



PARLIAMENTARY
COUNSEL OFFICE

TE TARI TOHUTOHU
PĀREMATA

Annual Report

for the year ended 30 June 2018

2018 Annual Report

Report of the
Parliamentary Counsel Office
Te Tari Tohutohu Pāremata
for the year ended 30 June 2018

Presented to the House of Representatives
under section 44(1) of the Public Finance Act 1989

October 2018
Wellington, New Zealand

ISSN 2537-7329 (Print)

ISSN 2537-7337 (Online)

This report is available on the Parliamentary Counsel Office website:

pco.govt.nz



Crown copyright ©. The 2018 Parliamentary Counsel Office Annual Report is licensed under a Creative Commons Attribution 3.0 New Zealand Licence. In essence, you are free to copy, distribute, and adapt the work, as long as you attribute the work to the Parliamentary Counsel Office and abide by the other licence terms. Please note that neither the Parliamentary Counsel Office logo nor the New Zealand Government logo may be used in any way that infringes any provision of the Flags, Emblems, and Names Protection Act 1981 or would infringe such provision if the relevant use occurred within New Zealand. Attribution to the Parliamentary Counsel Office should be in written form and not by reproduction of the Parliamentary Counsel Office logo or the New Zealand Government logo.

CONTENTS

CHIEF PARLIAMENTARY COUNSEL'S OVERVIEW	3
Highlights of 2017/18	5
STRATEGIC OBJECTIVES	6
Strategic Objective 1—High-Quality Legislative Drafting Services	7
Strategic Objective 2—Ready Access to New Zealand Legislation	19
Departmental Capital Expenditure	22
Organisational Health and Capability	22
FINANCIAL INFORMATION	27
Introduction to the Financial Statements	28
Statement of Responsibility	28
Statement of Comprehensive Revenue and Expense	29
Statement of Financial Position	30
Statement of Changes in Taxpayers' Funds	31
Statement of Cash Flows	32
Statement of Commitments	33
Statement of Contingent Assets and Liabilities	33
Notes to the Financial Statements	34
Appropriation Statements	48
Statement of Performance	49
Independent Auditor's Report	57
APPENDICES	61
Legislative Framework	62
Governance Arrangements and Structure in the PCO	63

The Attorney-General

I am pleased to present to you the Report of the Parliamentary Counsel Office for the year ended 30 June 2018.

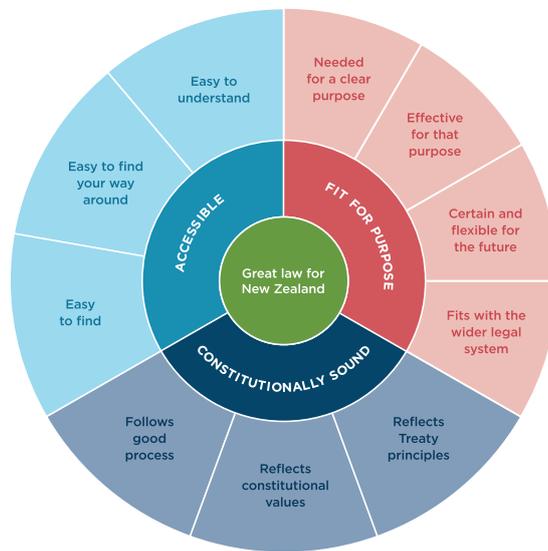


Fiona Leonard
Chief Parliamentary Counsel
26 September 2018

CHIEF PARLIAMENTARY COUNSEL'S OVERVIEW

This is the Annual Report of the Parliamentary Counsel Office (PCO) for the 2017/18 year. This report, together with the PCO's Strategic Intentions¹ and the 2017/2018 Estimates², 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's goal 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. Firstly, 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, areas of emphasis have been drafting Bills on the current revision programme, supporting the Legislation Design and Advisory Committee, finalising a plain language standard and checklist, providing ongoing legislative drafting assistance to Pacific Island nations, and developing a te reo Māori strategy. In the Access to Legislation area, the major area of focus has been the Access to Secondary Legislation Project.

¹ Strategic Intentions Parliamentary Counsel Office for the period 1 July 2017 to 30 June 2021 www.pco.govt.nz/statements-of-intent/.

² Vote Parliamentary Counsel - Justice Sector - Estimates 2017/2018 treasury.govt.nz/publications/estimates/vote-parliamentary-counsel-justice-sector-estimates-2017-2018.

Highlights of 2017/18

This has been another year of significant achievement and delivery for the PCO.

The substantive outcomes and the high-quality work involved in delivering them are largely dependent on the creativity and dedication of those who work for the PCO.

- The PCO drafted 45 Government Bills and 310 Legislative Instruments in the 2017 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 reported back to the House after consideration by the Justice Committee.
- A new revision programme was presented to the House on 4 April 2018.³
- The PCO's first revision Act, the Contract and Commercial Law Act 2017, was awarded the WriteMark "Best Plain English Legal Document" Award.
- A workplace engagement survey showed very high staff engagement at 88%.
- Significant progress was made with the Access to Secondary Legislation Project, including the completion of a large amount of legal research and engagement with government agencies.
- 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.
- The PCO made significant progress in developing its te reo Māori strategy.
- The PCO has published its new plain language standard and checklist for drafting and for all other communications.

³ www.pco.govt.nz/revision-programme.

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 45 Government Bills in the 2017 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 and Imprest Supply Bills, and Bills introduced and passed through all stages under urgency, all Bills are referred to a particular select committee for consideration. The process of select committee scrutiny of Bills usually involves the following features:

- select committees are briefed by departmental advisers about each Bill for which 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 are 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 2017 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 continued to embed 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 the other 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 is working with other participants to achieve a mutual understanding of what this means in practice, and how it can be achieved.

