

*Report of the*

*Parliamentary Counsel Office  
Te Tari Tohutohu Pāremata*

*for the year ended  
30 June 2011*



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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 2011.*

A handwritten signature in blue ink, appearing to read 'Bill Moore'.

*Bill Moore*

*Acting Chief Parliamentary Counsel*

*1 September 2011*

# CHIEF PARLIAMENTARY COUNSEL'S OVERVIEW

This is the Annual Report of the Parliamentary Counsel Office (PCO) for the 2010/11 year. In preparing the report, the PCO has followed the guidance provided by the Treasury.<sup>1</sup> This report, together with the PCO's Statement of Intent<sup>2</sup> and Information Supporting the Estimates,<sup>3</sup> 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 2010–15 specified the outcome as “to contribute to parliamentary democracy under the rule of law”.<sup>4</sup> 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.<sup>5</sup>

## *Highlights of 2010/11*

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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 83 Government Bills and 491 Statutory Regulations in the 2010 calendar year. These are the highest totals in recent years.
- The Legislation Bill, which will replace the PCO's governing statute, is awaiting its second reading in the House.
- The PCO drafted urgent legislation in response to the Canterbury earthquake.
- 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.

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<sup>1</sup> *Preparing the Annual Report: Technical and Process Guide for Departments* (May 2010), [www.treasury.govt.nz/publications/guidance/reporting/annualreports](http://www.treasury.govt.nz/publications/guidance/reporting/annualreports).

<sup>2</sup> Statement of Intent Parliamentary Counsel Office for the period 1 July 2010 to 30 June 2015, [www.pco.parliament.govt.nz/soi2010-2015/](http://www.pco.parliament.govt.nz/soi2010-2015/).

<sup>3</sup> *Justice Sector—Information Supporting the Estimates 2010/11*, [www.treasury.govt.nz/budget/2010/ise/v7](http://www.treasury.govt.nz/budget/2010/ise/v7).

<sup>4</sup> Page 9.

<sup>5</sup> This is further explained in the Statement of Intent Parliamentary Counsel Office for the period 1 July 2010 to 30 June 2015, page 9.

## CHIEF PARLIAMENTARY COUNSEL'S OVERVIEW

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- Recommendations from two working groups, relating to clear drafting and quality measures for draft legislation, were agreed and will be implemented in the 2011/12 year.
- NZ Aid funding to enable the PCO to contribute to the provision of drafting and drafting training for Pacific Island nations was approved.
- Use of the New Zealand Legislation (NZL) website<sup>6</sup> continued to increase over the year.
- Tenders were called to convert the entire historical statutes collection from PDF to XML.
- Nine Acts and one Statutory Regulation were issued as official reprints in addition to 566 items of legislation which we officialised<sup>7</sup> on the NZL website.

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<sup>6</sup> [legislation.govt.nz](http://legislation.govt.nz).

<sup>7</sup> "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 the 2010 calendar year
2	Bills that must be passed in the 2010 calendar year
3	Bills to be passed if possible in the 2010 calendar year
4	Bills to proceed to a select committee in the 2010 calendar year
5	Bills for which instructions are to be provided to the PCO in the 2010 calendar year

Details of the numbers of category 1 and 2 Bills drafted are included in the Statement of Service Performance (see the note to the table of quantity on page 41).

#### **Drafting amendments for select committees and committee of the whole House**

Legislation is scrutinised extensively in parliamentary select 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.

### **Canterbury earthquake**

The PCO responded to the urgent demand for legislation after both the September earthquake and the February aftershock in the form of the Canterbury Earthquake Response and Recovery Act 2010 and the Canterbury Earthquake Recovery Act 2011. These in turn have generated an increased drafting and publishing workload from the Orders in Council that modify other statutes.

### **Law Commission**

The PCO continues to maintain a very constructive relationship with the Law Commission. The Crimes Amendment Bill (No 2), Criminal Procedure (Reform and Modernisation) Bill, Inquiries Bill, and Search and Surveillance Bill, which were before the House either before a select committee, or awaiting a second reading, as at 30 June 2011, arose from, or were significantly influenced by, 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 1920<sup>8</sup> and Presentation of New Zealand Statute Law<sup>9</sup>), is awaiting a second reading as at 30 June 2011.

### **Legislation Advisory Committee and Legislation Design Committee**

The Chief Parliamentary Counsel is a member 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 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 calendar year 2010, 491 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.

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<sup>8</sup> NZLC R107 published in June 2009: [www.lawcom.govt.nz/project/review-parliamentary-counsel-legislation?quicktabs\\_23=report#node-747](http://www.lawcom.govt.nz/project/review-parliamentary-counsel-legislation?quicktabs_23=report#node-747).

<sup>9</sup> NZLC R104, published in December 2008: [www.lawcom.govt.nz/project/presentation-new-zealand-statute-law/publication/report/2008/presentation-new-zealand-statut](http://www.lawcom.govt.nz/project/presentation-new-zealand-statute-law/publication/report/2008/presentation-new-zealand-statut).

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 (comprising staff from a number of PCO business units and a representative from the Inland Revenue Department drafting unit) has recommended changes to amending terminology and the Chief Parliamentary Counsel has made decisions on those recommendations. These are intended to be implemented with effect from 1 January 2012.

**Quality of legislation**

The PCO is committed to providing high quality legislative drafting services. In an attempt to measure our performance 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 has reported back and the Chief Parliamentary Counsel has adopted their recommendations.

**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 was undertaken in the 2010/11 year and the Style Manual will be substantially revised in the 2011/12 financial year.

**Assistance to departments and the Government Legal Services**

The PCO's Guide to Working with the Parliamentary Counsel Office, 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. The Chief Parliamentary Counsel gave a joint presentation with the Chief Legal Advisor for the Ministry of Economic Development (MED) at the second Government Lawyers conference this year. The Deputy Chief Parliamentary Counsel and another Parliamentary Counsel gave a presentation as part of a seminar given by the Legislation Advisory Committee on 29 September 2010.

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 PCO has also participated in the development of the Government Legal Services project. The Chief Parliamentary Counsel has been a member of the Governance Group and has also participated in the Legal Information Cluster Group and the MED procurement of legal services governance group.

#### **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**

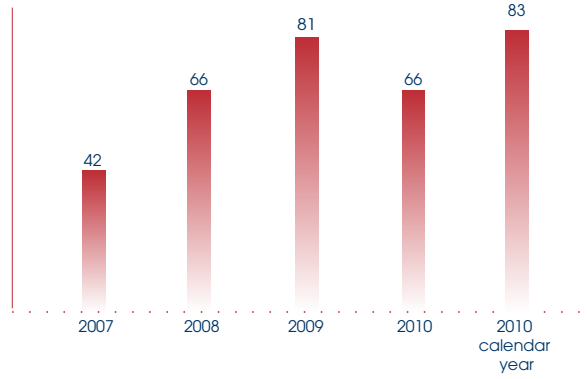
NZ Aid funding has been approved for the PCO to contribute to the provision of drafting and drafting training for the Cook Islands, Niue, Tokelau, and other Pacific islands for the next three years. This will enable the PCO to draft some of the most needed legislation in the Cook Islands in the 2011/12 year, 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.

The PCO has strengthened its involvement with the Commonwealth Association of Legislative Counsel (CALC). Fiona Leonard, Drafting Team Manager, is now the CALC Secretary, and Chief Parliamentary Counsel David Noble is now a council member representing Australasia and the Pacific.

