

Report of the

*Parliamentary Counsel Office
Te Tari Tohutohu Pāremata*

*for the year ended
30 June 2010*

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The Attorney-General

*I am pleased to present to you the Report of the Parliamentary
Counsel Office for the year ended 30 June 2010.*

A handwritten signature in blue ink that reads "David Noble". The signature is written in a cursive style with a long, sweeping underline.

*David Noble
Chief Parliamentary Counsel
27 September 2010*

CHIEF PARLIAMENTARY COUNSEL'S OVERVIEW

This is the Annual Report of the Parliamentary Counsel Office (PCO) for the 2009/10 year. In preparing the report, the PCO has followed the guidance provided by the Treasury.¹ This report, together with the PCO's Statement of Intent² and Information Supporting the Estimates,³ form the components of the Managing for Outcomes framework.

The mission of the PCO is to provide impartial high quality legislative drafting services and advice and to enable easy access to the laws of New Zealand.

The Statement of Intent for 2009–12 specified the outcome as “contributing to parliamentary democracy under the rule of law”.⁴ This is achieved by the PCO drafting legislation for the executive branch of government that reflects fundamental concepts, inherent in the rule of law, that the law is clear, effective, and based on sound legal principle, and that it is accessible to the New Zealand and wider public.⁵

Highlights of 2009/10

This year has been one of significant achievement, delivery, and change for the PCO. The breadth of outcomes and the high quality work involved in delivering them are a tribute to the creativity and dedication of the whole PCO staff.

- The PCO drafted 66 Government Bills and 418 Statutory Regulations in the financial year ended 30 June 2010.
- The Legislation Bill, which will replace the PCO's governing statute, was drafted and is awaiting its first reading in the House.
- PCO staff worked closely with the Law Commission, the Legislation Advisory Committee, and the Legislation Design Committee to improve the effectiveness, clarity, and accessibility of New Zealand legislation.

¹ *Preparing the Annual Report: Technical and Process Guide for Departments* (May 2010), www.treasury.govt.nz/publications/guidance/accountability/annualreports.

² *Statement of Intent Parliamentary Counsel Office for the period 1 July 2009 to 30 June 2012*, www.pco.parliament.govt.nz/soi2009-2012/.

³ Justice Sector—Information Supporting the Estimates 2009/10, www.treasury.govt.nz/budget/2009/ise/v7.

⁴ Page 10.

⁵ This is further explained in the Statement of Intent for 2009–12, pp 10–11.

- Two working groups were established to examine ways of improving further the clarity of our drafting and how we measure the quality of our draft legislation.
- Use of the New Zealand Legislation (NZL) website⁶ has increased substantially over the year.
- Good progress has been made with the simplification of the NZL system.⁷
- The first stage of the project to digitise historical statutes was completed.
- Seven Acts and one Statutory Regulation were issued as official reprints in addition to 797 items of legislation which we officialised⁸ on the NZL website.
- A new performance management system and a career structure for Parliamentary Counsel were implemented.
- The PCO has a high level of staff engagement as evidenced by the results of the latest Gallup engagement survey.

⁶ www.legislation.govt.nz.

⁷ The PCO's drafting and publishing system; see page 14.

⁸ "Officialisation" refers to the steps necessary to make each principal enactment in the database of legislation on the NZL website an accurate and authoritative version of compiled legislation.

STRATEGIC OBJECTIVES

Strategic Objective 1—High Quality Legislative Drafting Services

The specific outcome of this objective is to provide high quality legislative drafting services and advice in a professional, impartial, and responsive manner in delivering the Government’s legislation programme.

Drafting of Bills

It has been the practice of successive governments to adopt a legislation programme for the drafting of Bills in each calendar year (although no formal programme exists for the drafting of regulations). Bills are assigned categories on the legislation programme according to their legal and policy importance. The programme changes throughout the year as Bills are added to, or taken off, the programme, and delays in making policy decisions can delay the drafting of Bills.

The categories in the annual legislative programme are:

Category	Description
1	Bills that must be passed or introduced as a matter of law in 2009/10
2	Bills that must be passed in 2009/10
3	Bills to be passed if possible in 2009/10
4	Bills to proceed to a select committee in 2009/10
5	Bills for which instructions are to be provided to the PCO in 2009/10

Details of the numbers of category 1 and 2 Bills drafted are included in the Statement of Service Performance (see note 1 to the table of quantity on page 43).

Drafting amendments for select committees and committee of the whole House

Legislation is scrutinised extensively in parliamentary select committees, of which there are 13 permanent committees. With the exception of Appropriation, Imprest Supply, and Bills introduced and passed through all stages under urgency, all Bills are referred to a particular select committee for consideration. The process of select committee scrutiny of Bills usually involves the following features:

- select committees are briefed by departmental advisers about each Bill for which public submissions are called
- witnesses appear and give evidence at hearings that are open to the public

- submissions are analysed and reports recommending changes to a Bill are prepared and considered
- some committees engage independent advisers
- amendments to a Bill required by the committee are drafted by Parliamentary Counsel in consultation with departmental advisers and considered by the committee
- a commentary on the committee’s consideration of the Bill is prepared by the committee’s advisers and accompanies the Bill when it is reported back to the House.

Select committee consideration of Bills can occupy many months. The Bills may be extensively amended to take account of changes recommended by select committees following from the public submission process and the select committees’ overall consideration. Parliamentary Counsel attend meetings of select committees when departmental reports are considered and when the amendments to a Bill are decided upon. They will sometimes attend meetings to hear evidence from key witnesses. The drafting work involved can be considerable and time consuming.

Parliamentary Counsel also draft all amendments to Bills required by Ministers at the committee of the whole House stage. Extensive changes are possible at this stage of the legislative process to take account of policy changes or technical refinements that are necessary or desirable.

Law Commission

The PCO continues to maintain a very constructive relationship with the Law Commission, and during the early part of the year had a Deputy Chief Parliamentary Counsel seconded to assist the Law Commission with legal research and drafting. The Limitation Bill, Inquiries Bill, and Search and Surveillance Powers Bill, which were before the House either before a select committee, or awaiting a second reading, as at 30 June 2010, arose from Law Commission proposals and were drafted by the PCO. The Legislation Bill, which arises from two Law Commission reports (Review of the Statutes Drafting and Compilation Act 1920⁹ and Presentation of New Zealand Statute Law¹⁰), is awaiting a first reading, as at 30 June 2010.

Legislation Advisory Committee and Legislation Design Committee

The Chief Parliamentary Counsel and Deputy Chief Parliamentary Counsel are members of the Legislation Advisory Committee (LAC) established by the Minister of Justice in 1986, and the Legislation Design Committee (LDC) established by Cabinet in June 2006. The LAC advises the Government on good legislative practice and

⁹ NZLC R107 published in June 2009: www.lawcom.govt.nz/ProjectGeneral.aspx?ProjectID=141.

¹⁰ NZLC R104, published in December 2008: www.lawcom.govt.nz/ProjectGeneral.aspx?ProjectID=132.

scrutinises the legislative work of the Government, making submissions to select committees where appropriate. The LDC advises departments on the appropriate legislative architecture for significant or complex policy proposals requiring legislation. Parliamentary Counsel have been heavily involved in assisting both committees to achieve their outcomes this year.

Drafting of Statutory Regulations

In the year under review, 418 Statutory Regulations were drafted. In general, Acts of Parliament contain the main policy components of a legislative regime while Statutory Regulations contain much of the essential detail and administrative mechanisms to make the Act work. It is often through such delegated legislation that a legislative regime has its greatest impact. All proposed Statutory Regulations that are to be made by the Governor-General in Council are considered by the Cabinet Legislation Committee and by Cabinet before they are submitted to the Governor-General in Executive Council. Unlike the drafting of Bills, drafting Statutory Regulations and other legislative instruments can give rise to complex legal questions about whether there is power to make the regulations or instrument under the relevant Act. Parliamentary Counsel are required to certify whether proposed Statutory Regulations are in order for submission to Cabinet, that is, whether there is any question about the power to make them and whether there is any ground on which they may be challenged under the Standing Orders of the House or disallowed under the Regulations (Disallowance) Act 1989.

A large number of exemption notices were drafted under the Securities Act 1978, the Securities Markets Act 1988, the Financial Reporting Act 1993, the Takeovers Act 1993, and the Reserve Bank of New Zealand Act 1989. These notices can be complex instruments and are often required at short notice.

The PCO assists the Rules Committee, established under section 51B of the Judicature Act 1908. Rules of practice and procedure for the Supreme Court, Court of Appeal, High Court, and District Courts are made by the Governor-General by Order in Council with the concurrence of the Rules Committee. In the period under review, the PCO provided advice and legislative drafting services to the Rules Committee.

Clear drafting

The PCO's goal for clear drafting is continuous improvement. A clear drafting group was established in February 2010 and comprises staff from a number of PCO business units and a representative from the Inland Revenue Department drafting unit. This group is required to report back to the Chief Parliamentary Counsel in October 2010 with recommendations for further improvements to our drafting practices.

Quality of legislation

The PCO is committed to providing high quality legislative drafting services. In an attempt to measure our success in this area, a working group comprising three Parliamentary Counsel was established to investigate possible ways of measuring the quality of our draft legislation. This group will report back to the Deputy Chief Parliamentary Counsel in the 2010/11 year.

Drafting resources

The guidance material available to PCO staff involved in drafting legislation includes the PCO Style Manual and the PCO Drafting Manual. A significant project to review the Style Manual began in early 2010, including a survey of users, and will continue over the 2010/11 financial year. A major revision of the PCO Drafting Manual was issued in November 2009.

Assistance to departments

The PCO's *Guide to Working with the Parliamentary Counsel Office* was revised in May 2010 and republished on the PCO website. This guide, a regular newsletter, and a dedicated section of the PCO website are designed to assist departments in working effectively with the PCO, particularly when giving instructions and responding to drafts. The Chief Parliamentary Counsel and other Parliamentary Counsel have also presented seminars on the subject to departmental officials and wider audiences this year. Both the Chief Parliamentary Counsel and the Deputy Chief Parliamentary Counsel gave a presentation as part of a seminar given by the Legislation Advisory Committee on 30 September 2009.

Parliamentary Counsel provide advice to departments:

- in the course of the development of policy for legislation
- in the pre-instruction phase
- during the drafting phase
- at other times when required.

