



PARLIAMENTARY  
COUNSEL OFFICE

TE TARI TOHUTOHU  
PĀREMATA

# Annual Report

for the year ended 30 June 2015

Annual Report of the  
Parliamentary Counsel Office  
Te Tari Tohutohu Pāremata  
for the year ended 30 June 2015

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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 2015.

A handwritten signature in blue ink that reads "David Noble". The signature is written in a cursive style with a prominent flourish at the end.

David Noble  
Chief Parliamentary Counsel  
30 September 2015

# CHIEF PARLIAMENTARY COUNSEL'S OVERVIEW

This is the Annual Report of the Parliamentary Counsel Office (PCO) for the 2014/15 year. In preparing the report, the PCO has followed the guidance provided by the Treasury.<sup>1</sup> This report, together with the PCO's Strategic Intentions<sup>2</sup> and Information Supporting the Estimates,<sup>3</sup> form the components of the Managing for Outcomes framework.

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

In our Strategic Intentions for 2014–19, the PCO:

“seeks 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 draft and enacted legislation:

- necessary to change the law to implement Government policies is effective, clear, and consistent with other legislation, the general law, and international law
- is accessible to the public and that copies of Bills and Supplementary Order Papers are provided to the House
- is published authoritatively and with official status when enacted.”<sup>4</sup>

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

In the Law Drafting Services area, the main emphasis has been on both preparing the first triennial programme of statute law revision and further improving the management and delivery of the Government's annual legislation programme.

In the Access to Legislation area there have also been two key points of focus: first, continuing to develop the content and accessibility of the New Zealand Legislation (NZL) system: a core asset for the PCO. Second, in response to a Cabinet instruction and support from the Regulations Review Committee of the House, comparative research and analysis has begun to help determine the scope of a possible system for registering and publishing “tertiary legislation” not drafted or normally published by the PCO.

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<sup>1</sup> *Year End Reporting: Departmental Annual Reports and Reporting Against Appropriations (June 2015)*  
[www.treasury.govt.nz/publications/guidance/reporting/yearend](http://www.treasury.govt.nz/publications/guidance/reporting/yearend).

<sup>2</sup> *Strategic Intentions Parliamentary Counsel Office for the period 1 July 2014 to 30 June 2019*  
[www.pco.parliament.govt.nz/si2014-2019/](http://www.pco.parliament.govt.nz/si2014-2019/).

<sup>3</sup> *Justice Sector—Information Supporting the Estimates 2014/15*  
[www.treasury.govt.nz/budget/2014/estimates/v7](http://www.treasury.govt.nz/budget/2014/estimates/v7).

<sup>4</sup> Pages 11–12 *Strategic Intentions Parliamentary Counsel Office for the period 1 July 2014 to 30 June 2019*.

<sup>5</sup> This is further explained in the *Strategic Intentions Parliamentary Counsel Office for the period 1 July 2014 to 30 June 2019*, page 12.

## Highlights of 2014/15

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This year has been one of significant achievement and delivery for the PCO. The substantive outcomes and the high quality work involved in delivering them are largely dependent upon the creativity and dedication of those who work for the PCO. In this, my last Annual Report, I pay a particular tribute to all those who have contributed to the significant improvements made to the drafting, and accessibility, of legislation since 2007.

- The PCO drafted 33 Government Bills and 402 Legislative Instruments in the 2014 calendar year.
- The first three-yearly revision programme of statutes was presented to the House on 8 December 2014.<sup>6</sup>
- The PCO's Pacific Island desk provided legislative drafting assistance to the Cook Islands, Niue, and the Solomon Islands.
- The PCO drafted further substantial amendments to the District and High Court Rules in response to instructions from the (Judicial) Rules Committee and its sub-committees.<sup>7</sup>
- Public use of the NZL website ([www.legislation.govt.nz](http://www.legislation.govt.nz)) as a source of New Zealand's legislation has remained high.
- A set of further improvements to the NZL website was released and scoping of a project to change the publication of, and access to, legislation not drafted by the PCO or published as part of the official legislation on the NZL website was commenced.
- A project to digitise historical and repealed legislation was completed.
- The Performance Improvement Framework Review of the PCO has confirmed that it is "... seen as an effective agency with a strong professional culture and a clear sense of purpose".<sup>8</sup>

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<sup>6</sup> [www.beehive.govt.nz/release/first-revision-programme-statutes-begins](http://www.beehive.govt.nz/release/first-revision-programme-statutes-begins).

<sup>7</sup> [www.courtsofnz.govt.nz/about/system/rules\\_committee/projects](http://www.courtsofnz.govt.nz/about/system/rules_committee/projects).

<sup>8</sup> Page 11; available at [www.ssc.govt.nz/pif-reports-announcements](http://www.ssc.govt.nz/pif-reports-announcements).

# 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 and the wider range of drafting work that the PCO now delivers.

### Drafting of Government 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 Legislative Instruments). Bills are assigned categories on the legislation programme according to their legal and policy importance. The programme changes throughout the year as Bills are added to, or taken off, the programme, and delays in making policy decisions can delay the drafting of Bills.

The categories in the annual legislation programme are:

| Category | Description  |
|----------|--|
| 1        | Bills that must be passed or introduced as a matter of law in the 2014 calendar year |
| 2        | Bills that must be passed in the 2014 calendar year                                  |
| 3        | Bills to be passed if possible in the 2014 calendar year                             |
| 4        | Bills to be passed under extended sitting hours                                      |
| 5        | Bills to proceed to a select committee in the 2014 calendar year                     |
| 6        | Bills for which instructions are to be provided to the PCO in the 2014 calendar year |

Details of the numbers of category 1 and 2 Bills drafted are included in the Statement of Performance (see the note to the table of quantity on page 45).

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

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

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

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

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

## **Law Commission**

The PCO continues to maintain a very constructive relationship with the Law Commission and is currently assisting the Law Commission with an Extradition Bill, a Mutual Assistance in Criminal Matters Bill, and a rewrite of the Crown Proceedings Act 1950.

## **Legislation Design and Advisory Committee**

In the reporting year, the Government agreed to revive and merge the Legislation Design Committee with the Legislation Advisory Committee (LAC) into a Legislation Design and Advisory Committee (LDAC). The changes are designed to address concerns that the LAC was often brought in too late in the process to resolve problems in the basic framework and architecture of legislation or to identify potential rule of law issues, and significant time, resources, and effort were required in providing LAC submissions to select committees—at too late a stage in the process to affect the underpinning legislative design.

The PCO developed and hosted a website for the LAC to provide public access to their Guidelines on Process and Content of Legislation and reports in the 2014/15 year. The PCO will take over responsibility for the website and provide secretariat and support services to the LDAC.

## **Drafting of Legislative Instruments**

In the 2014 calendar year, 402 Legislative Instruments were drafted. In general, Acts of Parliament contain the main policy components of a legislative regime while Legislative Instruments contain much of the essential detail and administrative mechanisms to make the Acts work. It is often through such delegated legislation that a legislative regime has its greatest impact. All proposed Legislative Instruments 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. The drafting of Legislative Instruments can give rise to complex legal questions about whether there is power to make the instrument under the relevant Act. Parliamentary Counsel are required to certify whether proposed Legislative Instruments 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 Legislation Act 2012.

## **Drafting for the (Judicial) Rules Committee**

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, including amendments made to both the High Court Rules and the District Courts Rules.

## **Treaty Bills**

The PCO continues to work closely with the Office of Treaty Settlements (OTS) and the Minister for Treaty of Waitangi Negotiations to progress the Bills required to

implement Treaty settlements. The PCO manager of the team responsible for OTS legislation is a member of the OTS Governance Board, which focuses on the overall delivery of the Treaty settlement work programme. In order to further facilitate the progress of these Bills, a senior OTS staff member has been seconded to the PCO to assist with the drafting of various Bills. The development and use of standard clauses to cover those matters common to most Treaty settlement legislation have also enabled these Bills to be progressed in a timely manner. The PCO confers with the responsible Minister and the Leader of the House over the use of extended sittings in the House of Representatives to make progress on these Bills.

### **Revision Bill programme**

Part 2 of the Legislation Act 2012 added a new function to the PCO's set of responsibilities, which requires the PCO to revise selected New Zealand statutes to make them more accessible. The Attorney-General is responsible for preparing, and consulting publicly on, a three-yearly statute revision programme for each new Parliament. The PCO prepares the programme for the Attorney-General and provides administrative support in addition to the drafting of revised Bills.

The Attorney-General presented the first revision programme to the 51st Parliament at the end of 2014. The programme proposes seven revision Bills that will revise 18 Acts. Retired High Court Judge the Honourable John Priestley CNZM QC has been appointed as the chairperson of the committee of revision Bill certifiers. The PCO started work in late 2014 on drafting the first revision Bill, the Contract and Commercial Law Bill, which is proposed for enactment during the three-year parliamentary term. The PCO has been working with the responsible departments to review the draft Bill to ensure the revision is being undertaken in accordance with the revision powers. The Bill is being prepared with explanatory material for public consultation.

### **Assistance to departments and the Government Legal Network**

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 13 August 2014, attended by 135 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, having been actively and financially engaged in the formation of the Government Legal Network (GLN), has continued to contribute to its development and delivery. During the reporting year, it has agreed to fund the placement of four GLN graduate lawyer trainees each for six months, over a two-year period.

### **Contributing internationally**

In 2011, the PCO established a Pacific Island desk to provide legislative drafting assistance to Pacific Island nations. The desk has operated from 2011/12 to 2014/15 with the assistance of funding from the New Zealand Aid Programme managed by the Ministry of Foreign Affairs and Trade. This period of funding has now been extended until June 2016. Alternative funding options are currently being explored with the Ministry of Foreign Affairs and Trade as the assistance provided by the Pacific Island desk does not fit well within the requirements of the new contested funding model since the assistance provided by the PCO is likely to be ongoing.