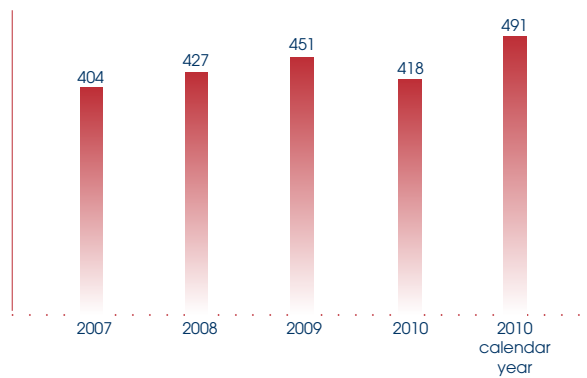
#### **Quantity of legislation**

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 2007 to 30 June 2010, and the 2010 calendar year.

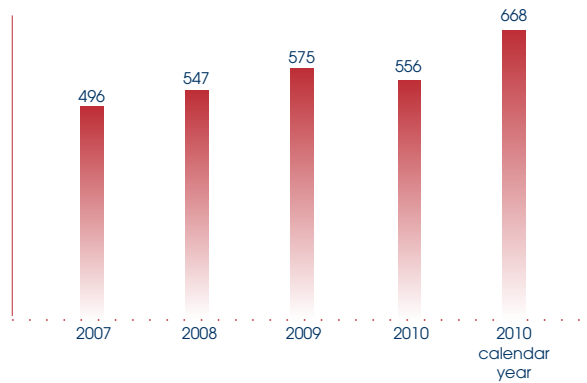
**Number of Government Bills drafted and published  
(for the year ended 30 June)**



**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**

In the financial year under review, the following significant Bills were introduced. This PCO-drafted legislation can be viewed on the NZL website ([legislation.govt.nz](http://legislation.govt.nz)).

#### **Calendar year 2010**

Alcohol Reform Bill

Aquaculture Legislation Amendment Bills (No 2 and No 3)

Biosecurity Law Reform Bill

Consumer Guarantees Amendment Bill

Criminal Procedure (Reform and Modernisation) Bill

New Zealand Security Intelligence Service Amendment Bill

Ngāti Manawa and Ngāti Whare Claims Settlement Bill

Regulatory Reform Bill

Road User Charges Bill

Smoke-free Environments (Controls and Enforcement) Amendment Bill

Student Loan Scheme Bill

Weathertight Homes Resolution Services (Financial Assistance Package) Amendment Bill

#### **Calendar year 2011**

Arms (Military Style Semi-automatic Firearms and Import Controls) Amendment Bill

Consumer Law Reform Bill

Education Amendment Bill (No 4)

Freedom Camping Bill

Local Government Borrowing Bill

Ngāti Pāhauwera Treaty Claims Settlement Bill

Ngati Porou Claims Settlement Bill

Regulatory Standards Bill

**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 reprinting system. The system provides public access to up-to-date official legislation in printed form, and in electronic form on the NZL website at [legislation.govt.nz](http://legislation.govt.nz).

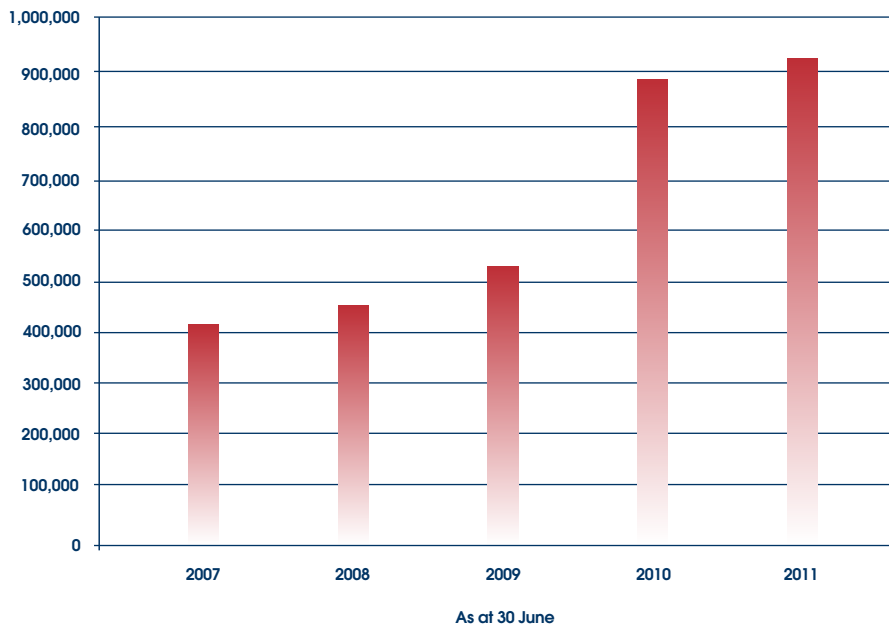
Over the last year, the PCO has continued to make progress in achieving its strategic goal of simplifying the NZL system by reducing its technical complexity and improving the usability of the system. New functionality has been implemented that is of significant business value, and which has also increased the performance of the system.

**Redevelopment of the NZL website**

Public use of the NZL website continues to increase. The graph below shows the total number of unique visitors to the NZL website for each of the past five years.

The PCO is in the process of redeveloping the NZL website. Work began with a usability review of the current website, which has led to plans for revised architecture and new functionality. The development work is now underway, and at reporting date the PCO was ready to make public its work to date in the form of a preview website so as to gather feedback.

**Total unique visitors to NZL website**





**Publishing**

The PCO publishes:

- new Acts
- new regulations
- Bills (both new Bills introduced to the House and subsequent versions of Bills)
- SOPs
- reprints of Acts and regulations (versions of Acts and regulations that incorporate all amendments made to them as at the date of publication).

Through the NZL system, these documents are published online in HTML and PDF formats to the NZL website. They are also published in hard copy, and made available at specified bookshops and to subscribers.

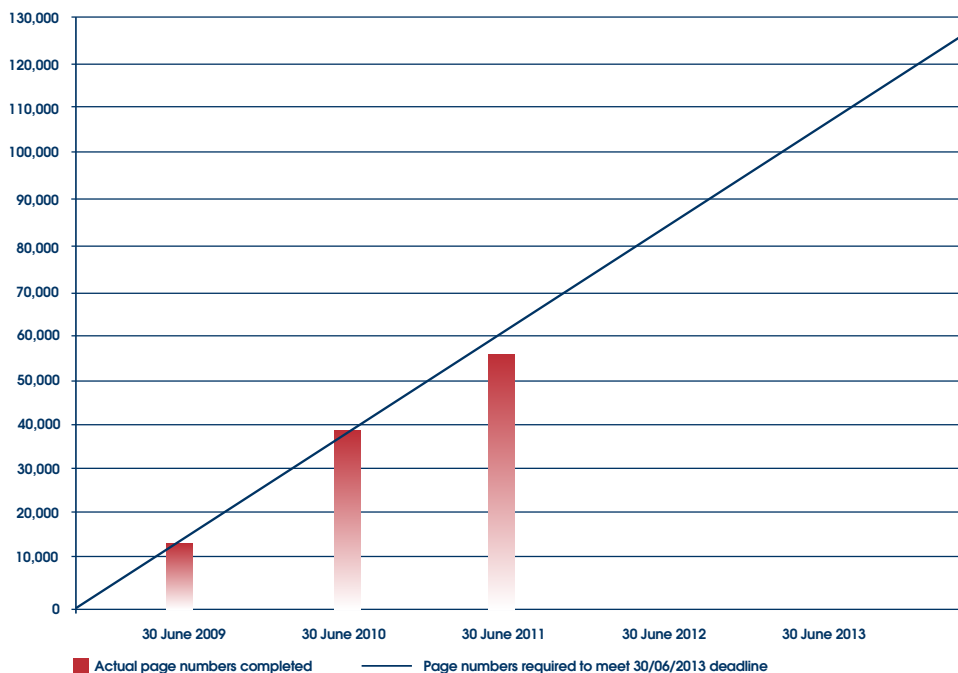
During the reporting period, the PCO also progressed the 2010/11 reprints programme. A total of 1,583 hard copy pages of reprinted legislation were published, comprising nine Acts and one Statutory Regulation.

