

Report of the

*Parliamentary Counsel Office
Te Tari Tohutohu Pāremata*

*for the year ended
30 June 2012*

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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 2012.*

A handwritten signature in blue ink, appearing to read 'William Moore', with a stylized flourish at the end.

*William Moore
Acting Chief Parliamentary Counsel
13 September 2012*

CHIEF PARLIAMENTARY COUNSEL'S OVERVIEW

This is the Annual Report of the Parliamentary Counsel Office (PCO) for the 2011/12 year. In preparing the report, the PCO has followed the guidance provided by the Treasury.¹ This report, together with the PCO's Statement of Intent² and Information Supporting the Estimates,³ form the components of the Managing for Outcomes framework.

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

The Statement of Intent for 2011-16 specified that the goal of the PCO:

"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, and consistent with other legislation, the general law, and international law
- legislation, including Bills and SOPs (Supplementary Order Papers), is accessible to the public in both printed and electronic forms, and printed copies of Bills and SOPs are provided to the House
- Acts and Regulations are published with official, authoritative status."⁴

This is achieved by the PCO drafting legislation for the executive branch of government that reflects fundamental concepts, inherent in the rule of law, that the law is clear, effective, and based on sound legal principle, and that it is accessible to the New Zealand and wider public.⁵

The 2011/12 financial year has been characterised by the passage of some lengthy and very complex legislation, including the Criminal Procedure Act 2011 (which is the most far-reaching overhaul of criminal procedure since the passage of the Summary Proceedings Act in 1957) and the Search and Surveillance Act 2012 (which substantively amends around 70 other statutes). Other substantial legislation

¹ *Preparing the Annual Report: Technical and Process Guide for Departments (June 2012)* www.treasury.govt.nz/publications/guidance/reporting/annualreports.

² Statement of Intent Parliamentary Counsel Office for the period 1 July 2011 to 30 June 2016 www.pco.parliament.govt.nz/soi2011-2016/.

³ *Justice Sector—Information Supporting the Estimates 2011/12* www.treasury.govt.nz/budget/2011/ise/v7.

⁴ Page 9.

⁵ This is further explained in the Statement of Intent Parliamentary Counsel Office for the period 1 July 2011 to 30 June 2016, page 9.

to be introduced includes the Financial Markets Conduct Bill (which is over 600 pages in length). A considerable amount of drafting resources has been used in progressing large rewrites of existing legislation.

Another focus of the PCO has been the redevelopment of the New Zealand Legislation (NZL) website,⁶ which provides newer, faster, and simpler ways to find and view legislation. The website is also now more comprehensive as it provides access to deemed regulations published on various agency websites. This gives the general user and the legal researcher access to most important tertiary legislation as well as access to the statutes and regulations provided previously.

Highlights of 2011/12

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 67 Government Bills and 451 Statutory Regulations in the 2011 calendar year.
- The Legislation Bill, which will replace the PCO's governing statute, is awaiting its second reading in the House.
- Recommendations from a clear drafting group were implemented.
- Performance measures relating to peer reviewing and proofreading of draft legislation were successfully implemented.
- The PCO's Pacific Island desk provided legislative drafting assistance to the Cook Islands, Niue, and Tokelau.
- The NZL website was redeveloped and relaunched.
- The PCO initiated a tendering process for the maintenance and development of the NZL system.
- Use of the NZL website continued to increase over the year.
- Seven hundred and fifty-eight items of legislation were officialised⁷ on the NZL website; in addition, six Acts and three Statutory Regulations were issued as official reprints.
- A disaster recovery system project was completed and implemented.

⁶ www.legislation.govt.nz.

⁷ "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 goal of this strategic 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 or removed, 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 2011 calendar year
2	Bills that must be passed in the 2011 calendar year
3	Bills to be passed if possible in the 2011 calendar year
4	Bills to proceed to a select committee in the 2011 calendar year
5	Bills for which instructions are to be provided to the PCO in the 2011 calendar year

Details of the numbers of category 1 and 2 Bills drafted are included in the Statement of Service Performance (see note 1 to the table of quantity on page 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 Bills, Imprest Supply Bills, and Bills introduced and passed through all stages under urgency, all Bills are referred to a particular select committee for consideration. The process of select committee scrutiny of Bills usually involves the following features:

- select committees are briefed by departmental advisers about each Bill for which public submissions are called
- witnesses appear and give evidence at hearings that are open to the public
- submissions are analysed and reports recommending changes to a Bill are prepared and considered
- some committees engage independent advisers
- amendments to a Bill required by the committee are drafted by Parliamentary Counsel in consultation with departmental advisers and considered by the committee
- a commentary on the committee’s consideration of the Bill is prepared by the committee’s advisers and accompanies the Bill when it is reported back to the House.

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

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

Law Commission

The PCO continues to maintain a very constructive relationship with the Law Commission. The PCO is currently assisting the Law Commission with a Courts Bill, a Communications (New Media) Bill, and a rewrite of the Crown Proceedings Act 1950.

The Inquiries Bill, awaiting a second reading as at 30 June 2012, arose from Law Commission proposals and was drafted by the PCO. The Legislation Bill, which arises from two Law Commission reports (Review of the Statutes Drafting and Compilation Act 1920⁸ and Presentation of New Zealand Statute Law⁹), is awaiting a second reading, as at 30 June 2012.

⁸ NZLC R107 published in June 2009: www.lawcom.govt.nz/project/review-parliamentary-counsel-legislation?quicktabs_23=report#node-747.

⁹ NZLC R104, published in December 2008: www.lawcom.govt.nz/project/presentation-new-zealand-statute-law/publication/report/2008/presentation-new-zealand-statut.

Legislation Advisory Committee

The Chief Parliamentary Counsel is a member of the Legislation Advisory Committee (LAC) established by the Minister of Justice in 1986. The LAC advises the Government on good legislative practice and scrutinises the legislative work of the Government, making submissions to select committees where appropriate. Parliamentary Counsel have been heavily involved in assisting the LAC to achieve its outcomes this year.

Drafting of Statutory Regulations

In the calendar year 2011, 451 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.

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. It has established a clear drafting group comprising drafters, staff from the PCO’s other business units, and a representative from the Inland Revenue Department drafting unit. The function of the group is to consider and make recommendations about clear drafting and related matters referred to it by the Chief Parliamentary Counsel. As a result of the group’s work and recommendations on the ways in which amending terminology used in Bills and regulations might be improved, a change in the drafting style used in all amending legislation has been implemented, with effect from 1 January 2012. The office has had very positive feedback endorsing the simplification that has resulted from this change.

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 is currently being substantially revised. It is intended that the revision will be completed in the 2012/13 financial year.

Assistance to departments and the Government Legal Services project

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. Parliamentary Counsel have presented seminars on the subject to departmental officials and wider audiences this year. The PCO gave a joint presentation with the Select Committee Office for new instructors on 16 May 2012 that was attended by over 100 people.