The Access to Secondary Legislation Project (detailed on page 19) 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 role

Legislation Bill

The Legislation Bill 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, particularly by enabling access to all secondary legislation on or from the NZL website (see page 19 for further information)

- 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 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.

A new revision programme for the 52nd parliamentary term was presented to the House of Representatives on 4 April 2018. It comprises ten Bills, revising 27 Acts. The PCO released the Partnership Law Bill as an exposure draft for consultation in May 2018, and is currently preparing it for the process of certifying that it does not make any substantive changes to the law. The PCO is also currently preparing the Parliament Bill and the Land Valuation Proceedings Bill and intends to release exposure drafts of these for consultation.

In November 2017 the PCO’s first revision Act, the Contract and Commercial Law Act 2017, was awarded the WriteMark “Best Plain English Legal Document” Award. This achievement demonstrates the combined benefits of the revision programme and the PCO’s plain language initiatives (see further below) in improving access to legislation.

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). 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 19 legislative proposals with departments in the reporting year. It has advised on a wide range of issues under its mandate of promoting good-quality legislation, including whether legislation is the best way of achieving the policy objective, the use of provisions not intended to be enforceable or have legal effect, the allocation of provisions between primary and secondary legislation, the interaction of proposed legislation with existing law, and the adequacy of consultation.

LDAC released the Legislation Guidelines (2018 edition), which update and replace the LAC Guidelines (2014 edition), in March 2018. Cabinet has endorsed the Legislation Guidelines as the Government's key point of reference for assessing whether draft legislation is consistent with accepted legal and constitutional principles. LDAC is continuing to prepare supplementary material to assist officials working with the Guidelines. The supplementary material will support the Guidelines with relevant case law, academic discussion, external resources, examples, and frameworks.

LDAC also provides seminars/workshops on aspects of the Legislation Guidelines and its role. Seminars in 2017/18 related to transitional and savings provisions and how to design infringement offences.

The LDAC External Subcommittee reviews Bills after introduction that have not been reviewed by the main LDAC. Its members are drawn from the private sector and are appointed by the Attorney-General. In the reporting period, the External Subcommittee made submissions to select committees on nine Bills.

During the reporting period, LDAC also undertook a survey of the Public Service's use of exposure drafts for legislation, with a view to providing guidance on when and how best to use exposure drafts.

The PCO reported to Cabinet in August 2017 on its review of LDAC's operation over its first two years. The PCO reported that LDAC was working well, feedback from departments is positive, and LDAC is adding value to the legislative development process. The report also identified opportunities for improvement. These included:

- enhancing departments' ability to self-vet against the Guidelines, and provide more in-depth LDAC review on key selected Bills, so as to bridge the gap between LDAC's early design advice and the legislative detail
- reducing the risk of inconsistency between the pre-introduction advice and post-introduction submissions and making better use of on the combined Public Service and private sector expertise currently spread across LDAC and the External Subcommittee

- increasing the impact of LDAC beyond direct engagement on legislative proposals through increased education and better integration and use of procedural levers in policy development.

Work is continuing on supporting LDAC to address these opportunities.

Plain language initiative

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 continuing to develop and embed its strategy to reinvigorate our plain language culture.

The PCO's progress in implementing this strategy was marked by the award of the "Best Plain English Legal Document" in November 2017 for the Contract and Commercial Law Act 2017, as noted above.

The PCO's current focus is on developing documents to provide more supporting detail for the plain language standard and checklist. We are developing a strategy for implementing plain language that sets out how plain language will be integrated with our quality assurance processes.

As part of its stewardship focus, the PCO has made the plain language standard available to other agencies that draft secondary legislation and has also provided some training. The standard is available to the public at pco.govt.nz/plain-language.

Te reo Māori strategy

During the reporting period, the PCO made significant progress in developing its te reo Māori strategy, including through a language planning process with Te Taura Whiri i te Reo Māori. This strategy has two strands:

- raising the general capability of the PCO to use te reo Māori and be familiar with tikanga Māori
- developing good processes to support using te reo Māori in legislation (either when incorporating Māori words and phrases into English-language legislation or in dual-language legislation) in ways that promote consistent and accessible legislation.

The strategy has, in the reporting period, involved:

- general language training for staff
- research into the processes used and resources required in certain other comparable jurisdictions for preparing and enacting dual-language legislation
- developing options for accessing or recruiting specialist staff with expertise in te reo Māori, including through collaborating with the Office of the Clerk and the Department of Internal Affairs.

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. During the reporting period, a senior OTS staff member has continued in a secondment to the PCO to assist with drafting. The use of standard clauses for matters common to most Treaty settlement legislation continues to be an effective way to progress 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

As part of its stewardship role, the PCO is committed to reducing complexity in legislation. The PCO has developed a programme to standardise more legislative provisions (similar to the approach already used in Treaty Bills), with advice and processes to support this. More standardisation (of both the content and structure of legislation) will make it easier for users to understand, and find their way around, legislation. It also gives the PCO wider opportunities to increase understanding of particular concepts across legislation, lower the risks of unintentional error, and increase efficiencies in producing legislation.

During the reporting period, the PCO established the initial work programme and a governance board to oversee the programme (involving representatives of instructors, the Inland Revenue Department, and Crown Law). Progress has also been made on work to standardise drafting and supporting guidance in a number of areas and on systems to enable easy use and dissemination of the standard drafting.

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 and the Office of the Clerk gave a joint seminar for new instructors three times during the reporting period, with about 225 officials attending.

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 a GLN graduate lawyer trainee for six months, and two GLN summer clerks. The PCO will continue its commitment to the GLN graduate programme, employing two further GLN graduate lawyers in the future.

The PCO has provided drafting training for other agencies drafting secondary legislation. As part of its stewardship role, and in collaboration with other drafting agencies, it will host a conference for public sector drafters of secondary legislation in August 2018.

