



2017 Annual Report

Report of the
Parliamentary Counsel Office
Te Tari Tohutohu Pāremata
for the year ended 30 June 2017

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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 2017.

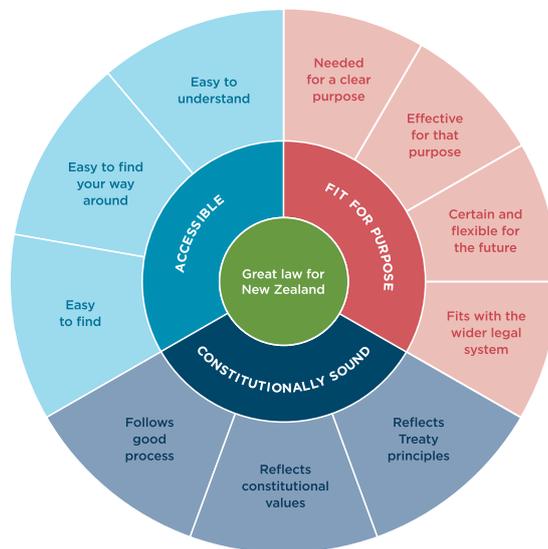
A handwritten signature in blue ink, appearing to read 'Fiona Leonard', is positioned above the typed name.

Fiona Leonard
Chief Parliamentary Counsel
28 September 2017

CHIEF PARLIAMENTARY COUNSEL'S OVERVIEW

This is the Annual Report of the Parliamentary Counsel Office (PCO) for the 2016/17 year. In preparing the report, the PCO has followed the guidance provided by the Treasury.¹ This report, together with the PCO's Strategic Intentions² and Information Supporting the Estimates,³ form the components of the Managing for Outcomes framework.

The PCO is a non-Public Service department dedicated to drafting and publishing legislation. The PCO has recently revised its vision and mission. The new vision of the PCO is to make great law for New Zealand by working with others to produce legislation that is fit for purpose, constitutionally sound, and accessible to all users. Legislation is fit for purpose if it is needed for a clear purpose and is effective for that purpose, is certain and flexible for the future, and fits within the wider legal system. Secondly, legislation is constitutionally sound if it reflects Treaty of Waitangi principles, reflects constitutional values, and follows good process. Thirdly, legislation is accessible if it is easy to find and find your way around and is easy to understand.



The PCO's multi category appropriation consists of two distinct but complementary outputs—Law Drafting Services and Access to Legislation—that deliver different parts of the same service to the Government and Parliament and the wider New Zealand public.

In the Law Drafting Services area, the latest areas of emphasis have been on drafting a new Legislation Bill, developing processes and resources to support the Legislation Design and Advisory Committee, developing a plain language standard and checklist, providing ongoing legislative drafting assistance to Pacific Island nations, and delivering Treaty settlement Bills.

In the Access to Legislation area, the major area of focus has been the Access to Secondary Legislation Project.

¹ *Year End Reporting: Departmental Annual Reports and Reporting Against Appropriations (June 2017)* www.treasury.govt.nz/publications/guidance/reporting/yearend.

² *Strategic Intentions Parliamentary Counsel Office for the period 1 July 2015 to 30 June 2019* www.pco.govt.nz/si2015/.

³ *Justice Sector—Information Supporting the Estimates 2016/17* www.treasury.govt.nz/budget/2017/estimates/v7.

Highlights of 2016/17

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.

- The PCO drafted 50 Government Bills and 310 Legislative Instruments in the 2016 calendar year.
- The Legislation Bill (incorporating the Interpretation Act 1999 and replacing the Legislation Act 2012 with changes to implement the Access to Secondary Legislation Project) was introduced.
- The first revision Bill, the Contract and Commercial Law Bill, was enacted in March 2017.
- A new five-year Memorandum of Understanding was agreed to by the PCO and the Ministry of Foreign Affairs and Trade to provide legislative drafting assistance, training, and mentoring to officials in the Pacific Islands responsible for the drafting of legislation.
- Work started or was in progress for 25 Treaty settlement Bills.
- Significant progress was made with the Access to Secondary Legislation Project.
- Public use of the New Zealand Legislation (NZL) website (www.legislation.govt.nz) as a source of New Zealand's legislation has continued to grow.

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.

Core work

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 calendar year
2	Bills that must be passed in the calendar year
3	Bills to be passed if possible in the calendar year
4	Bills to be passed under extended sitting hours
5	Bills to proceed to a select committee in the calendar year
6	Bills for which instructions are to be provided to the PCO in the calendar year

The PCO drafted 50 Government Bills in the 2016 calendar year.

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.

Drafting of Legislative Instruments

In the 2016 calendar year, 310 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.

Other significant initiatives

Legislative stewardship

In the year under review, the PCO progressed its work on legislative stewardship. This work arose from two challenges: one, posed by the Performance Improvement Framework (PIF) reviewers, that the PCO become the steward of the statute book; and more generally, as a response to the obligations placed on chief executives by the State Sector Act 1988 to exercise legislative stewardship over the legislation administered by their departments.

The PCO has undertaken a systems approach to legislative stewardship. It recognises that while it has a leadership role in legislative stewardship, other participants in the legislative system also have crucial roles to play, and it must work collectively with the other participants to ensure that the legislation that is made is of a high standard. For the PCO, laws are in a good state when they are fit for purpose, constitutionally sound, and accessible to all current and future users. The PCO will work with the other participants to achieve a mutual understanding of what this means and how it can be achieved.

The Access to Secondary Legislation Project (detailed on page 18) and the plain language initiative are two of the ways the PCO plans to fulfil its stewardship role. The Legislation Bill currently before the House also reflects the stewardship function.

Legislation Bill

In the 2016/17 year, the Attorney-General introduced a new Legislation Bill (which rewrites and will replace the Legislation Act 2012) so as to:

- make the legal changes needed to implement the Access to Secondary Legislation Project
- update and incorporate the Interpretation Act 1999, which is currently administered by the Ministry of Justice; under the Bill, responsibility for administering these provisions will transfer to the PCO
- make other reforms relating to the production of high-quality legislation that is easy to find, use, and understand.

The policy objectives of this Bill are to:

- enable easy access to legislation in New Zealand for individuals and businesses, and improve the overview and enforcement of regulatory regimes, by expanding the content of the NZL website to include all secondary legislation, whether made by central Government or other government agencies (other than secondary legislation made by local authorities)
- improve the accessibility of the law by incorporating the Interpretation Act 1999 into the Legislation Bill so the main provisions of New Zealand legislation that are concerned with Acts and secondary legislation 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 small number of technical and operational 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, update, and recast some of the provisions in the Legislation Act 2012 that are being carried forward by making some small related and other amendments, in particular, to:
 - recast the PCO’s purpose and functions, and reinforce the PCO’s stewardship over all legislation
 - align the PCO’s secondment practices with those of the wider public sector
 - improve the revision programme powers and procedure
 - update the standard provisions for the incorporation of material by reference to make them more flexible and technology-neutral.

Revision Bill programme

The PCO’s statutory functions include revising the Acts on each current revision programme to make them more accessible (as required under Part 2 of the Legislation Act 2012).

The Attorney-General is responsible for preparing, and consulting publicly on, a three-yearly statute revision programme for each new Parliament. The PCO prepares and manages the programme for the Attorney-General, providing administrative support in addition to drafting revision Bills.

During the reporting period, the Contract and Commercial Law Bill was enacted, which is the first of seven revision Bills on the 2015 to 2017 revision programme. This Bill revises and consolidates 12 contract and commercial statutes but does not make any substantive changes to the law.

The PCO is currently preparing the next revision Bill (the Partnerships Bill) and intends to release an exposure draft for consultation. The PCO is also working on a new draft revision programme to propose for the next parliamentary term.