The assistance is focused on the Cook Islands, Niue, and Tokelau, being the three nations within the Realm of New Zealand. Assistance has been extended to other Pacific Island nations where resources permit (in particular, to the Solomon Islands to peer review fisheries legislation). Further demands from other Pacific Island nations and administrations are being assessed for their impact on the capacity of the currently funded desk arrangement.

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 Legislative Instruments, 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 coordinate the work that is being done in the Pacific. These include the Pacific Islands Forum Secretariat, the Pacific Islands Law Officers' Network, and the Commonwealth Secretariat.

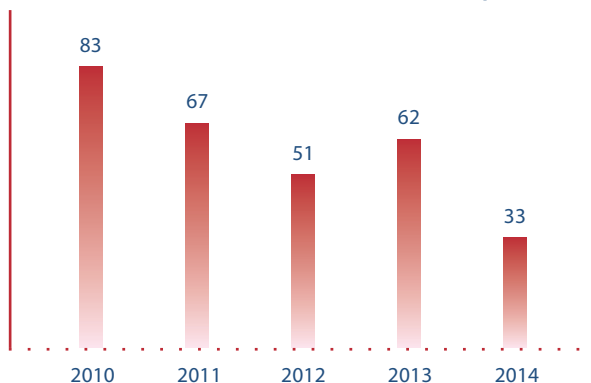
The Chief Parliamentary Counsel has participated in the Australasian Parliamentary Counsel's Committee with regard to issues relating to trans-Tasman legislation, access to legislation, and legislative drafting and publishing systems and practices.

The PCO continues to strengthen its involvement with the Commonwealth Association of Legislative Counsel (CALC). During the reporting year, Katy Le Roy, Parliamentary Counsel, became the CALC Vice President and Ross Carter, Parliamentary Counsel, took over from Fiona Leonard, Deputy Chief Parliamentary Counsel, as the CALC Secretary.

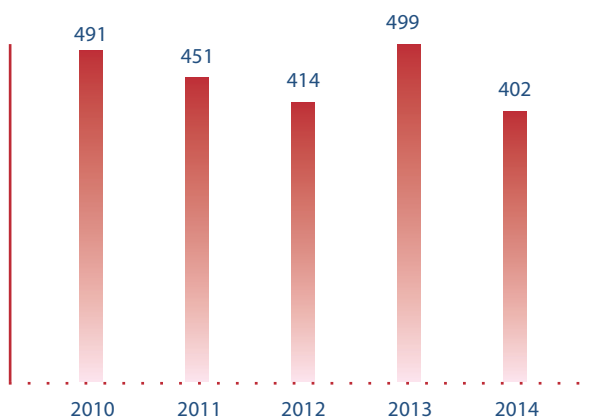
## Quantity of legislation

The following graphs compare the numbers of Government Bills drafted and published and Legislative Instruments made and published, plus the numbers of Supplementary Order Papers (SOPs) drafted and published, in the calendar years from 2010 to 2014.<sup>9</sup>

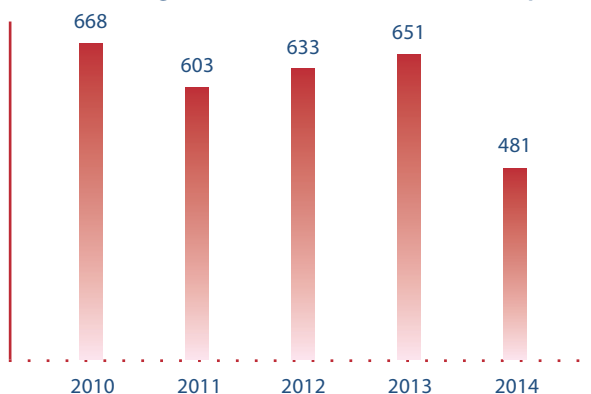
*Number of Government Bills drafted and published*



*Number of Legislative Instruments made and published*



*Number of Government Bills and SOPs drafted and published and Legislative Instruments made and published*



<sup>9</sup> 2014 was a general election year with the 50th Parliament sitting for the last time on 31 July and the State opening of the 51st Parliament taking place on 21 October 2014; 2014 was therefore a very truncated sitting year.

## 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](http://www.legislation.govt.nz)).

- Accident Compensation (Financial Responsibility and Transparency) Amendment Bill
- Coroners Amendment Bill
- Countering Terrorist Fighters Legislation Bill
- Drug and Alcohol Testing of Community-based Offenders and Bailees Legislation Bill
- Electronic Monitoring of Offenders Legislation Bill
- Evidence Amendment Bill
- Health (Protection) Amendment Bill
- Hineuru Claims Settlement Bill
- Māori Language (Te Reo Māori) Bill
- New Zealand Business Number Bill
- New Zealand Flag Referendums Bill
- Passports Amendment Bill (No 2)
- Remuneration Authority (Members of Parliament Remuneration) Amendment Bill
- Social Housing Reform (Flexible Purchasing and Remedial Matters) Bill
- Support for Children in Hardship Bill
- Weathertight Homes Resolution Services Amendment Bill

## Strategic Objective 2 **Ready Access to New Zealand Legislation**

The specific outcome of this objective is to ensure that New Zealand legislation (including Bills) is easily accessible at no cost to the public in a timely manner and in an accurate and authoritative form.

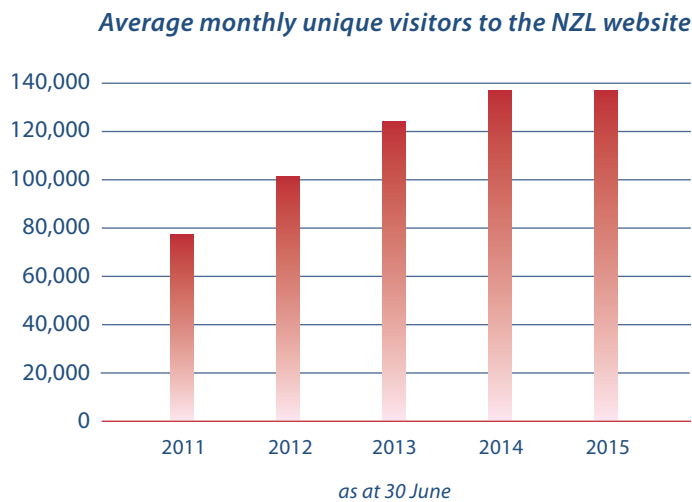
### **New Zealand Legislation system**

The NZL system is a complete drafting and publishing system. The system provides public access to up-to-date official legislation on the NZL website at [www.legislation.govt.nz](http://www.legislation.govt.nz).

Over the past year the PCO has worked to embed and mature the capability for operation and development of the NZL system. The operations group has worked to incorporate all-of-Government providers within operational processes and to improve the efficiency of all operational processes. The development panel has been widely used for improvements to the NZL system and work is underway to identify and retire technical debt.

### **The NZL website**

There continues to be good public use of the NZL website. The graph below shows the average monthly number of unique visitors to the NZL website in each of the past five years.



In April 2015 the PCO released a set of further improvements to the NZL website, which have been welcomed by users.



The improvements included:

- simplification of the format of both PDF and HTML versions
- the ability to include targeted messages for website users on a version-by-version basis
- improvements to the “quick search” function
- standardising the page size to A4
- blocks of text to be inserted into other legislation as amendments are shaded, instead of being enclosed in quote marks.

### **Declaration on Open and Transparent Government**

In accordance with the Declaration on Open and Transparent Government, the PCO continues to actively release data publicly. In addition to publishing on the NZL website, legislative data is made available through [data.govt.nz](http://data.govt.nz) as reusable XML. Non-legislative data is also released in reusable form.

### **NZL Website User Group**

The PCO established an external user group, the NZL Website User Group. The group is made up of volunteers who represent a wide cross-section of the PCO’s user community. The PCO has engaged with the group on the draft Access to Legislation Strategy and consults with the group on proposed changes to the NZL website. Members are also encouraged to provide feedback and suggestions to the PCO about improvements to the NZL website.

### **Disclosure statement website**

Disclosure statements are being published by the PCO to a website, separate from the NZL website, as part of an administrative trial that is being run by the Treasury. Disclosure statements are provided for all Government Bills and substantive SOPs introduced or released since 29 July 2013. The disclosure statement website can be found at [disclosure.legislation.govt.nz](http://disclosure.legislation.govt.nz).

### **Publishing**

The PCO publishes:

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

Through the NZL system, these documents are published online in HTML and PDF formats to the NZL website. They are also available in hard copy at specified bookshops and to subscribers, and are available for purchase via the NZL website. Work took place during the year that will allow HTML versions of legislation published on the website to be declared to be official legislation, alongside the declaration already made in respect of PDF versions.

The PCO completed a project to provide access to historical and repealed legislation by scanning the as-made collection of Statutory Regulations from 1936 to 2007. The PCO intends to provide the collection to the National Library and to the New Zealand Legal Information Institute (NZLII) for hosting. This is the same approach that the PCO took with the as-enacted historical statutes collection in the 2009/10 year.

In the reporting year, work also commenced on scanning the Bills collection and on the scoping exercise needed to assess the changes to current departmental practices, impacts, costs, and technology required to give effect to the Cabinet instruction to investigate a possible registration and publication system for “tertiary legislation” (legislation drafted and published not by the PCO but by departments and agencies).

### **Departmental capital expenditure**

The PCO continued with a programme of work to improve the PCO’s main asset, the NZL system.

## Organisational Health and Capability

Progress towards achieving the key deliverables identified in the Strategic Intentions for 1 July 2014 to 30 June 2019 was made during the 2014/15 year as follows:

### Recruitment and retention of skilled and experienced staff

Staff turnover in the past four years compared with the maximum turnover rates was as follows:

|                       | 2014/15<br>Maximum<br>target<br>turnover | 2014/15<br>Actual<br>(%) | 2014/15<br>Actual<br>(number) | 2013/14<br>Actual | 2012/13<br>Actual | 2011/12<br>Actual |
|-----------------------|--|--------------------------|-------------------------------|-------------------|-------------------|-------------------|
| Parliamentary Counsel | 7%                                       | 9%                       | 3                             | 6%                | 19%               | 6%                |
| Technical staff       | 12%                                      | 17%                      | 5                             | 24%               | 0%                | 3%                |
| Corporate staff       | 10%                                      | 6%                       | 1                             | 0%                | 6%                | 12%               |
| Total staff turnover  | 10%                                      | 12%                      | 9*                            | 12%               | 9%                | 6%                |

\* Of the nine staff who left the PCO in the 2014/15 year, three retired, two accepted voluntary redundancy, one resigned to travel overseas, and three resigned to pursue other opportunities.