The subject matter of advice given by Parliamentary Counsel varies enormously. The context in which advice is sought is generally a specific piece of existing legislation or proposed legislation, but may include questions of drafting practice, the application of the LAC Guidelines, general legal principles, Cabinet procedure, parliamentary procedure, the effect of court decisions, and statutory interpretation.

Contact with other jurisdictions

The Chief Parliamentary Counsel has participated in the Australasian Parliamentary Counsel's Committee, with regard to issues relating to trans-Tasman legislation, access to legislation, and information technology to support legislative drafting and publishing.

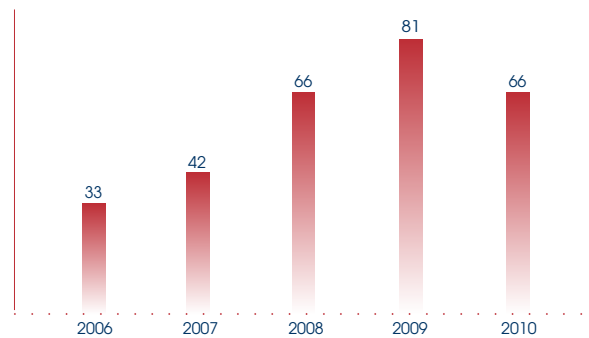
Contributing internationally

A proposal for NZ Aid funding for a PCO secondment to the Cook Islands was unsuccessful. However, an application for joint approval in principle to expense transfer funding from the 2009/10 financial year to the 2010/11 financial year was agreed. This will enable the PCO to draft some of the most needed legislation, pass on knowledge and expertise to the Solicitor-General’s employees, and establish drafting templates and procedures to assist the Cook Islands with future on-island drafting work. This work will build on an earlier exercise where the PCO drafted a new Public Service Bill for the Cook Islands in the 2008/09 year.

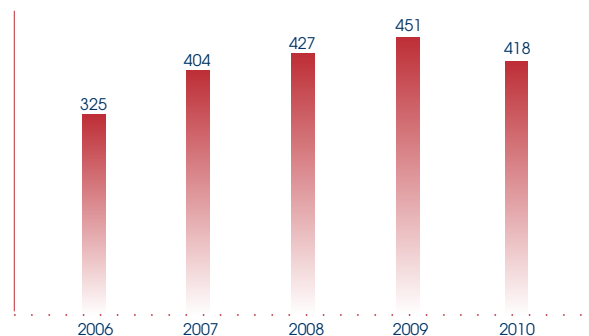
Quantity of legislation

The following graphs compare the number of Government Bills drafted and published and Statutory Regulations made and published, plus the numbers of Supplementary Order Papers (SOPs) drafted and published, in the financial years ending 30 June 2006 to 30 June 2010.

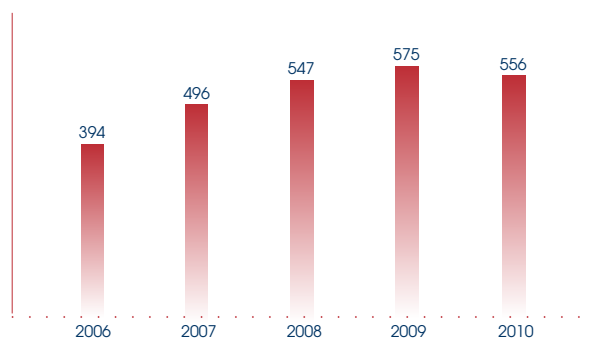
**Number of Government Bills drafted and published
(for the year ended 30 June)**



**Number of Statutory Regulations made and published
(for the year ended 30 June)**



Number of Government Bills and SOPs drafted and published and Statutory Regulations made and published (for the year ended 30 June)



Significant Bills and Acts

In the financial year under review, the following significant Bills were introduced and significant Acts passed. This PCO-drafted legislation can be viewed on the NZL website (www.legislation.govt.nz).

Bills

Animal Welfare Amendment Bill
 Arts Council of New Zealand Toi Aotearoa Bill
 Child and Family Protection Bill
 Copyright (Infringing File Sharing) Amendment Bill
 Courts (Remote Participation) Bill
 Courts and Criminal Matters Bill
 Education Amendment Bill (No 2)
 Electoral (Finance Reform and Advance Voting) Amendment Bill
 Electoral Referendum Bill
 Electricity Industry Bill
 Food Bill

Governor-General Bill
 Human Assisted Reproductive Technology (Storage) Amendment Bill
 Insolvency Practitioners Bill
 Insurance (Prudential Supervision) Bill
 Local Government Act 2002 Amendment Bill
 Misuse of Drugs Amendment Bill
 New Zealand Public Health and Disability Amendment Bill
 Ngāti Apa (North Island) Claims Settlement Bill
 Ngati Tuwharetoa, Raukawa, Te Arawa River Iwi Waikato River Bill
 Rugby World Cup 2011 (Empowering) Bill

Search and Surveillance Bill

Social Assistance (Future Focus) Bill

Trans-Tasman Proceedings Bill

Acts

Anti-Money Laundering and
Countering Financing of Terrorism Act
2009

Building Amendment Act 2009

Children, Young Persons, and Their
Families (Youth Courts Jurisdiction and
Orders) Amendment Act 2010

Climate Change Response (Moderated
Emissions Trading) Amendment Act
2009

Cluster Munitions Prohibition Act 2009

Corrections (Contract Management of
Prisons) Amendment Act 2009

Criminal Investigations (Bodily Samples)
Amendment Act 2009

Crown Retail Deposit Guarantee
Scheme Act 2009

Dairy Industry Restructuring (Raw Milk
Pricing Methods) Act 2010

Education Amendment Act 2010

Electoral (Administration) Amendment
Act 2010

Environment Canterbury (Temporary
Commissioners and Improved Water
Management) Act 2010

Financial Advisers Amendment Act
2010

Financial Service Providers (Registration
and Dispute Resolution) Amendment
Act 2010

Immigration Act 2009

Judicial Conduct Commissioner and
Judicial Conduct Panel (Deputy
Commissioner and Disposal of
Complaints) Amendment Act 2010

Land Transport (Enforcement Powers)
Amendment Act 2009

Local Government (Auckland Council)
Act 2009

Local Government (Auckland
Transitional Provisions) Act 2010

Local Government (Tamaki Makaurau
Reorganisation) Amendment Act 2010

Port Nicholson Block (Taranaki Whānui
ki Te Upoko o Te Ika) Claims Settlement
Act 2009

Sentencing (Offender Levy)
Amendment Act 2009

Sentencing (Vehicle Confiscation)
Amendment Act 2009

Sentencing and Parole Reform Act
2010

Unit Titles Act 2010

Waikato-Tainui Raupatu Claims
(Waikato River) Settlement Act 2010

Whakarewarewa and Roto-a-Tamaheke
Vesting Act 2009

Strategic Objective 2—Ready Access to New Zealand Legislation

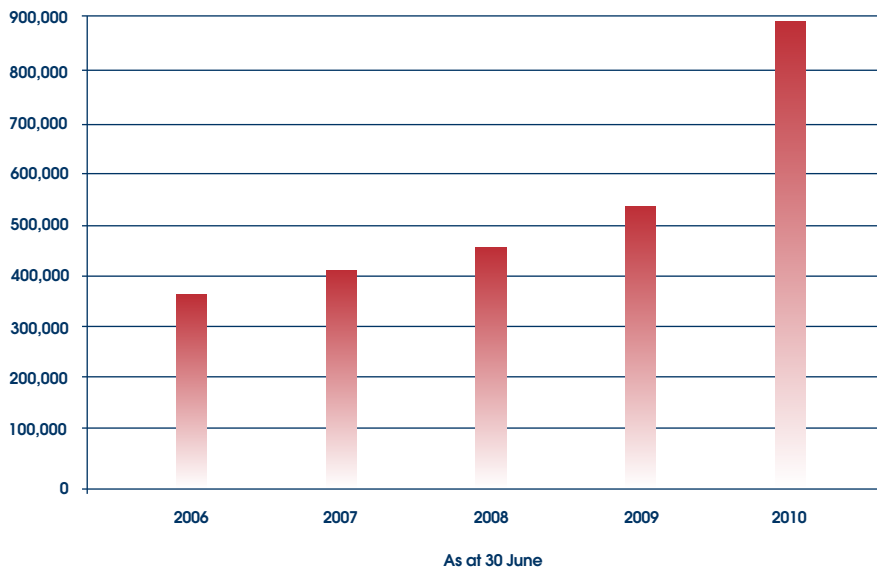
The specific outcome of this objective is to ensure that New Zealand legislation (including Bills) is readily accessible to the public in a timely manner and in an accurate and authoritative form.

New Zealand Legislation system

The New Zealand Legislation (NZL) system is a complete drafting, publishing, and reprints system. The system provides public access to up-to-date official legislation in printed form, and in electronic form on the NZL website at www.legislation.govt.nz.

Public usage of the website has increased substantially over the past year. The graph below shows the total number of unique visitors to the NZL website for each of the past five years.

Total unique visitors to NZL website



Over the last year the PCO has made significant progress in achieving its strategic goal of simplifying the NZL system by reducing technical complexity and improving the usability of the system.

A new delivery model has been established with our outsourced partners to enable the PCO to take architectural ownership of the system’s development. This will reduce risk and will provide the basis for flexible sourcing arrangements in the future.

The PCO took steps over the year that are expected to reduce the cost of ownership of the NZL and the PCO’s other business systems. These include the

development of ICT infrastructure and services capable of being merged into shared services in the future.

The PCO also undertook an audit of the NZL system services and charges. A plan was established to address the recommendations from the audit.

These actions over the reporting period have improved the NZL system and put the PCO in a strong position to achieve vendor independence and to further reduce the cost of ownership.

Prepublication

The Prepublication Unit is responsible for publishing:

- new Acts
- new regulations
- Bills (both new Bills introduced to the House and subsequent versions of Bills)
- SOPs
- reprints of Acts and regulations.

The documents are published in hard copy, and made available at specified bookshops and to subscribers. The PCO also publishes online by providing HTML and PDF files to the NZL website.