Legislation Design and Advisory Committee

The PCO continues to provide secretarial support for the Legislation Design and Advisory Committee (LDAC) (www.ldac.org.nz) (established in mid-2015). The LDAC meets every three weeks, alternating between meeting with officials to review legislative proposals and meeting to discuss cross-cutting developments and design issues it sees across New Zealand's legislation. Subcommittees of two to three members are delegated to work closely with officials and Parliamentary Counsel on legislative proposals. LDAC has reviewed 23 legislative proposals with departments in the reporting year, and has delegated subcommittees to provide further assistance and advice on 20 of those. It has advised on a wide range of issues relating to the LAC Guidelines (2014 edition) and its mandate of promoting good quality legislation, including the allocation of provisions between primary and delegated legislation, access to law, the interaction of proposed legislation with existing law, and the design of new statutory powers.

LDAC is currently updating the LAC Guidelines (2014 edition) and is preparing supplementary material to assist officials working through issues in the Guidelines. The updated Guidelines are expected to be ready for Cabinet approval early in the new parliamentary term. The supplementary material will support the Guidelines with relevant case law, academic discussion, external resources, examples, and frameworks to assist officials working through principles in the Guidelines. The PCO has engaged a fixed term contractor to assist with the supplementary material.

LDAC also provides seminars/workshops on aspects of the LAC Guidelines (2014 edition) and its role. Seminars in 2016/17 have related to Bill of Rights vetting, Henry VIII provisions, LDAC's role and processes, preparing legislation bids, and designing statutory obligations to consult.

The LDAC External Subcommittee reviews Bills after introduction that have not been reviewed by the main LDAC. Its membership is drawn from the private sector and is appointed by the Attorney-General. In the reporting year the External Subcommittee made submissions to select committees on ten Bills and one submission on an exposure draft Bill.

The PCO is reviewing LDAC's operation over its first two years and will report to Cabinet early in the 2017/18 year.

Plain language initiative

The PCO has reviewed the use of plain language in drafting and in all its other communications. It has developed a plain language standard and checklist, and is embarking on a strategy to reinvigorate a plain language culture at PCO generally. The PCO's goals are to make New Zealand's legislation more accessible to all (especially online), improve the legal effectiveness of that legislation, and make plain language the standard for how the whole office communicates. The PCO is taking further steps to implement its strategy through resources, training, and its quality assurance processes.

As part of its stewardship focus, the PCO has made the new plain language standard available to other agencies that draft secondary legislation and has also provided some training. The standard is available to the public online.

Dual language drafting

In the previous year (in April 2016), Te Ture mō Te Reo Māori 2016/the Māori Language Act 2016 was enacted in both Māori and English. This is the first Act to give effect to substantive Government administrative policy in both Māori and English.

Since enactment, the PCO has reviewed the drafting, publication, and parliamentary processes used in producing this dual language legislation, together with the Office of the Clerk and Te Puni Kōkiri. Our preliminary conclusions include that it is important, at this stage, that dual language legislation be prepared pre-introduction (to give sufficient time and to allow full scrutiny of both versions by Parliament and the public) and that drafters and translators should work together collaboratively and early in the process to promote quality legislation.

The PCO has embarked on a strategy to increase PCO's capacity to undertake dual language legislation (working with other key partners) and to develop good supporting processes to enable consistent and accessible dual language legislation.

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 Deputy Chief Parliamentary Counsel (Drafting) 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 drafting. Standard clauses for matters common to most Treaty settlement legislation continue to be effective in progressing these Bills in a timely manner. The PCO confers with the responsible Minister and the Leader of the House over using extended sittings in the House to make progress on these Bills.

Increasing standardisation of drafting

Over the period under review, the PCO has been scoping a programme of work for increasing the standardisation of drafting practices. This would include developing more standard clauses for other legislation (similar to those used in Treaty Bills) and supporting guidance for both drafters and agencies instructing the PCO. Greater consistency in drafting will reduce complexity in New Zealand's legislation and make legislation easier to find, understand, and apply. The PCO also expects that it will foster a more systematic approach to resolving legislative issues and build on knowledge across regulatory systems. This will improve legislation's fitness for purpose.

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. In addition, the PCO gave a joint seminar with the Office of the Clerk for new instructors three times over the reporting period, attended in total by 225 people.

Parliamentary Counsel provide advice to departments:

- during policy development to assist with legislative design
- in the pre-instruction phase
- during the drafting phase
- at other times when required.

The PCO has continued to contribute to the development of the Government Legal Network (GLN). During the reporting year, it has employed two GLN graduate lawyer trainees, each for six months, and two GLN summer clerks. The PCO is continuing its commitment to the next GLN graduate programme, expecting to employ three further GLN graduate lawyers.

The PCO has provided drafting training for other agencies drafting secondary legislation and is currently scoping a further expansion of its training programme more generally in light of its stewardship role.

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 2016/17 with the assistance of funding from the Ministry of Foreign Affairs and Trade.

A new five-year Memorandum of Understanding (MOU), with effect from 1 January 2017, was agreed to by the PCO and the Ministry of Foreign Affairs and Trade to provide legislative drafting assistance, training, and mentoring to officials in the Pacific Islands responsible for the drafting of legislation.

The intended outcomes of the MOU are that:

- participating Pacific Island countries have a greater awareness of the role of legislation as part of a well-functioning democracy and demonstrate improved understanding and skills when preparing drafting instructions and legislation
- legislation meets quality standards
- there is greater engagement by all stakeholders in the wider legislative and regulatory environment
- there is an improved overall regulatory environment in participating Pacific Island countries and territories
- there is increased internal cohesion and greater confidence in the wider business environment.

The assistance is focused on the Cook Islands, Niue, and Tokelau, the three nations within the Realm of New Zealand. Assistance has been extended to other Pacific Island nations where resources permit. Further demands from other Pacific Island nations and administrations are being assessed for their impact on capacity as currently funded.

The work includes drafting legislation for nations in order to increase their drafting capacity, providing and maintaining a Guide to Preparing Instructions for the Drafting of Legislation, a set of Legislative Drafting Directives, and electronic drafting templates for Bills and for Legislative Instruments, as well as training and mentoring for on-island officials.

In the 2016/17 financial year, the PCO held two workshops in the Cook Islands for Crown Counsel and public servants. Similar workshops are planned for Niue. A key focus in the future is on building the internal Pacific Island drafting capacity.

The PCO has also proactively engaged with other legislative drafting assistance providers around the world, and forums and agencies across the Pacific, to coordinate work in the Pacific. Channels 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 on issues relating to trans-Tasman legislation, access to legislation, and legislative drafting and publishing systems and practices.

The PCO continues its strong involvement with the Commonwealth Association of Legislative Counsel (CALC). Katy Le Roy, Parliamentary Counsel, is CALC Vice President and Ross Carter, Parliamentary Counsel, is CALC Secretary. The PCO now hosts the CALC website (www.calc.ngo).

Law Commission

The PCO continues to maintain a very constructive relationship with the Law Commission and participated in the Law Commission's Symposium to mark its 30th anniversary. In addition to assisting the Commission with a Contempt of Court Bill, the PCO has provided education sessions for Commission staff on legislative design and instruction processes. The PCO is also proposing in the next reporting period to assist with the Commission's Evidence Act 2006 review and related proposed drafting.

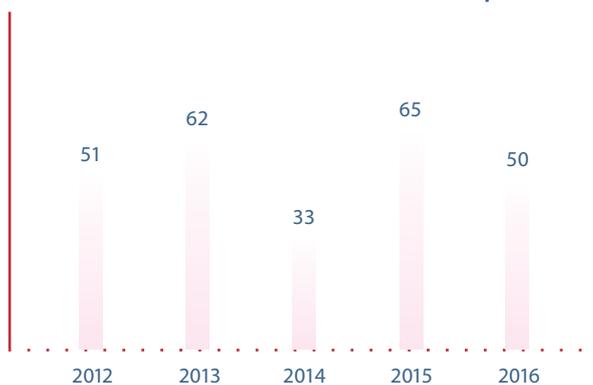
Drafting for the (Judicial) Rules Committee

The PCO assists the Rules Committee, established under section 51B of the Judicature Act 1908 and continued under section 155 of the Senior Courts Act 2016. Rules of practice and procedure for the Supreme Court, Court of Appeal, High Court, and District Court are made by the Governor-General by Order in Council with the concurrence of appropriate members of the judiciary and members of the Rules Committee. In the period under review, the PCO provided advice and legislative drafting services to the Rules Committee, including in relation to rules for the purposes of proceedings under the Harmful Digital Communications Act 2015 and amendments to both the High Court Rules 2016 and the District Court Rules 2014, and advice on the effect of the new Senior Courts Act 2016 and related legislation.