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 is also participating in, and contributing funding to, the development of the Government Legal Services project. The project aims to develop legal capability within government agencies through collaboration, sharing tools and resources, and training, and to increase efficiency by reducing duplication and by aggregating procurement of legal publishing services and external legal services.

Contributing internationally

The PCO has established a Pacific Island desk to provide legislative drafting assistance to Pacific Island nations. The desk has been established for the three years from 2011/12 to 2013/14 with the assistance of funding from the New Zealand Aid Programme managed by the Ministry of Foreign Affairs and Trade.

The assistance is focused on the Cook Islands, Niue, and Tokelau, being the three nations within the Realm of New Zealand. Assistance will be extended to other Pacific Island nations if resources permit.

The assistance being provided includes drafting legislation for nations in order to increase their drafting capacity, preparing a Guide to Preparing Instructions for the Drafting of Legislation, preparing a set of Legislative Drafting Directives, creating an

electronic drafting template for Bills and for regulations, and training and mentoring on-island officials.

The PCO has also been pro-actively engaging with other legislative drafting assistance providers around the world, and forums and agencies across the Pacific, in order to co-ordinate the work that is being done in the Pacific. This includes the Pacific Islands Forum Secretariat, the Pacific Islands Law Officers’ Network, the Commonwealth Secretariat, and various divisions of the Australian Attorney-General’s Office.

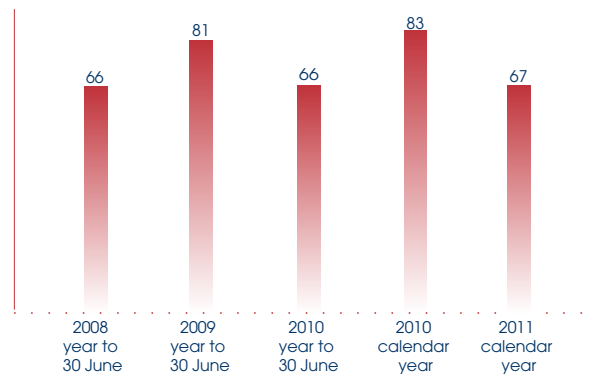
The Chief Parliamentary Counsel has participated in the Australasian Parliamentary Counsel’s Committee with regard to issues relating to trans-Tasman legislation, access to legislation, and information technology to support legislative drafting and publishing.

The PCO has strengthened its involvement with the Commonwealth Association of Legislative Counsel (CALC). Fiona Leonard, Acting Deputy Chief Parliamentary Counsel, is now the CALC Secretary. The Chief Parliamentary Counsel represented CALC at the Commonwealth Law Ministers meeting in Sydney, Australia where law drafting was a substantial item on the agenda.

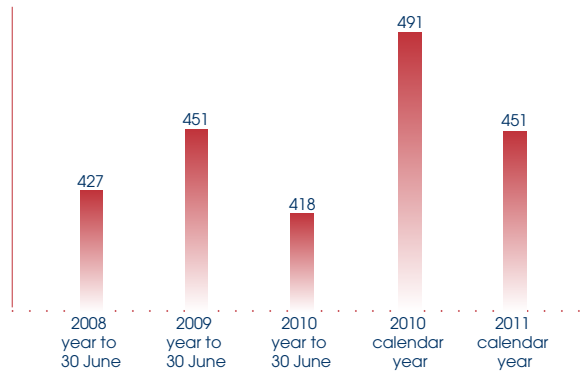
Quantity of legislation

The following graphs compare the numbers of Government Bills drafted and published and Statutory Regulations made and published, plus the numbers of SOPs drafted and published, in the financial years ending 30 June 2008 to 30 June 2010, and the 2010 and 2011 calendar years.

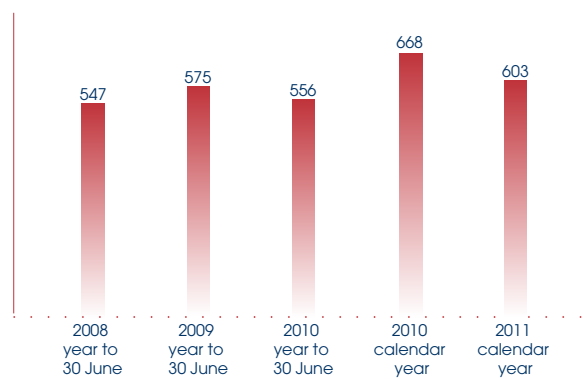
Number of Government Bills drafted and published



Number of Statutory Regulations made and published



Number of Government Bills and SOPs drafted and published and Statutory Regulations made and published



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 (www.legislation.govt.nz).

Administration of Community Sentences and Orders Bill

Bail Amendment Bill

Child Support Amendment Bill

Corrections Amendment Bill

Crown Entities Reform Bill

Dairy Industry Restructuring Amendment Bill

Exclusive Economic Zone and Continental Shelf (Environmental Effects) Bill

Financial Markets Conduct Bill

Immigration Amendment Bill

Legal Assistance (Sustainability) Amendment Bill

Maraeroa A and B Blocks Claims Settlement Bill

Maraeroa A and B Blocks Incorporation Bill

Medicines Amendment Bill

Mixed Ownership Model Bill

Natural Health Products Bill

Ngāti Manuhiri Claims Settlement Bill

Ngāti Whātua Ōrākei Claims Settlement Bill

Non-bank Deposit Takers Bill

Rongowhakaata Claims Settlement Bill

Sleepover Wages (Settlement) Bill

Social Security (Youth Support and Work Focus) Amendment Bill

Victims of Crime Reform Bill

Video Camera Surveillance (Temporary Measures) Bill

Strategic Objective 2—Ready Access to New Zealand Legislation

The goal of this strategic 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 www.legislation.govt.nz.

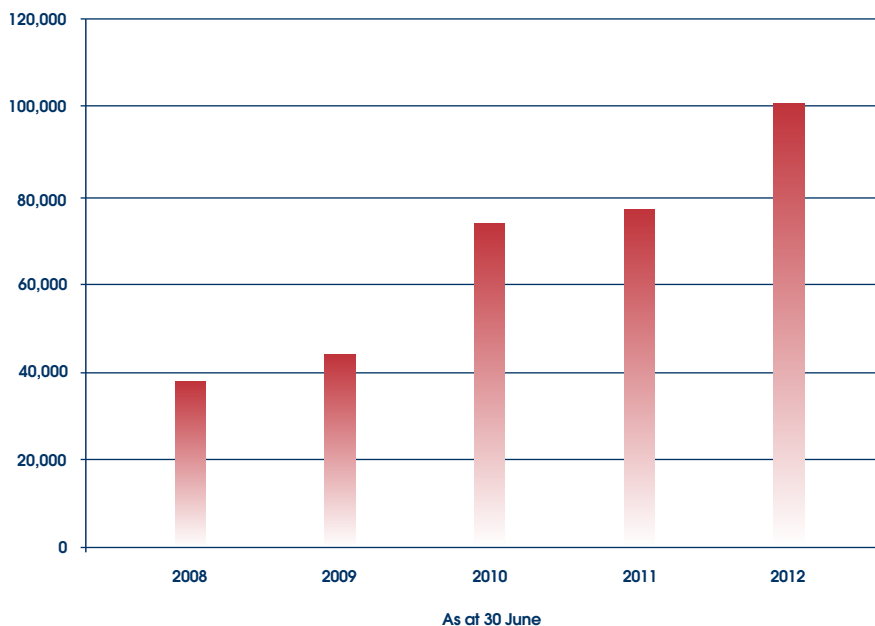
Over the last year the PCO has continued to make progress in achieving its strategic goal of simplifying the NZL system by reducing its technical complexity, preparing for all-of-Government initiatives, and improving the usability of the system. New functionality has been implemented that is of significant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

In May, the PCO initiated a tendering process for the maintenance and development of the NZL system, with tendering to close on 30 July 2012. The current contract is due to expire in June 2013.