Contributing internationally

In 2011, the PCO established a Pacific Island desk to provide legislative drafting assistance, training, and mentoring to officials in Pacific Island nations responsible for the drafting of legislation. The desk operates with the assistance of funding from the Ministry of Foreign Affairs and Trade. Since January 2017, this has been under a revised Memorandum of Understanding (MOU).

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 requests 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, and training and mentoring for on-island officials.

In the 2017/2018 financial year, the PCO held two workshops in the Cook Islands and three in Niue for Crown Counsel and public servants. These workshops focused on basic drafting skills and related matters. The PCO will continue to work with the relevant Crown Law Offices to provide workshops that respond to identified knowledge gaps and reinforce learning gained in previous workshops. A key focus 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. In the reporting period, a PCO drafter was seconded to the Law Commission to assist with its review of the Evidence Act 2006. This is expected to lead to drafting assistance for amendments to that Act.

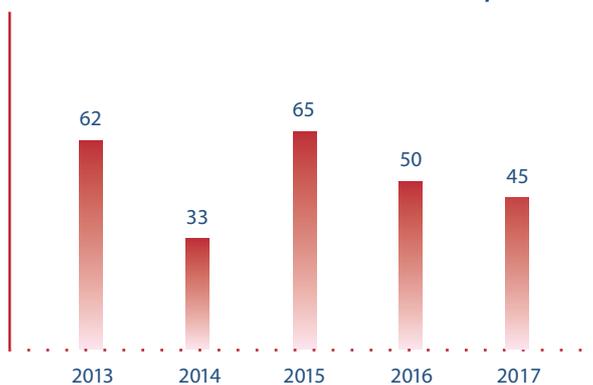
Drafting for the (Judicial) Rules Committee

The PCO assists the Rules Committee. 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 amendments to the High Court Rules 2016, Court of Appeal (Civil) Rules 2005, and Supreme Court Rules 2004.

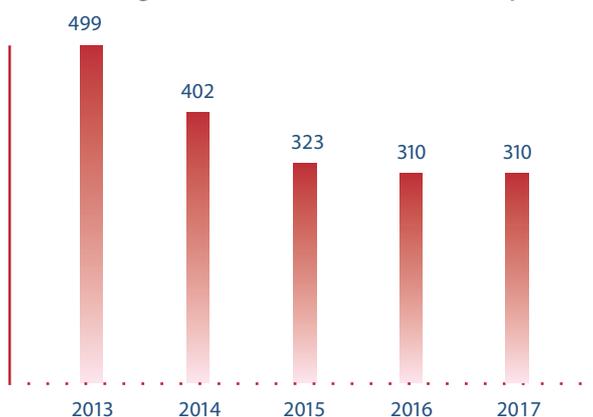
Quantity of legislation

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 2013 to 2017.

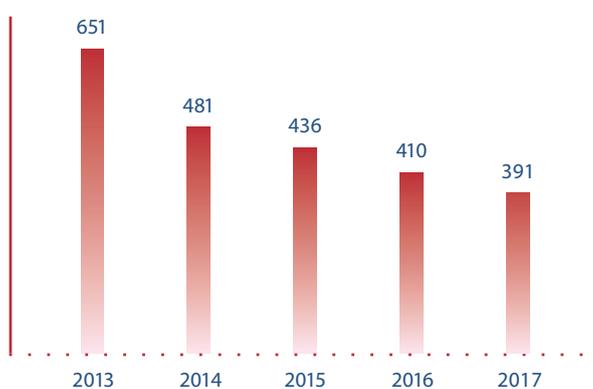
Number of Government Bills drafted and published



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.

Bills introduced	Significance
Births, Deaths, Marriages, and Relationships Registration Bill	This Bill is a rewrite of the Births, Deaths, Marriages, and Relationships Registration Act 1995 in an up-to-date and accessible form, with amendments to make the births, deaths, and marriages information system more technology-neutral and future-proofed.
Child Poverty Reduction Bill	This Bill is intended to achieve a significant and sustained reduction in child poverty by: <ul style="list-style-type: none"> • encouraging a focus on this outcome • specifying child poverty measures • requiring the setting of reduction targets.
Commerce (Criminalisation of Cartels) Amendment Bill	This Bill amends the Commerce Act 1986 to introduce a criminal offence for cartel conduct. This reverses the policy of the previous Government, which considered that civil liability was sufficient. This Bill reflects a concern that the existing civil regime might not provide optimal disincentives for cartel conduct and a concern that New Zealand's competition regime might be out of step with comparable overseas jurisdictions.
Courts Matters Bill and Tribunals Powers and Procedures Legislation Bill	These Bills form an integrated package of amendments that will contribute towards the goal of a modern, efficient, and effective courts and tribunals system.
Electoral (Integrity) Amendment Bill	This Bill amends the Electoral Act 1993 to enhance public confidence in the integrity of the electoral system by upholding the proportionality of political party representation in Parliament as determined by electors. This Bill is on the Government's 100-day plan.
Land Transport Management (Regional Fuel Tax) Amendment Bill	This Bill introduces an Order in Council mechanism that will enable regional fuel taxes to be imposed to help regions to fund transport infrastructure programmes. Revenue from a regional fuel tax will go to the council responsible for the region where the taxed fuel is delivered for sale or consumption. The process will initially be available only in the Auckland region, but will be available in other regions from January 2021.
Maritime Powers Extension Bill	The Bill provides Customs with an additional option to disrupt drugs smuggling and establishes clear jurisdiction over drug offences in international waters.
Misuse of Drugs (Medicinal Cannabis) Amendment Bill	This Bill amends the Misuse of Drugs Act 1975 to improve access to medicinal cannabis. This Bill is on the Government's 100-day plan.