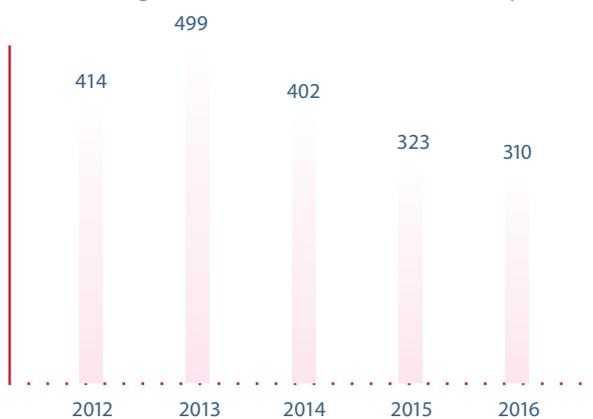
Quantity of legislation

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 2012 to 2016.

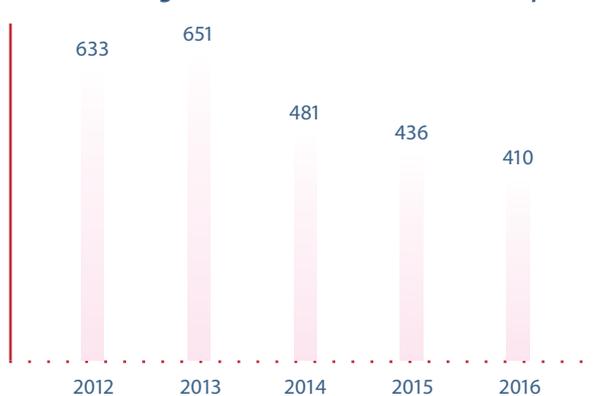
Number of Government Bills drafted and published



Number of Legislative Instruments made and published



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



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).

- Anti-Money Laundering and Countering Financing of Terrorism Amendment Bill
- Autonomous Sanctions Bill
- Broadcasting (Election Programmes and Election Advertising) Amendment Bill
- Brokering (Weapons and Related Items) Controls Bill
- Care and Support Workers (Pay Equity) Settlement Bill
- Children, Young Persons, and Their Families (Oranga Tamariki) Legislation Bill
- Criminal Records (Expungement of Convictions for Historical Homosexual Offences) Bill
- Customs and Excise Bill
- Education (Tertiary Education and Other Matters) Amendment Bill
- Education (Update) Amendment Bill
- Electoral Amendment Bill
- Electronic Interactions Reform Bill
- Energy Innovation (Electric Vehicles and Other Matters) Amendment Bill
- Enhancing Identity Verification and Border Processes Legislation Bill
- Family and Whānau Violence Legislation Bill
- Health (Fluoridation of Drinking Water) Amendment Bill
- Intelligence and Security Bill
- Land Transport Amendment Bill
- Legislation Bill
- Maritime Transport Amendment Bill
- Outer Space and High-altitude Activities Bill
- Residential Tenancies Amendment Bill (No 2)

Strategic Objective 2

Ready Access to New Zealand Legislation

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

Access to Secondary Legislation Project

Secondary legislation is legislation made under the delegated law-making authority of Parliament. If it is drafted by the PCO it is currently published in full on the NZL website (as "Legislative Instruments"). If it is drafted by agencies other than the PCO it is published in the *Gazette*, or on a variety of different websites, or is not readily available to the public. There are thousands of pieces of secondary legislation drafted and published by agencies. The fact that these are not published on a single website increases the cost of doing business in New Zealand, and compromises both citizens' right to know the law that applies to them and Parliament's ability to scrutinise the exercise of powers it has delegated.

The project aims to resolve this problem by requiring all secondary legislation to be published on the NZL website. The result will be a single, comprehensive, official, public source of all New Zealand's legislation. The project does not include legislation drafted by local authorities, to which different considerations may apply (how this legislation is published in future will be the subject of separate policy consideration led by the Department of Internal Affairs).

Formal project governance and assurance processes are in place, including a project board with three members from outside the PCO, and external independent quality assurance. The PCO decided to voluntarily subject the project to a gateway review managed by the Treasury (as the thresholds for mandatory gateway review were not met).

During the reporting year Cabinet approved the overall design of the system for gathering and publishing secondary legislation on the NZL website, and the introduction of legislation to support it. This was drafted as Part 3 of the recently introduced Legislation Bill (see page 9).

This will need to be supported by a further Bill to provide certainty about what constitutes secondary legislation, and so establish what must in future be published on the NZL website.

To achieve this, the PCO commissioned legal research to analyse all primary legislation to identify every empowering provision across the statute book. This was completed for 1831 Acts (out of the total collection of 2095) by the end of the 2016/17 financial year. The research also reached a preliminary judgement about which of those provisions empowered the making of legislation (as opposed to merely administrative provisions).

By the end of the 2016/17 financial year this preliminary judgement had been made for 1575 (out of 2095) Acts. The PCO is in the process of discussing these preliminary judgements with the agencies that administer the Acts.

The PCO has worked closely with the Regulatory Stewardship Team at the Treasury, building the future requirements to publish secondary legislation on the NZL website into the Treasury's wider framework for regulatory stewardship by agencies. The project also features as commitment 6 in the New Zealand Action Plan under the OECD Open Government Partnership, on which the PCO has worked closely with the State Services Commission.⁴

The Chief Parliamentary Counsel, as Project Owner, signed off a business case for the next phase of the project for the 2017/18 financial year. The business case follows the Treasury's Better Business Case approach.

The PCO has begun developing the IT and other systems necessary to implement the project, and will continue to trial and develop them iteratively with selected agencies. The full system will be rolled out if and when the Bill is enacted.

⁴ www.ssc.govt.nz/open-government-partnership-ogp

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.

During the past year work began on replacing the link management and publishing components of the system, along with a continued effort to upgrade or replace technically obsolete components to ensure the services which comprise the system remain supported. One of the NZL system test environments was decommissioned as it was no longer required.

The NZL website

The graph below shows the average monthly number of visitors to the NZL website in each of the past five years.



In March 2015, the PCO changed the software used to gather the information, which partially explains the increase in the numbers of visitors from 2015 to 2016. Despite this change, the number of visitors continues to grow.

Work on identifying further improvements to the website has progressed. Areas to be targeted include enhancements to the search functionality, improving the relationships between legislation on the site and content on other websites, and other improvements to usability. The PCO has completed website user experience testing to help inform what changes should be made to the site, and their priority.

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 being published on the NZL website, legislative data is made available through data.govt.nz as reusable XML.

Non-legislative data is also released in reusable form.

NZL Website User Group

The PCO has 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 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

Legislative disclosure statements are published by the PCO to disclosure.legislation.govt.nz, a website separate from the NZL website, as part of an administrative trial being run by the Treasury. Disclosure statements are published for all Government Bills and substantive SOPs introduced or released since 29 July 2013. The new Legislation Bill includes provisions to enact disclosure requirements.

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).

These documents are published as official legislation in HTML and PDF formats on the NZL website. They are also available in hard copy at specified bookshops and to subscribers, and can be bought through the NZL website.

The PCO has arranged with the New Zealand Legal Information Institute (NZLII) to host at www.nzlii.org historical Bills scanned from the bound volumes of Bills, the as-made collection of Statutory Regulations, and the as-enacted historical statutes collection.

Departmental Capital Expenditure

The PCO has completed the refurbishment of its accommodation within the Reserve Bank building. The PCO's refurbishment project coincided with work carried out by its landlord (the Reserve Bank) on the ceilings, lighting, and sprinkler and air conditioning systems.