Digitisation of New Zealand historical statutes

The PCO completed the digitisation of the historical statutes in the 2009/10 financial year. The PCO gathered a complete collection of annual bound volumes for the years 1841 to 2007, placing an emphasis on finding unannotated volumes where possible. The PCO arranged for the pages to be scanned in a format that will enable searching on the web.

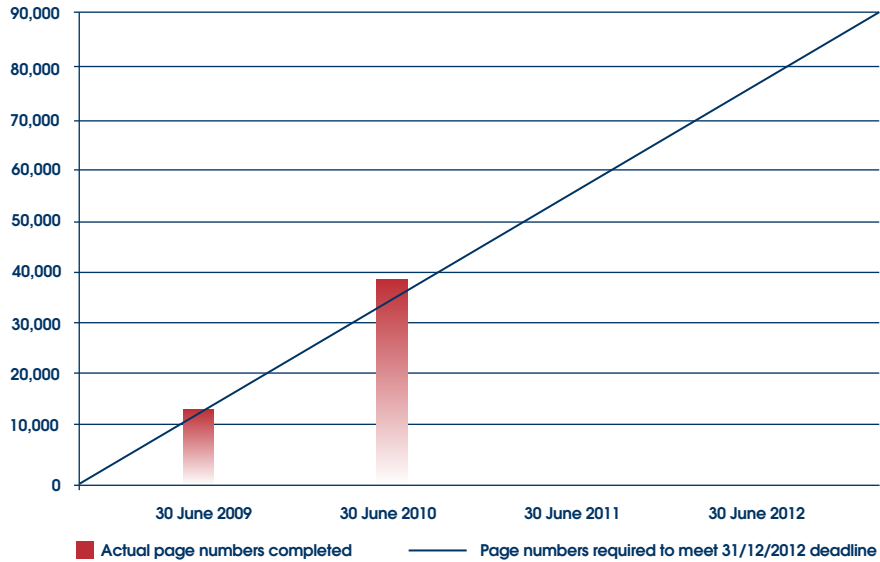
The PCO is currently considering access options for the entire historical collection (the collection will include the shattering statutes,¹¹ which have already been digitised).

Reprints

Officialisation of the website content continues to be the main focus of the Reprints Unit, which completed the officialisation of 797 items of legislation from 2004 to 1996 (159 Acts and 638 Statutory Regulations), comprising a total of 21,824 pages. This means that, as at 30 June 2010, the officialisation programme is approximately 44% complete and on track to be completed, as planned, by 31 December 2012.

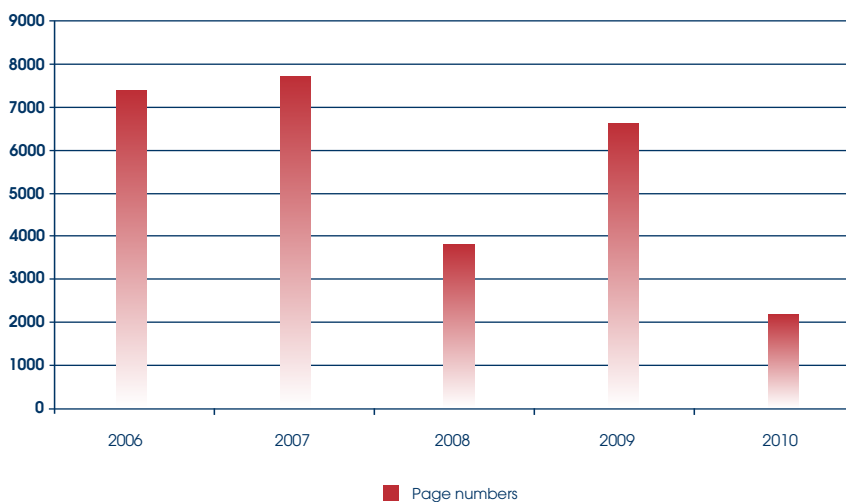
¹¹ Volumes from 1888-1894 that were printed on acid paper. See www.pco.parliament.govt.nz/shattering-statutes/.

Officialisation progress



During the reporting period, the PCO also completed the 2009/10 reprints programme. A total of 2,163 hard copy pages of reprinted legislation were published, comprising seven Acts and one Statutory Regulation. This was in addition to the work completed on the PCO’s officialisation project.

Total number of pages of reprints published (for the year ended 30 June)



The *Tables of New Zealand Acts and Ordinances and Statutory Regulations and Deemed Regulations in Force* as at 1 January 2010 were published in March 2010.

Organisational health and capability

Key deliverables identified in the 2009/12 Statement of Intent were: implementation of a performance management system, remuneration system review, training and leadership development, reviewing recruitment practices, conducting a second Gallup staff engagement survey, continuing to develop supportive HR processes and administrative systems, staff retention, and equal employment opportunities.

Significant progress has been made in these areas and is discussed in more detail below.

Performance management and remuneration system review

A new performance management system, which incorporates performance planning, appraisal, and development, as well as competency requirements, was completed.

A career and remuneration framework for Parliamentary Counsel was also introduced. Both were developed in full consultation with staff.

Training and leadership development

Training and development for PCO staff continued in accordance with individual training plans. This included a Leadership in Practice Programme for a senior manager, attendance at a plain language conference as well as at a number of plain English courses, law seminars of relevance to Parliamentary Counsel, and selected skills development for all staff.

In addition, all tier 3 managers commenced a programme of management development.

Recruitment practices

A review and evaluation took place to ensure we continue to use fair and transparent recruitment practices. Vacancies are now advertised on both the PCO and government jobs websites with electronic access to application forms, as well as to up-to-date job descriptions and person specifications. Core competencies are also available for each vacancy.

Engagement survey

In October 2009 the PCO undertook a second staff engagement survey under the auspices of the State Services Commission's structured implementation of the Gallup engagement survey. Over 84% of PCO staff participated, and the survey resulted in an overall score of 4.10 (63rd percentile in Gallup's worldwide database and 84th percentile in the NZ State sector).

This compared with an overall score of 3.83 in the previous survey.

HR processes and administrative systems

In the reporting year, the ongoing review of HR policies, information, and systems resulted in a new PCO Technology policy, a new Recognition and Rewards policy, and a revised Conflicts of Interest policy. Work was also completed on the HR Delegations policy, which will confer management responsibilities on holders of designated management positions from 1 July 2010.

Staff retention

In the year ended 30 June 2010, turnover rates compared with targets set in the 2009/12 Statement of Intent were as follows:

	Target maximum turnover rate	2009/10 actual turnover
Parliamentary Counsel and Assistant Parliamentary Counsel	7%	0%
Technical staff	12%	10%
All other staff	10%	10%

Equal employment opportunities

The PCO is continuing to implement necessary changes identified as part of the 2008 Pay and Employment Equity review. In addition, all vacancies, including fixed term vacancies, are advertised both internally and externally, the annual remuneration review cycle continues to maintain a focus on equity issues, and Drafting Team Managers ensure equity in the allocation of drafting jobs including the allocation of work to part-time Parliamentary Counsel.

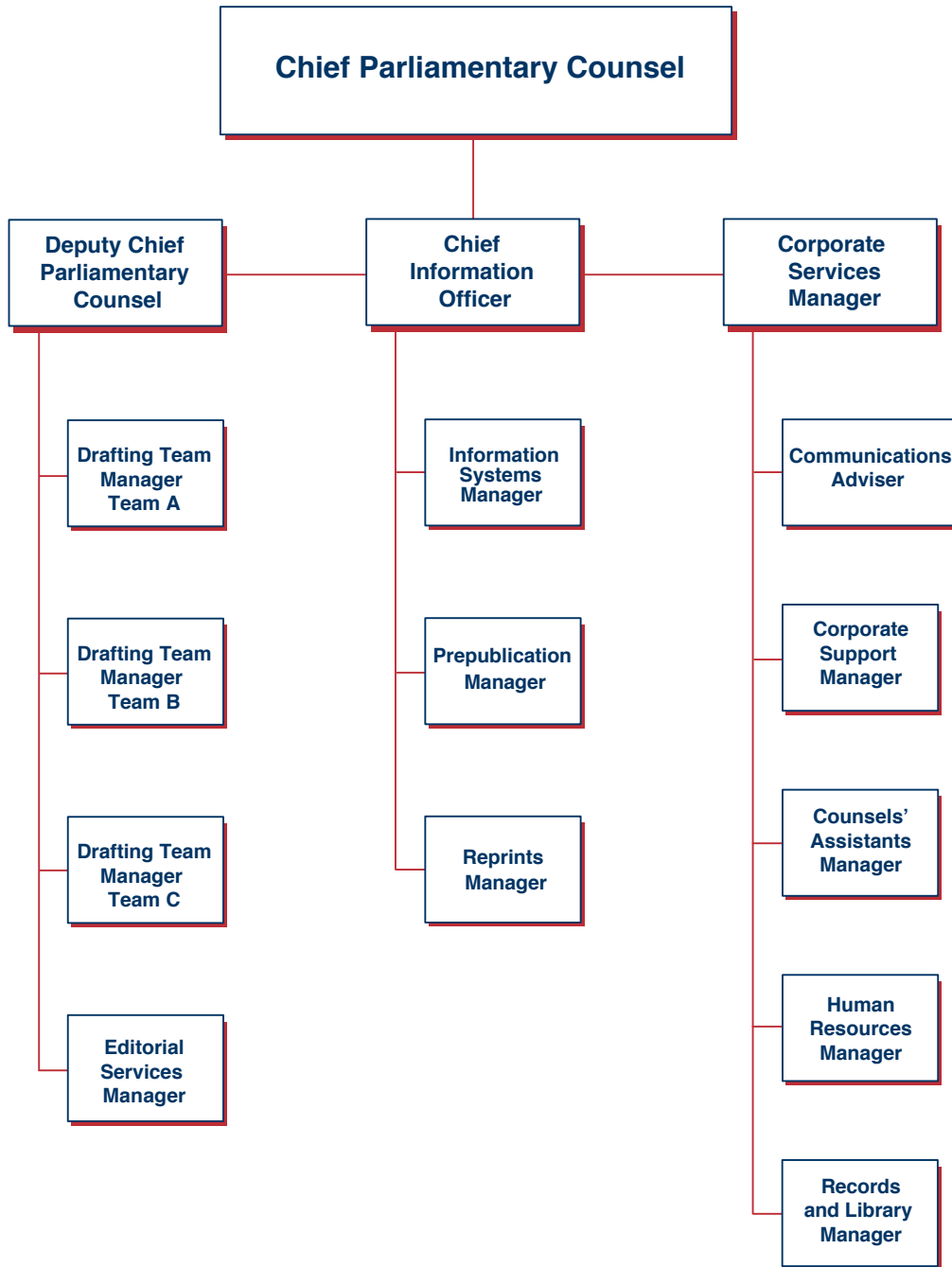
As at 30 June 2010, the staff gender breakdown is:

	Male	Female	Total
Total staff	35.2	43	78.2
Parliamentary Counsel	15.2	15.6	30.8
Other Drafting Services staff	4	2.8	6.8
Access to Legislation staff	12	10	22
Corporate Services staff	4	14.6	18.6

Note: Numbers of staff are full-time equivalents.