The *Tables of New Zealand Acts and Ordinances and Statutory Regulations and Deemed Regulations in Force* as at 1 January 2011 were published in April 2011.

**Officialisation**

Officialisation of the NZL website content continued to be an important focus for the PCO.

*Progress of officialisation*



Officialisation of 566 items of legislation from 1995 to 1988 (207 Acts and 359 Statutory Regulations) was completed, comprising a total of 15,763 pages. This means that, as at 30 June 2011, the officialisation programme is approximately 44% complete and remains on track to be finished, as planned, in the 2012/13 financial year.

#### **Digitisation of New Zealand historical statutes**

Following on from the digitisation of the 1842 to 2007 historical statutes into PDF format, the PCO called for tenders to convert that entire historical collection (the collection will include the shattering statutes<sup>10</sup> and the 1908 consolidation) from PDF to XML. A preferred supplier was selected and a pilot will be undertaken later in 2011 to ensure the required accuracy level can be attained before embarking on the full project.

### *Organisational health and capability*

Key deliverables identified in the Statement of Intent for 2010/11 were undertaken during the year. The progress made is discussed in detail below.

#### **Performance management and remuneration system review**

This system was introduced into the PCO during the 2009/10 year, and from 1 July 2010 the final group of employees within the PCO moved to using the new system. As with all performance management systems it takes time to bed in, but at this stage it is working well across the organisation.

#### **Training and leadership development**

Training and development for PCO staff continued in accordance with individual training plans. The PCO made good use of its membership of the Leadership Development Centre with participation in seminars and the Leadership in Practice programme. The PCO also contracted external providers to run in-house seminars on retirement planning, and workshops on business writing and team building.

#### **Health and Safety Committee**

The PCO Health and Safety Committee ensures we are meeting our obligations both as an employer and as required under the Health and Safety in Employment Act 1992. The committee is working through the recommendations of an internal working party report which looked at health and safety within the PCO.

<sup>10</sup> Volumes from 1888-1894 that were printed on acid paper. See [www.pco.parliament.govt.nz/shattering-statutes/](http://www.pco.parliament.govt.nz/shattering-statutes/).

**HR processes and administrative systems**

In the reporting year, the PCO continued its review of HR policies, information, and systems. We are working towards an updated comprehensive online Human Resources Manual which will be available to all staff and managers.

**Staff retention**

In the year ended 30 June 2011, turnover rates compared with targets set in the 2010/15 SOI were as follows:

	Target maximum turnover rate	2010/11 actual turnover
Parliamentary Counsel and Associate Parliamentary Counsel	7%	0%
Technical staff	12%	0%
All other staff	10%	17%

The 17% turnover rate in the "All other staff" category was due to three resignations within the PCO's Corporate Services group.

**Equal employment opportunities**

The PCO completed changes identified as part of the 2008 Pay and Employment Equity Review and continued to focus on equity issues as part of its HR activities.

As at 30 June 2011, the staff gender breakdown is:

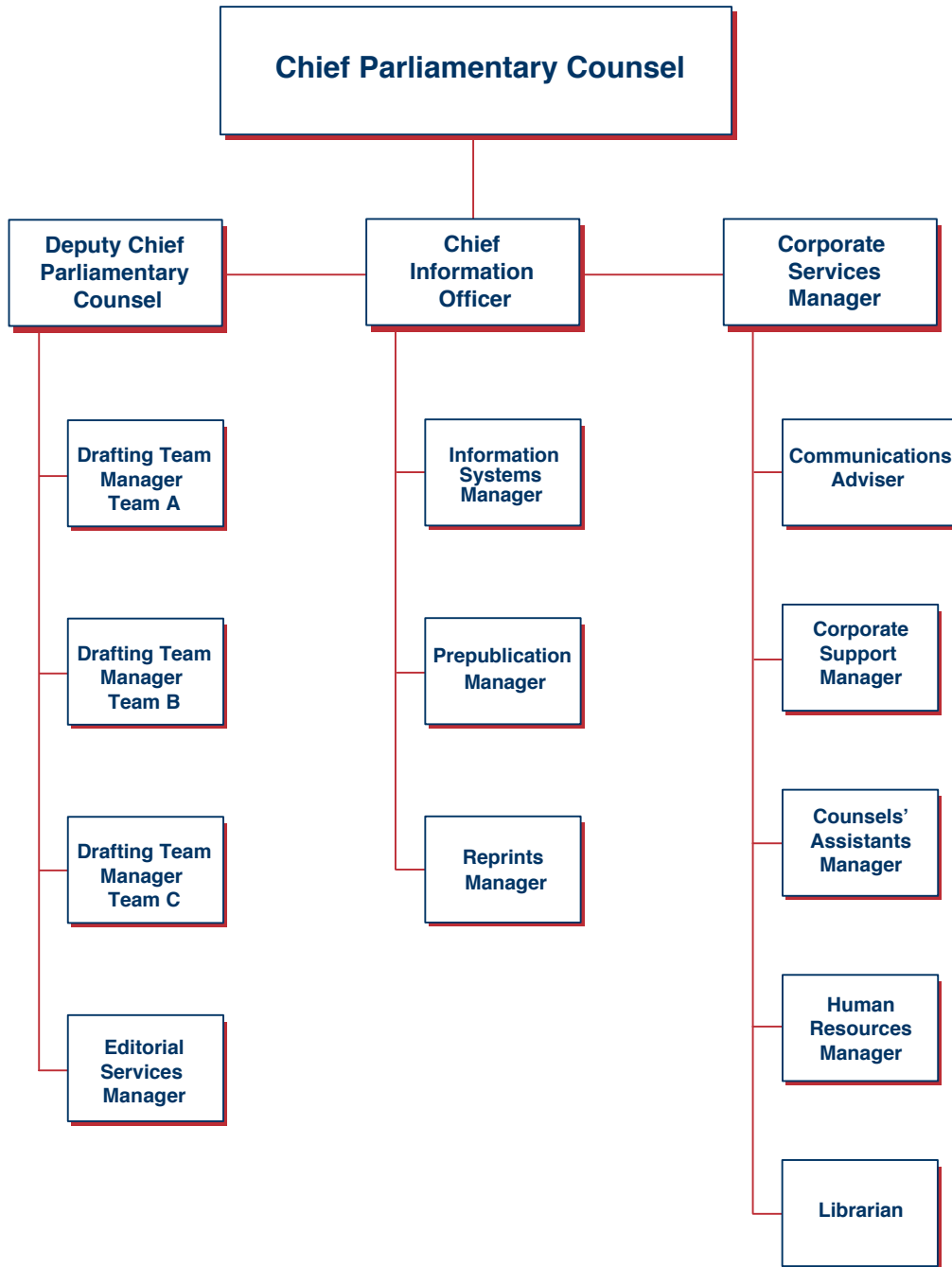
	Male	Female	Total
Total staff	35	50	85
Parliamentary Counsel	15	19	34
Other Drafting Services staff	4	5	9
Access to Legislation staff	13	12	25
Corporate Services staff	3	14	17

PCO managers, of whom 50% are female, are included in the staff numbers shown in the above table.