The PCO continued with a programme of work to improve its main asset, the NZL system. This included continuing work on a replacement solution for the system's dynamic link management component.

Organisational Health and Capability

Recruitment and retention of skilled and experienced staff

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

	2016/17 Maximum target turnover	2016/17 Actual	2016/17 Actual (number)	2015/16 Actual	2014/15 Actual	2013/14 Actual
Parliamentary Counsel	7%	8%	2	10%	9%	6%
Technical staff	12%	4%	1	10%	17%	24%
Corporate staff	10%	5%	1	23%	6%	0%
Total staff turnover	10%	5%	4	13%	12%	12%

Succession planning continues to be a key feature of the PCO's efforts in organisational health and capability. Four new counsel commenced during the year, ensuring that capacity and capability were maintained, following the retirement of senior members of the office.

Training (enhanced leadership and staff capability)

A comprehensive training programme for new counsel continues to be monitored, enhanced, and applied.

Managers continued to develop their skills by participating in relevant development opportunities. PCO participated in the SSC Career Boards process. Counsel continued to attend in-house forums, workshops, and courses for their development and to meet their NZ Law Society continuing professional development requirements.

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

The PCO encourages staff to act in senior roles as opportunities arise, and take on secondments, both internally and externally, to give them development opportunities. A number of inward and outward secondments occurred during the year including an international counsel exchange between the PCO and the Scottish Parliamentary Counsel Office.

Performance management

The performance management system continues to operate well. 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.

Equal employment opportunities

The PCO has a diverse workforce and equal employment opportunities (EEO) principles are integrated into everyday business. The PCO has had for a number of years, and continues to have, an appropriate representation of women in managerial and Audit and Risk Committee positions. All PCO managers continue to focus on equity issues as part of their human-resources responsibilities.

As at 30 June 2017, the staff gender breakdown is:

	Male	Female	Total
Total staff	36	50	86
Senior Management (tier 1 and 2)	2	2	4
Tier 3 managers	6	5	11
Parliamentary Counsel	11	18	29
Other Drafting Services staff	0	3	3
Access to Legislation staff	8	10	18
Corporate Services staff	9	12	21

The above table includes three fixed-term staff and one staff member currently on an overseas secondment.

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 senior management team has developed 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.

To give effect to the recommendations in the PIF, the PCO is actively working on:

- developing a clear strategy for modernising and simplifying New Zealand's legislative framework
- providing comprehensive training and guidance in respect of the legislative process for all of its customers
- a plain language strategy to ensure greater consistency and clarity of style and expression in its drafting.

Organisational structure

See page 64 for the PCO's organisational structure.

Risk management

The PCO maintains a risk register that is reviewed throughout the year (with major risks also reviewed by the Audit and Risk Committee—see below). Its purpose is to help manage and mitigate the PCO's major risks and achieve its outputs and deliverables. The framework includes procedures and practices designed to protect and enhance resources and enable the achievement of objectives.

Risk-based approach to simplification and consolidation

In the reporting year, the PCO followed a risk-based approach to its information technology work programme. Work has been undertaken to ensure technology components are running supported versions, and where possible components have been rationalised or moved to more easily maintained platforms. A highlight was upgrading the content management system used as part of the NZL system, along with migrating the underlying operating system and databases to new platforms. The PCO has also undertaken a number of assurance activities to ensure the technology services used are well supported and reliable, for example by adopting the Government Chief Information Officer's Information and Communications Technology (ICT) Operations Assurance Framework.

Use of ICT Common Capabilities

The PCO has adopted a number of All-of-Government ICT Common Capabilities (including Infrastructure as a Service, Desktop as a Service, and the Common Web Platform). The PCO's email solution has moved to Microsoft Exchange, as part of a staged approach to adopting further common capabilities.

Audit and Risk Committee

The PCO's Audit and Risk Committee met five times during the 2016/17 year. The committee consists of two external independent members (including the chair) and two internal members. It provides independent advice and assurance to the Chief Parliamentary Counsel on the PCO's systems of governance and internal control, risk management and compliance, and external accountability responsibilities.

Business continuity

Business continuity plans continue to be tested, reviewed, and updated where necessary. This ensures essential services provided by the PCO will continue or quickly recover during periods of business disruption or emergency. Exercises have confirmed that most staff could work remotely if a disruptive event took place.

The PCO attended meetings of the Inter-agency Business Continuity Working Group. The group's primary objective is to provide coordination and alignment of parliamentary precinct agency business continuity arrangements within the overarching framework of the Parliamentary Complex Contingency Plan.

The PCO also attended meetings of the Government Sector Business Continuity Group and was represented on the group's steering committee.

One PCO staff member attended the Australasian Business Continuity and Resilience Summit. This included a one-day workshop on validation of business continuity plans.

Protective Security Requirements

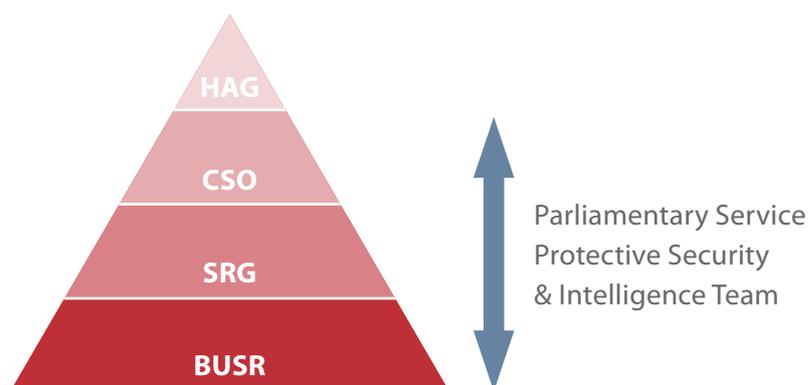
On 8 December 2014, Cabinet approved a new framework to provide guidance and support for government departments to improve the security of their people, information, and assets. The Protective Security Requirements (PSR) is designed to help agencies:

- identify their individual levels of security risk tolerance
- achieve the mandatory requirements for protective security expected by Government
- develop an appropriate security culture to securely and effectively meet their business goals.

As part of the Five Agencies of Parliament Group, the PCO contributed to the development of the second annual Protective Security Requirements (PSR) self-assessment report, which focused on the 29 mandatory requirements. The PCO provided representatives for the Chief Security Officer and the Security Reference Groups to assist with this report.

A series of security awareness training sessions were held for PCO staff in April 2017, focused on information and personnel security.

The Five Agencies of Parliament Group's security structure is set out as follows:



HAG: Heads of Agency Group

CSO: Chief Security Officer Group

SRG: Security Reference Group

BUSR: Business Unit Security Representatives

The new BUSR group, which includes a PCO representative, has been set up and has undergone training. The BUSR representative will:

- be a “go to person/security champion” for security related issues and know who to contact for further advice and support
- act as a conduit between the organisation and the Parliamentary Service (PS) security team
- communicate security messages
- provide organisational knowledge to support the PS Protective Security & Intelligence Team enquiries and/or tasks.

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 retested its disaster recovery plan for the NZL system in June 2017. Work commenced in the reporting year to strengthen PCO systems' resilience by splitting the location housing its services across two geographical locations.

Office refit

The PCO completed the refurbishment of its accommodation within the Reserve Bank building. This addressed earthquake risks from the existing fit-out, and made better, more efficient and productive use of the office space.

All PCO staff are now located on two contiguous floors, which will assist in strengthening the PCO's one-office culture. A new lease was agreed with the landlord that included retaining a further part floor in the short term to accommodate a project team and to provide storage.

FINANCIAL INFORMATION

FINANCIAL STATEMENTS OF THE PARLIAMENTARY COUNSEL OFFICE

FOR THE YEAR ENDED 30 JUNE 2017

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 2017, including the Statement of Performance, now follow.

Statement of Responsibility

I am responsible, as Chief Parliamentary Counsel, 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
- 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 2017 and its operations for the year ended on that date
- the forecast financial statements fairly reflect the forecast financial position of the PCO as at 30 June 2018 and its operations for the year ending on that date.



