Depreciation	688,589	655,325	33,264	5%	Higher capitalisation occurred during the year than was expected.
Statement of Financial Position					
Bank Accounts and Cash	353,075	172,266	180,809		Opening cash balance commenced higher than budget.
GST Receivables	5,767	-	5,767		
Property, Plant and Equipment	5,102,358	5,204,217	(101,859)	1%	Reflects the impact of \$85,641 of capital work in progress costs being impaired as the future economic benefits associated with them would not flow to RSHL, combined with the lower operational budget being used due to the lower Member contribution Revenue.

Statement of Cash Flow				
Total Operating Receipts	1,106,710	1,155,148	48,438	lower members contributions being charged offset entirely by unbudgeted members repayments as noted in Other Income.
Total Operating Payments	377,314	499,823	(122,509)	Operational spend reduced to bring costs inline with the reduced Members Contributions due to the CPI at 1.3% not 3% combined with timing of end of year payments and GST.
Total Investment Payments	573,080	675,305	(102,225)	Committed costs for 2016/17 exist and are unspent combined with the reduction in the budgeted spend to reflect the lower CPI increase as noted in Member Contributions.

14. Statement of Performance Targets for 2016-17

Performance target	Level of Achievement		Comment
	2016-17	2015-16	
IRIS Advisory Groups meets regularly & is effective (Self-assessed by the Advisory Group, compared to expectations in the Terms of Reference for the Advisory Group)	Achieved	Achieved	The Advisory Group (AG) met every month by video conference. Three in-person meetings were also held across the year. The AG has continued to operate in an effective and constructive manner throughout the year.
A robust and consistent process operates to develop, approve, communicate and refine the annual roadmap for RSHL major enhancement projects.	Achieved	New measure	The major enhancements roadmap for 2016/17 was developed and approved by the Advisory Group. RSHL commissioned Datacom to develop Mobile Roadmap and Integration Strategy which, along with the Application Infrastructure Strategy will inform future development in these areas.
Major Enhancement projects identified on the Annual Roadmap are completed on time and within budget.	Achieved	New measure	There were eight major enhancement projects on the annual road map for 2016/17. Four of these were completed within budget and as scheduled during 2016/17 and the remaining four projects are in progress and due to be completed as scheduled on the annual road map in 2017/18.
Budgets and processes for support and minor enhancements are effectively managed. (Assessed by the Advisory Group)	Achieved	New measure	The minor enhancements and support budgets were fully consumed.

Performance target	Level of Achievement		Comment
	2016-17	2015-16	
User (non-IT) participation in RSHL management and development processes is increased. (Measured by membership of formal RSHL groups)	Not Achieved	New measure	Users continue to collaborate and participate in RSHL through the User Groups, but participation in formal RSHL groups has not expanded.
Reporting and Payments (Section 9.3 of Business Plan) are completed on time.	Partially Achieved	Not 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	Business Intelligence and Customer Portal are being planned to compliment the current functionality of IRIS. RSHL is also proposing to take a role as a 'vehicle' for delivering wider regional council information and software solutions beyond IRIS and beyond the current shareholder and customer base of RSHL.
Financial	2016-17	2015-16	
RSHL will operate within 5% (plus or minus) of its budget.	Achieved	New measure	Expenditure against the available funding has been closely monitored throughout the year and has tracked close to budget overall. The areas of increased expenditure, such as Depreciation were offset by under spends in other areas. See Note 13 for further details.
Annual charges: increase in cost to councils not to exceed the CPI.	Achieved	Not achieved	The annual charges were increased by 3% for the 2015/16 year in the SOI. This exceeds the current CPI, therefore the Annual charges to the Councils was decreased to the CPI at 1.3%
Growth	2016-17	2015-16	
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	In progress	RSHL responded to an RFP issued by Hawke's Bay Regional Council (HBRC), and as a result HBRC has signed up to implement IRIS as a customer of RSHL. HBRC is due to go live with IRIS during 2018.

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

Independent Auditor's Report

To the shareholders of Regional Software Holdings Limited's financial statements and performance information for the year ended 30 June 2017

The Auditor-General is the auditor of the 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 2017, the statement of financial performance, statement of changes in equity 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 8:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; 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) Standard.
- 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 2017.

Our audit was completed on 8 September 2017. 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 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 Shareholders, 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 4, 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
Palmerston North, New Zealand