**Risk management**

The PCO maintains a risk register which is reviewed throughout the year. The purpose of the register 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.

Organisational structure



**Audit and Risk Committee**

The PCO’s Audit and Risk Committee met four times during the 2010/11 year. The committee consists of two external independent members (including the chair) and one internal member. It provides 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.

**Business continuity**

The business continuity plans continue to be updated and refined where necessary. 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 position to continue working in an effective manner. The PCO carried out a test during the year to ascertain how effective the plans were, and this test identified some areas of weakness which have been addressed.

**Disaster recovery**

The PCO developed a strategy during the 2009/10 year for implementation of disaster recovery (DR) capability for its corporate and NZL systems. The PCO is now partnering with Parliamentary Service in a shared service to provide a disaster recovery system and site for the PCO Corporate and New Zealand Legislation systems.

Implementation of the project is expected to be completed in the 2011/12 year.

**Government procurement reform**

The PCO has signed up to use the following all-of-Government contracts (arising from the MED government procurement reform programme):

- office consumables
- print devices
- computers
- vehicles.

# FINANCIAL STATEMENTS

## FINANCIAL STATEMENTS OF THE PARLIAMENTARY COUNSEL OFFICE

*For the year ended 30 June 2011*

### *Introduction to the Financial Statements*

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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 2011, including the Statement of Service Performance, now follow.

### STATEMENT OF RESPONSIBILITY

*For the year ended 30 June 2011*

In terms of the Public Finance Act 1989, I, Bill Moore, Acting 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 2011.

Countersigned by:



Bill Moore  
Acting Chief Parliamentary Counsel  
1 September 2011



Noel Lee  
Corporate Services Manager  
Parliamentary Counsel Office  
1 September 2011

**STATEMENT OF COMPREHENSIVE INCOME**  
*For the year ended 30 June 2011*

30/06/10 Actual		30/06/11 Actual	30/06/11 Main Estimates	30/06/11 Supp. Estimates
\$000	Notes	\$000	\$000	\$000
<b>Income</b>				
19,063	Crown	20,586	20,852	20,586
207	Other	212	280	280
<u>19,270</u>	<b>Total income</b>	<u>20,798</u>	<u>21,132</u>	<u>20,866</u>
<b>Expenses</b>				
8,502	Personnel	8,811	9,444	9,268
5,840	Operating	5,687	6,616	6,442
3,310	Depreciation and amortisation	3,611	3,940	4,024
1,060	Capital charge	1,132	1,132	1,132
18,712	<b>Total expenses</b>	19,241	21,132	20,866
<u>558</u>	<b>Net surplus/(deficit)</b>	<u>1,557</u>	<u>0</u>	<u>0</u>
0	Other comprehensive income	0	0	0
<u>558</u>	<b>Total comprehensive income</b>	<u>1,557</u>	<u>0</u>	<u>0</u>

**STATEMENT OF CHANGES IN TAXPAYERS' FUNDS**  
*For the year ended 30 June 2011*

30/06/10 Actual		30/06/11 Actual	30/06/11 Main Estimates	30/06/11 Supp. Estimates
\$000		\$000	\$000	\$000
14,138	Balance as at 1 July	15,091	15,091	15,091
558	Total comprehensive income	1,557	0	0
953	Capital contributions	0	241	0
(558)	Provision for repayment of surplus to the Crown	(1,557)	0	0
<u>15,091</u>	<b>Balance as at 30 June</b>	<u>15,091</u>	<u>15,332</u>	<u>15,091</u>

**Note:** The accompanying Notes to the Financial Statements (pages 27–40) form part of these financial statements. For information on major variances against budget, refer to Note 17.

**STATEMENT OF FINANCIAL POSITION**  
*As at 30 June 2011*

30/06/10 Actual		30/06/11 Actual	30/06/11 Main Estimates	30/06/11 Supp. Estimates
\$000	Notes	\$000	\$000	\$000
<b>Taxpayers' funds</b>				
15,091		15,091	15,332	15,091
<u>15,091</u>		<u>15,091</u>	<u>15,332</u>	<u>15,091</u>
<b>Total taxpayers' funds</b>				
Represented by:				
<b>Current assets</b>				
6,217		8,674	2,365	6,229
49	7	52	0	40
172		284	19	150
0		334	0	0
<u>6,438</u>		<u>9,344</u>	<u>2,384</u>	<u>6,419</u>
<b>Total current assets</b>				
<b>Non-current assets</b>				
801	8	458	804	608
10,501	9	8,893	13,675	9,196
<u>11,302</u>		<u>9,351</u>	<u>14,479</u>	<u>9,804</u>
<b>Total non-current assets</b>				
<u>17,740</u>		<u>18,695</u>	<u>16,863</u>	<u>16,223</u>
<b>TOTAL ASSETS</b>				
<b>Current liabilities</b>				
1,349	1	1,231	418	418
558		1,557	0	0
623	10	693	646	595
<u>2,530</u>		<u>3,481</u>	<u>1,064</u>	<u>1,013</u>
<b>Total current liabilities</b>				
<b>Non-current liabilities</b>				
119	10	123	467	119
<u>2,649</u>		<u>3,604</u>	<u>1,531</u>	<u>1,132</u>
<b>TOTAL LIABILITIES</b>				
<u>15,091</u>		<u>15,091</u>	<u>15,332</u>	<u>15,091</u>
<b>Net assets</b>				

**Note:** The accompanying Notes to the Financial Statements (pages 27–40) form part of these financial statements. For information on major variances against budget, refer to Note 17.



**STATEMENT OF CASH FLOWS**  
*For the year ended 30 June 2011*

30/06/10 Actual		30/06/11 Actual	30/06/11 Main Estimates	30/06/11 Supp. Estimates
\$000	Notes	\$000	\$000	\$000
<b>Cash flows from operating activities</b>				
Cash was provided from:				
Supply of outputs				
19,063	—Crown	20,252	20,852	20,586
186	—Departments	186	245	254
86	—Other	23	35	35
<u>19,335</u>	Subtotal	<u>20,461</u>	<u>21,132</u>	<u>20,875</u>
Cash was disbursed to:				
Produce outputs:				
(8,603)	—Personnel	(8,736)	(9,386)	(9,196)
(5,890)	—Operating	(5,435)	(6,506)	(7,452)
(5)	—Net GST paid	0	0	0
(1,060)	—Capital charge	(1,132)	(1,132)	(1,132)
<u>(15,558)</u>	Subtotal	<u>(15,303)</u>	<u>(17,024)</u>	<u>(17,780)</u>
<u>3,777</u>	<b>Net cash flows from operating activities</b>	<u>5,158</u>	<u>4,108</u>	<u>3,095</u>
<b>Cash flows from investing activities</b>				
Cash was provided from:				
16	Sale of property, plant, and equipment	0	0	0
0	Sale of intangible assets	0	0	0
Cash was disbursed to:				
(275)	Purchase of property, plant, and equipment	(59)	(420)	(238)
<u>(2,451)</u>	Purchase of intangible assets	<u>(2,084)</u>	<u>(4,525)</u>	<u>(2,287)</u>
<u>(2,709)</u>	<b>Net cash flows from investing activities</b>	<u>(2,143)</u>	<u>(4,945)</u>	<u>(2,525)</u>
<b>Cash flows from financing activities</b>				
Cash was provided from:				
953	Capital contributions received	0	241	0
Cash was disbursed to:				
(720)	Payment of net surplus to Crown	(558)	0	(558)
<u>233</u>	<b>Net cash flows from financing activities</b>	<u>(558)</u>	<u>241</u>	<u>(558)</u>
1,300	Net increase/(decrease) in cash held	2,457	(596)	12
4,917	Add opening cash brought forward	6,217	2,961	6,217
<u>6,217</u>	<b>Closing cash to carry forward</b>	<u>8,674</u>	<u>2,365</u>	<u>6,229</u>

**Note:** The accompanying Notes to the Financial Statements (pages 27–40) form part of these financial statements. For information on major variances against budget, refer to Note 17.

## RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

*For the year ended 30 June 2011*

30/06/10 Actual		30/06/11 Actual	30/06/11 Main Estimates	30/06/11 Supp. Estimates
\$000		\$000	\$000	\$000
558	Net surplus/(deficit)	1,557	0	0
<b>Add/(less) non-cash items:</b>				
3,310	Depreciation and amortisation	3,611	3,940	4,027
(348)	Increase/(decrease) in non-current employee entitlements	4	0	0
0	Other movements	482	0	0
<u>2,962</u>	<b>Total non-cash items</b>	<u>4,097</u>	<u>3,940</u>	<u>4,027</u>
<b>Add/(less) working capital movements:</b>				
23	(Increase)/decrease in debtors and prepayments	(115)	0	31
0	(Increase)/decrease in debtor—Crown	(334)	0	0
26	Increase/(decrease) in creditors and payables	(118)	168	(963)
213	Increase/(decrease) in current employee entitlements	71	0	0
<u>262</u>	<b>Working capital movements—net</b>	<u>(496)</u>	<u>168</u>	<u>(932)</u>
<b>Add/(less) investing activity items:</b>				
(5)	Gain on sale of property, plant, and equipment	0	0	0
<u>(5)</u>	<b>Total investing activity items</b>	<u>0</u>	<u>0</u>	<u>0</u>
<u>3,777</u>	<b>Net cash flows from operating activities</b>	<u>5,158</u>	<u>4,108</u>	<u>3,095</u>

**Note:** The accompanying Notes to the Financial Statements (pages 27–40) form part of these financial statements. For information on major variances against budget, refer to Note 17.

**STATEMENT OF COMMITMENTS**  
*As at 30 June 2011*

30/06/10		30/06/11
Actual		Actual
\$000		\$000
<b>Non-cancellable operating lease commitments</b>		
634	Less than one year	634
622	One to two years	493
493	Two to five years	0
<u>1,749</u>	<b>Total non-cancellable operating lease commitments</b>	<u>1,127</u>
<b>Other non-cancellable commitments</b>		
2,357	Less than one year	2,314
2,224	One to two years	2,303
2,224	Two to five years	0
<u>6,805</u>	<b>Total operating commitments</b>	<u>4,617</u>
<u>8,554</u>	<b>Total commitments</b>	<u>5,744</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 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 lease:* This lease is for the rental of car park spaces in the Reserve Bank building. This lease is 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 office 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 lease has a renewal date of 15 April 2013. This lease has an expiry date of 14 April 2016. None of the leases have purchase options, so are operational leases by nature.

The car park lease is automatically renewed unless a notice to cancel is provided.

**Note:** *The accompanying Notes to the Financial Statements (pages 27-40) form part of these financial statements.*

## STATEMENT OF CONTINGENT ASSETS AND LIABILITIES

### *As at 30 June 2011*

As at 30 June 2011, there are no contingent assets (30 June 2010: nil).

As at 30 June 2011, there are no contingent liabilities (30 June 2010: nil).

As at 30 June 2011, there are no guarantees or indemnities given under the Public Finance Act 1989 in respect of the activities of the PCO (30 June 2010: nil).

## STATEMENT OF UNAPPROPRIATED EXPENSES AND CAPITAL EXPENDITURE

### *As at 30 June 2011*

For the year ended 30 June 2011 there are no instances of unappropriated expenses and capital expenditure (30 June 2010: nil).

## STATEMENT OF DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

### *For the year ended 30 June 2011*

30/06/10 Expenditure Actual \$000	30/06/11 Expenditure Actual \$000	30/06/11 Appropriation Voted <sup>1</sup> \$000
--	--	--

VOTE: PARLIAMENTARY COUNSEL

<b>Appropriations for output expenses</b>			
8,461	Law Drafting Services	8,742	9,298
10,251	Access to Legislation	10,499	11,568
<b>18,712</b>	<b>Total appropriations for output expenses</b>	<b>19,241</b>	<b>20,866</b>
<b>Appropriation for capital expenditure</b>			
2,726	Capital expenditure to PCO—Permanent Legislative Authority	2,143	2,525
<b>2,726</b>	<b>Total capital appropriations</b>	<b>2,143</b>	<b>2,525</b>

<sup>1</sup> 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 27–40) form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
*For the year ended 30 June 2011*

**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 2011, 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 1 September 2011 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.

**Early adopted amendments to accounting standards**

The PCO has adopted the following revisions to accounting standards during the financial year:

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 arm's-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.

NZ IFRS 7 Financial Instruments: Disclosures—under the revised standard the following information is no longer disclosed:

- the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated; and

- the maximum exposure to credit risk by class of financial instrument if the maximum credit risk exposure is best represented by their carrying amount.

***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 IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2014. The PCO has not yet assessed the effect of the new standard and expects it will not be early adopted.

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.

**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 2011 (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 and for services to third parties. 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 a 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 Statement of Comprehensive Income. 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.

**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.

***Creditors and other payables***

	30/06/10		30/06/11
	Actual		Actual
	\$000		\$000
990	Trade creditors		683
383	Accrued expenses		326
(24)	GST payable		222
1,349	Total creditors and accruals		1,231

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost.



**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 current liabilities. All other employee entitlements are classified as non-current liabilities.