Fiona Leonard
Chief Parliamentary Counsel
28 September 2017

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2017

2016			2017	2017	2017	2018
Actual		Notes	Actual	Main Estimates	Supp. Estimates	Forecast
\$000			\$000	\$000	\$000	\$000
	Revenue					
20,525	Crown		20,299	20,525	20,299	20,223
337	Other revenue	2	176	200	200	200
20,862	Total revenue		20,475	20,725	20,499	20,423
	Expenses					
9,740	Personnel	3	10,223	9,875	10,297	10,371
5,982	Operating	4	6,556	5,824	6,339	6,404
1,898	Depreciation and amortisation	7/8	1,789	2,091	1,734	1,520
1,207	Capital charge	5	981	1,207	981	905
18,827	Total expenses		19,549	18,997	19,351	19,200
2,035	Net surplus		926	1,728	1,148	1,223
0	Other comprehensive revenue and expense		0	0	0	0
2,035	Total comprehensive revenue and expense		926	1,728	1,148	1,223

Explanations of major variances against the original 2016/17 budget are provided in Note 15.
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 2017

2016			2017	2017	2017	2018
Actual		Notes	Actual	Main Estimates	Supp. Estimates	Forecast
\$000			\$000	\$000	\$000	\$000
	Taxpayers' funds					
15,091	Taxpayers' funds		15,091	15,091	15,091	15,091
15,091	Total taxpayers' funds		15,091	15,091	15,091	15,091
	Represented by:					
	Current assets					
2,580	Cash and cash equivalents		1,708	4,971	6,272	5,052
12,125	Debtors and other receivables	6	12,118	9,134	7,125	7,125
435	Prepayments		403	335	435	435
15,140	Total current assets		14,229	14,440	13,832	12,612
	Non-current assets					
150	Property, plant, and equipment	7	1,954	2,294	1,746	1,471
3,053	Intangible assets	8	1,738	2,005	1,923	3,508
3,203	Total non-current assets		3,692	4,299	3,669	4,979
18,343	TOTAL ASSETS		17,921	18,739	17,501	17,591
	Current liabilities					
688	Creditors and other payables	9	1,222	1,265	700	700
2,035	Provision for payment of net surplus	10	926	1,728	1,148	1,223
473	Employee entitlements	11	618	612	502	512
3,196	Total current liabilities		2,766	3,605	2,350	2,435
	Non-current liabilities					
56	Employee entitlements	11	64	43	60	65
3,252	TOTAL LIABILITIES		2,830	3,648	2,410	2,500
15,091	Net assets		15,091	15,091	15,091	15,091

Explanations of major variances against the original 2016/17 budget are provided in Note 15.
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 2017

2016			2017	2017	2017	2018
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
2,035	Total comprehensive revenue/ expense		926	1,728	1,148	1,223
	Owner transactions					
(2,035)	Return of operating surplus to the Crown	10	(926)	(1,728)	(1,148)	(1,223)
15,091	Balance as at 30 June		15,091	15,091	15,091	15,091

Explanations of major variances against the original 2016/17 budget are provided in Note 15.
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 2017

2016		2017	2017	2017	2018
Actual		Actual	Main Estimates	Supp. Estimates	Forecast
\$000		\$000	\$000	\$000	\$000
	Cash flows from operating activities				
	Cash was provided from:				
	Supply of outputs:				
17,521	—Crown	20,300	20,525	25,299	20,223
249	—Departments	174	200	200	200
1	—Other	8	0	0	0
17,771	Subtotal	20,482	20,725	25,499	20,423
	Cash was disbursed to:				
	Produce outputs:				
(9,836)	—Personnel	(10,061)	(9,838)	(10,252)	(10,326)
(6,473)	—Operating	(5,897)	(5,861)	(6,326)	(6,434)
(113)	—Net GST paid	(96)	0	(13)	0
(1,207)	—Capital charge	(981)	(1,207)	(981)	(905)
(17,629)	Subtotal	(17,035)	(16,906)	(17,572)	(17,665)
142	Net cash flows from operating activities	3,447	3,819	7,927	2,758
	Cash flows from investing activities				
	Cash was disbursed to:				
(123)	Purchase of property, plant, and equipment	(1,966)	(2,500)	(1,700)	(40)
(213)	Purchase of intangible assets	(318)	(330)	(500)	(2,790)
(336)	Net cash flows from investing activities	(2,284)	(2,830)	(2,200)	(2,830)
	Cash flows from financing activities				
	Cash was disbursed to:				
(1,505)	Payment of net surplus to Crown	(2,035)	0	(2,035)	(1,148)
(1,505)	Net cash flows from financing activities	(2,035)	0	(2,035)	(1,148)
(1,699)	Net increase/(decrease) in cash held	(872)	989	3,692	(1,220)
4,279	Add opening cash brought forward	2,580	3,982	2,580	6,272
2,580	Closing cash to carry forward	1,708	4,971	6,272	5,052

Explanations of major variances against the original 2016/17 budget are provided in Note 15.
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 2017

2016		2017
Actual		Actual
\$000		\$000
	Non-cancellable operating lease commitments	
582	Less than one year	729
716	One to two years	716
2,122	Two to five years	2,102
1,290	Over five years	607
4,710	Total non-cancellable operating lease commitments	4,154

There are no capital commitments (2016: 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 in the Reserve Bank building. The lease has a make-good provision where the lessee can either surrender the fit-outs and alterations to the lessor or remove these and make good. This lease is non-cancellable. 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 for level 4 has an expiry date of 30 April 2020.

The Reserve Bank office lease for levels 12 and 13 has an expiry date of 8 May 2023.

The Reserve Bank car park lease has an expiry date of 14 April 2018 and is automatically renewed unless a notice to cancel is provided.

Statement of Contingent Assets and Liabilities

As at 30 June 2017

As at 30 June 2017, there are no contingent assets (2016: nil).

As at 30 June 2017, there are no contingent liabilities (2016: nil).

As at 30 June 2017, there are no guarantees or indemnities given under the Public Finance Act 1989 in respect of the activities of the Parliamentary Counsel Office (PCO) (2016: 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 2017

Note 1 Statement of Accounting Policies

Reporting entity

The PCO is a government department as defined by section 2 of the Public Finance Act 1989. 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 2017, and were approved for issue by the Chief Parliamentary Counsel on 28 September 2017.

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 includes 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.

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 goods and services tax (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 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:

• Computers	3 years	33.3%
• 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.

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
- 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 operation 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 as at balance date. Information on non-cancellable capital and lease commitments are 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 (ie the minimum future payments).

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 provided for.

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 licences, 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 licence 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 2017 budget figures are for the year ended 30 June 2017 and were published in the 2015/16 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 30 June 2017.

The 2018 forecast figures are for the year ending 30 June 2018, which are consistent with the best estimate financial forecast information submitted to Treasury for the BEFU for the year ending 30 June 2018.

The forecast financial statements have been prepared as required by the Public Finance Act 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 2018 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 28 March 2017. 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 2018 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 2017/18 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 were adopted as at 28 March 2017.

The main assumptions are as follows:

- PCO activities will remain substantially the same as for the previous year. The primary objective of the PCO is the drafting of Government Bills and publishing legislation.
- Personnel costs are based on 86 staff positions (81.8 full time equivalents).
- Operating costs are based on historical experience. The general historical pattern is expected to continue.
- Estimated year end information for 2016/17 is used as the opening position for the 2017/18 forecasts.

The actual financial results achieved for 30 June 2018 are likely to vary from the forecast information presented, and the variations may be material.

