



## Independent Assurance Report

To the Directors of Marlborough Lines Limited and the Commerce Commission

The Auditor-General is the auditor of Marlborough Lines Limited (the Company). The Auditor-General has appointed me, Nicole Dring, using the staff and resources of Deloitte Limited, to provide an opinion, on his behalf, on:

- whether the information required to be disclosed in accordance with the Electricity Distribution Information Disclosure Determination 2012 as amended by the Information Disclosure exemption: Disclosure and auditing of reliability information within schedule 10, issued by the Commerce Commission on 9 April 2020 (the 'Determination, as amended') for the disclosure year ended 31 March 2020, have been prepared, in all material respects, in accordance with the Determination, as amended.

The disclosure information required to be reported by the Company, and audited by the Auditor-General under the Determination, as amended, is in schedules 1 to 4, 5a to 5g, 6a and 6b, 7, 10, and the explanatory notes in boxes 1 to 11 in Schedule 14 ('the Disclosure Information').

- whether the Company's basis for valuation of related party transactions ('the Related Party Transaction Information') for the disclosure year ended 31 March 2020, has been prepared, in all material respects, in accordance with clause 2.3.6 of the Information Disclosure Determination, and clauses 2.2.11(1)(g) and 2.2.11(5) of the Electricity Distribution Services Input Methodologies Determination 2012 ('the Input Methodologies Determination').

### Opinion

In our opinion:

- as far as appears from an examination of them, proper records to enable the complete and accurate compilation of the Disclosure Information have been kept by the Company;
- as far as appears from an examination, the information used in the preparation of the Disclosure Information has been properly extracted from the Company's accounting and other records and has been sourced, where appropriate, from the Company's financial and non-financial systems;
- the Disclosure Information complies, in all material respects, with the Information Disclosure Determination; and
- the Related Party Transaction Information complies, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination.

In forming our opinion, we have obtained sufficient recorded evidence and all the information and explanations we have required.

### Basis for opinion

We conducted our engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the Standard on Assurance Engagements 3100 (Revised): *Compliance Engagements* issued by the New Zealand Auditing and Assurance Standards Board. Copies of these standards are available on the External Reporting Board's website.

These standards require that we comply with ethical requirements and plan and perform our assurance engagement to provide reasonable assurance about whether the Disclosure Information has been prepared, in all material respects, with the Information Disclosure Determination, and about whether the Related Party Transaction Information has been prepared, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination. Reasonable assurance is a high level of assurance.

We have performed procedures to obtain evidence about the amounts and disclosures in the Disclosure Information, and the basis of valuation in the Related Party Transaction Information. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the Disclosure Information and the Related Party Transaction Information, whether due to fraud, error or non-compliance with the Information Disclosure Determination or the Input Methodologies Determination. In making those risk assessments, we considered internal control relevant to the Company's preparation of the Disclosure Information and the Related Party Transaction Information in order to design 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.

## Scope and inherent limitations

Because of the inherent limitations of a reasonable assurance engagement, and the test basis of the procedures performed, it is possible that fraud, error or non-compliance may occur and not be detected.

We did not examine every transaction, adjustment or event underlying the Disclosure Information or the Related Party Transaction Information, nor do we guarantee complete accuracy of the Disclosure Information or the Related Party Transaction Information. Also we did not evaluate the security and controls over the electronic publication of the Disclosure Information or the Related Party Transaction Information.

The opinion expressed in this independent assurance report has been formed on the above basis.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, required significant attention when carrying out the assurance engagement during the current disclosure year. These matters were addressed in the context of our audit, and in forming our opinion. We do not provide a separate opinion on these matters.