Succession planning continues to be a key feature of the PCO's efforts in organisational health and capability. There was successful recruitment at junior, experienced, and senior Counsel levels over the course of the year to ensure that capacity and capability were maintained following the retirement of senior members of the office.

### Training (enhanced leadership and staff capability)

All levels of management continued to develop their leadership skills by participating in management seminars and conferences. Counsel continued to attend in-house forums, workshops, and courses for their development and to meet their NZ Law Society continuing professional development requirements.

In-house training for managers on performance management has been held to assist in ensuring the continuing professional management of staff. A comprehensive training programme for new Counsel continues to be monitored, enhanced, and applied.

Training and development for all PCO staff continued in accordance with individual annual training plans and manager-assessed training and development needs.

For professional development and succession planning purposes, some staff acted in senior roles as opportunities arose and gained higher-level management experience and skills. For the same reasons, over the course of the 2014/15 year, three staff

members were seconded outside the PCO. One completed a two-year secondment in a leadership role, another is currently gaining policy experience and developing additional skills in one of the three central agencies, while a third staff member commenced a brief secondment in a legal team leader role.

### **Performance management**

The performance management system continues in operation (with further refinements). Managers and staff agree on annual objectives at the beginning of the financial year, review progress throughout the year, and summarise achievements at the end of the year. Results from this, and other criteria, are reflected in remuneration decisions.

### **HR processes and administrative systems**

HR policies continued to be reviewed, updated where necessary, and made available to staff via the PCO intranet to ensure up-to-date policies and procedures are publicised.

The PCO's flexible work arrangements have been utilised by staff for work/life balance, childcare responsibilities, and phased retirement purposes.

The reporting of HR statistics continues to be enhanced. Valuable information is gained as trends against previous years become available.

### **Equal employment opportunities**

Equal employment opportunities (EEO) have been incorporated into a number of policies and processes to ensure consistency and to ensure that EEO is integrated into everyday business. The PCO has had for a number of years, and continues to have, a fair representation of women in managerial and Audit and Risk Committee positions. All PCO managers continue to focus on equity issues as part of their HR responsibilities.

As at 30 June 2015, the staff gender breakdown is:

|                               | Male | Female | Total |
|-------------------------------|------|--------|-------|
| Total staff                   | 34   | 45     | 79    |
| Parliamentary Counsel         | 14   | 20     | 34    |
| Other Drafting Services staff | 4    | 4      | 8     |
| Access to Legislation staff   | 13   | 8      | 21    |
| Corporate Services staff      | 3    | 13     | 16    |

The above table includes two fixed-term staff and two staff members currently on secondment to other departments.

## **Performance Improvement Framework**

The PCO's formal Performance Improvement Framework (PIF) review was completed in 2014. Its purpose was to review the PCO's capability, performance, and ability to deliver on Government priorities, its core business, and a range of organisational management elements.

The PCO has engaged a contractor to assist in developing a high-level plan to address the proposals contained in the formal PIF review which, with support from the central agencies and other key sectoral agency leads, the Government supports and adopts.

## **Organisational structure**

See page 59 for the PCO's organisational structure.

## **Risk management**

The PCO maintains a risk register that is reviewed throughout the year (and the major risks are also reviewed by the Audit and Risk Committee). 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 2014/15 year. The committee consists of two external independent members (including the chair) and one internal member. 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.

## **Disaster recovery**

The PCO has a disaster recovery plan in place for its information systems, which includes the provision of a back-up site in Auckland, to ensure service delivery risks are mitigated as much as possible in the event of a major incident. The PCO successfully re-tested its disaster recovery plan for the NZL system in late 2014.

The PCO has also contributed to a review of the arrangements for the emergency relocation of Parliament and Executive Government, led by Parliamentary Service but involving all other parliamentary precinct agencies.

## **Business continuity**

Business continuity plans continue to be updated, tested, 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 attended meetings of the Inter-Agency Business Continuity Committee. Its 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.

The PCO also attended meetings of the Government Sector Business Continuity Group and is an active member of the Training, Education, and Awareness subgroup.

One PCO staff member attended an Australasian Business Continuity Summit, which included a one-day scenario and simulation exercise workshop.

### **Protective Security Requirements**

On 8 December 2014, Cabinet approved a new framework to provide guidance and support for government departments to improve the security of their people, information, and assets. The PCO is required to implement the 29 mandatory requirements of the Protective Security Requirements (PSR) taking into account its own business needs and security risks.

The PCO is also working with other agencies across the parliamentary precinct to develop and implement a consistent approach to security that meets the requirements of the PSR.

### **Office refit**

The PCO has commenced planning for the refurbishment of its accommodation within the Reserve Bank building. This will address earthquake risks from the existing fit-out, make better and more efficient and productive use of the office space, and will reduce the PCO's accommodation footprint.

# FINANCIAL INFORMATION

# FINANCIAL STATEMENTS OF THE PARLIAMENTARY COUNSEL OFFICE

for the year ended 30 June 2015

## Introduction to the Financial Statements

The Parliamentary Counsel Office (PCO) is responsible for discharging the functions set out in the Legislation Act 2012.

The PCO is funded by appropriation of money by Parliament.

The financial statements of the PCO for the year ended 30 June 2015, including the Statement of Performance, now follow.

## Statement of Responsibility

I am responsible, as Chief Executive of the Parliamentary Counsel Office (the PCO), for:

- the preparation of the PCO's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them;
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting;
- ensuring that end-of-year performance information on each appropriation administered by the PCO is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report; and
- the accuracy of any end-of-year performance information prepared by the PCO, whether or not that information is included in the annual report.

In my opinion:

- the financial statements fairly reflect the financial position of the PCO as at 30 June 2015 and its operations for the year ended on that date; and
- the forecast financial statements fairly reflect the forecast financial position of the PCO as at 30 June 2016 and its operations for the year ending on that date.



David Noble  
Chief Parliamentary Counsel  
30 September 2015



## Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2015

| 2014   |  |       | 2015   | Unaudited      |                 |          |
|--------|--|-------|--------|----------------|-----------------|----------|
|        |  |       |        | 2015           | 2015            | 2016     |
| Actual |  | Notes | Actual | Main Estimates | Supp. Estimates | Forecast |
| \$000  |  |       | \$000  | \$000          | \$000           | \$000    |
|        | <b>Revenue</b>                                 |       |        |                |                 |          |
| 19,118 | Crown  |       | 19,255 | 20,505         | 19,255          | 20,525   |
| 278    | Other revenue                                  | 2     | 371    | 100            | 100             | 80       |
| 19,396 | <b>Total revenue</b>                           |       | 19,626 | 20,605         | 19,355          | 20,605   |
|        | <b>Expenses</b>                                |       |        |                |                 |          |
| 9,188  | Personnel                                      | 3     | 9,390  | 10,710         | 10,093          | 10,749   |
| 4,584  | Operating                                      | 4     | 5,361  | 5,993          | 5,613           | 5,989    |
| 2,312  | Depreciation and amortisation                  | 7/8   | 2,163  | 2,695          | 2,442           | 2,660    |
| 1,207  | Capital charge                                 | 5     | 1,207  | 1,207          | 1,207           | 1,207    |
| 17,291 | <b>Total expenses</b>                          |       | 18,121 | 20,605         | 19,355          | 20,605   |
| 2,105  | <b>Net surplus</b>                             |       | 1,505  | 0              | 0               | 0        |
| 0      | Other comprehensive revenue and expense        |       | 0      | 0              | 0               | 0        |
| 2,105  | <b>Total comprehensive revenue and expense</b> |       | 1,505  | 0              | 0               | 0        |

Explanations of major variances against the original 2014/15 budget are provided in Note 17.  
The notes to the accounts form part of and are to be read in conjunction with these financial statements.

## Statement of Financial Position

As at 30 June 2015

| 2014   |                                      |       | 2015   | Unaudited      |                 |          |
|--------|--------------------------------------|-------|--------|----------------|-----------------|----------|
|        |                                      |       |        | 2015           | 2015            | 2016     |
| Actual |                                      | Notes | Actual | Main Estimates | Supp. Estimates | Forecast |
| \$000  |                                      |       | \$000  | \$000          | \$000           | \$000    |
|        | <b>Taxpayers' funds</b>              |       |        |                |                 |          |
| 15,091 | Taxpayers' funds                     |       | 15,091 | 15,091         | 15,091          | 15,091   |
| 15,091 | <b>Total taxpayers' funds</b>        |       | 15,091 | 15,091         | 15,091          | 15,091   |
|        | <b>Represented by:</b>               |       |        |                |                 |          |
|        | <b>Current assets</b>                |       |        |                |                 |          |
| 5,237  | Cash and cash equivalents            |       | 4,279  | 9,109          | 5,016           | 7,400    |
| 6,987  | Debtors and other receivables        | 6     | 9,134  | 9              | 6,487           | 5,987    |
| 340    | Prepayments                          |       | 335    | 290            | 350             | 350      |
| 12,564 | <b>Total current assets</b>          |       | 13,748 | 9,408          | 11,853          | 13,737   |
|        | <b>Non-current assets</b>            |       |        |                |                 |          |
| 125    | Property, plant and equipment        | 7     | 73     | 260            | 25              | 1,178    |
| 6,281  | Intangible assets                    | 8     | 4,693  | 7,732          | 5,023           | 4,040    |
| 6,406  | <b>Total non-current assets</b>      |       | 4,766  | 7,992          | 5,048           | 5,218    |
| 18,970 | <b>TOTAL ASSETS</b>                  |       | 18,514 | 17,400         | 16,901          | 18,955   |
|        | <b>Current liabilities</b>           |       |        |                |                 |          |
| 1,098  | Creditors and other payables         | 9     | 1,329  | 1,570          | 1,080           | 1,105    |
| 2,105  | Provision for payment of net surplus | 10    | 1,505  | 0              | 0               | 1,964    |
| 635    | Employee entitlements                | 11    | 546    | 626            | 680             | 745      |
| 3,838  | <b>Total current liabilities</b>     |       | 3,380  | 2,196          | 1,760           | 3,814    |
|        | <b>Non-current liabilities</b>       |       |        |                |                 |          |
| 41     | Employment entitlements              | 11    | 43     | 113            | 50              | 50       |
| 3,879  | <b>TOTAL LIABILITIES</b>             |       | 3,423  | 2,309          | 1,810           | 3,864    |
| 15,091 | <b>Net assets</b>                    |       | 15,091 | 15,091         | 15,091          | 15,091   |

Explanations of major variances against the original 2014/15 budget are provided in Note 17.  
The notes to the accounts form part of and are to be read in conjunction with these financial statements.