Redevelopment of the NZL website

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

Average monthly unique visitors to the NZL website



The PCO has redeveloped the NZL website, with the aim of making legislation easier to find and navigate. A significant change is making deemed regulations¹⁰ accessible through the website. Deemed regulations are published by a wide variety of agencies, not including the PCO, and so can be difficult to locate. The NZL website now links to online deemed regulations irrespective of where they are published.

Other changes to the NZL website focused on improving searching, search and browse results, and the display of legislation. Developments were trialled through a public “preview” website, and the revised website launched in April 2012. A further set of improvements are planned for late 2012.

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 2011/12 reprints programme. A total of 4,151 hard copy pages of reprinted legislation were published, comprising eight Acts and three Statutory Regulations.

The *Tables of New Zealand Acts and Ordinances and Statutory Regulations and Deemed Regulations in Force* as at 1 January 2012 were published in April 2012.

Officialisation

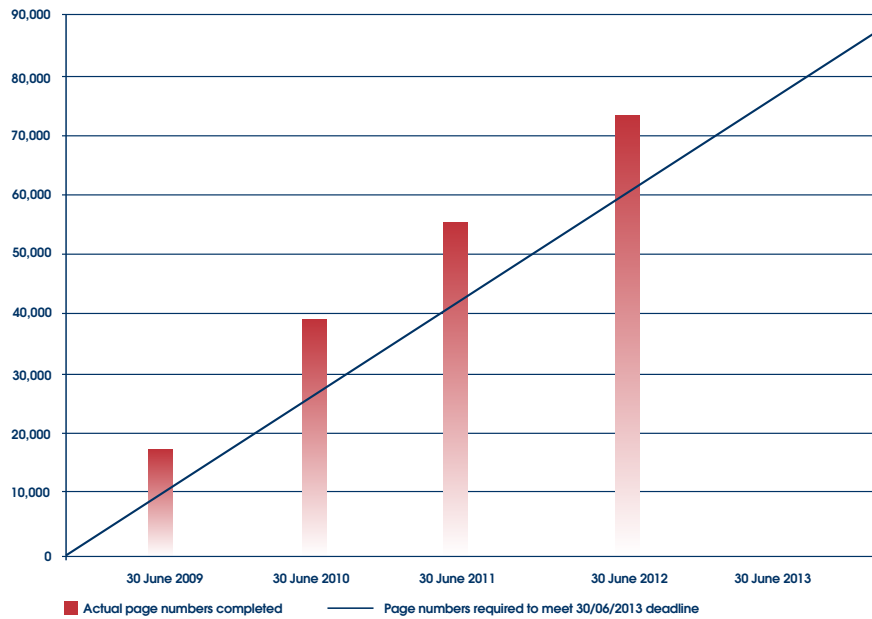
Officialisation of the NZL website content continued to be an important focus for the PCO.

Officialisation of 758 items of legislation from 1988 to 1956 (441 Acts and 317 Statutory Regulations) was completed, comprising a total of 17,837 pages. This

¹⁰ Deemed regulations are instruments required to be treated as regulations for the purposes of the Regulations (Disallowance) Act 1989, but are not drafted by the PCO or published in the Statutory Regulations series. They are made by Ministers, officials, or organisations, rather than the Executive Council on the recommendation of Cabinet. Examples include most land transport rules, civil aviation rules, and a wide variety of other rules, codes, and other legislative instruments.

means that, as at 30 June 2012, the officialisation programme is approximately 84% complete and remains on track to be finished, as planned, in the 2012/13 financial year.

Progress of officialisation



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 “as enacted” collection from PDF to XML. A preferred supplier was selected and a pilot was started in September 2011 to ensure the required accuracy level could be attained before embarking on the full project. The pilot showed that it would be difficult to carry out the conversion to sufficient accuracy at acceptable cost, and in March 2012 the PCO decided not to progress any further. The project may be revisited at some stage in the future.

Organisational health and capability

Progress towards achieving the key deliverables identified in the Statement of Intent for 1 July 2011 to 30 June 2016 was made during the 2011/12 year as follows:

Staff retention

Staff turnover in the past four years compared with the maximum turnover rates set in the 2011/16 SOI was as follows:

	2011/12 Maximum turnover rates	2011/12 Actual	2010/11 Actual	2009/10 Actual	2008/09 Actual
Parliamentary Counsel and Assistant Parliamentary Counsel	7%	6%	0%	0%	3%
Technical staff	12%	3%	0%	10%	14%
Corporate staff	10%	12%	17%	10%	5%

Training (enhanced leadership and staff capability)

Management continued to develop their leadership skills by participating in management seminars and conferences. Over the year, third tier managers have progressively been attending the Leadership in Practice programme provided by the Leadership Development Centre.

Training and development for all PCO staff continued in accordance with individual annual training plans. The PCO also contracted an external provider to run an in-house seminar on peer review.

Professional development (succession planning)

A number of staff have undertaken secondments outside the PCO and acted in management roles within the PCO to gain experience and to develop skills. Two management vacancies have seen staff promoted into these roles. All Drafting Team Managers have mentors from outside the PCO.

Performance management

The performance management system introduced in 2010 is now fully operational with managers and staff agreeing on annual objectives, and reviewing progress throughout the year and results at the end of the year.

HR processes and administrative systems

In the reporting year, the PCO updated and adopted revised or new HR policies including the introduction of a flexible hours policy. The collection of statistics and reports has been enhanced. Managers continue to manage with enhanced HR delegations.

Equal employment opportunities

Managers continue to focus on equity issues as part of their HR responsibilities.

As at 30 June 2012, the staff gender breakdown is:

	Male	Female	Total
Total staff	33	47	80
Parliamentary Counsel	14	18	32
Other Drafting Services staff	4	4	8
Access to Legislation staff	12	11	23
Corporate Services staff	3	14	17

PCO managers, of whom 50% are female, are included in the staff numbers shown in the above table. The table also includes two fixed term staff and one staff member currently on secondment.

Review of drafting team structure

A review of the drafting team structure led in May 2012 to the move from three to four drafting teams, with team responsibility for instructing departments allocated by subject area. The change allows drafting team managers to focus more on client communication and management responsibilities, and fosters subject expertise within drafting teams.