Within the staff numbers shown in the above table, the PCO has 15 managers of whom eight are male and seven are female.

Organisational structure



Risk management

The PCO maintains a risk register which is reviewed throughout the year. Its purpose is to assist the management and mitigation of the PCO’s major risks and the achievement of its outputs and deliverables. The framework includes procedures and practices designed to protect and enhance resources and enable the achievement of objectives.

Audit and risk committee

The audit and risk committee, which consists of two external independent members (including the chair) and one internal member, meets three-monthly. The role of this committee is to provide independent assurance, advice, and assistance to the Chief Parliamentary Counsel on the PCO’s systems of governance and internal control, risk management and compliance, and external accountability responsibilities. This committee recently completed its first year of operation. It has become a valuable addition to the governance and operation of the PCO, contributing to the PCO’s understanding of its key risks.

Business continuity

A business continuity plan is in place and all business units have prepared response plans. These will be implemented in the event of a minor or major disaster, or the unavailability of a core system such as the NZL system, so the PCO will be in a position to continue working in an effective manner. These are reviewed on a quarterly basis and updated or retested where required.

Disaster recovery

The PCO has developed a strategy for implementation of disaster recovery (DR) capability for its corporate and NZL systems. In November 2009, a business case recommending use of the Parliamentary Service-hosted joint Parliamentary DR site in Auckland was approved.

The PCO is in formal discussions with the Parliamentary Service and the other campus agencies to establish a PCO presence within the DR site, and an agreement is expected in the 2010/11 year which will enable implementation to take place.

Security

The PCO contributed to the development of the Security Framework for the Parliamentary Precincts, which was approved in November 2009. This document describes the overarching security framework to facilitate security cooperation and coordination to mitigate threats to the parliamentary precincts.

The PCO has also contributed to the Security Policy for the Parliamentary Precincts, which will include common policies and procedures to ensure a consistent

approach to security. The policy will set out the security provisions for people, buildings, assets, information, and information technology to eliminate or mitigate any risks. This policy is expected to be approved early in the 2010/11 year.

Government procurement reform

Key staff have attended update briefings on the Government Procurement Reform Programme, in preparation for the PCO to transition to the all-of-government contracts by 1 October 2010.

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS OF THE PARLIAMENTARY COUNSEL OFFICE

For the year ended 30 June 2010

Introduction to the Financial Statements

The Parliamentary Counsel Office (PCO) is responsible for discharging the functions set out in the Statutes Drafting and Compilation Act 1920, and certain functions set out in the Acts and Regulations Publication Act 1989.

The PCO is funded by appropriation of money by Parliament.

The financial statements of the PCO for the year ended 30 June 2010, including the Statement of Service Performance, now follow.

STATEMENT OF RESPONSIBILITY

For the year ended 30 June 2010

In terms of the Public Finance Act 1989, I, David Noble, Chief Parliamentary Counsel, accept responsibility for the preparation of the financial statements and Statement of Service Performance, and for the judgements made in them.

I have the responsibility for establishing, and I have established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements and Statement of Service Performance fairly reflect the financial position and operations of the PCO for the year ended 30 June 2010.

Countersigned by:



David Noble
Chief Parliamentary Counsel
27 September 2010



Noel Lee
Corporate Services Manager
Parliamentary Counsel Office
27 September 2010

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2010

30/06/09		30/06/10	30/06/10	30/06/10
Actual		Actual	Main	Supp.
\$000	Notes	\$000	Estimates	Estimates
			\$000	\$000
Income				
18,807	Crown	19,063	20,429	19,063
194	Other	207	237	237
<u>19,001</u>	Total income	<u>19,270</u>	<u>20,666</u>	<u>19,300</u>
Expenses				
8,252	Personnel	8,502	9,431	8,788
6,167	Operating	5,840	7,417	6,286
2,830	Depreciation and amortisation	3,310	2,786	3,166
1,032	Capital charge	1,060	1,032	1,060
<u>18,281</u>	Total expenses	<u>18,712</u>	<u>20,666</u>	<u>19,300</u>
<u>720</u>	Net surplus/(deficit)	<u>558</u>	<u>0</u>	<u>0</u>
0	Other comprehensive income	0	0	0
<u>720</u>	Total comprehensive income	<u>558</u>	<u>0</u>	<u>0</u>

STATEMENT OF CHANGES IN TAXPAYERS' FUNDS
For the year ended 30 June 2010

30/06/09		30/06/10	30/06/10	30/06/10
Actual		Actual	Main	Supp.
\$000		\$000	Estimates	Estimates
			\$000	\$000
13,764	Balance as at 1 July	14,138	14,138	14,138
720	Total comprehensive income	558	0	0
374	Capital contributions	953	979	953
(720)	Provision for repayment of surplus to the Crown	(558)	0	0
<u>14,138</u>	Balance as at 30 June	<u>15,091</u>	<u>15,117</u>	<u>15,091</u>

Note: The accompanying Notes to the Financial Statements (pages 29-41) form part of these financial statements. For information on major variances against budget, refer to Note 20.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2010

30/06/09 Actual		30/06/10 Actual	30/06/10 Main Estimates	30/06/10 Supp. Estimates
\$000	Notes	\$000	\$000	\$000
Taxpayers' funds				
14,138	Taxpayers' funds	15,091	15,117	15,091
<u>14,138</u>	Total taxpayers' funds	<u>15,091</u>	<u>15,117</u>	<u>15,091</u>
Represented by:				
Current assets				
4,917	Cash and cash equivalents	6,217	2,028	2,961
119	Debtors and other receivables	49	0	0
125	Prepayments	172	19	19
<u>5,161</u>	Total current assets	<u>6,438</u>	<u>2,047</u>	<u>2,980</u>
Non-current assets				
624	Property, plant, and equipment	801	822	801
11,273	Intangible assets	10,501	13,689	12,673
<u>11,897</u>	Total non-current assets	<u>11,302</u>	<u>14,511</u>	<u>13,474</u>
<u>17,058</u>	TOTAL ASSETS	<u>17,740</u>	<u>16,558</u>	<u>16,454</u>
Current liabilities				
1,323	Creditors and other payables	1,349	418	418
720	Provision for repayment of net surplus	558	0	0
410	Provision for employee entitlements	623	610	478
<u>2,453</u>	Total current liabilities	<u>2,530</u>	<u>1,028</u>	<u>896</u>
Non-current liabilities				
467	Provision for employee entitlements	119	413	467
<u>2,920</u>	TOTAL LIABILITIES	<u>2,649</u>	<u>1,441</u>	<u>1,363</u>
<u>14,138</u>	Net assets	<u>15,091</u>	<u>15,117</u>	<u>15,091</u>

Note: The accompanying Notes to the Financial Statements (pages 29-41) form part of these financial statements. For information on major variances against budget, refer to Note 20.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2010

30/06/09 Actual	Note	30/06/10 Actual	30/06/10 Main Estimates	30/06/10 Supp. Estimates
\$000		\$000	\$000	\$000
Cash flows from operating activities				
Cash was provided from:				
Supply of outputs				
18,807		19,063	20,429	19,063
837		186	181	256
(30)		86	56	100
<u>19,614</u>		<u>19,335</u>	<u>20,666</u>	<u>19,419</u>
Cash was disbursed to:				
Produce outputs				
(8,107)		(8,603)	(8,877)	(8,741)
(5,618)		(5,890)	(7,825)	(7,053)
(166)	17	(5)	0	0
(1,032)		(1,060)	(1,032)	(1,060)
<u>(14,923)</u>		<u>(15,558)</u>	<u>(17,734)</u>	<u>(16,854)</u>
<u>4,691</u>		<u>3,777</u>	<u>2,932</u>	<u>2,565</u>
Net cash flows from operating activities				
Cash flows from investing activities				
Cash was provided from:				
0		16	0	0
0		0	0	0
Cash was disbursed to:				
Purchase of property, plant, and equipment				
(247)		(275)	(4,083)	(4,754)
(2,809)		(2,451)	0	0
<u>(3,056)</u>		<u>(2,709)</u>	<u>(4,083)</u>	<u>(4,754)</u>
Net cash flows from operating activities				
Cash flows from financing activities				
Cash was provided from:				
374		953	979	953
Cash was disbursed to:				
(2,517)		(720)	0	(720)
<u>(2,143)</u>		<u>233</u>	<u>979</u>	<u>233</u>
Net cash flows from operating activities				
(508)		1,300	(172)	(1,956)
5,425		4,917	2,200	4,917
<u>4,917</u>		<u>6,217</u>	<u>2,028</u>	<u>2,961</u>
Closing cash to carry forward				

Note: The accompanying Notes to the Financial Statements (pages 29-41) form part of these financial statements. For information on major variances against budget, refer to Note 20.

RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

For the year ended 30 June 2010

30/06/09 Actual	Note	30/06/10 Actual	30/06/10 Main Estimates	30/06/10 Supp. Estimates
\$000		\$000	\$000	\$000
720	Net surplus/(deficit)	558	0	0
Add/(less) non-cash items:				
2,830	Depreciation and amortisation	3,310	2,786	3,166
54	(Increase)/decrease in non-current employee entitlements	(348)	0	0
<u>2,884</u>	Total non-cash items	<u>2,962</u>	<u>2,786</u>	<u>3,166</u>
Add/(less) working capital movements:				
652	(Increase)/decrease in debtors and prepayments	23	0	225
379	Increase/(decrease) in creditors and payables	26	0	(905)
56	Increase/(decrease) in current employee entitlements	213	146	68
<u>1,087</u>	Working capital movements—net	<u>262</u>	<u>146</u>	<u>(612)</u>
Add/(less) investing activity items:				
0	Gain on sale of property, plant, and equipment	(5)	0	11
<u>0</u>	Total investing activity items	<u>(5)</u>	<u>0</u>	<u>11</u>
<u>4,691</u>	Net cash flows from operating activities	<u>3,777</u>	<u>2,932</u>	<u>2,565</u>

Note: The accompanying Notes to the Financial Statements (pages 29-41) form part of these financial statements.
For information on major variances against budget, refer to Note 20.