Note 2 Other revenue

2016		2017
Actual		Actual
\$000		\$000
336	Other departmental revenue	174
1	Other third party revenue	2
337	Total other revenue	176

Note 3 Personnel costs

2016		2017	Unaudited		
			2017	2017	2018
Actual		Actual	Main Estimates	Supp. Estimates	Forecast
\$000		\$000	\$000	\$000	\$000
9,397	Salaries and wages	9,571	9,363	9,630	9,783
(74)	Annual, retirement, long service, and sick leave	153	4	153	74
439	Employer contributions to defined contribution plans*	473	471	485	484
(49)	Restructuring costs	0	0	0	0
27	Other	26	37	29	30
9,740	Total personnel expenses	10,223	9,875	10,297	10,371

* 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

2016		2017	Unaudited		
			2017	2017	2018
Actual		Actual	Main Estimates	Supp. Estimates	Forecast
\$000		\$000	\$000	\$000	\$000
994	Consultancy	1,697	480	1,162	1,260
42	Audit fees to auditors for audit of the financial statements	44	36	44	45
724	Operating lease rentals	723	750	720	776
177	Printing expenses	94	140	108	115
2,197	NZL system expenses	1,985	2,500	2,304	2,200
920	Computing expenses	1,030	1,068	1,021	1,091
3	Loss on sale of fixed assets	6	0	0	0
925	Other operating expenses	977	850	980	917
5,982	Total operating expenses	6,556	5,824	6,339	6,404

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 for the year ended 30 June 2017 was \$0.981 million (2016: \$1.207 million) and the rate for the year ended 30 June 2017 was 6%–7% (2016: 7%–8%).

Note 6 Debtors and other receivables

2016		2017
Actual \$000		Actual \$000
12,119	Debtor Crown	12,118
6	Debtors and other receivables	0
12,125	Total debtors and other receivables	12,118

Note 7 Property, plant, and equipment

	Furniture \$000	Computers \$000	Office equipment \$000	Leasehold property improvements \$000	Work in progress \$000	Total \$000
Cost or valuation						
Balance at 1 July 2015	412	2,271	236	1,584	0	4,503
Additions	0	0	0	0	123	123
Disposals	0	0	(5)	(6)	0	(11)
Balance at 30 June 2016	412	2,271	231	1,578	123	4,615
Balance at 1 July 2016	412	2,271	231	1,578	123	4,615
Additions	0	0	0	0	1,966	1,966
Transfers from WIP	422	15	114	1,538	(2,089)	0
Disposals	(412)	(1,893)	(174)	(1,563)	0	(4,042)
Balance at 30 June 2017	422	393	171	1,553	0	2,539
Accumulated depreciation and impairment losses						
Balance at 1 July 2015	(411)	(2,255)	(212)	(1,552)	0	(4,430)
Depreciation expense	(1)	(12)	(15)	(15)	0	(43)
Reversal of accumulated depreciation on disposal	0	0	3	5	0	8
Balance at 30 June 2016	(412)	(2,267)	(224)	(1,562)	0	(4,465)
Balance at 1 July 2016	(412)	(2,267)	(224)	(1,562)	0	(4,465)
Depreciation expense	(20)	(4)	(14)	(118)	0	(156)
Reversal of accumulated depreciation on disposal	412	1,893	173	1,558	0	4,036
Balance at 30 June 2017	(20)	(378)	(65)	(122)	0	(585)
Carrying amounts						
At 30 June 2015	1	16	24	32	0	73
At 30 June 2016	0	4	7	16	123	150
At 30 June 2017	163	0	96	892	803	1,954

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 \$000	Work in progress \$000	Total \$000
Cost or valuation			
Balance at 1 July 2015	24,371	47	24,418
Additions	0	213	213
Balance at 30 June 2016	24,371	260	24,631
Balance at 1 July 2016	24,371	260	24,631
Additions	0	318	318
Transfers from WIP	97	(97)	0
Disposals	(3,726)	0	(3,726)
Balance at 30 June 2017	20,742	481	21,223
Accumulated amortisation and impairment losses			
Balance at 1 July 2015	(19,725)	0	(19,725)
Amortisation expense	(1,853)	0	(1,853)
Balance at 30 June 2016	(21,578)	0	(21,578)
Balance at 1 July 2016	(21,578)	0	(21,578)
Amortisation expense	(1,633)	0	(1,633)
Reverse amortisation on disposals	3,726	0	3,726
Balance at 30 June 2017	(19,485)	0	(19,485)
Carrying amounts			
At 30 June 2015	4,646	47	4,693
At 30 June 2016	2,793	260	3,053
At 30 June 2017	1,257	481	1,738

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

2016		2017
Actual \$000		Actual \$000
1	Creditors	14
374	Accrued expenses	991
313	GST payable (receivable)	217
688	Total creditors and other payables	1,222

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 result from exchange transactions.

Note 10 Return of operating surplus

2016		2017
Actual \$000		Actual \$000
2,035	Net surplus	926
2,035	Total repayment of surplus	926

The return of operating surplus to the Crown is required to be paid by 31 October 2017. 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 11 Employee entitlements

2016		2017
Actual \$000		Actual \$000
	Current liabilities	
61	Retirement and long service leave	62
401	Annual leave	547
11	Sick leave	9
473	Total current portion	618
	Non-current liabilities	
56	Retirement leave	64
56	Total non-current portion	64
529	Total employee entitlements	682

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 2017. The major long-term economic assumptions adopted in the valuation process for long service and retirement leave were:

- Salary increase rate: 2.40%–3.00% (2016: 2.00%–3.00%)
- Discount rate: 1.97%–3.92% (2016: 1.95%–3.13%).

Sick leave was calculated in accordance to the Treasury guidance and assumes that sick leave is a short-term compensated absence, as defined in PBE IPSAS 25.

Note 12 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 conditions 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 management accounting, ICT support, and payroll administration services from Parliamentary Service as part of a Service Level Agreement, for the year ended 30 June 2017.

Key management personnel

2016		2017
Actual \$000		Actual \$000
1,048	Remuneration	1,132
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 Members of Parliament (Remuneration and Services) Act 2013 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 13 **Events after balance date**

The PCO does not have any post balance date events for 2016/17 (2015/16: nil).

Note 14 **Financial instruments**

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

2016		2017
Actual \$000		Actual \$000
	Financial assets measured at amortised costs	
	Loans and receivables	
2,580	Bank balances	1,708
12,119	Debtor—Crown	12,118
14,699	Total loans and receivables	13,826
	Financial liabilities measured at amortised costs	
1	Creditors	14

Note 15 Major budget variances—actuals against main estimates***Statement of Comprehensive Revenue and Expense***

The 2016/17 business activities resulted in a net operating surplus of \$0.926 million (2016: \$2.035 million).

Revenue was \$0.226 million lower than Mains Estimates budget due to adjustment to the capital charge rate from 7% to 6% during the 2016/17 year.

Personnel costs were up \$0.348 million due to timing factors with the filling of vacant positions and a significant increase in the annual leave provisions.

Operating expenses were \$0.732 million higher than budgeted mainly due to a significant increase in consultants and contractors costs. External contractors and consultants were engaged on the Access to Secondary Legislation Project. External consultants also supported the Information Systems (IS) team with enterprise architecture services and the stewardship of the statute book throughout the year.

These were partially offset by costs relating to the NZL system being lower than budget due to delays in the completion of enhancements.

Depreciation and amortisation expenses were \$0.302 million lower than budgeted due to a reduction in the work programme for the NZL system. Computer assets were not replaced as originally expected, and there was a delay in completion of a significant refurbishment of the PCO's premises.

Capital charge was down by \$0.226 million as a result of the rate being lowered from 7% to 6% during the 2016/17 year.

Appropriation Statements

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 2017.

Statement of Actual Expenses and Capital Expenditure Against Appropriations

For the year ended 30 June 2017

2016		2017	Unaudited			Location of end-of-year Performance Information
			2017	2017	2018	
Actual		Actual	Approved Appropriation	Supp. Estimates	Forecast	
\$000		\$000	\$000	\$000	\$000	
	VOTE: PARLIAMENTARY COUNSEL					
	<i>Departmental Output Expenses</i>					
	Drafting and Access to Legislation—Multi Category Appropriation (MCA):					
16,136	Law Drafting Services	15,668	17,725	16,999	16,923	*
2,691	Access to Legislation	3,881	3,000	3,500	3,500	*
18,827	Total MCA for output expenses	19,549	20,725	20,499	20,423	
	<i>Departmental capital expenditure</i>					
336	Parliamentary Counsel Office—Capital Permanent Legislative Authority	2,284	2,830	2,200	2,830	*
336	Total capital appropriations	2,284	2,830	2,200	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 2017

There were no expenses or capital expenditure incurred in excess of appropriation, without appropriation or outside the scope or period of appropriation (2016: nil).