## Statement of Changes in Taxpayers' Funds

For the year ended 30 June 2015

| 2014    |   |       | 2015    | Unaudited      |                 |          |
|---------|---|-------|---------|----------------|-----------------|----------|
|         |   |       |         | 2015           | 2015            | 2016     |
| Actual  |   | Notes | Actual  | Main Estimates | Supp. Estimates | Forecast |
| \$000   |   |       | \$000   | \$000          | \$000           | \$000    |
| 15,091  | Balance as at 1 July                        |       | 15,091  | 15,091         | 15,091          | 15,091   |
| 2,105   | Total comprehensive revenue/<br>expense     |       | 1,505   | 0              | 0               | 0        |
|         | Owner transactions                          |       |         |                |                 |          |
| (2,105) | Return of operating surplus to<br>the Crown | 10    | (1,505) | 0              | 0               | 0        |
| 15,091  | Balance as at 30 June                       |       | 15,091  | 15,091         | 15,091          | 15,091   |

Explanations of major variances against the original 2014/15 budget are provided in Note 17.  
The notes to the accounts form part of and are to be read in conjunction with these financial statements.

## Statement of Cash Flows

For the year ended 30 June 2015

| 2014     |   | 2015     | Unaudited      |                 |          |
|----------|---|----------|----------------|-----------------|----------|
|          |   |          | 2015           | 2015            | 2016     |
| Actual   |   | Actual   | Main Estimates | Supp. Estimates | Forecast |
| \$000    |   | \$000    | \$000          | \$000           | \$000    |
|          | <b>Cash flows from operating activities</b>     |          |                |                 |          |
|          | Cash was provided from:                         |          |                |                 |          |
|          | Supply of outputs:                              |          |                |                 |          |
| 16,434   | —Crown  | 17,112   | 20,505         | 19,755          | 21,025   |
| 279      | —Departments                                    | 357      | 100            | 90              | 80       |
| 172      | —Net GST received                               | 102      | 0              | 0               | 0        |
| 0        | —Other  | 15       | 0              | 0               | 0        |
| 16,885   | <b>Subtotal</b>                                 | 17,586   | 20,605         | 19,845          | 21,105   |
|          | Cash was disbursed to:                          |          |                |                 |          |
|          | Produce outputs:                                |          |                |                 |          |
| (9,230)  | —Personnel                                      | (9,376)  | (10,616)       | (10,002)        | (9,681)  |
| (4,967)  | —Operating                                      | (5,335)  | (8,489)        | (5,597)         | (5,003)  |
| 0        | —Net GST paid                                   | 0        | (98)           | (71)            | 0        |
| (59)     | —Other  | 0        | 0              | 0               | 0        |
| (1,207)  | —Capital charge                                 | (1,207)  | (1,207)        | (1,207)         | (1,207)  |
| (15,463) | <b>Subtotal</b>                                 | (15,918) | (20,410)       | (16,877)        | (15,891) |
| 1,422    | <b>Net cash flows from operating activities</b> | 1,668    | 195            | 2,968           | 5,214    |
|          | <b>Cash flows from investing activities</b>     |          |                |                 |          |
|          | Cash was disbursed to:                          |          |                |                 |          |
| (4)      | Purchase of property, plant, and equipment      | (28)     | (195)          | (79)            | (1,420)  |
| (1,006)  | Purchase of intangible assets                   | (493)    | 0              | (1,005)         | (1,410)  |
| (1,010)  | <b>Net cash flows from investing activities</b> | (521)    | (195)          | (1,084)         | (2,830)  |
|          | <b>Cash flows from financing activities</b>     |          |                |                 |          |
|          | Cash was disbursed to:                          |          |                |                 |          |
| (1,062)  | Payment of net surplus to Crown                 | (2,105)  | 0              | (2,105)         | 0        |
| (1,062)  | <b>Net cash flows from financing activities</b> | (2,105)  | 0              | (2,105)         | 0        |
| (650)    | Net increase/(decrease) in cash held            | (958)    | 0              | (221)           | 2,384    |
| 5,887    | Add opening cash brought forward                | 5,237    | 9,109          | 5,237           | 5,016    |
| 5,237    | Closing cash to carry forward                   | 4,279    | 9,109          | 5,016           | 7,400    |

Explanations of major variances against the original 2014/15 budget are provided in Note 17.

The notes to the accounts form part of and are to be read in conjunction with these financial statements.

## Statement of Commitments

As at 30 June 2015

| 2014   |   | 2015   |
|--------|---|--------|
| Actual |   | Actual |
| \$000  |   | \$000  |
|        | Non-cancellable operating lease commitments       |        |
| 678    | Less than one year                                | 539    |
| 526    | One to two years                                  | 0      |
| 0      | Two to five years                                 | 0      |
| 1,204  | Total non-cancellable operating lease commitments | 539    |

There are no capital commitments (2014: nil).

*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. The lessee's current intention is to surrender the fit-outs. This lease is non-cancellable. There are no escalation clauses on the office lease.

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. The Reserve Bank office lease has an expiry date of 14 April 2016. The car park lease has an expiry date of 14 April 2016. The car park lease is automatically renewed unless a notice to cancel is provided.

## Statement of Contingent Assets and Liabilities

As at 30 June 2015

As at 30 June 2015, there are no contingent assets (30 June 2014: nil).

As at 30 June 2015, there are no contingent liabilities (30 June 2014: nil).

As at 30 June 2015, there are no guarantees or indemnities given under the Public Finance Act 1989 in respect of the activities of the PCO (30 June 2014: nil).

The notes to the accounts form part of and are to be read in conjunction with these financial statements.

## Notes to the Financial Statements

For the year ended 30 June 2015

### Note 1 Statement of Accounting Policies

#### *Reporting entity*

The Parliamentary Counsel Office (the PCO) is a government department as defined by section 2 of the Public Finance Act 1989. For financial reporting purposes the PCO has defined itself as a Public Benefit Entity (PBE).

The financial statements of the PCO are for the year ended 30 June 2015, and were approved for issue by the Chief Parliamentary Counsel on 30 September 2015.

#### *Basis of preparation*

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

#### *Statement of compliance*

The financial statements of the PCO have been prepared pursuant to the Public Finance Act 1989, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP), and Treasury Instructions.

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards. The criteria for choosing to be a Tier 2 entity is the PCO's total expenditure being less than \$30 million per annum.

These financial statements comply with PBE accounting standards.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards.

#### *Presentation currency and rounding*

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand (\$000).

### Summary of significant accounting policies

#### *Revenue*

##### *Revenue Crown*

Revenue from the Crown is measured based on the PCO's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments

to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

There are no conditions attached to the funding from the Crown, however, the PCO can incur expenses only within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

### ***Capital charge***

The capital charge is recognised as an expense in the financial year in which it is incurred.

### ***Financial instruments***

Revenue and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Revenue and Expense. 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.

### ***Leases***

#### *Operating leases*

All the PCO's leases are operating leases. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

### ***Cash and cash equivalents***

The PCO is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

### ***Debtors and other receivables***

Short-term receivables are recorded at their face value, less any provision for impairment.

A receivable is considered impaired when there is evidence that the PCO will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

### ***Property, plant, and equipment (PPE)***

Property, plant, and equipment (PPE) consists of furniture, office equipment and leasehold property improvements. The initial cost of PPE 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. PPE is measured at cost less accumulated depreciation and impairment losses.

Individual assets, or group assets, are capitalised if their cost is greater than \$2,000 excl. GST.

#### *Additions*

The cost of an item of property, plant, and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the PCO and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated. The total cost of this work is transferred to the relevant asset category on its completion.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

#### *Disposals*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

#### *Subsequent costs*

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the PCO and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

#### *Depreciation*

Depreciation of property, plant, and equipment and amortisation of software costs begins when the asset is available for use. It is provided on a straight-line basis so as to allocate the cost of assets, less any estimated residual value, over their useful lives. These charges for each financial year are recognised in the surplus or deficit for that year.

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

|                                   |               |              |
|-----------------------------------|---------------|--------------|
| • Furniture                       | 3 to 10 years | 33.3% to 10% |
| • Office equipment                | 3 to 10 years | 33.3% to 10% |
| • Leasehold property improvements | 6 years       | 16.67%       |

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. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.



## **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.

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.

Staff training costs are recognised as an expense when incurred. Costs of software updates or upgrades are only capitalised when they increase the usefulness or value of the software.

### *Amortisation*

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       | 33.3%      |
| • Intangible assets | 5 to 10 years | 20% to 10% |

## **Impairment**

The PCO does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

### *Non-cash-generating assets*

Property, plant, and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the present value of the asset's remaining service potential. Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit in the year it occurs.

## **Creditors and other payables**

Short-term payables are recorded at their face value.