Ngā Rohe Moana o Ngā Hapū o Ngāti Porou Bill (No 2)	This Bill uniquely provides for the recognition of an iwi's interests in the marine and coastal area on the Bill's own terms rather than under the Marine and Coastal Area (Takutai Moana) Act 2011.
Overseas Investment Amendment Bill	This complex Bill (which was prepared within tight time frames) is part of the Government's 100-day plan. It adds significant restrictions on the ability of overseas persons to acquire residential land in New Zealand.
Parihaka Reconciliation Bill	This Bill records elements of Te Kawenata ō Rongo, the deed of reconciliation signed on 9 June 2017 in which the Crown and Parihaka agree to reconcile their relationship. This Bill is a dual-language Bill, drafted in English and translated into te reo Māori.
Privacy Bill	This Bill is designed to replace the Privacy Act 1993 in view of recommendations made by the Law Commission's 2011 review of that Act and some recommendations made in reports of the Privacy Commissioner. Its purpose is to promote people's confidence that their personal information is secure and will be treated properly.
Telecommunications (New Regulatory Framework) Amendment Bill	This Bill provides for a new regulatory framework for fibre fixed line access services, removal of unnecessary copper fixed line access service regulation, streamlining of certain regulatory processes, and more regulatory oversight of retail service quality.
Trans-Pacific Partnership Agreement (CPTPP) Amendment Bill	This Bill makes changes necessary for New Zealand to ratify the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a major free trade agreement between 11 countries in the Asia-Pacific region.
Trusts Bill	This Bill replaces the Trustee Act 1956 and the Perpetuities Act 1964 and sets out foundational principles of trust law established through centuries of case law, with the aim of making trust law more accessible to everyday users while preserving the ability of the courts to refer to and apply case law.

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 *New Zealand 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 ultimate goal of the project is to publish all secondary legislation 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).

There are two significant pieces of legislation that will together create the legislative framework, and make changes to existing legislation, that will enable the project to achieve its objectives: the Legislation Bill and the Secondary Legislation (Access) Bill.

On 5 June 2018, the Legislation Bill was reported back to the House of Representatives after consideration by the Justice Committee.

The Justice Committee recommended some changes to the Legislation Bill. The most significant change was to create a duty on makers to provide a “list” of in-force secondary legislation to the PCO. Makers of secondary legislation will also need to provide the PCO with additional information about their secondary legislation, including a link to where the secondary legislation can be found. This duty was added to the Bill to ensure the early delivery of one of the key benefits of the project: identifying, for the first time, a definitive collection of secondary legislation and where it can be found.

Makers of legislation will have one year from the commencement of the Legislation Bill to provide their “list” information to the PCO. This deadline may be extended by regulations to a maximum of five years.

Significant legal research and engagement with government agencies has been completed. This work was carried out to help identify and clarify which provisions in Acts that agencies administer empower the making of secondary legislation.

The legal research analysed all primary legislation to identify every empowering provision across the statute book. The research also reached a preliminary judgement about which of those provisions empowered the making of legislation (as opposed to being merely administrative provisions).

The agency engagement has mostly focused on discussing these preliminary judgements with the agencies that administer the Acts and has extended to amendments to be made under the Secondary Legislation (Access) Bill.

The Access to Legislation Project featured as a “starred” commitment in the New Zealand Action Plan 2016–2018 under the Open Government Partnership, on which the PCO has worked closely with the State Services Commission.⁴ An independent review of the plan recommended that the project be included in the National Action Plan 2018-2020, which the PCO is currently preparing for.

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 Legislation Bill is enacted.

NZL 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 to replace the link management and publishing components of the system was completed. Work on upgrading or replacing technically obsolete components continued, to ensure the services which comprise the system remain supported.

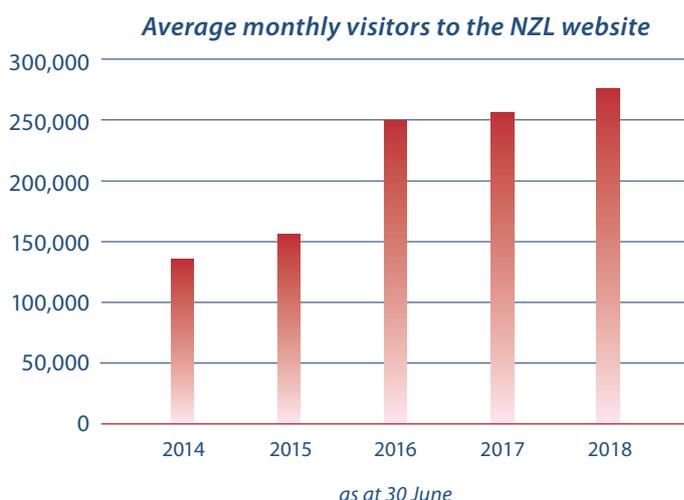
NZL website

The graph on the next page shows the average monthly number of visitors to the NZL website in each of the past five reporting 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. The number of visitors continues to grow.

Work on identifying further improvements to the website has progressed. Areas to be targeted include the search functionality and improving the relationships between legislation on the site and content on other websites.

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



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.

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 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.

Departmental Capital Expenditure

Work continued on the Access to Secondary Legislation Project and funding was provided for a variety of technical services such as business implementation, project management, and assurance.

A programme of work to improve the PCO's main asset, the NZL system, was completed. This included a replacement solution for the system's dynamic link management component.

The PCO also completed the refurbishment of its accommodation within the Reserve Bank building.