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

For the year ended 30 June 2017

There were no capital injections during the year without, or in excess of, authority (2016: nil).

Statement of Performance

For the year ended 30 June 2017

The PCO agreed to provide outputs in 2016/17 to meet the requirements of the Attorney-General in terms of their nature, outcome emphasis, quality and quantity specifications, and cost.

Drafting and Access to Legislation multi category appropriation

This appropriation is intended to achieve the provision of high quality legislation that is readily available to all New Zealanders.

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
- 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.

The quality standard for select committees is that:

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

Measure	For the year ended 30 June			
	2017		2016	2015
	Standard	Actual	Actual	Actual
whether the Attorney-General is satisfied that the quality standards have been achieved	the Attorney-General is satisfied	the Attorney-General was satisfied	the Attorney-General was satisfied	the Attorney-General was satisfied
the proportion of select committees we survey that rate the quality standard as four or better on a scale of one to five, with one being very dissatisfied and five being very satisfied	90%	100% satisfaction 46% response rate ¹	select committees were satisfied	select committees were satisfied

¹ In 2016/17 the performance measure changed from seeking select committees' satisfaction as determined by survey responses. For 2016/17, responses were received from the Finance and Expenditure; Foreign Affairs, Defence and Trade; Health; Law and Order; Local Government and Environment; and Primary Production Committees.

Timeliness

The timeliness standard for the Attorney-General is 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.

The timeliness standard for select committees is that:

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

Measure	For the year ended 30 June			
	2017		2016	2015
	Standard	Actual	Actual	Actual
whether the Attorney-General is satisfied that the timeliness standard has been achieved	the Attorney-General is satisfied	the Attorney-General was satisfied	the Attorney-General was satisfied	the Attorney-General was satisfied
the proportion of select committees we survey that rate the timeliness standard as four or better on a scale of one to five, with one being very dissatisfied and five being very satisfied ¹	90%	100% satisfaction 46% response rate ¹	select committees were satisfied	select committees were satisfied

¹ In 2016/17 the performance measure changed from seeking select committees' satisfaction as determined by survey responses. For 2016/17, responses were received from the Finance and Expenditure; Foreign Affairs, Defence and Trade; Health; Law and Order; Local Government and Environment; and Primary Production Committees.

Category—Access to Legislation

Description

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

- providing free public access to legislation and disclosure statements via the internet
- 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

This category is intended to ensure that New Zealand Bills, Acts, and Legislative Instruments are readily accessible to the public in a timely manner and in an accurate and authoritative form.

Quantity

Measure	For the year ended 30 June			
	2017		2016	2015
	Standard	Actual	Actual	Actual
free public access to the NZL website is available 24 hours a day, seven days a week	99%	99%	99%	99%
availability of the drafting system for PCO, Office of the Clerk, and Inland Revenue Department drafting staff ¹	92%	99%	99%	99%

¹ A 100% budget standard is not appropriate as system outages are required for planned outages.

Timeliness

Measure	For the year ended 30 June			
	2017		2016	2015
	Standard	Actual	Actual	Actual
the time taken to make legislation (including Bills and SOPs) available on the NZL website (100% target)	all new Government Bills: within 1 working day after introduction	met	met	met
	all subsequent versions of Bills: within 1 working day after the printed version is made available to the House	met	met	met

Measure	For the year ended 30 June			
	2017		2016	2015
	Standard	Actual	Actual	Actual
	all SOPs: within 1 working day after they have been circulated to Members of Parliament	met	met	not met ¹
	all Legislative Instruments: within 1 working day after they are notified in the <i>New Zealand Gazette</i>	met	met	met
	Acts: within 5 working days of assent	met	met	met
the time taken to publish and provide legislation for sale (100% target)	all Government Bills and SOPs: within 5 working days of introduction or release	not met ²	met	met
	all Legislative Instruments: within 5 working days of being made	met	met	met
	all Acts: within 10 working days of assent	met	met	met
amendments are incorporated within 15 working days of the date of effect of the amendment	100%	93% ³	99% ⁴	99% ⁵
the time taken to respond to public enquiries	90% within 1 working day of receipt	98%	99%	98%
	100% within 5 working days of receipt	100%	100%	100%

¹ In 2014/15, one of 37 SOPs was not published on the NZL website within 1 working day.

² In 2016/17, one SOP was not published on the NZL website within 5 working days due to the Christmas closedown period of the contracted printer

³ In 2016/17, the budget standard was not achieved due to a large number of compilations (377) that commenced on 1 March 2017.

⁴ In 2015/16, the 24 February 2016 amendment of the Income Tax Act 2007 by the Taxation (Annual Rates for 2015/16, Research and Development, and Remedial Matters) Act 2016 was delayed due to the number and complexity of the amendments.

⁵ In 2014/15, 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.

Financial performance	Actual	Approved appropriation (2016/17 Supplementary Estimates)
(Figures are \$000s and GST exclusive)	2017	2017
Total expenditure	3,881	3,500

Category—Law Drafting Services

Description

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

- drafting of legislation
- examining and reporting on local Bills 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 the PCO is responsible for.

Objective

This category is intended to achieve the provision of high quality legislative drafting services and advice in a professional, impartial, and responsive manner in delivering the Government's legislation programme.

Quantity

Measure	For the calendar year			
	2016		2015	2014
	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%

Quality

The quality standard for the Attorney-General is that:

- 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, the legislation produced is legally effective and the revision Bill does not change the effect of the law, except as authorised by section 31(2)(i) or (j) of the Legislation Act 2012.

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:

- Government Bills drafted by the PCO are reviewed for their legal effectiveness, workability, compliance, structure, and readability before introduction
- Legislative Instruments drafted by the PCO are reviewed for their legal effectiveness, workability, compliance, structure, and readability before being submitted to Cabinet.

The quality standards for proofreading legislation are that:

- Government Bills drafted by the PCO are proofread before introduction
- legislative instruments drafted by the PCO are proofread before being submitted to Cabinet.

Measure	For the year ended 30 June			
	2017	2016	2015	2014
	Standard	Actual	Actual	Actual
in regards to the 3-yearly revision programme, whether the Attorney-General is satisfied that the quality standard has been achieved	the Attorney-General is satisfied	the Attorney-General was satisfied	the Attorney-General was satisfied	the Attorney-General 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, with one being very dissatisfied and five being very satisfied	90%	96% satisfaction 65% response rate	97% satisfaction 68% response rate ¹	97% satisfaction 58% response rate
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 are satisfied	Pacific Island instructors were satisfied	Pacific Island instructors were satisfied	Pacific Island instructors were satisfied

Measure	For the year ended 30 June			
	2017		2016	2015
	Standard	Actual	Actual	Actual
proportion of Bills drafted by PCO that are introduced and peer reviewed	97%	100% ²	98% ³	91% ³
proportion of Legislative Instruments drafted by PCO and submitted to Cabinet that are peer reviewed ⁴	97%	99%	99%	98%
proportion of Government Bills drafted by the PCO that are proofread before introduction	97%	100% ⁵	100% ⁶	83% ⁷
proportion of legislative instruments drafted by the PCO that are proofread before being submitted to Cabinet	97%	100%	100%	100%

¹ The statute revision quality standard was not applicable for the 2015/16 year as the only revision Bill drafted and introduced had not been passed.

² In 2016/17 the peer review quality standard changed from reviewing Bills once prior to introduction and again before committee stages to reviewing Government Bills before introduction.

³ From 2014/15, the peer review quality standard for Bills was adjusted from two reviews before introduction to one review prior to introduction and a second review before committee stages.

⁴ There are 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.

⁵ From 2016/17, the proofreading quality standard for Bills was adjusted from at least two reads in full before introduction to proofreading Government Bills before introduction.