***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 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).

**Taxation**

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 income**

30/06/10 Actual	30/06/11 Actual	30/06/11 Main Estimates	30/06/11 Supp. Estimates
\$000	\$000	\$000	\$000
5	0	0	0
149	146	169	169
33	43	76	76
20	23	35	35
<b>207</b>	<b>212</b>	<b>280</b>	<b>280</b>

**Note 3 Personnel expenses**

30/06/10 Actual		30/06/11 Actual	30/06/11 Main Estimates	30/06/11 Supp. Estimates
\$000		\$000	\$000	\$000
8,464	Salaries and wages	8,332	8,922	8,895
(135)	Annual, retirement, long service, and sick leave	74	168	(28)
173	Other personnel expenses	405	302	372
<b>8,502</b>	<b>Total personnel expenses</b>	<b>8,811</b>	<b>9,392</b>	<b>9,239</b>

**Note 4 Operating expenses**

30/06/10 Actual		30/06/11 Actual	30/06/11 Main Estimates	30/06/11 Supp. Estimates
\$000		\$000	\$000	\$000
360	Consultancy	263	333	442
31	Audit fees to auditors for audit of the financial statements	32	31	31
648	Operating lease rentals	680	679	679
919	Printing expenses	737	779	1,299
2,251	NZL system expenses	2,808	2,241	2,251
771	Computing expenses	702	792	990
860	Other operating expenses	465	1,761	750
<b>5,840</b>	<b>Total operating expenses</b>	<b>5,687</b>	<b>6,616</b>	<b>6,442</b>

**Note 5 Depreciation and amortisation charges**

30/06/10 Actual		30/06/11 Actual	30/06/11 Main Estimates	30/06/11 Supp. Estimates
\$000		\$000	\$000	\$000
368	Computer systems	324	340	350
25	Furniture	21	22	21
125	Leasehold property improvements	41	39	43
2	Motor vehicles	0	0	0
17	Office equipment	16	16	17
2,773	Intangible assets	3,209	3,523	3,593
<b>3,310</b>	<b>Total depreciation and amortisation charges</b>	<b>3,611</b>	<b>3,940</b>	<b>4,024</b>

**Note 6 Capital charge**

The PCO pays a capital charge to the Crown on its average taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2011 was 7.5% (2010: 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 (2010: nil).

**Note 8 Property, plant, and equipment**

	Furniture	Computers	Office equipment	Leasehold property improvements	Motor vehicles	Total
<b>Cost or valuation</b>						
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)
<b>Balance at 30 June 2010</b>	<b>407</b>	<b>1,904</b>	<b>159</b>	<b>1,522</b>	<b>0</b>	<b>3,992</b>
Balance at 1 July 2010	407	1,904	159	1,522	0	3,992
Additions	5	21	13	20	0	59
Transfers from work in progress	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
<b>Balance at 30 June 2011</b>	<b>412</b>	<b>1,925</b>	<b>172</b>	<b>1,542</b>	<b>0</b>	<b>4,051</b>
<b>Accumulated depreciation and impairment losses</b>						
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
<b>Balance at 30 June 2010</b>	<b>(349)</b>	<b>(1,319)</b>	<b>(137)</b>	<b>(1,386)</b>	<b>0</b>	<b>(3,191)</b>
Balance at 1 July 2010	(349)	(1,319)	(137)	(1,386)	0	(3,191)
Depreciation expense	(21)	(324)	(16)	(41)	0	(402)
Eliminate on disposal	0	0	0	0	0	0
<b>Balance at 30 June 2011</b>	<b>(370)</b>	<b>(1,643)</b>	<b>(153)</b>	<b>(1,427)</b>	<b>0</b>	<b>(3,593)</b>
<b>Carrying amounts</b>						
At 1 July 2009	78	292	38	203	13	624
At 30 June and 1 July 2010	58	585	22	136	0	801
At 30 June 2011	42	282	19	115	0	458

**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
<b>Cost or valuation</b>			
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)
<b>Balance at 30 June 2010</b>	<b>15,087</b>	<b>1,529</b>	<b>16,616</b>
<hr/>			
Balance at 1 July 2010	15,087	1,529	16,616
Additions	0	2,084	2,084
Transfers from work in progress	1,180	(1,180)	0
Other movements	0	(672)	(672)
<b>Balance at 30 June 2011</b>	<b>16,267</b>	<b>1,761</b>	<b>18,028</b>
<hr/>			
<b>Accumulated depreciation and impairment losses</b>			
Balance at 1 July 2009	(3,342)	0	(3,342)
Depreciation expense	(2,773)	0	(2,773)
<b>Balance at 30 June 2010</b>	<b>(6,115)</b>	<b>0</b>	<b>(6,115)</b>
<hr/>			
Balance at 1 July 2010	(6,115)	0	(6,115)
Depreciation expense	(3,209)	0	(3,209)
Other movements	189	0	189
<b>Balance at 30 June 2011</b>	<b>(9,135)</b>	<b>0</b>	<b>(9,135)</b>
<hr/>			
<b>Carrying amounts</b>			
At 1 July 2009	9,509	1,764	11,273
At 30 June and 1 July 2010	8,972	1,529	10,501
At 30 June 2011	7,132	1,761	8,893

**Intangible assets—the NZL system**

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

**Note 10 Provision for employee entitlements**

30/06/10		30/06/11
Actual		Actual
\$000		\$000
<b>Current liabilities</b>		
92	Retirement and long service leave	228
518	Annual leave	450
13	Sick leave	15
623	<b>Total current portion</b>	693
<b>Non-current liabilities</b>		
20	Long service leave	18
99	Retirement leave	105
119	<b>Total non-current portion</b>	123
742	<b>Total provision for employee entitlements</b>	816

**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 2011. The major long-term economic assumptions adopted in the valuation process for long service and retirement leave were:

- salary increase rate: 3.5% per annum (30 June 2010: 3.5%)
- discount rates: 2.84%–6% per annum (30 June 2010: 6%).

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

30/06/10		30/06/11
Actual		Actual
\$000		\$000
<b>Loans and receivables</b>		
6,217	Bank balances	8,674
49	Debtors—Government	386

***Financial liabilities measured at amortised cost***

30/06/10		30/06/11
Actual		Actual
\$000		\$000
990	Trade creditors	683
383	Accrued expenses	326
(24)	GST payable	222
<u>1,349</u>	Total creditors and accruals	<u>1,231</u>

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost.

***Credit facilities***

The PCO does not have bank overdraft facilities as at 30 June 2011.

***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 NZDMO. 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 12 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 13 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 14 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 15 Related party information**

All related party transactions have been entered into on an arm’s-length basis.

The PCO is a wholly-owned entity of the Crown.

***Significant transactions with government-related entities***

The PCO has been provided with funding from the Crown of \$20.586 million (2009/10 \$19.063 million) for specific purposes as set out in its founding legislation and the scope of the relevant government appropriations.

***Collectively, but not individually, significant transactions with government-related entities***

In conducting its activities, the PCO is required to pay various taxes and levies (such as GST, FBT, PAYE, and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies is based on the standard terms and conditions that apply to all tax and levy payers.

The PCO also purchased goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2011 totalled \$1.934 million (2009/10 \$1.850 million). These purchases included the payment of a capital charge on its taxpayers’ funds to the Treasury (\$1.132 million), lease payments to the Reserve Bank of New Zealand (\$0.639 million), purchase of electricity from Genesis, air travel from Air New Zealand, auditing services payments to Audit New Zealand, contribution to Crown Law towards the Government Legal Services Programme, and internet and core network access from Parliamentary Service.

The PCO also provided goods and services to entities controlled, significantly influenced, or jointly controlled by the Crown. Revenue from these government-related entities for the year ended 30 June 2011 totalled \$0.082 million (2009/10 \$0.049 million). The revenue included the secondment of PCO staff to the Department of Labour and the publishing of exemption notices for the Securities Commission (now known as the Financial Markets Authority), Takeovers Panel, and Reserve Bank of New Zealand.

***Key management personnel***

No transactions were entered into during the year with key management personnel.

***Key management remuneration***

30/06/10		30/06/11
Actual		Actual
\$000		\$000
921	Salaries and other short-term employee benefits	1,029
921	Total key management personnel compensation	1,029

There are no other employee benefits.

Key management personnel include the Chief Parliamentary Counsel and all 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 in each Senior Management Team meeting any conflicts of interest are recorded.

**Note 16 Post balance date events**

The PCO does not have any post balance date events for 2010/11 (2009/10: nil).