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:

	2017/18 Maximum target turnover	2017/18 Actual	2017/18 Actual (number)	2016/17 Actual	2015/16 Actual	2014/15 Actual
Parliamentary Counsel	7%	6%	2	8%	10%	9%
Technical staff	12%	–	–	4%	10%	17%
Corporate staff	10%	–	–	5%	23%	6%
Total staff turnover	10%	3%	2	5%	13%	12%

Of the two staff that left the PCO in the 2017/18 year, one relocated overseas and one resigned to pursue other opportunities in New Zealand.

Succession planning continues to be a key feature of the PCO's efforts in organisational health and capability. A drafting team manager vacancy was filled by an internal candidate.

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. Counsel continued to attend in-house forums, workshops, and courses for their development and to meet their NZ Law Society continuing professional development requirements.

A programme of resilience training was provided for all staff. This training was part of our focus on staff well-being and managing stress. Other 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 development through acting in senior roles as opportunities arise, and taking on secondments, both internally and externally. Inward and outward secondments during the year included PCO staff seconded to legal roles within the Law Commission, Ministry of Education, and the Treasury, and staff from the Office of the Clerk and the Ministry for Primary Industries seconded to legal roles within the PCO.

Staff engagement

A workplace engagement survey took place in November 2017. There was a high response rate (88%) and the results show very high staff engagement at 88%. The PCO's scores overall are well ahead of public sector benchmarks. The scores compare very well against the state sector top 25% benchmark, and are comparable to the top 25% of New Zealand workplaces in the survey.

The PCO scored exceptionally highly (relative to most organisations) on "having the necessary tools and resources to do my job" at 96% agreement. The same percentage are proud to work for the PCO and also believe the PCO delivers on promises to customers. Overall the survey results were consistent with informal feedback that the PCO is a good place to work.

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 2018, the staff gender breakdown is:

	Male	Female	Total
Total staff	34	51	85
Senior Management (tier 1 and 2)	2	2	4
Tier 3 managers	6	5	11
Parliamentary Counsel	9	20	29
Other Drafting Services staff	0	3	3
Access to Legislation staff	8	10	18
Corporate Services staff	9	11	20

The above table includes four fixed-term staff.

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 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. Highlights included changing the identity management system and continuing to migrate underlying upgrading systems and databases to new platforms.

The PCO has also undertaken assurance activities to ensure the technology services used are well supported and reliable, and continues to use the Government Chief Digital 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). This continues at pace, with the planning for the adoption of Telephone as a Service occurring in the 2017/18 financial year.

Audit and Risk Committee

The PCO's Audit and Risk Committee met four times during the 2017/18 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 continued to be tested, reviewed, and updated where necessary. This ensured essential services provided by the PCO can continue or quickly recover during periods of business disruption or emergency. Exercises and actual events that have occurred over the reporting year have confirmed that most staff can work remotely when a disruptive event takes place.

The PCO continued to be part 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.

Disaster recovery

The PCO has a disaster recovery plan in place for its information systems that includes 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 twice in the 2017/18 financial year. Work continued in the reporting year to strengthen PCO systems' resilience by splitting the location housing its services across two geographical locations.

Protective Security Requirements

The Government-mandated Protective Security Requirements (PSR) provides guidance and support for government agencies to improve the security of their people, information, and assets. The PSR framework 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.

In late 2017 the Three Agencies of Parliament Group, comprising the PCO, Office of the Clerk, and Parliamentary Service, replaced the five-agency group (DPMC and Ministerial and Secretariat Services (DIA) are now stand-alone agencies in relation to the PSR).

The governance structure now comprises:

- a working group, which meets on a four- to six-weekly basis, implements the PSR, and produces progress reports
- a governance group, which meets on a quarterly basis, oversees the implementation and progress of the PSR, makes decisions, and provides assurance to the senior leadership teams
- the three agencies' senior leadership teams, which are responsible for setting the strategic direction of parliamentary agencies' security operation and service delivery of the PSR.

FINANCIAL INFORMATION

FINANCIAL STATEMENTS OF THE PARLIAMENTARY COUNSEL OFFICE

FOR THE YEAR ENDED 30 JUNE 2018

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 2018, including the Statement of Performance, now follow.

Statement of Responsibility

I am responsible, as Chief Executive of the PCO, for:

- the preparation of the PCO's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- ensuring that end-of-year performance information on each appropriation administered by the PCO is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report
- 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 2018 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 2019 and its operations for the year ending on that date.



Fiona Leonard
Chief Parliamentary Counsel
26 September 2018

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2018

2017			2018	Unaudited		
				2018	2018	2019
Actual		Notes	Actual	Main Estimates	Supp. Estimates	Forecast
\$000			\$000	\$000	\$000	\$000
	Revenue					
20,299	Crown		20,223	20,223	20,223	20,223
176	Other revenue	2	290	200	200	200
20,475	Total revenue		20,513	20,423	20,423	20,423
	Expenses					
10,223	Personnel	3	10,378	10,371	10,371	10,392
6,556	Operating	4	7,036	6,404	6,404	6,454
1,789	Depreciation and amortisation	7/8	1,259	1,520	1,520	1,501
981	Capital charge	5	905	905	905	905
19,549	Total expenses		19,578	19,200	19,200	19,252
926	Net surplus		935	1,223	1,223	1,171
0	Other comprehensive revenue and expense		0	0	0	0
926	Total comprehensive revenue and expense		935	1,223	1,223	1,171

Explanations of major variances against the original 2018 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 2018