**Employee entitlements***Short-term employee entitlements*

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

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

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

*Long-term employee entitlements*

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

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

*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.

**Superannuation schemes***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.

**Provisions**

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for net deficits from future operating activities.

Provisions are measured at the present value of the expenditure and are discounted using market yields on government bonds at balance date with the terms to maturity that match, as closely as

possible, the estimated timing of the future cash flows. The increase in the provision due to the passage of time is recognised as an interest expense and is included in “finance costs”.

#### *Restructuring*

A provision for restructuring is recognised when an approved detailed formal plan for the restructuring has either been announced publicly to those affected, or for which implementation has already commenced.

#### ***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.

#### ***Commitments***

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at balance date. Information on non-cancellable capital and lease commitments is reported in the statement of commitments.

Cancellable capital commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are reported in the statement of commitments at the lower of the remaining contractual commitment and the value of those penalty or exit clauses (i.e. the minimum future payments).

#### ***Goods and services tax (GST)***

The financial statements are exclusive of GST, except for creditors and payables and debtors and receivables, which are GST inclusive. All other statements are GST exclusive. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

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

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

#### ***Income tax***

The PCO is a public authority and consequently is exempt from the payment of income tax in terms of the Income Tax Act 2007. Accordingly, no provision for income tax has been made.

#### ***Statement of cost accounting policies***

The PCO has derived the costs of outputs using a cost allocation system outlined below. Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activities/usage information.

*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.

There have been no changes in cost allocation policies since the date of the last audited financial statements.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are referred to below.

***Critical accounting estimates and assumptions***

In preparing these financial statements the PCO has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are referred to below.

*Useful lives of software*

The useful life of software is determined at the time the software is acquired and brought into use and is reviewed at each reporting date for appropriateness. For computer software licenses, the useful life represents management's view of the expected period over which the PCO will receive benefits from the software, but not exceeding the license term. For internally generated software developed by the PCO, the life is based on historical experience with similar systems as well as anticipation of future events, which may impact their useful life, such as changes in technology.

*Long service leave and retirement gratuities*

An analysis of the exposure in relation to estimates and uncertainties surrounding long service leave and retirement gratuities liabilities is disclosed in note 11.

### ***Budget and forecast figures***

The 2015 budget figures are for the year ended 30 June 2015 and were published in the 2013/14 annual report. They are consistent with the PCO's best estimate financial forecast information submitted to Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 2014/15.

The 2016 forecast figures are for the year ending 30 June 2016, which are consistent with the best estimate financial forecast information submitted to Treasury for the BEFU for the year ending 2015/16.

The forecast financial statements have been prepared as required by the PFA to communicate forecast financial information for accountability purposes.

The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

The 30 June 2016 forecast figures have been prepared in accordance with PBE FRS 42 Prospective Financial Statements and comply with PBE FRS 42.

The forecast financial statements were approved for issue by the Chief Parliamentary Counsel on 31 March 2015. The Chief Parliamentary Counsel is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

While the PCO regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2016 will not be published.

#### *Significant assumptions used in preparing the forecast financials*

The forecast financial figures contained in these financial statements reflect the PCO's purpose and activities and are based on a number of assumptions on what may occur during the 2015/16 year. The forecast figures have been compiled on the basis of existing government policies and Ministerial expectations at the time the Main Estimates were finalised.

These assumptions are adopted as at 29 January 2015.

The main assumptions are as follows:

- PCO activities will remain substantially the same as for the previous year. Our primary objective is the drafting of Government Bills and publishing legislation.
- Personnel costs are based on 85 staff positions (82.2 full time equivalents).
- Operating costs are based on historical experience. The general historical pattern is expected to continue.
- Estimated year end information for 2014/15 is used as the opening position for the 2015/16 forecasts.

The actual financial results achieved for 30 June 2016 are likely to vary from the forecast information presented, and the variations may be material.

**Note 2 Other revenue**

| 2014            |                            | 2015            |
|-----------------|----------------------------|-----------------|
| Actual<br>\$000 |                            | Actual<br>\$000 |
| 271             | Other departmental revenue | 371             |
| 7               | Other third party revenue  | 0               |
| 278             | <b>Total other revenue</b> | 371             |

**Note 3 Personnel costs**

| 2014            |   | 2015            | Unaudited                  |                   |
|-----------------|---|-----------------|----------------------------|-------------------|
|                 |   |                 | 2015                       | 2016              |
| Actual<br>\$000 |   | Actual<br>\$000 | Main<br>Estimates<br>\$000 | Forecast<br>\$000 |
| 8,874           | Salaries and wages                                    | 8,907           | 10,276                     | 10,444            |
| (63)            | Annual, retirement and long service and sick leave    | (87)            | 94                         | 4                 |
| 284             | Employer contributions to defined contribution plans* | 471             | 300                        | 262               |
| 63              | Restructuring costs                                   | 66              | 0                          | 0                 |
| 30              | Other   | 33              | 40                         | 39                |
| 9,188           | <b>Total personnel expenses</b>                       | 9,390           | 10,710                     | 10,749            |

\* Employer contributions to defined contribution plans include contributions to the State Sector Retirement Savings Scheme, KiwiSaver, and the Government Superannuation Fund.

**Note 4 Operating expenses**

| 2014            |  | 2015            | Unaudited                  |                   |
|-----------------|--|-----------------|----------------------------|-------------------|
|                 |  |                 | 2015                       | 2016              |
| Actual<br>\$000 |  | Actual<br>\$000 | Main<br>Estimates<br>\$000 | Forecast<br>\$000 |
| 256             | Consultancy  | 347             | 500                        | 180               |
| 35              | Audit fees to auditors for audit of the financial statements | 36              | 35                         | 35                |
| 725             | Operating lease rentals                                      | 725             | 730                        | 730               |
| 580             | Printing expenses  | 127             | 568                        | 568               |
| 1,290           | NZL system expenses  | 2,130           | 2,200                      | 2,200             |
| 1,040           | Computing expenses   | 1,014           | 718                        | 718               |
| 658             | Other operating expenses                                     | 982             | 1,242                      | 1,558             |
| 4,584           | <b>Total operating expenses</b>                              | 5,361           | 5,993                      | 5,989             |

## Note 5 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 2015 was 8% (2014: 8%).

## Note 6 Debtors and other receivables

| 2014            |  | 2015            |
|-----------------|--|-----------------|
| Actual<br>\$000 |  | Actual<br>\$000 |
| 6,972           | Debtor Crown                               | 9,115           |
| 15              | Debtors and other receivables              | 19              |
| 6,987           | <b>Total debtors and other receivables</b> | 9,134           |

The PCO had not 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 (2014: nil). Other than Debtor Crown all receivables are resultant from exchange transactions.

## Note 7 Property, plant, and equipment

|   | Furniture    | Computers      | Office<br>equipment | Leasehold<br>property<br>improvements | Total          |
|---|--------------|----------------|---------------------|---------------------------------------|----------------|
| <b>Cost or valuation</b>                              |              |                |                     |                                       |                |
| Balance at 1 July 2013                                | 412          | 2,269          | 223                 | 1,576                                 | 4,480          |
| Balance at 30 June 2014                               | 412          | 2,269          | 227                 | 1,576                                 | 4,484          |
| Balance at 1 July 2014                                | 412          | 2,269          | 227                 | 1,576                                 | 4,484          |
| Additions   | 0            | 11             | 9                   | 8                                     | 28             |
| Disposals   | 0            | (9)            | 0                   | 0                                     | (9)            |
| <b>Balance at 30 June 2015</b>                        | <b>412</b>   | <b>2,271</b>   | <b>236</b>          | <b>1,584</b>                          | <b>4,503</b>   |
| <b>Accumulated depreciation and impairment losses</b> |              |                |                     |                                       |                |
| Balance at 1 July 2013                                | (402)        | (2,143)        | (180)               | (1,495)                               | (4,220)        |
| Balance at 30 June 2014                               | (411)        | (2,228)        | (195)               | (1,525)                               | (4,359)        |
| Balance at 1 July 2014                                | (411)        | (2,228)        | (195)               | (1,525)                               | (4,359)        |
| Depreciation expense                                  | (1)          | (37)           | (17)                | (27)                                  | (82)           |
| Reversal of accumulated depreciation on disposal      | 0            | 9              | 0                   | 0                                     | 9              |
| Other movement  | 1            | 1              | 0                   | 0                                     | 2              |
| <b>Balance at 30 June 2015</b>                        | <b>(411)</b> | <b>(2,255)</b> | <b>(212)</b>        | <b>(1,552)</b>                        | <b>(4,430)</b> |
| <b>Carrying amounts</b>                               |              |                |                     |                                       |                |
| At 30 June 2013                                       | 10           | 126            | 43                  | 81                                    | 260            |
| At 30 June 2014                                       | 1            | 41             | 32                  | 51                                    | 125            |
| <b>At 30 June 2015</b>                                | <b>1</b>     | <b>16</b>      | <b>24</b>           | <b>32</b>                             | <b>73</b>      |

**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 8 Intangible assets**

|   | Acquired intangibles | Work in progress | Total           |
|---|----------------------|------------------|-----------------|
| <b>Cost or valuation</b>                              |                      |                  |                 |
| Balance at 1 July 2013                                | 21,414               | 1,789            | 23,203          |
| Balance at 30 June 2014                               | 23,307               | 618              | 23,925          |
| Balance at 1 July 2014                                | 23,307               | 618              | 23,925          |
| Additions   | 0                    | 493              | 493             |
| Transfers from WIP                                    | 1,064                | (1,064)          | 0               |
| <b>Balance at 30 June 2015</b>                        | <b>24,371</b>        | <b>47</b>        | <b>24,418</b>   |
| <b>Accumulated amortisation and impairment losses</b> |                      |                  |                 |
| Balance at 1 July 2013                                | (15,471)             | 0                | (15,471)        |
| Balance at 30 June 2014                               | (17,644)             | 0                | (17,644)        |
| Balance at 1 July 2014                                | (17,644)             | 0                | (17,644)        |
| Amortisation expense                                  | (2,081)              | 0                | (2,081)         |
| <b>Balance at 30 June 2015</b>                        | <b>(19,725)</b>      | <b>0</b>         | <b>(19,725)</b> |
| <b>Carrying amounts</b>                               |                      |                  |                 |
| At 30 June 2013                                       | 5,943                | 1,789            | 7,732           |
| At 30 June 2014                                       | 5,663                | 618              | 6,281           |
| At 30 June 2015                                       | 4,646                | 47               | 4,693           |

**Intangible assets—the NZL system**

The NZL system is the PCO's integrated drafting and publishing system for New Zealand legislation. There are no restrictions on title and no intangible assets pledged as security for liabilities.