STATEMENT OF COMMITMENTS

As at 30 June 2010

30/06/09		30/06/10
Actual		Actual
\$000		\$000
Non-cancellable operating lease commitments		
473	Less than one year	634
0	One to two years	622
0	Two to five years	493
<u>473</u>	Total non-cancellable operating lease commitments	<u>1,749</u>
Other non-cancellable commitments		
2,476	Less than one year	2,357
2,029	One to two years	2,224
3,996	Two to five years	2,224
<u>8,501</u>	Total other non-cancellable commitments	<u>6,805</u>
<u>8,974</u>	Total commitments	<u>8,554</u>

Note: The PCO has accommodation and car park leases with the Reserve Bank. The PCO has a contract with Unisys New Zealand Ltd for the maintenance and support of the NZL system. The PCO has a contract with Thomson Reuters to maintain the PCO database. The PCO has no finance lease arrangements.

Reserve Bank office lease: This lease is for the rental of office space on floors 4, 12, and 13 plus basement storage in the Reserve Bank building. The lease has a make-good provision where the lessee can either surrender the fit-outs and alterations to the lessor or remove these and make good. This lease is non-cancellable.

Reserve Bank car park leases: These leases are for the rental of car park spaces in the Reserve Bank building and the adjoining building located on the corner of Mowbray and Bolton Streets. These leases are cancellable on the anniversary date.

There are no contingent rents on the above leases; they are all fixed term. There are no restrictions imposed by the lease arrangements.

There are no escalation clauses on the leases.

The Reserve Bank office lease has a renewal date of 15 April 2013. This lease has an expiry date of 14 April 2016. The car park leases have a renewal date of 15 April 2013. These leases have an expiry date of 14 April 2016. None of the leases have purchase options, so are operational leases by nature. The car park leases are automatically renewed annually unless a notice to cancel is provided.

Note: The accompanying Notes to the Financial Statements (pages 29-41) form part of these financial statements.

STATEMENT OF CONTINGENT ASSETS AND LIABILITIES *As at 30 June 2010*

As at 30 June 2010, there are no contingent assets. (30 June 2009: nil.)

As at 30 June 2010, there are no contingent liabilities. (30 June 2009: nil.)

As at 30 June 2010, there are no guarantees or indemnities given under the Public Finance Act 1989 in respect of the activities of the PCO. (30 June 2009: nil.)

STATEMENT OF UNAPPROPRIATED EXPENSES AND CAPITAL EXPENDITURE *As at 30 June 2010*

For the year ended 30 June 2010 there are no instances of unappropriated expenses and capital expenditure. (30 June 2009: nil.)

STATEMENT OF DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS *For the year ended 30 June 2010*

30/06/09 Expenditure Actual \$000		30/06/10 Expenditure Actual \$000	30/06/10 Appropriation Voted ¹ \$000
VOTE: PARLIAMENTARY COUNSEL			
Appropriations for output expenses			
8,267	Law Drafting Services	8,461	8,776
<u>10,014</u>	Access to Legislation	<u>10,251</u>	<u>10,524</u>
<u>18,281</u>	Total appropriations for output expenses	<u>18,712</u>	<u>19,300</u>
Appropriation for capital expenditure			
<u>2,570</u>	Capital expenditure to PCO—Permanent Legislative Authority	<u>2,726</u>	4,754
<u>2,570</u>	Total capital appropriations	<u>2,726</u>	<u>4,754</u>

¹ This includes adjustments made in the Supplementary Estimates; there have been no transfers under section 26A of the Public Finance Act 1989.

Note: The accompanying Notes to the Financial Statements (pages 29-41) form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

Note 1 Statement of accounting policies

Reporting entity

The PCO is a government department as defined by section 2 of the Public Finance Act 1989.

Basis of preparation

These are the financial statements of the PCO for the year ended 30 June 2010, which have been prepared pursuant to the Public Finance Act 1989 and which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and Treasury instructions. The PCO is a public benefit entity. Its primary objective is the drafting and publishing of legislation.

The financial statements have been authorised for issue on 27 September 2010 by the Chief Parliamentary Counsel and the Corporate Services Manager.

These financial statements have been prepared in accordance with, and comply with, NZ IFRS and other applicable financial reporting standards, as appropriate for public benefit entities.

The measurement base applied is historical cost.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand (\$000). The New Zealand dollar is the PCO's functional currency.

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

The PCO has adopted the following revision to accounting standards during the financial year, which has had only a presentational or disclosure effect:

NZ IAS 1 Presentation of Financial Statements (Revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (Issued 2004). The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The PCO has decided to prepare a single statement of comprehensive income for the year ended 30 June 2010 under the revised standard. Financial statement information for the year ended 30 June 2009 has been restated accordingly. Items of other comprehensive income presented in the statement of comprehensive income were previously recognised directly in the statement of changes in equity.

The following accounting policies, which materially affect the measurement of financial results and financial position, have been applied consistently to all periods presented in these financial statements.

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted

There is one standard, amendment, or interpretation issued but not yet effective that has not been early adopted, and that is relevant to the PCO. NZ IAS 24 Related Party Disclosures (Revised 2009) replaces NZ IAS 24 Related Party Disclosures (Issued 2004) and is effective for reporting periods commencing on or after 1 January 2011. The revised standard:

- removes the previous disclosure concessions applied by the PCO for arms-length transactions between the PCO and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between the PCO and entities controlled or significantly influenced by the Crown
- provides clarity on the disclosure of related party transactions with Ministers of the Crown. Further, with the exception of the Attorney-General, the PCO will be provided with an exemption from certain disclosure requirements relating to transactions with other Ministers of the Crown. The clarification could result in additional disclosures should there be any related party transactions with Ministers of the Crown
- clarifies that related party transactions include commitments with related parties.

The PCO expects it will early adopt the revised standard for the year ended 30 June 2011.

Budget figures

The budget figures are those presented in the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2010 (Main Estimates) and those amended by the Supplementary Estimates and any transfer made by Order in Council under the Public Finance Act 1989. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Revenue

The PCO derives revenue through the provision of outputs to the Crown. Such revenue is recognised when earned and is reported in the financial period to which it relates. Revenue is measured at the fair value of the consideration when received.

Cost allocation

The PCO has derived the costs of outputs using the cost allocation system outlined below.

Cost allocation policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activities/usage information. There have been no changes to the cost allocation policy from last year.

Criteria for direct and indirect costs

Direct costs are those costs directly attributed to an output.

Indirect costs are those costs that cannot be identified, in an economically feasible manner, with a specific output.

Direct costs assigned to outputs

Direct costs are charged directly to outputs. Depreciation and capital charge are charged on the basis of asset utilisation. Personnel costs are charged by actual time incurred. Property and other premises expenses, such as maintenance, are allocated on the basis of floor area occupied for the production of each output.

Basis for assigning indirect and corporate costs to outputs

Indirect costs are assigned to outputs based on a proportion of direct staff costs used for each output.

Debtors and other receivables

Receivables are recorded at fair value, after providing for impairment. A provision for impairment of receivables is established when there is objective evidence that the PCO will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the schedule of departmental expenses. When a debt is uncollectable, it is written off against the allowance account for debtors. Overdue receivables that are renegotiated are reclassified as current (ie not past due).

Cash and cash equivalents

Cash and cash equivalents consists of cash in the bank and cash on hand.

Finance leases

A finance lease is a lease that transfers, to the lessee, substantially all of the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the PCO recognises finance leases as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the PCO will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

The PCO leases premises. As the lessor retains substantially all the risks and rewards of ownership, these leases are classified as operating leases. Operating lease costs are expensed in the period in which they are incurred. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Property, plant, and equipment and intangible assets

The initial cost of property, plant, and equipment is the value of the consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use, less accumulated depreciation and impairment losses.

All property, plant, and equipment costing more than \$1,000 plus GST are capitalised and recorded at historical cost.

Capital work in progress

Capital work in progress is not depreciated. The total cost of this work is transferred to the relevant asset category on its completion.

Depreciation and amortisation

Depreciation of property, plant, and equipment is provided on a straight-line basis so as to allocate the cost of assets, less any estimated residual value, over their useful lives.

The estimated economic useful lives and associated depreciation rates of property, plant, and equipment are:

Furniture	5 years	20%
Office equipment	5 years	20%
Motor vehicles	3 years	33%
Leasehold property improvements	6 years	16.67%

Leasehold property improvements

The cost of leasehold improvements is capitalised and amortised over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter.

Intangible assets—software acquisition and development

Acquired computer software is capitalised on the basis of the cost incurred to acquire and bring to use the specific software.

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

The estimated useful lives and associated amortisation rates of major classes of intangible assets are:

Computer systems	3 years	33%
Intangible assets	5 to 10 years	20% to 10%

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the PCO are recognised as an intangible asset. Direct costs include the software development, employee costs, and an appropriate portion of relevant overheads.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to taxpayers' funds.

Impairment

Assets are tested for impairment annually.

Donated assets

Donated assets, with or without conditions, are valued at fair market value and recognised as revenue when control over the asset is obtained.

Employee entitlements

Short-term employee entitlements

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the reporting period in which the employee renders the related service, such as long service leave and retiring leave, are calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlements information; and
- the present value of the estimated future cash flows.

Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Defined benefit schemes

The PCO belongs to the Government Superannuation Fund (GSF). GSF is a defined benefit plan. It has been determined that the scheme is fully funded and as such no liability exists to be recognised by the PCO. The scheme is therefore accounted for as a defined contribution scheme.

Defined contribution schemes

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver, and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit as incurred.