2017			2018	Unaudited		
				2018	2018	2019
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					
1,708	Cash and cash equivalents		3,183	5,052	178	797
12,118	Debtors and other receivables	6	11,147	7,125	12,118	10,118
403	Prepayments		211	435	403	403
14,229	Total current assets		14,541	12,612	12,699	11,318
	Non-current assets					
1,954	Property, plant, and equipment	7	1,654	1,471	1,679	1,403
1,738	Intangible assets	8	1,656	3,508	3,323	4,928
3,692	Total non-current assets		3,310	4,979	5,002	6,331
17,921	TOTAL ASSETS		17,851	17,591	17,701	17,649
	Current liabilities					
1,222	Creditors and other payables	9	1,126	700	705	705
926	Return of net surplus	10	935	1,223	1,223	1,171
618	Employee entitlements	11	629	512	618	618
2,766	Total current liabilities		2,690	2,435	2,546	2,494
	Non-current liabilities					
64	Employee entitlements	11	70	65	64	64
2,830	TOTAL LIABILITIES		2,760	2,500	2,610	2,558
15,091	Net assets		15,091	15,091	15,091	15,091

Explanations of major variances against the original 2018 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 2018

2017			2018	Unaudited		
				2018	2018	2019
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
926	Total comprehensive revenue/ expense		935	1,223	1,223	1,171
	Owner transactions					
(926)	Return of operating surplus to the Crown	10	(935)	(1,223)	(1,223)	(1,171)
15,091	Balance as at 30 June		15,091	15,091	15,091	15,091

Explanations of major variances against the original 2018 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 2018

2017		2018	Unaudited		
			2018	2018	2019
Actual		Actual	Main Estimates	Supp. Estimates	Forecast
\$000		\$000	\$000	\$000	\$000
	Cash flows from operating activities				
	Cash was provided from:				
	Supply of outputs:				
20,300	—Crown	21,296	20,223	20,223	22,223
174	—Departments	288	200	200	200
8	—Other	2	0	0	0
20,482	Subtotal	21,586	20,423	20,423	22,423
	Cash was disbursed to:				
	Produce outputs:				
(10,061)	—Personnel	(10,374)	(10,326)	(10,341)	(10,362)
(5,897)	—Operating	(7,098)	(6,434)	(7,040)	(6,484)
(96)	—Net GST paid	69	0	89	0
(981)	—Capital charge	(905)	(905)	(905)	(905)
(17,035)	Subtotal	(18,308)	(17,665)	(18,197)	(17,751)
3,447	Net cash flows from operating activities	3,278	2,758	2,226	4,672
	Cash flows from investing activities				
	Cash was disbursed to:				
(1,966)	Purchase of property, plant, and equipment	(69)	(40)	(40)	(40)
(318)	Purchase of intangible assets	(808)	(2,790)	(2,790)	(2,790)
(2,284)	Net cash flows from investing activities	(877)	(2,830)	(2,830)	(2,830)
	Cash flows from financing activities				
	Cash was disbursed to:				
(2,035)	Payment of net surplus to Crown	(926)	(1,148)	(926)	(1,223)
(2,035)	Net cash flows from financing activities	(926)	(1,148)	(926)	(1,223)
(872)	Net increase/(decrease) in cash held	1,475	(1,220)	(1,530)	619
2,580	Add opening cash brought forward	1,708	6,272	1,708	178
1,708	Closing cash to carry forward	3,183	5,052	178	797

Explanations of major variances against the original 2018 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 2018

2017		2018
Actual		Actual
\$000		\$000
	Non-cancellable operating lease commitments	
729	Less than one year	729
716	One to two years	712
2,102	Two to five years	1,999
607	Over five years	0
4,154	Total non-cancellable operating lease commitments	3,440

There are no capital commitments (2017: 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 14 May 2023.

The Reserve Bank car park lease has an expiry date of 14 April 2019 and is automatically renewed unless a notice to cancel is provided.

Statement of Contingent Assets and Liabilities

As at 30 June 2018

As at 30 June 2018, there are no contingent assets (2017: nil).

As at 30 June 2018, there are no contingent liabilities (2017: nil).

As at 30 June 2018, there are no guarantees or indemnities given under the Public Finance Act (PFA) 1989 in respect of the activities of the PCO (2017: 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 2018

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 2018, and were approved for issue by the Chief Parliamentary Counsel on 26 September 2018.

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.

Leases

Operating leases

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

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

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

Cash and cash equivalents

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

Debtors and other receivables

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

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

Property, plant, and equipment (PPE)

Property, plant, and equipment (PPE) consists of furniture, office equipment, and leasehold property improvements. The initial cost of PPE is the value of the consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use. PPE is measured at cost less accumulated depreciation and impairment losses.

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

Additions

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

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

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

Disposals

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

Subsequent costs

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

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

Depreciation

Depreciation of property, plant, and equipment 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
- Furniture 3 to 10 years
- Office equipment 3 to 10 years
- Leasehold property improvements 6 years

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 are 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 been announced publicly to those affected, or when 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 made.

Statement of cost accounting policies

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

Criteria for direct and indirect costs

Direct costs are those costs directly attributed to an output.

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

Direct costs assigned to outputs

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

Basis for assigning indirect and corporate costs to outputs

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

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

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

Critical accounting estimates and assumptions

In preparing these financial statements the PCO has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of 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 2018 budget figures are for the year ended 30 June 2018 and were published in the 2016/2017 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 2018.

The 2019 forecast figures are for the year ending 30 June 2019, which are consistent with the best estimate financial forecast information submitted to Treasury for the BEFU for the year ending 30 June 2019.

The forecast financial statements have been prepared as required by the Public Finance Act (PFA) to communicate forecast financial information for accountability purposes.

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

The 30 June 2019 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 27 March 2018. 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 2019 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 2019 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 27 March 2018.

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 91 staff positions (82.2 full time equivalents).
- Operating costs are based on historical experience. The general historical pattern is expected to continue.
- Estimated year-end information for 2017/18 is used as the opening position for the 2018/19 forecasts.

The actual financial results achieved for 30 June 2019 are likely to vary from the forecast information presented, and the variations may be material.