**Note 9 Creditors and other payables**

| 2014            |   | 2015            | Unaudited     |                   |
|-----------------|---|-----------------|---------------|-------------------|
|                 |   |                 | 2015          | 2016              |
| Actual<br>\$000 |   | Actual<br>\$000 | Main<br>\$000 | Forecast<br>\$000 |
| 147             | Creditors                                 | 140             | 1,096         | 505               |
| 630             | Accrued expenses                          | 762             | 325           | 350               |
| 321             | GST payable (receivable)                  | 427             | 149           | 250               |
| 1,098           | <b>Total creditors and other payables</b> | <b>1,329</b>    | <b>1,570</b>  | <b>1,105</b>      |

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms; therefore the carrying values of creditors and other payables approximate their fair value. With the exception of GST payable all creditors are resultant from exchange transactions.

**Note 10 Return of operating surplus**

| 2014            |                                   | 2015            |
|-----------------|-----------------------------------|-----------------|
| Actual<br>\$000 |                                   | Actual<br>\$000 |
| 2,105           | Net surplus                       | 1,505           |
| 2,105           | <b>Total repayment of surplus</b> | <b>1,505</b>    |

The return of operating surplus to the Crown is required to be paid by 31 October 2015.

**Note 11 Employee entitlements**

| 2014            |                                    | 2015            | Unaudited                  |                   |
|-----------------|------------------------------------|-----------------|----------------------------|-------------------|
|                 |                                    |                 | 2015                       | 2016              |
| Actual<br>\$000 |                                    | Actual<br>\$000 | Main<br>Estimates<br>\$000 | Forecast<br>\$000 |
|                 | <b>Current liabilities</b>         |                 |                            |                   |
| 220             | Retirement and long service leave  | 142             | 266                        | 385               |
| 408             | Annual leave                       | 396             | 350                        | 350               |
| 7               | Sick leave                         | 8               | 10                         | 10                |
| 635             | <b>Total current portion</b>       | <b>546</b>      | <b>626</b>                 | <b>745</b>        |
|                 | <b>Non-current liabilities</b>     |                 |                            |                   |
| 41              | Retirement leave                   | 43              | 113                        | 50                |
| 41              | <b>Total non-current portion</b>   | <b>43</b>       | <b>113</b>                 | <b>50</b>         |
| 676             | <b>Total employee entitlements</b> | <b>589</b>      | <b>739</b>                 | <b>795</b>        |

**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 2015. The major long-term economic assumptions adopted in the valuation process for long service and retirement leave were:

- Salary increase rate: 2.0%–5.0% (30 June 2014: 3.0%–5.0%)
- Discount rate: 2.93%–4.39% (30 June 2014: 3.70%–5.50%).

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 PBE IPSAS 25.

**Note 12 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.

**Note 13 Operating leases**

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. The lessee's current intention is to surrender the fit-outs. 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 escalation clauses on the office lease.

The Reserve Bank office lease has an expiry date of 14 April 2016. The car park lease has an expiry date of 14 April 2016. The car park lease is automatically renewed unless a notice to cancel is provided.

**Note 14 Related party information****Significant transactions with government-related entities**

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

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the PCO would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related

party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

The PCO has received some support services from Parliamentary Service as part of a Service Level Agreement, for the year ended 30 June 2015.

### **Key management personnel**

| 2014            |                            | 2015            |
|-----------------|----------------------------|-----------------|
| Actual<br>\$000 |                            | Actual<br>\$000 |
| 1,008           | Remuneration               | 1,029           |
| 4               | Full time equivalent staff | 4               |

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

Remuneration includes salaries and other employee benefits. Key management personnel include the Chief Parliamentary Counsel and three other members of the Senior Management Team.

The above key management personnel disclosure excludes the Minister. The Minister's remuneration and other benefits are not received only for his role as a member of key management personnel of the PCO. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority, and not paid by the PCO.

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 15 Events after balance date**

The PCO does not have any post balance date events for 2014/15 (2013/14: nil).

### **Note 16 Financial instruments**

The carrying amount of financial assets and liabilities in each financial instrument categories are as follows:

| 2014            |                             | 2015            |
|-----------------|-----------------------------|-----------------|
| Actual<br>\$000 |                             | Actual<br>\$000 |
|                 | Loans and receivables       |                 |
| 5,237           | Bank balances               | 4,279           |
| 6,972           | Debtor—Crown                | 9,115           |
| 12,209          | Total loans and receivables | 13,394          |

**Note 17 Major budget variances—Actuals against Main Estimates*****Statement of Comprehensive Revenue and Expense***

A net surplus of \$1.505 million (2014: \$2.105 million) was recorded. This was owing to a number of factors.

Significant factors are stated below.

Revenue Crown was \$1.250 million lower than budgeted as that amount was returned to the Crown as savings in the 2015 March Baseline Update.

Other Revenue was \$0.271 million higher than budgeted due to three PCO staff being on secondment to other agencies, whereas at the time the 2014/15 budget was set, it was not anticipated there would be any secondments. In addition, the PCO budgeted for reimbursement of 9 months of costs from the New Zealand Aid Programme, managed by the Ministry of Foreign Affairs and Trade (MFAT), but the agreement with MFAT was subsequently extended from 31 March 2015 to 30 June 2016 resulting in increased revenue in the 2014/15 year.

Personnel-related expenses were \$1.320 million lower than budgeted as a result of lower than anticipated remuneration review costs being applied and staffing levels being lower than expected in the 2014/15 year.

Operating expenses were \$0.632 million lower than budgeted mainly due to a significant reduction in printing costs.

Depreciation and amortisation expenses were \$0.532 million lower than budgeted due to a reduction in the work programme for the New Zealand Legislation system. Computer assets were not replaced as originally expected, and there was a delay in undertaking a significant refit of the PCO's premises.

**Note 18 Adjustments on transition to the new PBE accounting standards**

The PCO has made no changes to its comparative year financial statements for the year ended 30 June 2014 due to reclassification adjustments and adjustments arising from transition to the new PBE accounting standards.

## Statements of Expenses and Capital Expenditure<sup>1</sup>

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by the PCO for the year ended 30 June 2015.

### Statement of Actual Expenses and Capital Expenditure Against Appropriations

For the year ended 30 June 2015

| 2014   |   | 2015   | 2015      | Location of |
|--------|---|--------|-----------|-------------|
| Actual |   | Actual | Main      | end-of-year |
| \$000  |   | \$000  | Estimates | Performance |
|        |   |        | \$000     | Information |
|        | VOTE: PARLIAMENTARY COUNSEL   |        |           |             |
|        | <i>Departmental Output Expenses</i>                                       |        |           |             |
|        | Drafting and Access to Legislation—Multi<br>Category Appropriation (MCA): |        |           |             |
| 9,422  | Law Drafting Services   | 10,210 | 10,674    | *           |
| 7,869  | Access to Legislation   | 7,911  | 9,931     | *           |
| 17,291 | Total MCA for output expenses   | 18,121 | 20,605    |             |
|        | <i>Departmental capital expenditure</i>                                   |        |           |             |
| 726    | Parliamentary Counsel Office—Capital<br>Permanent Legislative Authority   | 521    | 2,830     | *           |
| 726    | Total capital appropriations  | 521    | 2,830     |             |

\* End-of-year performance information is located in this Annual Report.

### Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or Other Authority

For the year ended 30 June 2015

There were no expenses or capital expenditure incurred in excess of appropriation, without appropriation or outside the scope or period of appropriation (2014: nil).

### Statement of Departmental Capital Injections Without, or in Excess of, Authority

For the year ended 30 June 2015

There were no capital injections during the year without, or in excess of, authority (2014: nil).

<sup>1</sup> The changes from the Public Finance Amendment Act 2013 mean that the statements of expenses and capital expenditure as required by section 45(2)(d) of the PFA are no longer legally part of the “financial statements”.

## Statement of Performance

For the year ended 30 June 2015

The PCO agreed to provide outputs in 2014/15 to meet the requirements of the Attorney-General in terms of their nature, outcome emphasis, quality and quantity specifications, and cost.

### Category—Law Drafting Services

#### *Description*

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

- drafting of legislation
- examining and reporting on local and private Bills and drafting amendments to them
- providing advice on the drafting of legislation and on disallowable instruments that are not drafted by the PCO
- providing legislative drafting assistance to Pacific Island nations
- undertaking three-yearly programmes of statute law revision
- administering the Legislation Act 2012 and any other legislation PCO is responsible for.

#### *Objective*

The objective that the PCO seeks to achieve is to contribute to parliamentary democracy under the rule of law by supporting Parliament and the executive in their law-making roles and contributing to the Government's objectives by ensuring that:

- legislation that is necessary to change the law to implement Government policies is effective, clear, consistent with other legislation, the general law, and international law.