Foreign currency

Foreign currency transactions are converted at the New Zealand dollar exchange rate at the date of the transaction. When a forward exchange contract has been used to establish the price of a transaction, the forward rate specified in that foreign exchange contract is used to convert the transaction to New Zealand dollars. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Financial instruments

Revenue and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Income. Where the PCO enters into foreign currency forward contracts to hedge foreign currency transactions, any exposure to gains or losses on these contracts is generally offset by a related loss or gain on the item being hedged.

Goods and services tax (GST)

The financial statements, including appropriation statements, are exclusive of GST, except for creditors and accruals, and debtors and other receivables, which are GST inclusive. All other statements are GST exclusive.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between output GST and input GST, is included in creditors and accruals or debtors and other receivables (as appropriate).

Income tax

Government departments are exempt from the payment of income tax in terms of the Income Tax Act 2007. Accordingly, no charge for income tax has been provided for.

Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into on or before balance date are disclosed as commitments to the extent that they are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

Taxpayers' funds

This is the Crown's net investment in the PCO. Taxpayers' funds are measured as the difference between total assets and total liabilities.

Critical accounting estimates and assumptions

In preparing these financial statements, the PCO 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 experiences and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Note 2 Other revenue

30/06/09	30/06/10	30/06/10 Main	30/06/10 Supp.
Actual \$000	Actual \$000	Estimates \$000	Estimates \$000
0	Gain on sale of property, plant, and equipment	5	0
150	State Services Retirement Saving	149	142
19	KiwiSaver subsidy	33	60
25	Recovery of printing expenses	20	35
194	Total other revenue	207	237

Note 3 Personnel expenses

30/06/09		30/06/10	30/06/10	30/06/10
Actual		Actual	Main	Supp.
\$000		\$000	Estimates	Estimates
			\$000	\$000
8,022	Salaries and wages	8,464	9,268	8,720
110	Annual, retirement, long service, and sick leave	(135)	0	68
120	Other personnel expenses	173	163	0
8,252	Total personnel expenses	8,502	9,431	8,788

Note 4 Operating expenses

30/06/09		30/06/10	30/06/10	30/06/10
Actual		Actual	Main	Supp.
\$000		\$000	Estimates	Estimates
			\$000	\$000
244	Consultancy	360	370	370
31	Audit fees to auditors for audit of the financial statements	31	53	34
646	Operating lease rentals	648	681	648
1,097	Printing expenses	919	1,568	1,568
2,685	NZL system expenses	2,251	2,419	2,271
500	Computing expenses	771	966	766
964	Other operating expenses	860	1,360	629
6,167	Total operating expenses	5,840	7,417	6,286

Note 5 Depreciation and amortisation charges

30/06/09		30/06/10	30/06/10	30/06/10
Actual		Actual	Main	Supp.
\$000		\$000	Estimates	Estimates
			\$000	\$000
249	Computer systems	368	277	340
23	Furniture	25	26	26
140	Leasehold property improvements	125	88	138
6	Motor vehicles	2	12	1
18	Office equipment	17	17	18
2,394	Intangible assets	2,773	2,366	2,643
2,830	Total depreciation and amortisation charges	3,310	2,786	3,166

Note 6 Capital charge

The PCO pays a capital charge to the Crown on taxpayers' funds held as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2010 was 7.5% (2009: 7.5%).

Note 7 Debtors and other receivables

The PCO had not yet been reimbursed for these payments at balance date. The amounts outstanding are current (less than 30 days), and no provision for impairment has been recognised (2009: nil).

Note 8 Property, plant, and equipment

	Furniture	Computers	Office equipment	Leasehold property improvements	Motor vehicles	Total
Cost or valuation						
Balance at 1 July 2008	344	1,939	151	1,400	30	3,864
Additions	59	115	9	64	0	247
Disposals	(1)	(811)	(2)	0	0	(814)
Balance at 30 June 2009	402	1,243	158	1,464	30	3,297
Balance at 1 July 2009	402	1,243	158	1,464	30	3,297
Additions	5	211	1	58	0	275
Transfers from work in progress	0	450	0	0	0	450
Disposals	0	0	0	0	(30)	(30)
Balance at 30 June 2010	407	1,904	159	1,522	0	3,992
Accumulated depreciation and impairment losses						
Balance at 1 July 2008	(302)	(1,513)	(104)	(1,121)	(11)	(3,051)
Depreciation expense	(23)	(249)	(18)	(140)	(6)	(436)
Eliminate on disposal	1	811	2	0	0	814
Balance at 30 June 2009	(324)	(951)	(120)	(1,261)	(17)	(2,673)
Balance at 1 July 2009	(324)	(951)	(120)	(1,261)	(17)	(2,673)
Depreciation expense	(25)	(368)	(17)	(125)	(2)	(537)
Eliminate on disposal	0	0	0	0	19	19
Balance at 30 June 2010	(349)	(1,319)	(137)	(1,386)	0	(3,191)
Carrying amounts						
At 1 July 2008	42	426	47	279	19	813
At 30 June and 1 July 2009	78	292	38	203	13	624
At 30 June 2010	58	585	22	136	0	801

Assets held for sale and impairment

The PCO does not have any items of property, plant, and equipment classified as held for sale. There were no impairment losses incurred during the year. There are no restrictions on title and no assets pledged as security for liabilities.

Note 9 Intangible assets

	Acquired intangibles	Work in progress	Total
Cost or valuation			
Balance at 1 July 2008	10,851	955	11,806
Additions	0	2,809	2,809
Transfers from work in progress	2,000	(2,000)	0
Balance at 30 June 2009	12,851	1,764	14,615
Balance at 1 July 2009	12,851	1,764	14,615
Additions	922	1,529	2,451
Transfers from work in progress	1,314	(1,764)	(450)
Balance at 30 June 2010	15,087	1,529	16,616
Accumulated depreciation and impairment losses			
Balance at 1 July 2008	(948)	0	(948)
Depreciation expense	(2,394)	0	(2,394)
Balance at 30 June 2009	(3,342)	0	(3,342)
Balance at 1 July 2009	(3,342)	0	(3,342)
Depreciation expense	(2,773)	0	(2,773)
Balance at 30 June 2010	(6,115)	0	(6,115)
Carrying amounts			
At 1 July 2008	9,903	955	10,858
At 30 June and 1 July 2009	9,509	1,764	11,273
At 30 June 2010	8,972	1,529	10,501

Intangible assets—the NZL system

The NZL system is the PCO's integrated drafting and publishing system for New Zealand legislation.

Note 10 Creditors and other payables

30/06/09		30/06/10
Actual		Actual
\$000		\$000
296	Trade creditors	990
1,046	Accrued expenses	383
(19)	GST payable	(24)
1,323	Total creditors and other payables	1,349

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms; therefore the carrying values of creditors and other payables approximate their fair value.

Note 11 Finance leases

The PCO has not entered into any finance leases.

Note 12 Provision for employee entitlements

30/06/09		30/06/10
Actual		Actual
\$000		\$000
	Current liabilities	
32	Retirement and long service leave	92
353	Annual leave	518
25	Sick leave	13
<u>410</u>	Total current portion	<u>623</u>
	Non-current liabilities	
74	Long service leave	20
393	Retirement leave	99
<u>467</u>	Total non-current portion	<u>119</u>
<u>877</u>	Total provision for employee entitlements	<u>742</u>

Employee benefits

The PCO has employees who are members of the Government Superannuation Fund. This is a fully funded government scheme and, as a result, no liability is recognised.

Treasury guidance was used to estimate the value of long service leave, retirement leave, and sick leave as at 30 June 2010. The major economic assumptions adopted in the valuation process for long service and retirement leave were:

- salary increase rate: 3.5% per annum (30 June 2009: 3.5%)
- discount rate: 6.0% per annum (30 June 2009: 6.0%).

For sick leave, the methodology was calculated according to the Treasury guidance and assumes that sick leave is a short-term compensated absence, as defined in NZ IAS 19.

Note 13 Derivative financial instruments

The PCO does not hold any derivative financial instruments.

Note 14 Financial instruments

The PCO is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable, accounts payable, and foreign currency forward contracts. The fair value of the PCO's financial instruments is the same as the carrying value.

The PCO does not have any gains or losses on its financial instruments and no impairments have been recognised to date.

All financial assets and liabilities are non-derivative in form and function and are neither available for sale nor held to maturity.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the PCO.

In the normal course of its business, credit risk arises from debtors.

The maximum exposure from trade debtors is the value of the non-government debtors, ie nil. Default is considered by management to be unlikely and the probable exposure has been determined as negligible. There were no changes in receivables or payables during the year that can be attributed to credit risk.

The PCO is only permitted to deposit funds with Westpac, a registered bank, and enter into foreign exchange forward contracts with the New Zealand Debt Management Office (NZDMO).

The PCO does not require any collateral or security to support financial instruments with financial institutions that it deals with, or with the NZDMO, as these entities have high credit ratings. For its other financial instruments, the PCO does not have significant concentrations of credit risk.

30/06/09		30/06/10
Actual		Actual
\$000		\$000
Loans and receivables:		
4,917	Bank balances	6,217
119	Debtors—Government	49

The PCO is not exposed to any other concentrations of credit risk.

Credit facilities

The PCO does not have bank overdraft facilities as at 30 June 2010.

Currency risk

The PCO has no significant exposure to currency risk on its financial instruments.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The PCO has no interest-bearing financial instruments and, accordingly, has no exposure to interest rate risk.

Liquidity risk

Liquidity risk is the risk that the PCO will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the PCO closely monitors its forecast cash requirements with expected cash draw-downs from the New Zealand Debt Management Office. The PCO maintains a target level of available cash to meet liquidity requirements.

The PCO considers that it does not have a significant liquidity risk as it ensures it has adequate working capital coverage at all times.

Exposure to risk

The PCO is not aware of any exposure to risk regarding financial instruments that would have a significant impact on operations.

Note 15 Capital management

The PCO's capital is its equity (or taxpayers' funds) and is represented by net assets.

The PCO manages its revenues, expenses, assets, liabilities, and general financial dealings prudently. The PCO's equity is largely managed as a by-product of managing income, expenses, assets, liabilities, and compliance with the Government Budget processes and with Treasury instructions.

The objective of managing the PCO's equity is to ensure the PCO effectively achieves its goals and objectives for which it has been established, while remaining a going concern.

Note 16 Provisions

With the exception of the provision for payment of the net surplus to the Crown, the PCO does not hold any non-employee related provisions.