Note 2 Other revenue

2017		2018
Actual		Actual
\$000		\$000
174	Other departmental income	288
2	Other third party income	2
176	Total other income	290

Note 3 Personnel costs

2017		2018	Unaudited		
			2018	2018	2019
Actual		Actual	Main Estimates	Supp. Estimates	Forecast
\$000		\$000	\$000	\$000	\$000
9,571	Salaries and wages	9,865	9,783	9,783	9,800
153	Annual, retirement, long service, and sick leave	17	74	74	74
473	Employer contributions to defined contribution plans*	509	484	484	488
26	Other	(13)	30	30	30
10,223	Total personnel expenses	10,378	10,371	10,371	10,392

* 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

2017		2018	Unaudited		
			2018	2018	2019
Actual		Actual	Main Estimates	Supp. Estimates	Forecast
\$000		\$000	\$000	\$000	\$000
1,697	Consultancy	2,208	1,260	1,260	1,260
44	Audit fees to auditors for audit of the financial statements	45	45	45	45
723	Operating lease rentals	763	776	776	776
94	Printing expenses	62	115	115	115
1,985	NZL system expenses	1,936	2,200	2,200	2,200
1,030	Computing expenses	1,072	1,091	1,091	1,091
6	Loss on sale of fixed assets	0	0	0	0
977	Other operating expenses	950	917	917	967
6,556	Total operating expenses	7,036	6,404	6,404	6,454

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 was \$0.905 million (2017: \$0.981 million) and the rate for the year ended 30 June 2018 was 6% (2017: 6%–7%).

Note 6 Debtors and other receivables

2017		2018
Actual \$000		Actual \$000
12,118	Debtor Crown	11,045
0	Debtors and other receivables	102
12,118	Total debtors and other receivables	11,147

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 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
Balance at 1 July 2017	422	393	171	1,553	0	2,539
Additions	22	0	0	47	0	69
Transfers from WIP	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Balance at 30 June 2018	444	393	171	1,600	0	2,608
Accumulated depreciation and impairment losses						
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)
Balance at 1 July 2017	(20)	(378)	(65)	(122)	0	(585)
Depreciation expense	(83)	(5)	(20)	(261)	0	(369)
Reversal of accumulated depreciation on disposal	0	0	0	0	0	0
Balance at 30 June 2018	(103)	(383)	(85)	(383)	0	(954)
Carrying amounts						
At 30 June 2016	0	4	7	16	123	150
At 30 June 2017	402	15	106	1,431	0	1,954
At 30 June 2018	341	10	86	1,217	0	1,654

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 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
Balance at 1 July 2017	20,742	481	21,223
Additions	0	808	808
Transfers from WIP	800	(800)	0
Disposals	0	0	0
Balance at 30 June 2018	21,542	489	22,031
Accumulated amortisation and impairment losses			
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)
Balance at 1 July 2017	(19,485)	0	(19,485)
Amortisation expense	(890)	0	(890)
Reverse amortisation on disposals	0	0	0
Balance at 30 June 2018	(20,375)	0	(20,375)
Carrying amounts			
At 30 June 2016	2,793	260	3,053
At 30 June 2017	1,257	481	1,738
At 30 June 2018	1,167	489	1,656

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

2017		2018
Actual \$000		Actual \$000
14	Creditors	58
991	Accrued expenses	782
217	GST payable (receivable)	286
1,222	Total creditors and other payables	1,126

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

2017		2018
Actual \$000		Actual \$000
926	Return of net surplus	935
926	Total repayment of net surplus	935

The return of operating surplus to the Crown is required to be paid by 31 October 2018. 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

2017		2018
Actual \$000		Actual \$000
	Current liabilities	
62	Retirement and long service leave	63
547	Annual leave	556
9	Sick leave	10
618	Total current portion	629
	Non-current liabilities	
64	Retirement leave	70
64	Total non-current portion	70
682	Total employee entitlements	699

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 2018. The major long-term economic assumptions adopted in the valuation process for long service and retirement leave were:

- Salary increase rate: 3.10% (2017: 3.00%)
- Discount rate: 3.55% (2017: 3.92%).

Sick leave was calculated in accordance with 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 2018.

Key management personnel

2017		2018
Actual		Actual
1,132	Remuneration (\$000)	1,196
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, not 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 2018 (2017: nil).

Note 14 Financial instruments

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

2017		2018
Actual \$000		Actual \$000
	Financial assets measured at amortised costs	
	Loans and receivables	
1,708	Bank balances	3,183
12,118	Debtor—Crown	11,045
13,826	Total loans and receivables	14,228
	Financial liabilities measured at amortised costs	
14	Creditors	58
14	Total financial liabilities	58

Note 15 Major budget variances—actuals against main estimates

Statement of Comprehensive Revenue and Expense

The 2017/18 business activities resulted in a net operating surplus of \$0.935 million (2017: \$0.926 million).

Other revenue was \$0.090 million higher than budgeted due to four PCO staff being seconded to other agencies during the year and these secondments not anticipated at the time the 2017/18 budget was set.

Operating expenses were \$0.632 million higher than budgeted, mainly due to a significant increase in consultant and contractor costs, particularly relating to the Access to Secondary Legislation Project. External consultants also supported the operation of the PCO's Pacific Desk and stewardship activities throughout the year. These were partially offset by a reduction in maintenance and support costs for the NZL system.

Depreciation and amortisation expenses were \$0.261 million lower than budgeted, due to a reduction in the work programme for the NZL system.

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 2018.