#### *Quantity*

This category is demand driven. It is accordingly difficult to estimate accurately the number of Government Bills and Legislative Instruments that will be drafted in any year, or the extent of the amendments required to Bills before the House.

| Measure   | For the calendar year |        |        |        |
|---|-----------------------|--------|--------|--------|
|   | 2014                  |        | 2013   | 2012   |
|   | 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 | 100%                  | 100%   | 100%   | 100%   |
| number of Government Bills drafted, and amendments to same number drafted during their passage through the House <sup>1</sup>                     | 50–70                 | 33     | 62     | 51     |
| number of Legislative Instruments drafted <sup>1</sup>  | 300–400               | 402    | 499    | 414    |

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

### Quality

The quality standards for the Attorney-General are that:

- Bills and Legislative Instruments are legally effective, clear, consistent with other legislation, the general law, and international law
- Bills and Legislative Instruments 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
- in regard to the three-yearly revision programme, all certified revision Bills and their accompanying certificates have been provided to the Attorney-General in accordance with section 33 of the Legislation Act 2012.

The quality standards for instructing departments and agencies are that:

- the legislation produced is drafted as clearly and simply as possible
- 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
- in regard to the three-yearly revision programme, the legislation produced is drafted as clearly and simply as possible and the legislation produced is legally effective.

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 standards for peer reviewing are that:

- Bills drafted by the PCO are reviewed for their legal effectiveness, workability, compliance, structure, and readability. These Bills are reviewed once prior to introduction and a second review takes place before committee stages
- Legislative Instruments drafted by the PCO are reviewed once before being submitted to Cabinet for their legal effectiveness, workability, compliance, structure, and readability.

The quality standards for proofreading legislation are that:

- Bills drafted by the PCO are read in full at least twice by Legislation Services to detect errors before introduction
- before Legislative Instruments drafted by the PCO are made, they are read in full at least once by Legislation Services to detect errors.

|   | For the year ended 30 June                         |                                       |                                       |
|---|--|---------------------------------------|---------------------------------------|
|   | 2015   | 2014                                  | 2013                                  |
| Measure   | Actual   | Actual                                | Actual                                |
| whether the Attorney-General is satisfied that the quality standard has been achieved   | the A-G was satisfied <sup>1</sup>                 | the A-G was satisfied                 | the A-G was satisfied                 |
| the proportion of instructing departments and agencies we survey that rate the quality standard as four or better on a scale of one to five (target: 90%) | 97% satisfaction<br>58% response rate <sup>1</sup> | 98% satisfaction<br>51% response rate | 93% satisfaction<br>53% 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                   | select committees were satisfied      | select committees were satisfied      |



| Measure  | For the year ended 30 June                |   |   |
|--|---|---|---|
|  | 2015                                      | 2014                                      | 2013                                      |
|  | Actual                                    | Actual                                    | Actual                                    |
| 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 | Pacific Island instructors were satisfied | Pacific Island instructors were satisfied |
| whether Bills drafted by PCO are reviewed once prior to introduction and again before committee stages for their legal effectiveness, workability, compliance, structure, and readability (target: 80%) <sup>2</sup> | 91% <sup>3</sup>                          | 83%                                       | 77%                                       |
| whether Legislative Instruments drafted by PCO are reviewed once before being submitted to Cabinet for their legal effectiveness, workability, compliance, structure, and readability (target: 80%) <sup>2</sup>     | 98%                                       | 95%                                       | 91%                                       |
| whether Bills drafted by the PCO are read in full at least twice by Legislation Services to detect errors before introduction (target: 97%) <sup>4</sup>   | 83% <sup>5</sup>                          | 78%                                       | 75%                                       |
| whether secondary legislation drafted by the PCO is read in full at least once by Legislation Services to detect errors before it is made (target: 97%) <sup>4</sup>   | 100%                                      | 100%                                      | 99%                                       |

<sup>1</sup> The statute revision quality standard is not applicable for the 2014/15 year as the only revision Bill currently being drafted has yet to be introduced into Parliament.

<sup>2</sup> The performance measures and standards for peer reviewing exclude Bills drafted by the Pacific Island desk and local, private, and Members' Bills.

There are also some instances when peer review of Legislative Instruments is not required. These include:

- single date commencement orders (if not revoking a commencement order and replacing it with a new commencement order)
- levies and fees if the change relates to figures only
- Ministerial notices that are pro forma (no choice regarding wording)
- class notices.

<sup>3</sup> For 2014/15, the peer review quality standards for Bills were reviewed and adjusted from two reviews before introduction to one review prior to introduction and a second review before committee stages. This change is intended to improve the quality of draft legislation as reviews will take place at two different stages in the legislative process.

<sup>4</sup> The performance measures and standards for proofreading exclude Bills drafted by the Pacific Island desk.

<sup>5</sup> Two Bills that did not meet the standard were Imprest Supply Bills which are proofread in full only once before introduction as they comprise a standard template format and the contents of that template are thoroughly checked before introduction. The quality standard for this measure has been amended for the 2015/16 year to exclude all Appropriation and Imprest Supply Bills.

### Timeliness

The timeliness standards for the Attorney-General are that:

- Bills, Legislative Instruments, and SOPs are drafted in accordance with time frames set by, or agreed with, the Government, select committees, instructing departments and agencies
- legislation, as outlined in the agreed three-yearly revision programme, is drafted within agreed time frames.

The timeliness standard for instructing departments and agencies is that:

- drafts of legislation, including legislation as outlined in the agreed three-yearly revision programme, 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:

- Legislation is provided to Pacific Island instructors in accordance with agreed deadlines.

| Measure   | For the year ended 30 June                         |   |   |
|---|--|---|---|
|   | 2015   | 2014                                      | 2013                                      |
|   | Actual   | Actual                                    | Actual                                    |
| whether the Attorney-General is satisfied that the timeliness standards have been achieved  | the A-G was satisfied <sup>1</sup>                 | the A-G was satisfied                     | the A-G was satisfied                     |
| the proportion of instructing departments and agencies we survey that rate the timeliness standard as four or better on a scale of one to five (target: 90%)                | 99% satisfaction<br>58% response rate <sup>1</sup> | 96% satisfaction<br>51% response rate     | 93% satisfaction<br>53% 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                   | select committees were satisfied          | 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          | Pacific Island instructors were satisfied | Pacific Island instructors were satisfied |

<sup>1</sup> The statute revision timeliness standard is not applicable for the 2014/15 year as the only revision Bill currently being drafted has yet to be introduced into Parliament.

| Financial performance                  | Actual | Approved appropriation |
|--|--------|------------------------|
| (Figures are \$000s and GST exclusive) | 2015   | 2015                   |
| Total expenditure                      | 10,210 | 10,674                 |

## Category—Access to Legislation

### Description

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

- providing free public access to legislation via the NZL website at [www.legislation.govt.nz](http://www.legislation.govt.nz)
- supplying Government Bills and Supplementary Order Papers
- publishing and distributing legislation
- reprinting legislation with the amendments incorporated
- ensuring that the drafting system is available to the Office of the Clerk and Inland Revenue Department drafting staff.

### Objective

The objective that the PCO seeks to achieve is to contribute to parliamentary democracy under the rule of law by supporting Parliament and the executive in their law-making roles and contributing to the Government's objectives by ensuring that:

- draft and enacted legislation is accessible to the public and that copies of Bills and SOPs are provided to the House
- legislation is published authoritatively and with official status when enacted.

### Quantity

This category is substantially demand driven. It is accordingly difficult to estimate accurately the number of Bills, SOPs, Acts, and Legislative Instruments 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 calendar year |        |        |        |
|---|-----------------------|--------|--------|--------|
|   | 2014                  | 2013   | 2012   |        |
|   | Standard              | Actual | Actual | Actual |
| number of Government Bills supplied to the House and published <sup>1</sup> | 50–70                 | 33     | 62     | 50     |
| number of SOPs supplied to the House and published <sup>1</sup>             | 70–100                | 46     | 90     | 168    |
| number of Acts of Parliament published <sup>1</sup>                         | 80–120                | 78     | 153    | 130    |
| number of Legislative Instruments published <sup>1</sup>                    | 300–400               | 402    | 499    | 425    |

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

| Measure  | For the year ended 30 June |                |                |                |
|--|----------------------------|----------------|----------------|----------------|
|  | Standard                   | 2015<br>Actual | 2014<br>Actual | 2013<br>Actual |
| free public access to the NZL website is available   | 99%                        | 99%            | 99%            | 99%            |
| availability of the drafting system for PCO, Office of the Clerk, and Inland Revenue Department drafting staff | 92%                        | 99%            | 99%            | 99%            |

### Quality

The quality standards for the Attorney-General are that:

- the electronic database of Acts (both as enacted and with their amendments incorporated), Legislative Instruments (both as made and with their amendments incorporated), Bills, and SOPs is up to date
- Bills, SOPs, Acts of Parliament, and Legislative Instruments are published to the standard required by parliament.

| Measure   | For the year ended 30 June |                       |                       |
|---|----------------------------|-----------------------|-----------------------|
|   | 2015<br>Actual             | 2014<br>Actual        | 2013<br>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 |

### Timeliness

| Measure  | For the year ended 30 June  |                      |                      |                |
|--|---|----------------------|----------------------|----------------|
|  | 2015<br>Standard  | 2015<br>Actual       | 2014<br>Actual       | 2013<br>Actual |
| the time taken to make legislation (including Bills and SOPs) available on the NZL website (100% target) | new Government Bills: within 1 working day after introduction   | met                  | met                  | met            |
|  | subsequent versions of Bills: within 1 working day after the printed version is made available to the House | met                  | met                  | met            |
|  | SOPs: within 1 working day after they have been circulated to Members of Parliament                         | not met <sup>1</sup> | not met <sup>2</sup> | met            |

| Measure  | For the year ended 30 June  |                  |                      |                  |
|--|---|------------------|----------------------|------------------|
|  | 2015  |                  | 2014                 | 2013             |
|  | Standard  | Actual           | Actual               | Actual           |
|  | Acts: within 5 working days of assent   | met              | not met <sup>3</sup> | met              |
|  | Legislative Instruments: within 1 working day of the date they are notified in the <i>New Zealand Gazette</i> | met              | met                  | met              |
| the time taken to make legislation (including Bills and SOPs) available for sale at designated bookshops and by subscription (100% target) | Government Bills and SOPs: within 5 working days of introduction or release                                   | met              | met                  | met              |
|  | Acts: within 10 working days of assent  | met              | met                  | met              |
|  | Legislative Instruments: within 5 working days of being made  | met              | met                  | met              |
| amendments are incorporated within 15 working days of the date of effect of the amendment  | 100%  | 99% <sup>4</sup> | 70% <sup>5</sup>     | 91% <sup>6</sup> |
| the time taken to respond to public enquiries  | 90% within 1 working day of receipt   | 98%              | 97%                  | 96%              |
|  | all public enquiries are responded to within 5 working days of receipt  | 100%             | 100%                 | 100%             |

<sup>1</sup> One of 37 SOPs was not published to the NZL website within 1 working day.