Key audit matter	How our procedures addressed the key audit matter
<p><b><i>Accuracy and completeness of the number and duration of electricity outages</i></b></p> <p>The Information Disclosure Determination defines certain quality measure in relation to the number of interruptions, faults, and causes of faults. These quality measures are expressed in the form of SAIDI and SAIFI values.</p> <p>The Company uses Supervisory Control &amp; Data Acquisition (SCADA) to automatically log outages in the faults database. However, there are still manual processes in place to ensure that all outages are correctly recorded. In particular, manual processes are used for identifying outages and for recording the duration of outages in some locations.</p> <p>When outages occur in these locations the Company is often dependent on customers advising it of the outage. The means by which the advice from customers is recorded by the Company could result in inaccuracies in the reported Disclosure Information.</p>	<p>We have obtained an understanding of the Company's methods by which electricity outages and their duration are recorded.</p> <p>Our procedures to assess the adequacy of the Company's methods to identify and record electricity outages and their duration included:</p> <ul style="list-style-type: none"> <li>• testing the design and implementation of key controls related to the recording and review of outage data;</li> <li>• testing a sample of outage events from the Raw Data report used to prepare the schedules to ensure the metrics surrounding the events such as start time, number of customers affected and end time were consistent with the fault log sheet and responding technicians records;</li> <li>• assessing the reasonableness of why certain events have not been recorded as an outage events;</li> <li>• testing a sample of outage sheets prepared by network engineers and independent call centre to ensure the outage event has been accurately recorded in the Raw Data report and to ensure this report is complete;</li> </ul>

<p>Data from SCADA is then ultimately stored in Milsoft, and it is from this system that the Raw Data report is generated.</p> <p>Accuracy is a key audit matter because information on the frequency and duration of outages is an important measure about the reliability of electricity supply.</p> <p>Completeness is a key audit matter because the fault data is handled manually.</p> <p>The Company has disclosed the SAIDI and SAIFI values on the same basis as the prior year.</p>	<ul style="list-style-type: none"><li>• Confirming whether major storm and outage events recorded in the media were appropriately recorded in the Raw Data report;</li><li>• Testing a sample of outage events to ensure the classification of the type of event is reasonable;</li><li>• Performing analytical procedures on the outage data, including analysing actual outages compared with prior year outages;</li><li>• Recalculating normalised SAIDI and SAIFI using the predetermined boundary limits; and</li><li>• Reviewing the disclosure in Schedule 14 in respect of the treatment of successive interruptions.</li></ul>
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## **Directors' responsibility for the preparation of the Disclosure Information and Related Party Transaction Information**

The directors of the Company are responsible for:

- the preparation of the Disclosure Information in accordance with the Information Disclosure Determination, and
- the Related Party Transaction Information in accordance with the Information Disclosure Determination and the Input Methodologies Determination,

and for such internal control as the directors determine is necessary to enable the preparation of the Disclosure Information and the Related Party Transaction Information that is free from material misstatement.

## **Our responsibility for the audit of the Disclosure Information and the Related Party Transaction Information**

Our responsibility is to express an opinion that provides reasonable assurance on whether:

- the Disclosure Information has been prepared, in all material respects, in accordance with the Information Disclosure Determination; and
- the Related Party Transaction Information has been prepared, in all material respects, in accordance with the Information Disclosure Determination and the Input Methodologies Determination.

## **Independence and quality control**

When carrying out the engagement, we complied with:

- the Auditor-General's independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board;
- the independence requirements specified in the Information Disclosure Determination; and
- the Auditor-General's quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.



The Auditor-General, and his employees, and Deloitte Limited, and its partners and employees, may deal with the Company on normal terms within the ordinary course of trading activities of the Company. Other than any dealings on normal terms within the ordinary course of business, this engagement, and the annual audit of the Company's financial statements, we have no relationship with or interests in the Company.

#### **Use of this report**

This independent assurance report has been prepared solely for the directors of the Company and for the Commerce Commission for the purpose of providing those parties with reasonable assurance about whether the Disclosure Information has been prepared, in all material respects, in accordance with the Information Disclosure Determination and whether the Related Party Transaction Information has been prepared, in all material respects, in accordance with the Information Disclosure Determination and the Input Methodologies Determination. We disclaim any assumption of responsibility for any reliance on this report to any person other than the directors of the Company or the Commerce Commission, or for any other purpose than that for which it was prepared.

A handwritten signature in blue ink, appearing to read "Dring".

**Nicole Dring**  
Deloitte Limited  
On behalf of the Auditor-General  
Christchurch, New Zealand  
25 August 2020