**Note 17 Major budget variances**

***Statement of Comprehensive Income***

A net surplus of \$1.557 million was recorded. This was owing to a number of factors; the significant factors are presented here.

There was a surplus of \$0.633 million from personnel-related expenditure. This resulted from timing factors associated with the filling of vacant positions, as well as the number of staff on parental leave during the year, reimbursement of costs for two staff on secondment to a government department, and a significant reduction in the amount of annual leave provisions.

There was a surplus of \$0.769 million from printing-related expenditure. This resulted from lower than anticipated demand for legislative printing, a decision that operational expenditure would no longer be used to fund the conversion of the as-enacted collection of Acts to XML and to publish them to the NZL website, the decision to reprint seven titles after 1 July 2011, the number of annual bound volumes being lower than anticipated, and the number of sets of annual bound volumes printed being 10% less than were produced in 2009.

There was a surplus of \$0.264 million from computer-related expenditure. This was due to the cancellation of a contract with a third party supplier from 31 January 2011, the decision not to proceed with desktop virtualisation for the PCO, and delays relating to the parliamentary complex disaster recovery site in Auckland.

There was a surplus of \$0.329 million in depreciation-related expenditure due to delays in the implementation of an enhancement release for the NZL system.

However, additional costs of \$0.482 million were incurred due to costs associated with the management of the NZL system.

## STATEMENT OF SERVICE PERFORMANCE

### *For the year ended 30 June 2011*

The PCO agreed to provide outputs in 2010/11 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.

##### **Outcome**

The outcome that the PCO seeks to achieve is to contribute 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.

##### **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			
	2011	2010	2010	2009
	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 calendar year) are drafted <sup>1</sup>	100%	100% (for calendar year 2010) <sup>2</sup>	100%	100%
number of Government Bills drafted, and amendments to same number drafted during their passage through the House <sup>3</sup>	50–70 drafted	83 drafted (for calendar year 2010)	66 drafted	81 drafted
number of Statutory Regulations drafted <sup>3</sup>	300–400 drafted	491 drafted (for calendar year 2010)	418 drafted	451 drafted

<sup>1</sup> All Bills in category 1 were drafted and enacted. Of the 63 Bills in category 2, 43 were enacted and the remaining Bills were either drafted or amended as required (with the exception of any Bills that the Government decided not to progress).  
<sup>2</sup> Since the 2009/10 year, this measure has changed from financial year to calendar year to aid better reporting.  
<sup>3</sup> 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		
	2011	2010	2009
number of Government Bills enacted	71 <sup>1,2</sup>	87	84 <sup>3</sup>
number of Government Bills before the House of Representatives or awaiting Royal assent at the end of the year	71 <sup>3</sup>	116 <sup>4</sup>	72

<sup>1</sup> Four of the Government Bills were drafted by the Inland Revenue Department.

<sup>2</sup> Excludes 47 Bills split out of the Statutes Amendment Bill assented to on 6 July 2010, as well as one other Bill assented to on that date.

<sup>3</sup> Three of the Government Bills were drafted by the Inland Revenue Department.

<sup>4</sup> Includes 47 Bills split out of the Statutes Amendment Bill given their 3rd reading on 30 June 2010.

### Quality

The quality standards for the Attorney-General are that:

- 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, 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.

The quality standards for instructing departments and agencies are that:

- the legislation produced is drafted as clearly and simply as possible
- the legislation produced gives effect to Government policy
- the legislation produced is legally effective
- the instructing agency is satisfied with the final product
- advice on legislative drafting matters is provided in a professional, impartial, and responsive manner.

The quality standard for select committees is that:

- advice given on matters relating to the provision of legislative drafting services, including explaining the changes made by the revision tracked version of a Bill, is objective, accurate, and sufficient.

Measure	For the year ended 30 June		
	2011	2010	2009
whether the Attorney-General is satisfied that the quality 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 quality standard has been achieved, as determined from overall responses to the departmental satisfaction survey (target: 90% satisfaction rating)	90% satisfaction 70% response rate	88% satisfaction 77% response rate	92% satisfaction 81% response rate
whether select committees are satisfied that the quality standard has been achieved, as determined by survey responses from relevant select committees	not measured <sup>1</sup>	select committees are satisfied	not previously measured

<sup>1</sup> At the PCO's Estimates Review on 9 June 2011, the Justice and Electoral Committee thanked the PCO for its drafting services throughout the 2010/11 year. The PCO did not canvass other select committees as it is currently reviewing how to do this more effectively.

**Timeliness**

The timeliness standard for the Attorney-General is that:

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

The timeliness standard for instructing departments and agencies is that:

- drafts of legislation are produced within required deadlines.

The timeliness standard for select committees is that:

- revision tracked documents are provided for the select committee in accordance with deadlines set by or negotiated with the committee.

Measure	For the year ended 30 June		
	2011	2010	2009
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)	90% satisfaction 70% response rate	88% satisfaction 77% response rate	92% satisfaction 81% response rate
whether select committees are satisfied that the timeliness standard has been achieved, as determined by survey responses from relevant select committees	not measured <sup>1</sup>	select committees are satisfied	not previously measured

<sup>1</sup> At the PCO's Estimates Review on 9 June 2011, the Justice and Electoral Committee thanked the PCO for its drafting services throughout the 2010/11 year. The PCO did not canvass other select committees as it is currently reviewing how to do this more effectively.

**Financial performance for Output Class—Law Drafting Services**

30/06/10		30/06/11	30/06/11	30/06/11
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
8,635	Revenue—Crown	9,128	9,378	9,128
137	Other revenue	139	170	170
<u>8,772</u>	Total revenue	<u>9,267</u>	<u>9,548</u>	<u>9,298</u>
<u>8,461</u>	Total expenses	<u>8,742</u>	<u>9,548</u>	<u>9,298</u>
<u>311</u>	Net surplus	<u>525</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
- continuing to officialise legislation on the New Zealand Legislation website
- ensuring that the drafting system is available to the Office of the Clerk and Inland Revenue Department drafting staff
- providing free public access via the Internet to an 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, and maintaining the electronic database of legislation in an up-to-date form.

**Outcome**

The outcome that the PCO seeks to achieve is to contribute 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			
	2011	2010	2010	2009
	Standard	Actual	Actual	Actual
number of Government Bills supplied to the House and published <sup>1</sup>	50–70	78 (for calendar year 2010)	66	81
number of SOPs supplied to the House and published <sup>1</sup>	70–100	94 (for calendar year 2010)	62	43
number of Acts of Parliament published <sup>1</sup>	80–120	140 (for calendar year 2010)	90	88
number of Statutory Regulations published <sup>1</sup>	300–400	491 (for calendar year 2010)	418	451
the annual volumes of Acts for 2010 and the annual volumes of Statutory Regulations for 2010 are published	volumes are published	for 2010 calendar year, 3 volumes of Acts and 5 volumes of Statutory Regulations 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
reprints of all Acts and Statutory Regulations listed on the annual reprints programme are compiled and published	100% (16 Acts 2 Statutory Regulations)	56% <sup>2</sup> (9 Acts 1 Statutory Regulation)	100% (7 Acts 1 Statutory Regulation)	100% (36 Acts 13 Statutory Regulations)
publication of the <i>Tables of New Zealand Acts and Ordinances and Statutory Regulations and Deemed Regulations in Force</i>	2010 edition	2010 edition was published	2009 edition was published	2008 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 New Zealand Legislation website is available	99% availability	99% availability	99% availability	99% availability
availability of the drafting system for PCO, Office of the Clerk, and Inland Revenue Department drafting staff	92% availability	99% availability	92% availability	92% availability

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

<sup>2</sup> The remaining 8 titles will be reprinted after 1 July 2011 as they all have outstanding amendments that will come into force in the 2011/12 financial year.