See page 56 for the PCO’s organisational structure.

Risk management

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

Audit and Risk Committee

The PCO’s Audit and Risk Committee met four times during the 2011/12 year. The committee consists of two external independent members (including the chair) and two internal members. It provides independent advice and assurance 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 a position to continue working in an effective manner. The PCO carried out a test during the year and also experienced an event that necessitated the evacuation of staff from its building for half a day. These events enabled the PCO to ascertain how effective the plans were, and to address weaknesses that were identified.

The PCO also attended meetings of the Inter-Agency Business Continuity Committee. The committee's primary objective is to provide coordination and alignment of Parliamentary Precinct Agency Business Continuity arrangements within the overarching framework of the Parliamentary Complex Contingency Plan.

Disaster recovery

The PCO earlier developed a strategy for the implementation of disaster recovery (DR) capability for its corporate and NZL systems. The PCO has partnered with the Parliamentary Service to provide a shared DR system and site for the PCO corporate and NZL systems.

Implementation of the project was completed in the 2011/12 year. Population of the DR site with relevant systems is now a business-as-usual activity.

Government procurement reform

The PCO has signed up to use the all-of-Government contracts (arising from the MED government procurement reform programme), including those for external legal services, air travel, and electricity supply.

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS OF THE PARLIAMENTARY COUNSEL OFFICE

For the year ended 30 June 2012

Introduction to the Financial Statements

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

The PCO is funded by appropriation of money by Parliament.

The financial statements of the PCO for the year ended 30 June 2012, including the Statement of Service Performance, now follow.

STATEMENT OF RESPONSIBILITY

For the year ended 30 June 2012

In terms of the Public Finance Act 1989, I, William 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 2012.



William Moore
Acting Chief Parliamentary Counsel
13 September 2012

Countersigned by:



Noel Lee
Corporate Services Manager
Parliamentary Counsel Office
13 September 2012

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2012

30/06/11 Actual		30/06/12 Actual	30/06/12 Main Estimates	30/06/12 Supp. Estimates
\$000	Notes	\$000	\$000	\$000
Income				
20,586	Crown	20,532	20,912	20,532
212	Other	590	329	329
<u>20,798</u>	Total income	<u>21,122</u>	<u>21,241</u>	<u>20,861</u>
Expenses				
8,811	Personnel	8,847	10,139	8,921
5,687	Operating	5,305	5,792	6,740
3,611	Depreciation and amortisation	3,787	4,103	3,992
1,132	Capital charge	1,207	1,207	1,208
<u>19,241</u>	Total expenses	<u>19,146</u>	<u>21,241</u>	<u>20,861</u>
<u>1,557</u>	Net surplus/(deficit)	<u>1,976</u>	<u>0</u>	<u>0</u>
0	Other comprehensive income	0	0	0
<u>1,557</u>	Total comprehensive income	<u>1,976</u>	<u>0</u>	<u>0</u>

STATEMENT OF CHANGES IN TAXPAYERS' FUNDS
For the year ended 30 June 2012

30/06/11 Actual		30/06/12 Actual	30/06/12 Main Estimates	30/06/12 Supp. Estimates
\$000		\$000	\$000	\$000
15,091	Balance as at 1 July	15,091	15,091	15,091
1,557	Total comprehensive income	1,976	0	0
0	Capital contributions	0	0	0
(1,557)	Provision for repayment of surplus to the Crown	(1,976)	0	0
<u>15,091</u>	Balance as at 30 June	<u>15,091</u>	<u>15,091</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 18.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

30/06/11 Actual	Notes	30/06/12 Actual	30/06/12 Main Estimates	30/06/12 Supp. Estimates
\$000		\$000	\$000	\$000
Taxpayers' funds				
15,091		15,091	15,091	15,091
<u>15,091</u>		<u>15,091</u>	<u>15,091</u>	<u>15,091</u>
Total taxpayers' funds				
Represented by:				
Current assets				
8,674		9,634	6,377	9,041
52	7	183	40	40
284		286	150	150
334		0	0	0
<u>9,344</u>		<u>10,103</u>	<u>6,567</u>	<u>9,231</u>
Non-current assets				
458	8	411	562	412
8,893	9	8,655	9,148	6,634
<u>9,351</u>		<u>9,066</u>	<u>9,710</u>	<u>7,046</u>
<u>18,695</u>		<u>19,169</u>	<u>16,277</u>	<u>16,277</u>
TOTAL ASSETS				
Current liabilities				
1,231	10	1,248	400	400
1,557		1,976	0	0
693	11	650	667	667
<u>3,481</u>		<u>3,874</u>	<u>1,067</u>	<u>1,067</u>
Non-current liabilities				
123	11	204	119	119
<u>3,604</u>		<u>4,078</u>	<u>1,186</u>	<u>1,186</u>
TOTAL LIABILITIES				
<u>15,091</u>		<u>15,091</u>	<u>15,091</u>	<u>15,091</u>
Net assets				

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 18.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2012

30/06/11 Actual	Notes	30/06/12 Actual	30/06/12 Main Estimates	30/06/12 Supp. Estimates
\$000		\$000	\$000	\$000
Cash flows from operating activities				
Cash was provided from:				
Supply of outputs				
20,252		20,532	20,912	20,532
186		613	294	294
23		5	35	35
<u>20,461</u>		<u>21,150</u>	<u>21,241</u>	<u>20,861</u>
Cash was disbursed to:				
Produce outputs				
(8,736)		(8,809)	(10,038)	(8,878)
(5,435)		(5,115)	(5,838)	(5,215)
0	15	0	0	0
(1,132)		(1,207)	(1,207)	(1,208)
<u>(15,303)</u>		<u>(15,131)</u>	<u>(17,083)</u>	<u>(15,301)</u>
<u>5,158</u>		<u>6,019</u>	<u>4,158</u>	<u>5,560</u>
Net cash flows from operating activities				
Cash flows from investing activities				
Cash was provided from:				
0		0	0	0
0		0	0	0
Cash was disbursed to:				
Purchase of property, plant, and equipment				
(59)		(373)	(350)	(350)
(2,084)		(3,129)	(3,235)	(3,286)
<u>(2,143)</u>		<u>(3,502)</u>	<u>(3,585)</u>	<u>(3,636)</u>
Net cash flows from investing activities				
Cash flows from financing activities				
Cash was provided from:				
0		0	0	0
Cash was disbursed to:				
(558)		(1,557)	(1,664)	(1,557)
<u>(558)</u>		<u>(1,557)</u>	<u>(1,664)</u>	<u>(1,557)</u>
Net cash flows from financing activities				
2,457		960	(1,091)	367
6,217		8,674	7,468	8,674
<u>8,674</u>		<u>9,634</u>	<u>6,377</u>	<u>9,041</u>
Closing cash to carry forward				

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 18.

RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

For the year ended 30 June 2012

30/06/11 Actual		30/06/12 Actual	30/06/12 Main Estimates	30/06/12 Supp. Estimates
\$000		\$000	\$000	\$000
1,557	Net surplus/(deficit)	1,976	0	0
Add/(less) non-cash items:				
3,611	Depreciation and amortisation	3,787	4,103	3,992
4	Increase/(decrease) in non-current employee entitlements	81	(4)	(4)
482	Other movements	0	0	0
<u>4,097</u>	Total non-cash items	<u>3,868</u>	<u>4,099</u>	<u>3,988</u>
Add/(less) working capital movements:				
(115)	(Increase)/decrease in debtors and prepayments	(133)	0	146
(334)	(Increase)/decrease in debtor—Crown	0	0	334
(118)	Increase/(decrease) in creditors and payables	351	(17)	1,058
71	Increase/(decrease) in current employee entitlements	(43)	76	34
<u>(496)</u>	Working capital movements—net	<u>175</u>	<u>59</u>	<u>1,572</u>
Add/(less) investing activity items:				
0	Gain on sale of property, plant, and equipment	0	0	0
<u>0</u>	Total investing activity items	<u>0</u>	<u>0</u>	<u>0</u>
<u>5,158</u>	Net cash flow from operating activities	<u>6,019</u>	<u>4,158</u>	<u>5,560</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 18.

STATEMENT OF COMMITMENTS
As at 30 June 2012

30/06/11		30/06/12
Actual		Actual
\$000		\$000
	Non-cancellable operating lease commitments	
634	Less than one year	506
493	One to two years	0
0	Two to five years	0
<u>1,127</u>	Total non-cancellable operating lease commitments	<u>506</u>

Note: The PCO has accommodation and car park leases with the Reserve Bank.

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 15 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.

STATEMENT OF CONTINGENT ASSETS AND LIABILITIES
As at 30 June 2012

As at 30 June 2012, there are no contingent assets (30 June 2011: nil).

As at 30 June 2012, there are no contingent liabilities (30 June 2011: nil).

As at 30 June 2012, there are no guarantees or indemnities given under the Public Finance Act 1989 in respect of the activities of the PCO (30 June 2011: nil).

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

**STATEMENT OF UNAPPROPRIATED EXPENSES
AND CAPITAL EXPENDITURE**
For the year ended 30 June 2012

For the year ended 30 June 2012 there are no instances of unappropriated expenses and capital expenditure (30 June 2011: nil).

**STATEMENT OF DEPARTMENTAL EXPENSES AND CAPITAL
EXPENDITURE AGAINST APPROPRIATIONS**
For the year ended 30 June 2012

30/06/11 Expenditure Actual \$000		30/06/12 Expenditure Actual \$000	30/06/12 Appropriation Voted ¹ \$000
VOTE PARLIAMENTARY COUNSEL			
Appropriations for output expenses			
8,742	Law Drafting Services	8,659	9,215
10,499	Access to Legislation	10,487	11,646
19,241	Total appropriations for output expenses	19,146	20,861
Appropriation for capital expenditure			
2,143	Capital expenditure to PCO—Permanent Legislative Authority	3,502	3,585
2,143	Total capital appropriations	3,502	3,585

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

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

NOTES TO THE FINANCIAL STATEMENTS *For the year ended 30 June 2012*

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 2012, 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 13 September 2012 by the Acting 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.

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 2012 (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.

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, retirement and long service leave entitlements expected to be settled within 12 months, and sick leave.

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

Long-term employee entitlements

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

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

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

Presentation of employee entitlements

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

Note 2 Other income

30/06/11 Actual		30/06/12 Actual	30/06/12 Main Estimates	30/06/12 Supp. Estimates
\$000		\$000	\$000	\$000
0	Other departmental revenue	365	0	0
146	State Services Retirement Saving	152	190	190
43	KiwiSaver subsidy	68	104	104
23	Recovery of printing expenses	5	35	35
<u>212</u>	Total other income	<u>590</u>	<u>329</u>	<u>329</u>

Note 3 Personnel expenses

30/06/11 Actual		30/06/12 Actual	30/06/12 Main Estimates	30/06/12 Supp. Estimates
\$000		\$000	\$000	\$000
8,332	Salaries and wages	8,362	9,595	8,384
74	Annual, retirement, long service, and sick leave	38	44	44
405	Other personnel expenses	447	500	493
<u>8,811</u>	Total personnel expenses	<u>8,847</u>	<u>10,139</u>	<u>8,921</u>

Note 4 Operating expenses

30/06/11 Actual		30/06/12 Actual	30/06/12 Main Estimates	30/06/12 Supp. Estimates
\$000		\$000	\$000	\$000
263	Consultancy	358	470	160
32	Audit fees to auditors for audit of the financial statements	34	32	32
0	Other services provided by Audit New Zealand	20	0	0
680	Operating lease rentals	692	682	682
737	Printing expenses	688	923	923
2,808	NZL system expenses	2,214	2,250	2,250
702	Computing expenses	797	860	860
465	Other operating expenses	502	575	1,833
<u>5,687</u>	Total operating expenses	<u>5,305</u>	<u>5,792</u>	<u>6,740</u>

Note 5 Depreciation and amortisation charges

30/06/11 Actual		30/06/12 Actual	30/06/12 Main Estimates	30/06/12 Supp. Estimates
\$000		\$000	\$000	\$000
324	Computer systems	353	326	326
21	Furniture	17	19	19
41	Leasehold property improvements	37	38	38
0	Motor vehicles	0	0	0
16	Office equipment	13	13	13
<u>3,209</u>	Intangible assets	<u>3,367</u>	<u>3,707</u>	<u>3,596</u>
<u>3,611</u>	Total depreciation and amortisation charges	<u>3,787</u>	<u>4,103</u>	<u>3,992</u>

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 2012 was 8% (2011: 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 (2011: nil).

Note 8 Property, plant, and equipment

	Furniture	Computers	Office equipment	Leasehold property improvements	Motor vehicles	Total
Cost or valuation						
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
Balance at 30 June 2011	412	1,925	172	1,542	0	4,051
Balance at 1 July 2011	412	1,925	172	1,542	0	4,051
Additions	0	305	47	21	0	373
Transfers from work in progress	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Balance at 30 June 2012	412	2,230	219	1,563	0	4,424
Accumulated depreciation and impairment losses						
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
Balance at 30 June 2011	(370)	(1,643)	(153)	(1,427)	0	(3,593)
Balance at 1 July 2011	(370)	(1,643)	(153)	(1,427)	0	(3,593)
Depreciation expense	(17)	(353)	(13)	(37)	0	(420)
Eliminate on disposal	0	0	0	0	0	0
Balance at 30 June 2012	(387)	(1,996)	(166)	(1,464)	0	(4,013)
Carrying amounts						
At 1 July 2010	58	585	22	136	0	801
At 30 June and 1 July 2011	42	282	19	115	0	458
At 30 June 2012	25	234	53	99	0	411