Lease make good provisions

In respect of the Reserve Bank office lease, the PCO is required at the expiry of the lease term to either surrender to the lessor the fit-out and alterations or remove the improvements and make good any damage caused to the premises. The PCO has the option to renew this lease, which impacts on the timing of expected cash outflows to make good the premises. Given the long-term nature of the accommodation strategies for the PCO, it is unlikely that the make good provisions will crystallise. Therefore no provision has been raised.

Note 17 Cash flow

The GST (net) component of operating activities reflects the net GST paid to the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Note 18 Related party transactions

The PCO is a wholly owned entity of the Crown. The Government significantly influences the role of the PCO as well as being the major source of revenue.

The PCO enters into numerous transactions with other government departments, Crown agencies, and State-owned enterprises on an arm's-length basis. These transactions are not considered to be related party transactions.

Those transactions that occur within a normal supplier or client relationship, on terms and conditions no more or less favourable than those that it is reasonable to expect the PCO would have adopted if dealing with that entity at arm's length in the same circumstances, are not disclosed.

No provision has been required, nor any expenses recognised, for impairment of receivables from related parties.

Key management remuneration

30/06/09		30/06/10
Actual		Actual
\$000		\$000
920	Salaries and other short-term employee benefits	921
920	Total key management personnel compensation	921

There are no other employee benefits.

Key management personnel include the Chief Parliamentary Counsel and other members of the Senior Management Team.

Apart from those transactions described above, the PCO has not entered into any related party transactions and there are no conflicts of interest recorded. The PCO has a policy on conflicts of interest and at each Senior Management Team meeting any conflicts of interest are recorded.

Note 19 Post balance date events

The PCO does not have any post balance date events for 2009/10. (2008/09: nil.)

Note 20 Major budget variances

Statement of Comprehensive Income

A net surplus of \$0.558 million was recorded. This was owing to a number of factors. Significant factors are stated below.

There was a surplus of \$0.288 million from personnel-related expenditure which resulted from timing factors associated with the filling of vacant positions, as well as the number of staff on parental leave during the year, and the significant reductions in the retiring leave and long service leave provisions.

There was a surplus of \$0.379 million from printing-related expenditure which resulted from lower than anticipated demand for legislative printing and fewer annual volumes being published.

However, additional depreciation costs of \$0.130 million were incurred due to "work in progress" items in the NZL system being capitalised.

STATEMENT OF SERVICE PERFORMANCE

For the year ended 30 June 2010

The PCO agreed to provide outputs in 2009/10 to meet the requirements of the Attorney-General in terms of their nature, outcome emphasis, quality and quantity specifications, and cost.

Output Class—Law Drafting Services

Description

Under this output class, the PCO delivered a service that provides for:

- drafting Government Bills (including amendments) and Statutory Regulations
- examining and reporting on local Bills and private Bills, and drafting amendments to them.

Outcomes

Contributing to parliamentary democracy under the rule of law by supporting Parliament and the executive in their law-making roles and contributing to the Government’s objectives by ensuring that legislation that is necessary to change the law to implement Government policies is effective, clear, consistent with other legislation, the general law, and international law; and ensuring that, having regard to the policy of the legislation, it is also consistent with legal principle and with the rights and freedoms protected by the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993 and, in the case of delegated legislation, that it will withstand scrutiny by the Regulations Review Committee and challenge in the courts and will not be subject to disallowance under the Regulations (Disallowance) Act 1989.

Quantity

This output class is demand driven. It is accordingly difficult to estimate accurately the number of Bills and Statutory Regulations that will be drafted in any year, or the extent of the amendments required to Bills before the House.

Measure	For the year ended 30 June			
	2010	2009	2008	
	Standard	Actual	Actual	Actual
all Bills on the annual legislative programme in categories 1 and 2 (which are Bills that must be passed in the current year) are drafted ¹	100%	100%	100%	100%

number of Government Bills drafted, and amendments to same number drafted during their passage through the House ²	50-70 drafted	66 drafted	81 drafted	66 drafted
number of Statutory Regulations drafted ²	300-400 drafted	418 drafted	451 drafted	427 drafted

¹ All seven Bills assigned category 1 (Bills that must be passed or introduced as a matter of law in 2009) in the 2009 legislation programme were drafted in the 2009 calendar year. Of the 49 Bills assigned category 2 (Bills that must be passed in 2009) in the 2009 legislation programme, drafting was completed for 33 of those Bills, and, with the exception of two Bills that the Government decided not to progress, the remaining Bills were either drafted or amended as required.

² The variance between the standard and actual figures is due to the demand-driven nature of the outputs.

For comparison purposes:

	For the year ended 30 June		
	2010	2009	2008
number of Government Bills enacted	87	84 ¹	136 ²
number of Government Bills before the House of Representatives or awaiting Royal assent at the end of the year	116 ³	72	56

¹ Three of the Government Bills were drafted by the Inland Revenue Department.

² Six of the Government Bills were drafted by the Inland Revenue Department; two began as Members' Bills.

³ Includes 47 Bills split out of the Statutes Amendment Bill given their 3rd reading on 30 June 2010.

Quality

The standards are:

- Bills and Statutory Regulations are legally effective, clear, consistent with other legislation, the general law, and international law
- Bills and Statutory Regulations are consistent with the policy they implement, are consistent with legal principle, the New Zealand Bill of Rights Act 1990, and the Human Rights Act 1993
- advice given on matters relating to the provision of legislative drafting services, including advice on legislative drafting, parliamentary procedure, executive government process, and the law, is sound, practical, and clear.

Measure	For the year ended 30 June		
	2010	2009	2008
	Actual	Actual	Actual
whether the Attorney-General is satisfied that the quality standard has been achieved	the A-G was satisfied	the A-G was satisfied	the A-G was satisfied
whether instructing departments and agencies are satisfied that the quality standard has been achieved, as determined from overall responses to the departmental satisfaction survey (target: 90% satisfaction rating)	88% satisfaction 77% response rate	92% satisfaction 81% response rate	94% satisfaction 68% response rate
whether select committees are satisfied that the quality standard has been achieved as determined from overall responses to a survey	select committees are satisfied	not previously measured	not previously measured

Timeliness

The standard is:

- Bills, Statutory Regulations, and SOPs are drafted in accordance with time frames set by, or agreed with, the Government, select committees, and departments.

Measure	For the year ended 30 June		
	2010	2009	2008
whether the Attorney-General is satisfied that the timeliness standard has been achieved	Actual the A-G was satisfied	Actual the A-G was satisfied	Actual the A-G was satisfied
whether instructing departments and agencies are satisfied that the timeliness standard has been achieved, as determined from overall responses to the departmental satisfaction survey (target: 90% satisfaction rating)	88% satisfaction 77% response rate	92% satisfaction 81% response rate	94% satisfaction 68% response rate

Financial performance for Output Class—Law Drafting Services

30/06/09		30/06/10	30/06/10 Main	30/06/10 Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
8,261	Revenue—Crown	8,635	9,108	8,635
122	Other revenue	137	141	141
<u>8,383</u>	<u>Total revenue</u>	<u>8,772</u>	<u>9,249</u>	<u>8,776</u>
<u>8,267</u>	<u>Total expenses</u>	<u>8,461</u>	<u>9,249</u>	<u>8,776</u>
<u>116</u>	<u>Net surplus</u>	<u>311</u>	<u>0</u>	<u>0</u>

Note: Figures are GST exclusive.

Output Class—Access to Legislation

Description

Under this output class, the PCO delivered a service that provides for:

- supplying printed copies of Government Bills and SOPs to the House and, on a selective basis, copies of Acts with proposed amendments incorporated
- publishing printed copies of Bills and SOPs, pamphlet copies of Acts and Statutory Regulations, and annual volumes of Acts and Statutory Regulations
- compiling reprints of Acts and Statutory Regulations with their amendments incorporated and publishing them

- publishing the *Tables of New Zealand Acts and Ordinances and Statutory Regulations and Deemed Regulations in Force* in printed form
- providing the above for sale at designated bookshops and by subscription
- providing free public access via the internet to an electronic database of legislation, including Bills and SOPs, and maintaining the electronic database of legislation in an up-to-date form.

Outcomes

Contributing to parliamentary democracy under the rule of law by supporting Parliament and the executive in their law-making roles and contributing to the Government’s objectives by ensuring that legislation, including Bills and SOPs, is accessible to the public in both printed and electronic forms, and by providing printed copies of Bills and SOPs to the House.

Quantity

This output class is substantially demand driven. It is accordingly difficult to estimate accurately the number of Bills, SOPs, Acts, and Statutory Regulations that will be published in any year, or the number of printed copies of Bills and SOPs that will be provided to the House.

Measure	For the year ended 30 June			
	2010	2009	2008	2007
	Standard	Actual	Actual	Actual
number of Government Bills supplied to the House and published ¹	50-70	66	81	68
number of SOPs supplied to the House and published ¹	70-100	62	43	54
number of Acts of Parliament published ¹	80-120	90	88	143
number of Statutory Regulations published ¹	300-400	418	451	427
the annual volumes of Acts for 2009 and the annual volumes of Statutory Regulations for 2009 are published	volumes are published	for 2009 calendar year, 3 volumes of Acts and 7 volumes of Statutory Regulations published	for 2008 calendar year, 5 volumes of Acts and 7 volumes of Statutory Regulations published	for 2007 calendar year, 7 volumes of Acts and 4 volumes of Statutory Regulations published
reprints of all Acts and Statutory Regulations listed on the annual reprints programme are compiled and published	100%	100% (7 Acts 1 Statutory Regulation)	100% (36 Acts 13 Statutory Regulations)	100% (14 Acts 2 Statutory Regulations)
publication of the <i>Tables of New Zealand Acts and Ordinances and Statutory Regulations and Deemed Regulations in Force</i>	tables are published	2009 edition was published	2008 edition was published	2007 edition was published
publication of the interim indexes of Statutory Regulations	indexes are published	indexes were published	indexes were published	indexes were published

free public access to the NZL website is available	99% availability	99% availability	99% availability	not previously measured
availability of the legislative authoring, content management, and publication systems for PCO, Office of the Clerk, and Inland Revenue Department staff	92% availability	92% availability	92% availability	not previously measured

1 The variance between the standard and actual figures is due to the demand-driven nature of the outputs.

Quality

The standards are:

- Government Bills approved for introduction and SOPs approved for release are published in an accurate form
- accurate publication of Acts of Parliament and Statutory Regulations
- the annual volumes of Acts for 2009 contain correct copies of the Acts of Parliament published in the volumes and the annual volumes of Statutory Regulations for 2009 contain correct copies of the Statutory Regulations published in them
- reprints of Acts and Statutory Regulations correctly state the law enacted or made by the Acts and Statutory Regulations reprinted and by the amendments to that legislation
- the *Tables of New Zealand Acts and Ordinances and Statutory Regulations and Deemed Regulations in Force* are accurate
- the interim indexes of Statutory Regulations are accurate
- the electronic database of Acts (both as enacted and with their amendments incorporated), Statutory Regulations (both as made and with their amendments incorporated), Bills, and SOPs is up to date and accurate
- Bills, SOPs, Acts of Parliament, Statutory Regulations, the annual volumes, reprints, and the *Tables of New Zealand Acts and Ordinances and Statutory Regulations and Deemed Regulations in Force* are published in accordance with best industry practice.