<sup>2</sup> 99.5% of SOPs were published on the NZL website within the 1 working day standard. One SOP was published later than the standard due to a process error, which has since been rectified.

<sup>3</sup> 99% of Acts were published on the NZL website within the 5 working days standard. Two Acts were published later than the standard due to a process error, which has since been rectified.

<sup>4</sup> The 1 July 2014 compilation of the Income Tax Act 2007 was completed later than the 15 working days, due to a large compilation on 30 June 2014 for the same Act.

<sup>5</sup> The budgeted standard was not achieved due to a large number of compilations that commenced on specific dates (742 on 1 July 2013 and 160 on 5 August 2013).

<sup>6</sup> The 94 compilations from the Search and Surveillance Act 2012 were completed later than the 15 working day standard due to a process error, which has since been rectified.

| Financial performance                  | Actual | Approved appropriation |
|--|--------|------------------------|
| (Figures are \$000s and GST exclusive) | 2015   | 2015                   |
| Total expenditure                      | 7,911  | 8,681                  |

## Independent Auditor's Report

### To the readers of the Parliamentary Counsel Office's annual report for the year ended 30 June 2015

The Auditor-General is the auditor of 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 on her behalf of:

- the financial statements of the PCO on pages 23 to 42, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2015, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the PCO for the year ended 30 June 2015 on pages 44 to 51 and 7 to 16; and
- the statements of expenses and capital expenditure of the PCO for the year ended 30 June 2015 on page 43.

#### *Opinion*

In our opinion:

- the financial statements of the PCO:
  - present fairly, in all material respects:
    - ~ its financial position as at 30 June 2015; and
    - ~ its financial performance and cash flows for the year ended on that date;
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards with reduced disclosure requirements.
- the performance information of the PCO:
  - presents fairly, in all material respects, for the year ended 30 June 2015:
    - ~ what has been achieved with the appropriation; and
    - ~ the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure;
  - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the PCO on page 43 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

Our audit was completed on 30 September 2015. 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 information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the information we audited. 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 information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the PCO's preparation of the information we audited in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 appropriateness of the reported performance information within the PCO's framework for reporting performance;
- the adequacy of the disclosures in the information we audited; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited. Also, we did not evaluate the security and controls over the electronic publication of the information we audited.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

***Responsibilities of the Chief Parliamentary Counsel***

The Chief Parliamentary Counsel is responsible for preparing:

- financial statements that present fairly the PCO's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand;
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand; and
- statements of expenses and capital expenditure of the PCO, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.

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

The Chief Parliamentary Counsel is responsible for such internal control as is determined is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Chief Parliamentary Counsel's is also responsible for the publication of the annual report, whether in printed or electronic form.

***Responsibilities of the Auditor***

We are responsible for expressing an independent opinion on the information we are required to audit, and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

***Independence***

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



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



# APPENDICES

## Legislative Framework

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The PCO is constituted as a separate statutory office by the Legislation Act 2012 (the 2012 Act). The PCO is under the control of the Attorney-General or, if there is no Attorney-General, the Prime Minister.

Under the 2012 Act, the functions of the PCO are to:

- draft Government Bills and Legislative Instruments
- publish Bills, Acts, Legislative Instruments, and reprints of legislation in electronic and printed forms
- prepare reprints of Acts and Legislative Instruments
- prepare Bills to revise Acts in accordance with the current revision programme
- advise departments and agencies on the drafting of disallowable instruments that are not drafted by the PCO
- examine local and private Bills, and Members' Bills that the Attorney-General directs to be examined
- advise on and assist with the drafting of all local and private Bills, and draft Members' Bills on the Attorney-General's direction.

The Legislation Amendment Bill has been introduced but is yet to have its first reading.

The policy objectives of this Bill are to:

- improve the accessibility of the law by re-enacting the Interpretation Act 1999 in the Legislation Act 2012, so the main provisions of New Zealand legislation that are concerned with parliamentary enactments can be found in one statute
- improve the interpretation rules from the Interpretation Act 1999 for the courts and the public by addressing (through some small fine-tuning amendments) a few technical issues identified since 1999
- further encourage the production of good legislation by increasing the availability of information about the development and content of new Government-initiated legislation in order to inform the parliamentary and public scrutiny of that legislation
- clarify and update the Legislation Act 2012 by making some small related and other amendments; in particular, to take into account the publication of disclosure statements and the legal status of official electronic versions of legislation available online free of charge.

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

The PCO is not part of the core 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 subject to certain provisions of the State Sector Act 1988, including those that relate to the setting and enforcement of minimum standards of integrity and conduct.

## Governance Arrangements and Structure in the PCO

The Chief Parliamentary Counsel is appointed under the Legislation Act 2012 by the Governor-General on the recommendation of the Prime Minister. All other staff are employed by the Chief Parliamentary Counsel.

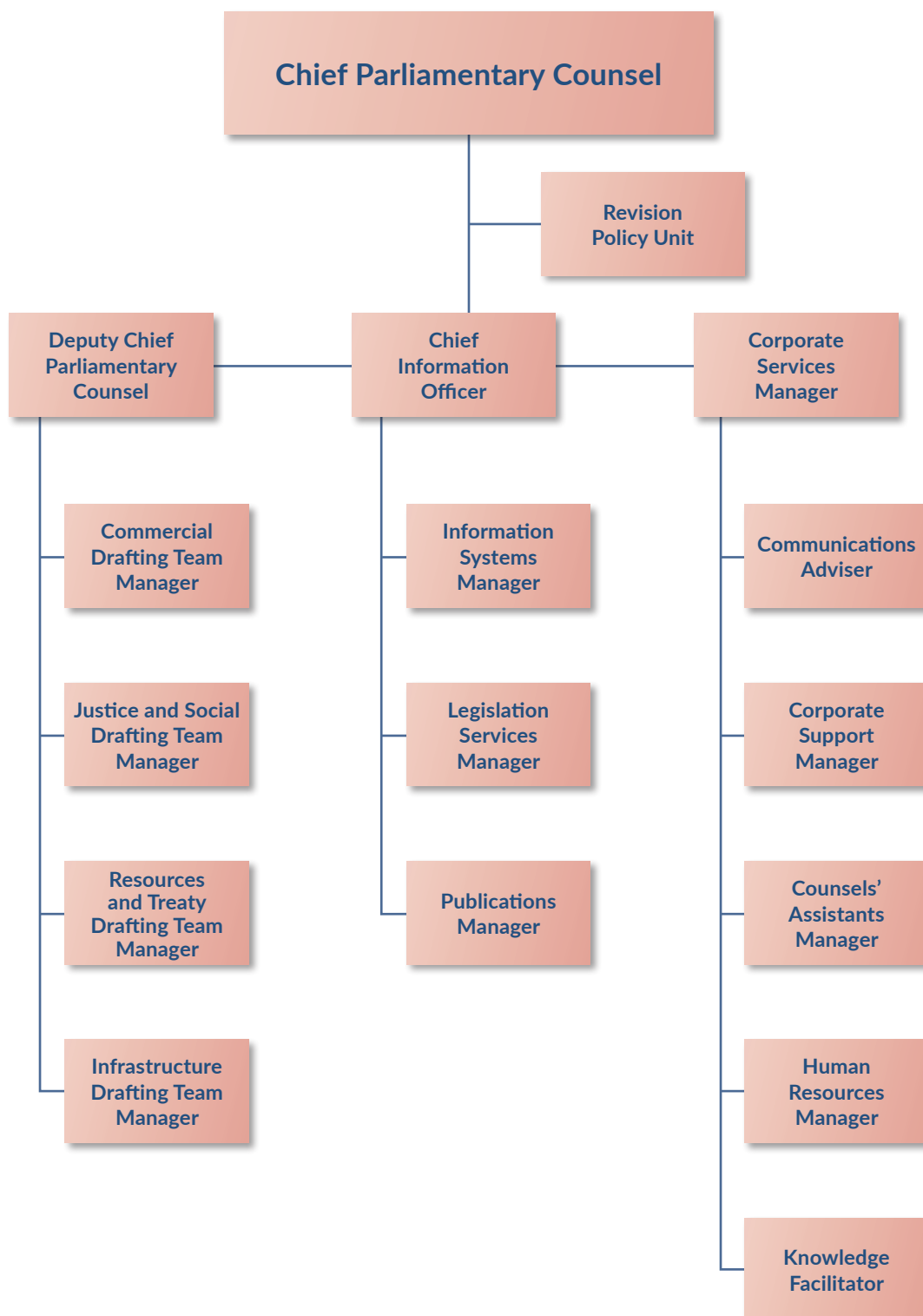
The Minister responsible for the PCO is the Attorney-General. Under the Output Plan agreed each year by the Attorney-General and the Chief Parliamentary Counsel, the PCO is required to report six-monthly to the Attorney-General. The Chief Parliamentary Counsel is responsible to the Attorney-General for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

The organisational structure of the PCO is shown opposite.

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 legislation 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
- works closely with the offices of the Leader of the House and Deputy Leader of House in assisting with the progress of Government legislation through the House of Representatives
- fulfils its obligation to publish hard-copy New Zealand legislation through a contract with 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 her behalf
- manages a number of contracts with suppliers under the all-of-Government contracts relating to syndicated procurement of infrastructure-as-a-service.

## Organisational structure



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