Assets held for sale and impairment

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

Note 9 Intangible assets

	Acquired intangibles	Work in progress	Total
Cost or valuation			
Balance at 1 July 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	(672)	0	(672)
Balance at 30 June 2011	15,595	2,433	18,028
Balance at 1 July 2011	15,595	2,433	18,028
Additions	0	3,129	3,129
Transfers from work in progress	2,505	(2,505)	0
Other movements	0	0	0
Balance at 30 June 2012	18,100	3,057	21,157
Accumulated depreciation and impairment losses			
Balance at 1 July 2010	(6,115)	0	(6,115)
Depreciation expense	(3,209)	0	(3,209)
Other movements	189	0	189
Balance at 30 June 2011	(9,135)	0	(9,135)
Balance at 1 July 2011	(9,135)	0	(9,135)
Depreciation expense	(3,367)	0	(3,367)
Other movements	0	0	0
Balance at 30 June 2012	(12,502)	0	(12,502)
Carrying amounts			
At 1 July 2010	8,972	1,529	10,501
At 30 June and 1 July 2011	6,460	2,433	8,893
At 30 June 2012	5,598	3,057	8,655

Intangible assets—the NZL system

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

Note 10 Creditors and other payables

30/06/11 Actual \$000		30/06/12 Actual \$000
683	Trade creditors	688
326	Accrued expenses	560
222	GST payable	0
1,231	Total creditors and accruals	1,248

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

Note 11 Provision for employee entitlements

30/06/11		30/06/12
Actual		Actual
\$000		\$000
Current liabilities		
228	Retirement and long service leave	225
450	Annual leave	416
15	Sick leave	9
<u>693</u>	Total current portion	<u>650</u>
Non-current liabilities		
18	Long service leave	19
<u>105</u>	Retirement leave	<u>185</u>
<u>123</u>	Total non-current portion	<u>204</u>
<u>816</u>	Total provision for employee entitlements	<u>854</u>

Employee benefits

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

Treasury guidance was used to estimate the value of long service leave, retirement leave, and sick leave as at 30 June 2012. The major long term economic assumptions adopted in the valuation process for long service and retirement leave were:

- salary increase rate: 3% per annum (30 June 2011: 3.5%)
- discount rate: 2.43%–4.65% per annum (30 June 2011: 2.84%–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 12 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 the PCO's 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.

30/06/11		30/06/12
Actual		Actual
\$000		\$000
	Loans and receivables	
8,674	Bank balances	9,634
386	Debtors—Government	358

Credit facilities

The PCO does not have bank overdraft facilities as at 30 June 2012.

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 13 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, whilst remaining a going concern.

Note 14 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 15 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 16 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 \$20.532 million (2010/11 \$20.586 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 2012 totalled \$2.068 million (2010/11 \$1.985 million). These purchases included the payment of a capital charge on its taxpayers' funds to the Treasury (\$1.207 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, training programmes from the Leadership Development Centre, 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 2012 totalled \$0.365 million (2010/11 nil). The revenue included the secondment of PCO staff to the Department of Labour and Ministry of Economic Development, reimbursement from the Ministry of Foreign Affairs and Trade aid programme for legislative drafting services provided to Pacific Island nations, and the publishing of exemption notices for 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

30/06/11		30/06/12
Actual		Actual
\$000		\$000
947	Salaries and other short term employee benefits	935
82	Post-employment benefits	86
1,029	Total key management personnel compensation	1,021

There are no other employee benefits.

Key management personnel include the Chief Parliamentary Counsel (for part of the year only), Acting 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 17 Post balance date events

The PCO does not have any post balance date events for 2011/12 (2010/11: nil).

Note 18 Major budget variances—Actuals against Main Estimates

Statement of Comprehensive Income

A net surplus of \$1.976 million was recorded. This was owing to a number of factors. Significant factors are stated below.

There was a surplus of \$1.292 million from personnel-related expenditure as a result of not filling vacant positions, reimbursement of costs for staff on secondment to government departments for various periods in the 2011/12 year, and reimbursement for legislative drafting services provided to Pacific Island nations.

There was a surplus of \$0.235 million from printing-related expenditure which resulted from lower than anticipated demand for legislative printing, the fiscal effects of a new printing contract which commenced in February 2012, the General Election period during which there was very little legislative printing activity, and the number of sets of annual bound volumes printed being 10% fewer than were produced in 2011.

There was a surplus of \$0.121 million in core network charges as a result of delays relating to the parliamentary complex disaster recovery site in Auckland.

There was a surplus of \$0.340 million in depreciation-related expenditure due to delays in the completion of milestones for a number of NZL system enhancement releases.

STATEMENT OF SERVICE PERFORMANCE
For the year ended 30 June 2012

The PCO agreed to provide outputs in 2011/12 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.

Objectives

The PCO’s goal 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 Government 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			
	2012		2011	2010
	Standard	Actual	Actual	Actual
all Bills on the annual legislative programme in categories 1 and 2 (both of which are Bills that must be passed in the current year) are drafted ¹	100%	100% (for calendar year 2011)	100% (for calendar year 2010)	100%
number of Government Bills drafted, and amendments to same number drafted during their passage through the House ²	50–70 drafted	67 drafted (for calendar year 2011)	83 drafted (for calendar year 2010)	66 drafted

¹ All Bills in category 1 were drafted and enacted with the exception of the Appropriation (2010/11 Financial Review) Bill for which instructions were not received until 19 December 2011. Of the 54 Bills in category 2, 26 were enacted and the remaining Bills were either drafted or amended as required (with the exception of 2 Bills that the Government decided not to progress). The Dairy Industry Restructuring (Fonterra Capital Restructuring) Amendment Bill was treated as drafted although only an exposure draft was completed for circulation before end of the 2011 calendar year.

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

	For the year ended 30 June—continued			
	2012	2011	2010	
number of Statutory Regulations drafted ²	300–400 drafted	451 drafted (for calendar year 2011)	491 drafted (for calendar year 2010)	418 drafted
proportion of Bills introduced and regulations drafted by the PCO that are peer reviewed	80%	Bills 80% regs 93%	not previously measured	not previously measured
proportion of legislation drafted by the PCO that is proofread in accordance with PCO instructions ³	97%	Bills 65% regs 100%	not previously measured	not previously measured

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

³ The PCO established a baseline for this performance measure in the 2011/12 financial year and it will be further developed in the 2012/13 year. The figures do not include revision tracked amendments to Bills and SOPs as there is currently no reporting functionality available. The difference between the standard and actual figures for Bills is due to pressure to meet external deadlines.

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.

The quality standard for Pacific Island instructors is that:

- advice given on matters relating to the provision of legislative drafting services is objective, accurate, and sufficient.

The quality standard for peer reviewing is that:

- Bills that are introduced and regulations that are drafted by the PCO are reviewed for their legal effectiveness, workability, compliance, structure, and readability.

The quality standards for proofreading legislation are that:

- Bills will be read in full at least twice by Editorial Services to detect errors before introduction
- revision tracked amendments to Bills, SOPs, and all secondary legislation (regulations, orders, etc) will be read at least once in full by Editorial Services to detect errors before release.