⁶ During the 2015/16 year, the application of the proofreading quality standard for Bills was reviewed. It was recognised that Legislation Services undertaking two separate full reads of a Bill at the same time is sufficient to meet the quality standard. A change was made to require these reads to occur closer to introduction of the Bill. This change ensures the Bill is fully developed when these full reads take place.

⁷ In 2014/15, two Bills that did not meet the standard were Imprest Supply Bills that were proofread in full only once before introduction as they comprised a standard template format and the contents of that template were thoroughly checked before introduction. The quality standard for this measure was subsequently amended for the 2015/16 year to exclude all Appropriation and Imprest Supply Bills.

Timeliness

The timeliness standard for the Attorney-General is that:

- 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 agreed time frames.

The timeliness standard for Pacific Island instructors is that:

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

	For the year ended 30 June			
	2017	2016	2015	
Measure	Standard	Actual	Actual	Actual
in regards to the 3-yearly revision programme, whether the Attorney-General is satisfied that the timeliness standard has been achieved	the Attorney-General is satisfied	the Attorney-General was satisfied	the Attorney-General was satisfied	the Attorney-General 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, with one being very dissatisfied and five being very satisfied	90%	98% satisfaction 65% response rate	98% satisfaction 68% response rate	99% satisfaction 58% response rate
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 are satisfied	Pacific Island instructors were satisfied	Pacific Island instructors were satisfied	Pacific Island instructors were satisfied

Financial performance	Actual	Approved appropriation (2016/17 Supplementary Estimates)
(Figures are \$000s and GST exclusive)	2017	2017
Total expenditure	15,668	16,999



Independent Auditor's Report

To the readers of the Parliamentary Counsel Office's Annual Report for the year ended 30 June 2017

The Auditor General is the auditor of the Parliamentary Counsel Office (the PCO). The Auditor General has appointed me, John Whittal, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- the financial statements of the PCO on pages 29 to 48, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2017, 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 2017 on pages 7 to 21 and 50 to 57; and
- the statements of expenses and capital expenditure of the PCO for the year ended 30 June 2017 on page 49.

Opinion

In our opinion:

- the financial statements of the PCO on pages 29 to 48:
 - present fairly, in all material respects:
 - ~ its financial position as at 30 June 2017; and
 - ~ its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards with reduced disclosure requirements.
- the performance information of the PCO on pages 7 to 21 and 50 to 57:
 - presents fairly, in all material respects, for the year ended 30 June 2017:
 - ~ 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; and
 - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the PCO on page 49 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 28 September 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Chief Parliamentary Counsel and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor General's Auditing Standards.

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

Responsibilities of the Chief Parliamentary Counsel for the information to be audited

The Chief Parliamentary Counsel is responsible on behalf of the PCO 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.
- 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 is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Chief Parliamentary Counsel is responsible on behalf of the PCO for assessing its ability to continue as a going concern. The Chief Parliamentary Counsel is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the PCO, or there is no realistic alternative but to do so.

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

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the information on Strategic Intentions for the period 1 July 2015 to 30 June 2019 and relevant Estimates and Supplementary Estimates of Appropriations 2016/17, and the 2016/17 forecast financial figures included in the PCO's 2015/16 Annual Report.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Parliamentary Counsel.
- We evaluate the appropriateness of the reported performance information within the PCO's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Parliamentary Counsel and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PCO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the PCO to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chief Parliamentary Counsel regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Chief Parliamentary Counsel is responsible for the other information. The other information comprises the information included on pages 1 to 6, 22 to 28 and 61 to 64, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the PCO in accordance with the independence requirements of the Auditor General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the PCO.



John Whittal
Audit New Zealand
On behalf of the Auditor General
Wellington, New Zealand

APPENDICES

Legislative Framework

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 Bill has been introduced but is yet to have its first reading. The policy objectives of this Bill are set out on page 10.

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 setting and enforcing 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.

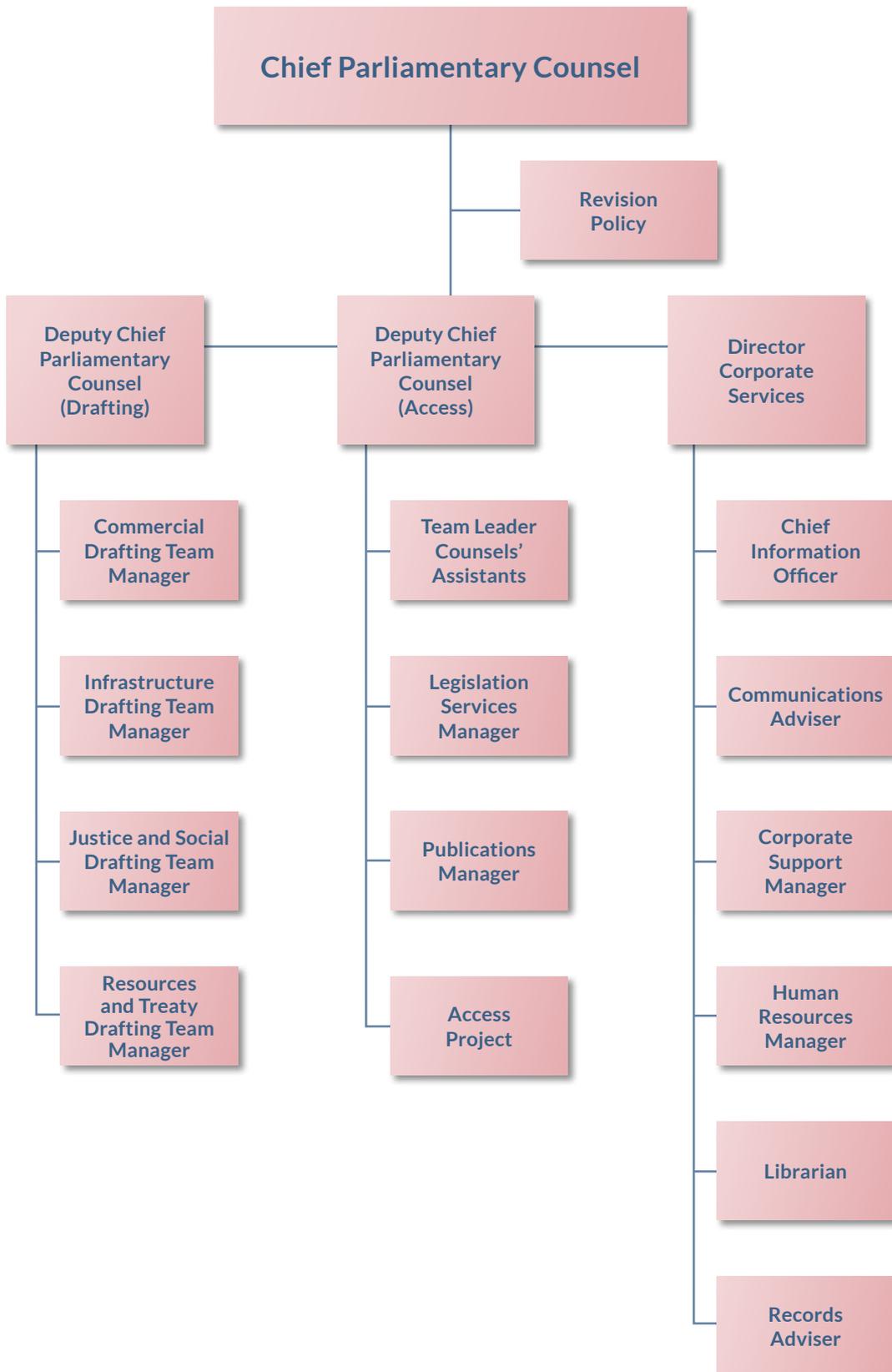
The Minister responsible for the PCO is the Attorney-General. The Chief Parliamentary Counsel is responsible to the Attorney-General for the operations and management of the PCO.

The organisational structure of the PCO is shown on page 64.

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 the 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 his 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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