**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 2010 contain correct copies of the Acts of Parliament published in the volumes and the annual volumes of Statutory Regulations for 2010 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		
	2011	2010	2009
whether the Attorney-General is satisfied that the quality standard has been achieved	Actual the A-G was satisfied	Actual the A-G was satisfied	Actual the A-G was satisfied

**Timeliness**

Measure	For the year ended 30 June			
	2011	2010	2009	Standard
the time taken to supply Bills and SOPs to the House	Actual met	Actual met	Actual met	in accordance with the requirements of the Ministers of the Crown in charge of those Bills or SOPs



the time taken to make legislation (including Bills and SOPs) available on the New Zealand Legislation website	new Bills: within 1 working day after introduction	met	met	met
	subsequent versions of Bills: within 1 working day after the printed version is made available to the House	met	met	met
	SOPs: within 1 working day after they have been circulated to Members of Parliament	met	met	met
	Acts: within 5 working days of assent	met	met	met
	Statutory Regulations: within 1 working day of the date they are notified in the <i>New Zealand Gazette</i>	met	met	met
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	met
	Acts: within 10 working days of assent	met	met	met
	Statutory Regulations: within 5 working days of being made	met	met	met
reprints of Acts and Statutory Regulations listed on the annual reprints programme are compiled and published within the timeframes listed on the PCO website	100%	56% <sup>1</sup>	100%	100%
amendments are consolidated within 15 working days of the date of effect of the amendment	100%	100%	100%	100%
the date of publication of the annual volumes of Acts and Statutory Regulations	within first half of 2011	for 2010 year: met (April 2011)	for 2009 year: met (March 2010)	for 2008 year: met (March 2009)
the date of publication of the Tables of <i>New Zealand Acts and Ordinances and Statutory Regulations and Deemed Regulations in Force</i>	within first half of 2011	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 public enquiries	90% within 1 working day of receipt	98%	97%	92%
	all public enquiries are responded to within 5 working days of receipt	100%	100%	100%

<sup>1</sup> The legislation on the annual reprints programme that was not compiled and published within the timeframes listed on the PCO website will now be reprinted after 1 July 2011 as they all have outstanding amendments that will come into force in the 2011/12 financial year.

**Financial performance for Output Class—Access to Legislation**

30/06/10		30/06/11	30/06/11	30/06/11
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
10,428	Revenue—Crown	11,458	11,474	11,458
70	Other revenue	73	110	110
10,498	Total revenue	11,531	11,584	11,568
10,251	Total expenses	10,499	11,584	11,568
247	Net surplus	1,032	0	0

Note: Figures are GST exclusive.

**Overall financial performance**

The financial performance of the PCO for the year ended 30 June 2011 resulted in:

		30/06/11	30/06/11	30/06/10
		Actual	Estimated (Supp.)	Actual
<b>Operating results</b>				
Revenue—Crown	\$000	20,586	20,586	19,063
Revenue—other	\$000	212	280	207
Output expenses	\$000	19,241	20,866	18,712
Other expenses	\$000	0	0	0
Net surplus (deficit)	\$000	1,557	0	558
<b>Working capital management</b>				
Liquid ratio	%	272	634	246
Debtor collection period (third party sales)	days	0	0	0
Creditor payment period	days	28	28	28
<b>Resource utilisation</b>				
Property, plant, and equipment (PPE)—				
Additions as a percentage of total PPE	%	12.9	2	24.1
PPE as percentage of total assets	%	2.5	3.7	4.5
Taxpayers' funds at year end	\$000	15,091	15,332	15,091
<b>Forecast net cashflows</b>				
Cash disbursed to producing outputs	\$000	(15,303)	(17,780)	(15,558)
Net increase/(decrease) in cash held	\$000	2,457	12	1,300

*Independent Auditor's Report*

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

*for the year ended 30 June 2011*

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 of the financial statements and the statement of service performance of the Office on her behalf.

We have audited:

- the financial statements of the Office on pages 21 to 40, that comprise the statement of financial position, statement of commitments, statement of contingent assets and liabilities and statement of unappropriated expenses and capital expenditure as at 30 June 2011, the statement of comprehensive income, statement of changes in taxpayers' funds, statement of cash flows, reconciliation of net surplus to net cash flows from operating activities and statement of departmental expenses and capital expenditure against appropriations for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Office on pages 41 to 48.

**Opinion**

In our opinion:

- the financial statements of the Office on pages 21 to 40:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Office's:
    - financial position as at 30 June 2011; and
    - financial performance and cash flows for the year ended on that date; and
    - 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 2011; and
    - unappropriated expenses and capital expenditure for the year ended 30 June 2011; and
- the statement of service performance of the Office on pages 41 to 48:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs for the year ended 30 June 2011 the Office's:
    - service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
    - actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 1 September 2011. This is the date at which our opinion is expressed.

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

**Basis of opinion**

We carried out our audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the statement of service performance are free from material misstatement.

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Office’s preparation of the financial statements and the statement of service performance that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Office’s internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Chief Parliamentary Counsel;
- the adequacy of all disclosures in the financial statements and the statement of service performance; and
- the overall presentation of the financial statements and the statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the statement of service performance. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

**Responsibilities of the Chief Parliamentary Counsel**

The Chief Parliamentary Counsel is responsible for preparing:

- financial statements and a statement of service performance that:
  - comply with generally accepted accounting practice in New Zealand;

- fairly reflect the Office’s financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
- fairly reflects its service performance.

The Chief Parliamentary Counsel is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Chief Parliamentary Counsel’s responsibilities arise from the Public Finance Act 1989.

**Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and the statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and 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**

This audit report relates to the financial statements of the Parliamentary Counsel Office for the year ended 30 June 2011 included on the Parliamentary Counsel Office’s web site. The Parliamentary Counsel Office’s Chief Parliamentary Counsel is responsible for the maintenance and integrity of the Parliamentary Counsel Office’s web site. We have not been engaged to report on the integrity of the Parliamentary Counsel Office’s web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. 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 related audit report dated 1 September 2011 to confirm the information included in the audited financial statements presented on this web site.

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

# APPENDICES

## *Legislative framework*

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The PCO is constituted as a separate Office of Parliament by the Statutes Drafting and Compilation Act 1920 (the 1920 Act). The Legislation Bill, currently before the House, is intended to replace the 1920 Act and become the PCO's governing statute.

Under the 1920 Act, 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 (SR 1995/286)).

Under section 4(1) of the Acts and Regulations Publication Act 1989, the PCO is responsible for arranging the printing and publication of copies and reprints of Acts of Parliament, Statutory Regulations, and Imperial Acts that have effect as part of the laws of New Zealand.

The Legislation Bill is intended to replace the Acts and Regulations Publication Act 1989 but continue its function.

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.

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 PCO 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 18.

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 NZL system for the drafting unit in the Inland Revenue Department, which is responsible under current arrangements for the drafting of tax legislation. The PCO 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 legislation website
- fulfils its obligation to publish hard-copy New Zealand legislation through a contract with SecuraCopy (now trading as PrintLink) for the printing, distribution, and sale of printed legislation



- 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.

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