Measure	For the year ended 30 June		
	2012	2011	2010
	Actual	Actual	Actual
whether the Attorney-General is satisfied that the quality standard has been achieved	the A-G was satisfied	the A-G was satisfied	the A-G was satisfied
whether instructing departments and agencies are satisfied that the quality standard has been achieved, as determined from overall responses to the departmental satisfaction survey (target: 90% satisfaction rating)	90% satisfaction 69% response rate	90% satisfaction 70% response rate	88% satisfaction 77% response rate
whether select committees are satisfied that the quality standard has been achieved, as determined by survey responses from relevant select committees	select committees were satisfied	not measured	select committees were satisfied
whether Pacific Island instructors are satisfied that the quality standard has been achieved, as determined by survey responses from relevant Pacific Island instructors	Pacific Island instructors were satisfied	not applicable	not applicable
whether Bills that are introduced and regulations that are drafted by the PCO are reviewed for their legal effectiveness, workability, compliance, structure, and readability (target: 80%)	Bills 80% regulations 93%	not previously measured	not previously measured
Whether Bills are read in full at least twice by Editorial Services to detect errors before introduction and revision tracked amendments to Bills, SOPs, and all secondary legislation (regulations, orders, etc) are read at least once in full by Editorial Services to detect errors before release (target: 97%) ¹	Bills 65% regulations 100%	not previously measured	not previously measured

¹ The PCO established a baseline for this performance measure in the 2011/12 financial year and it will be further developed in the 2012/13 year. The figures do not include revision tracked amendments to Bills and SOPs as there is currently no reporting functionality available.

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.

The timeliness standard for Pacific Island instructors is that:

- revision tracked documents are provided to Pacific Island instructors in accordance with agreed deadlines.

Measure	For the year ended 30 June		
	2012	2011	2010
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 69% response rate	90% satisfaction 70% response rate	88% satisfaction 77% response rate
whether select committees are satisfied that the timeliness standard has been achieved, as determined by survey responses from relevant select committees	select committees were satisfied	not measured	select committees were satisfied
whether Pacific Island instructors are satisfied that the timeliness standard has been achieved, as determined by survey responses from relevant Pacific Island instructors	Pacific Island instructors were satisfied	not applicable	not applicable

Financial performance for Output Class—Law Drafting Services

30/06/11		30/06/12	30/06/12	30/06/12
Actual		Actual	Main	Supp.
\$000		\$000	Estimates	Estimates
			\$000	\$000
9,128	Revenue—Crown	9,220	9,391	9,011
139	Other revenue	525	204	204
9,267	Total revenue	9,745	9,595	9,215
8,742	Total expenses	8,659	9,595	9,215
525	Net surplus	1,086	0	0

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 NZL 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.

Objectives

The PCO’s goal 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 printed copies of Bills and SOPs are provided to the House
- Acts and regulations are published with official, authoritative status.

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			
	2012	2011	2011	2010
	Standard	Actual	Actual	Actual
number of Government Bills supplied to the House and published ¹	50-70	59 (for calendar year 2011)	78 (for calendar year 2010)	66
number of SOPs supplied to the House and published ¹	70-100	85 (for calendar year 2011)	94 (for calendar year 2010)	62
number of Acts of Parliament published ¹	80-120	100 (for calendar year 2011)	140 (for calendar year 2010)	90
number of Statutory Regulations published ¹	300-400	433 (for calendar year 2011)	491 (for calendar year 2010)	418
the annual volumes of Acts for 2011 and the annual volumes of Statutory Regulations for 2011 are published	volumes are published	for 2011 calendar year, 3 volumes of Acts and 5 volumes of Statutory Regulations 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
reprints of all Acts and Statutory Regulations listed on the annual reprints programme are compiled and published	100% (8 Acts 3 Statutory Regulations)	82% ² (6 Acts 3 Statutory Regulations)	56% ³ (9 Acts 1 Statutory Regulation)	100% (7 Acts 1 Statutory Regulation)
publication of the <i>Tables of New Zealand Acts and Ordinances and Statutory Regulations and Deemed Regulations in Force</i>	2011 edition	2011 edition was published	2010 edition was published	2009 edition was published
publication of the interim indexes of Statutory Regulations	indexes are published	indexes were published	indexes were published	indexes were published
free public access to the NZL website is available	99% availability	99% availability	99% availability	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
proportion of principal legislation officialised	71%	84%	43%	not applicable

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

² Two Acts on the annual reprints programme that were not compiled and published within the timeframes listed on the PCO website will now be reprinted after 1 July 2012 as they both have outstanding amendments that will come into force in the 2012/13 financial year.

³ The remaining 8 titles were reprinted after 1 July 2011 as they all had outstanding amendments that came 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 2011 contain correct copies of the Acts of Parliament enacted in that year and the annual volumes of Statutory Regulations for 2011 contain correct copies of the Statutory Regulations made in that year
- 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		
	2012	2011	2010
whether the Attorney-General is satisfied that the quality standard has been achieved	Actual	Actual	Actual
	the A-G was satisfied	the A-G was satisfied	the A-G was satisfied

Timeliness

Measure	For the year ended 30 June			
	2012	2011	2010	Standard
the time taken to supply Bills and SOPs to the House	Actual	Actual	Actual	Standard
	met	met	met	in accordance with the requirements of the Ministers of the Crown in charge of those Bills or SOPs

					For the year ended 30 June—continued			
		2012		2011	2010			
the time taken to make legislation (including Bills and SOPs) available on the NZL website	new Bills: within 1 working day after introduction	met	met	met	met			
	subsequent versions of Bills: within 1 working day after the printed version is made available to the House	met	met	met	met			
	SOPs: within 1 working day after they have been circulated to Members of Parliament	met	met	met	met			
	Acts: within 5 working days of assent	met	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	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	met			
	Acts: within 10 working days of assent	met	met	met	met			
	Statutory Regulations: within 5 working days of being made	met	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%	82% ¹	56% ²	100%				

¹ Two Acts on the annual reprints programme that were not compiled and published within the timeframes listed on the PCO website will now be reprinted after 1 July 2012 as they both have outstanding amendments that will come into force in the 2012/13 financial year.

² The remaining 8 titles were reprinted after 1 July 2011 as they all had outstanding amendments that came into force in the 2011/12 financial year.

	For the year ended 30 June—continued			
	2012	2011	2011	2010
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 2012	for 2011 year: met (March 2012)	for 2010 year: met (April 2011)	for 2009 year: met (March 2010)
the date of publication of the <i>Tables of New Zealand Acts and Ordinances and Statutory Regulations and Deemed Regulations in Force</i>	within first half of 2012	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%	98%	97%
	all public enquiries are responded to within 5 working days of receipt	100%	100%	100%

Financial performance for Output Class—Access to Legislation

30/06/11 Actual		30/06/12 Actual	30/06/12 Main Estimates	30/06/12 Supp. Estimates
\$000		\$000	\$000	\$000
11,458	Revenue—Crown	11,312	11,521	11,521
73	Other revenue	65	125	125
<u>11,531</u>	Total revenue	<u>11,377</u>	<u>11,646</u>	<u>11,646</u>
<u>10,499</u>	Total expenses	<u>10,487</u>	<u>11,646</u>	<u>11,646</u>
<u>1,032</u>	Net surplus	<u>890</u>	<u>0</u>	<u>0</u>

Note: Figures are GST exclusive.