Measure	For the year ended 30 June		
	2010	2009	2008
whether the Attorney-General is satisfied that the quality standard has been achieved	Actual	Actual	Actual
	the A-G was satisfied	the A-G was satisfied	the A-G was satisfied

Timeliness

Measure	For the year ended 30 June			
	Standard	2010 Actual	2009 Actual	2008 Actual
the time taken to supply Bills and SOPs to the House	in accordance with the requirements of the Ministers of the Crown in charge of those Bills or SOPs	met	met	met
the time taken to make legislation (including Bills and SOPs) available on the NZL website	new Bills: within 1 working day after introduction	met	met	not previously measured
	subsequent versions of Bills: within 1 working day after the printed version is made available to the House	met	met	not previously measured
	SOPs: within 1 working day after they have been circulated to Members of Parliament	met	met	not previously measured
	Acts: within 5 working days of assent	met	met	not previously measured
	Statutory Regulations: within 1 working day of the date they are notified in the <i>New Zealand Gazette</i>	met	met	not previously measured
the time taken to make legislation (including Bills and SOPs) available for sale at designated bookshops and by subscription	Bills and SOPs: within 5 working days of introduction or release	met	met	not previously measured
	Acts: within 10 working days of assent	met	met	most within 10 working days
	Statutory Regulations: within 5 working days of being made	met	met	met

the date of publication of the annual volumes of Acts and Statutory Regulations	within first half of 2010	for 2009 year: met (March 2010)	for 2008 year: met (March 2009)	for 2007 year: met (April 2008)
the date of publication of the <i>Tables of New Zealand Acts and Ordinances and Statutory Regulations and Deemed Regulations in Force</i>	within first half of 2010	met	met	met
the frequency of publication of the interim indexes of Statutory Regulations	4 times a year	4 times a year	4 times a year	4 times a year
the time taken to respond to enquiries sent through the NZL website	80% within 1 working day of receipt	97%	92%	not previously measured
	100% within 5 working days of receipt	100%	100%	not previously measured

Financial performance for Output Class—Access to Legislation

30/06/09		30/06/10	30/06/09 Main	30/06/09 Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
10,546	Revenue—Crown	10,428	11,321	10,428
72	Other revenue	70	96	96
10,618	Total revenue	10,498	11,417	10,524
10,014	Total expenses	10,251	11,417	10,524
604	Net surplus	247	0	0

Note: Figures are GST exclusive.

Overall financial performance

The financial performance of the PCO for the year ended 30 June 2010 resulted in:

		30/06/10	30/06/10	30/06/09
		Actual	Estimated (Supp)	Actual
Operating results				
Revenue—Crown	\$000	19,063	19,063	18,807
Revenue—other	\$000	207	237	194
Output expenses	\$000	18,712	19,300	18,281
Other expenses	\$000	0	0	0
Net surplus/(deficit)	\$000	558	0	720
Working capital management				
Liquid ratio	%	246	330	200
Debtor collection period (third party sales)	days	0	0	0
Creditor payment period	days	28	28	28
Resource utilisation				
Property, plant, and equipment (PPE)—				
Additions as a percentage of total PPE	%	24.1	35.3	25.7
PPE as a percentage of total assets	%	4.5	4.9	3.7
Taxpayers' funds at year end	\$000	15,091	15,091	14,138
Forecast net cashflows				
Cash disbursed to producing outputs	\$000	(15,558)	(16,854)	(14,923)
Net increase/(decrease) in cash held	\$000	1,300	(1,956)	(508)

Audit Report

**TO THE READERS OF THE PARLIAMENTARY COUNSEL
OFFICE'S FINANCIAL STATEMENTS AND STATEMENT OF
SERVICE PERFORMANCE**

for the year ended 30 June 2010

The Auditor-General is the auditor of the Parliamentary Counsel Office (the Office). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Office, for the year ended 30 June 2010.

Unqualified opinion

In our opinion:

- The financial statements of the Office on pages 23 to 41:
 - comply with generally accepted accounting practice in New Zealand; and—
 - fairly reflect:
 - the Office's financial position as at 30 June 2010;
 - the results of its operations and cash flows for the year ended on that date;
 - its expenses and capital expenditure incurred against each appropriation administered by the Office and each class of outputs included in each output expense appropriation for the year ended 30 June 2010; and
 - its unappropriated expenses and capital expenditure for the year ended 30 June 2010.
- The statement of service performance of the Office on pages 42 to 49:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards included in the statement of forecast service performance adopted at the start of the financial year; and
 - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses included in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 27 September 2010, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Parliamentary Counsel and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader’s overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Parliamentary Counsel;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

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

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Chief Parliamentary Counsel and the Auditor

The Chief Parliamentary Counsel is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Office as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date.

The financial statements must also fairly reflect the expenses and capital expenditure incurred against each appropriation administered by the Office and each class of outputs included in each output expense appropriation for the year ended 30 June

2010. The financial statements must also fairly reflect the Office’s unappropriated expenses and capital expenditure for the year ended on that date.

The statement of service performance must fairly reflect, for each class of outputs, the Office’s standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year.

The Chief Parliamentary Counsel’s responsibilities arise from sections 45A and 45B of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of the Public Finance Act 1989.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

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



John O’Connell
 Audit New Zealand
 On behalf of the Auditor-General
 Wellington, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements and Statement of Service Performance

This audit report relates to the financial statements and statement of service performance of the Parliamentary Counsel Office for the year ended 30 June 2010 included on the Parliamentary Counsel Office’s website. The Chief Parliamentary Counsel is responsible for the maintenance and integrity of the Parliamentary Counsel Office’s website. We have not been engaged to report on the integrity of the Parliamentary Counsel Office’s website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 27 September 2010 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

APPENDICES

Legislative framework

The PCO is constituted as a separate Office of Parliament by the Statutes Drafting and Compilation Act 1920.

Under the Statutes Drafting and Compilation Act 1920, the PCO is responsible for:

- drafting Government Bills and Statutory Regulations
- supervising the printing of Government Bills and Statutory Regulations
- examining local Bills and private Bills
- compiling reprints of statutes and Statutory Regulations
- supervising the printing of those reprints.

The Inland Revenue Department is responsible for drafting certain Bills that will become Acts administered by that department (see Inland Revenue Department (Drafting) Order 1995).

Under section 4(1) of the Acts and Regulations Publication Act 1989, the PCO is responsible for arranging the printing and publication of:

- copies of Acts of Parliament
- copies of Statutory Regulations
- reprints of Acts of Parliament and reprints of Statutory Regulations
- reprints of Imperial Acts that have effect as part of the laws of New Zealand.

From time to time, the PCO also drafts certain other instruments such as Orders in Council establishing commissions of inquiry, instruments made under the Royal prerogative, and other official documents.

The PCO is not part of the Public Service under the State Sector Act 1988, and thus is not under the direct control of the State Services Commissioner. However, the PCO is part of the state services within the meaning of the State Sector Act 1988, and is subject to certain provisions of that Act (eg sections 57 to 57C, which relate to the setting and enforcement of minimum standards of integrity and conduct).

Governance arrangements and structure in the PCO

The Chief Parliamentary Counsel and Parliamentary Counsel are appointed under the Statutes Drafting and Compilation Act 1920 by the Governor-General on the recommendation of the Prime Minister. Other staff are employed by the Chief Parliamentary Counsel on contract.

The Minister responsible for the PCO is the Attorney-General. Under the Output Plan agreed each year by the Attorney-General and the Chief Parliamentary Counsel, the Chief Parliamentary Counsel is required to report six-monthly to the Attorney-General. The Chief Parliamentary Counsel is responsible to the Attorney-General for the operations and management of the PCO.

The organisational structure of the PCO is shown on page 19.

The PCO has key relationships with a number of other organisations. In particular, the PCO:

- receives a range of services from the Parliamentary Service including accounting and financial reporting services, payroll, and the parliamentary core computing network. Service level agreements are in place to manage the provision of these services
- works closely with the Office of the Clerk of the House of Representatives and has developed a Memorandum of Understanding with that office for the processing, printing, supply, and publication of legislation
- provides access to the New Zealand Legislation system for the drafting unit in the Inland Revenue Department, which is responsible under current arrangements for the drafting of tax legislation, and has developed a Memorandum of Understanding with that department for the processing, printing, supply, and publication of legislation
- works closely with the Legislation Coordinator in the Cabinet Office, whose role is to provide support to the Government of the day in developing, monitoring, and modifying the legislative programme, and with the Secretary of the Cabinet Legislation Committee
- has extensive working relationships with all central government departments and agencies in terms of taking instructions from them for the drafting of new and amending legislation and providing links and electronic “feeds” from the NZL website
- fulfils its obligation to publish New Zealand legislation through a contract with SecuraCopy for the printing, distribution, and sale of hard-copy legislation and by publishing direct to the NZL website

- is audited by the Auditor-General. The Auditor-General has appointed Audit New Zealand to perform the audit of the PCO on his behalf. Audit New Zealand also undertakes the annual Departmental Internal Control Evaluation (DICE) review on behalf of the Treasury
- manages a contract with Unisys New Zealand Ltd for the maintenance and support of the NZL system
- manages a contract with Thomson Reuters to maintain the PCO's database of legislation.

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