Overall financial performance

The financial performance of the Parliamentary Counsel Office for the year ended 30 June 2012 resulted in:

		30/06/12	30/06/12	30/06/11
		Actual	Estimated (Supp.)	Actual
Operating results				
Revenue—Crown	\$000	20,532	20,532	20,586
Revenue—other	\$000	590	329	212
Output expenses	\$000	19,146	20,861	19,241
Other expenses	\$000	0	0	0
Net surplus (deficit)	\$000	1,976	0	1,557
Working capital management				
Liquid ratio	%	261	865	272
Debtor collection period (third party sales)	days	0	0	0
Creditor payment period	days	28	28	28
Resource utilisation				
Property, plant, and equipment (PPE)—				
Additions as a percentage of total PPE	%	90.8	85.0	12.9
PPE as percentage of total assets	%	2.1	2.5	2.5
Taxpayers' funds at year end	\$000	15,091	15,091	15,091
Forecast net cashflows				
Cash disbursed to producing outputs	\$000	(15,131)	(15,301)	(15,303)
Net increase/(decrease) in cash held	\$000	960	367	2,457

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 2012

The Auditor-General is the auditor of the Parliamentary Counsel Office (the PCO). The Auditor-General has appointed me, Karen Young, 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 PCO on her behalf.

We have audited:

- the financial statements of the PCO on pages 21 to 40, that comprise the statement of financial position, statement of commitments and statement of contingent assets and liabilities as at 30 June 2012, 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, statement of unappropriated expenses and capital expenditure 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 PCO on pages 41 to 49.

Opinion

In our opinion:

- the financial statements of the PCO on pages 21 to 40:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the PCO's:
 - financial position as at 30 June 2012;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by the PCO and each class of outputs included in each output expense appropriation for the year ended 30 June 2012; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2012; and
- the statement of service performance of the PCO on pages 41 to 49:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs for the year ended 30 June 2012 the PCO'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 13 September 2012. 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 PCO’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 PCO’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 the financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the PCO’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.

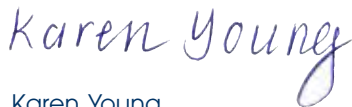
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statement 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, and providing independent quality assurance over selection of an information technology provider for the New Zealand Legislation system, we have no relationship with or interests in the PCO.



Karen Young
 Audit New Zealand
 On behalf of the Auditor-General
 Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements and statement of service performance

This audit report relates to the financial statements and statement of service performance of the Parliamentary Counsel Office for the year ended 30 June 2012 included on the Parliamentary Counsel Office's website. The Chief Parliamentary Counsel is responsible for the maintenance and integrity of the Parliamentary Counsel Office's website. We have not been engaged to report on the integrity of the Parliamentary Counsel Office's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 13 September 2012 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

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

APPENDICES

Legislative framework

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

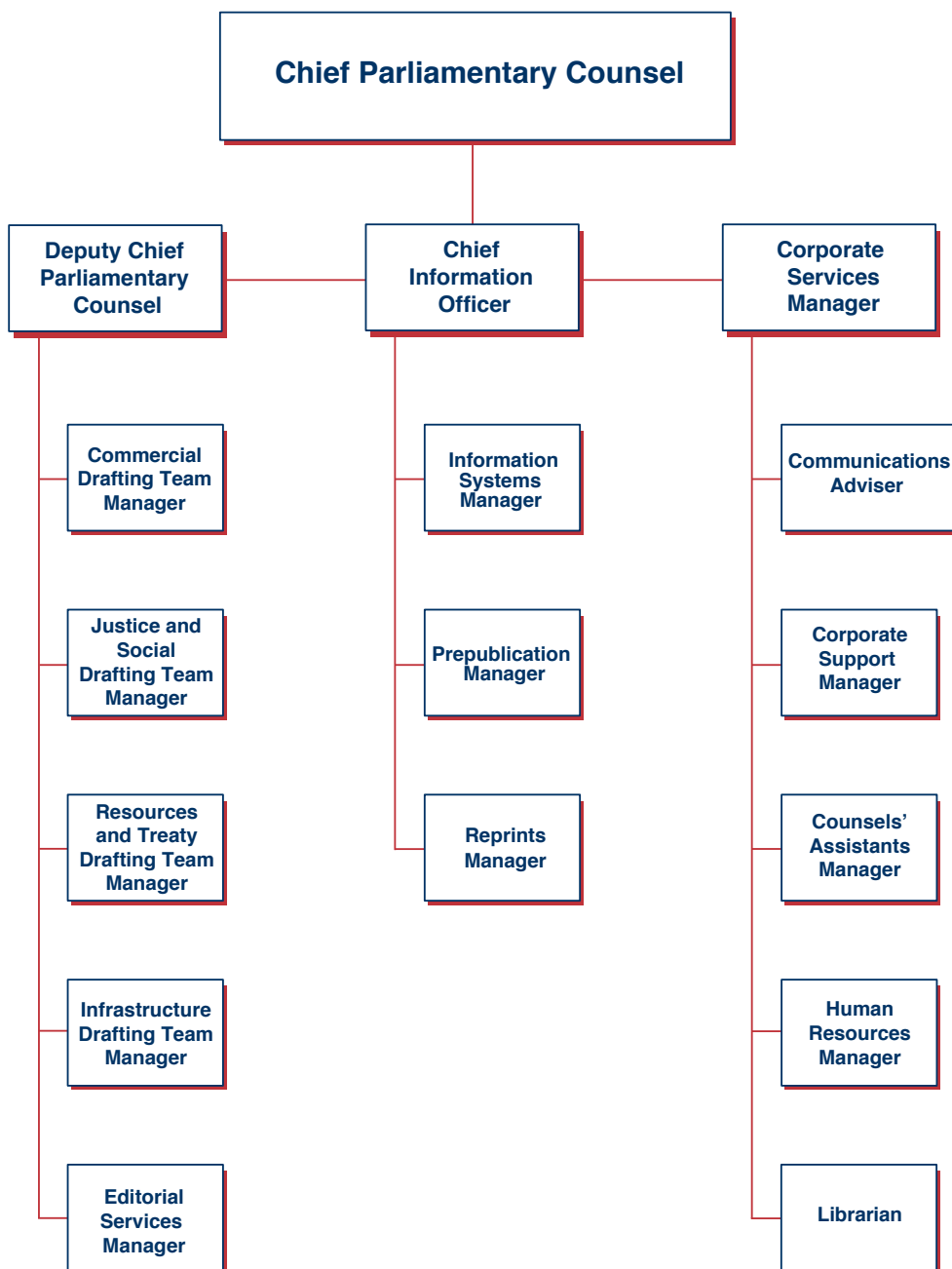
The organisational structure of the PCO is shown overleaf.

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.

Organisational structure



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