Statement of Actual Expenses and Capital Expenditure Against Appropriations

For the year ended 30 June 2018

2017		2018	Unaudited			Location of end-of-year Performance Information
			2018	2018	2019	
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):					
15,668	Law Drafting Services	14,788	16,923	15,923	15,923	*
3,881	Access to Legislation	4,790	3,500	4,500	4,500	*
19,549	Total MCA for output expenses	19,578	20,423	20,423	20,423	
	<i>Departmental capital expenditure</i>					
2,284	Parliamentary Counsel Office—Capital Permanent Legislative Authority	877	2,830	2,830	2,830	*
2,284	Total capital appropriations	877	2,830	2,830	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 2018

There were no expenses or capital expenditure incurred in excess of appropriation, without appropriation or outside the scope or period of appropriation (2017: nil).

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

For the year ended 30 June 2018

There were no capital injections during the year without, or in excess of, authority (2017: nil).

Statement of Performance

For the year ended 30 June 2018

The PCO agreed to provide outputs in 2017/18 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.

	For the year ended 30 June			
	2018	2017	2016	
Measure	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 42% response rate ¹	100% satisfaction 46% response rate ²	select committees were satisfied

¹ In 2017/18, responses were received from the Finance and Expenditure; Foreign Affairs, Defence and Trade; Health; Social Services and Community; and Transport and Infrastructure Committees.

² 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.

	For the year ended 30 June			
	2018	2017	2016	
Measure	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	90%	100% satisfaction 42% response rate ¹	100% satisfaction 46% response rate ²	select committees were satisfied

¹ In 2017/18, responses were received from the Finance and Expenditure; Foreign Affairs, Defence and Trade; Health; Social Services and Community; and Transport and Infrastructure Committees.

² 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			
	2018		2017	2016
	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 tool for 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 upgrades.

Timeliness

Measure	For the year ended 30 June			
	2018		2017	2016
	Standard	Actual	Actual	Actual
the time taken to make legislation (including Bills and SOPs) available on the NZL website (target 100% of standard)	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			
	2018		2017	2016
	Standard	Actual	Actual	Actual
	all SOPs: within 1 working day after they have been circulated to Members of Parliament	met	met	met
	all Legislative Instruments: within 1 working day after they are notified in the <i>New Zealand Gazette</i>	met	met	met
	all Acts: within 5 working days of assent	met	met	met
the time taken to publish legislation in printed and electronic forms (target 100% of standard)	all Government Bills and SOPs: within 5 working days of introduction or release	met	not met ¹	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	99%	95% ²	93% ³	99% ⁴
amendments are incorporated within 30 working days of the date of effect of the amendment	100%	99% ⁵	–	–
the time taken to respond to public enquiries	90% within 1 working day of receipt	98%	98%	99%
	100% within 5 working days of receipt	100%	100%	100%

¹ 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.

² In 2017/18, the budget standard was not achieved due to a large number of compilations (101) that commenced on 1 July 2017 and 89 that commenced on 14 July 2017.

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 2017/18, the budget standard was not achieved due to a large number of compilations (62) that came into force between 29 March and 1 April 2018. The most affected were the Goods and Services Tax Act 1985 and the Income Tax Act 2007, which had sizable amendments on both 29 March and 1 April. In the case of the Income Tax Act 2007 there was a further delay caused by the need for a clarification from IRD regarding certain provisions that had contradictory commencement dates.

Financial performance	Actual	Approved appropriation (2017/18 Supplementary Estimates)
(Figures are \$000s and GST exclusive)	2018	2018
Total expenditure	4,790	4,500

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			
	2017	2016	2015	
	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 once prior to introduction and again before committee stages for their legal effectiveness, workability, compliance, structure, and readability
- Legislative Instruments drafted by the PCO are reviewed once before being submitted to Cabinet for their legal effectiveness, workability, compliance, structure, and readability.

The quality standards for proofreading legislation are that:

- 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			
	2018		2017	2016
	Standard	Actual	Actual	Actual
in regard to the 3-yearly revision programme, whether the Attorney-General is satisfied that the quality standard has been achieved	the Attorney-General is satisfied	N/A ¹	the Attorney-General was satisfied	N/A ²

Measure	For the year ended 30 June			
	2018		2017	2016
	Standard	Actual	Actual	Actual
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%	99% satisfaction 58% response rate	96% satisfaction 65% response rate	97% satisfaction 68% response rate
in regard to the 3-yearly revision programme, relevant instructing departments and agencies are satisfied that the quality standard has been achieved	Instructing departments and agencies are satisfied	N/A ¹	Instructing departments and agencies were satisfied	N/A ²
whether Pacific Island instructors are satisfied that the quality standard has been achieved	Pacific Island instructors are satisfied	Pacific Island instructors were satisfied	Pacific Island instructors were satisfied	Pacific Island instructors were satisfied
proportion of Bills drafted by PCO and introduced that are peer reviewed	97%	100%	100% ³	98% ⁴
proportion of Legislative Instruments drafted by PCO and submitted to Cabinet that are peer reviewed ⁵	97%	99%	99%	99%
proportion of Government Bills drafted by the PCO that are proofread before introduction	97%	100%	100% ⁶	100%
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 2017/18 year as no revision Bills were passed.

² The statute revision quality standard was not applicable for the 2015/16 year as no revision Bills were passed.

³ 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.

⁴ 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.

⁵ 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.

⁶ 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.

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 standards for instructing departments and agencies are that:

- drafts of legislation are produced within agreed time frames
- in regard to the three-yearly revision programme, legislation is drafted 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.

Measure	For the year ended 30 June			
	2018	2017	2016	
	Standard	Actual	Actual	Actual
in regard to the 3-yearly revision programme, whether the Attorney-General is satisfied that the timeliness standard has been achieved	the Attorney-General is satisfied	N/A ¹	the Attorney-General was satisfied	N/A ²
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%	97% satisfaction 58% response rate	98% satisfaction 65% response rate	98% satisfaction 68% response rate
in regard to the 3-yearly revision programme, relevant instructing departments and agencies are satisfied that the timeliness standard has been achieved	Instructing departments and agencies are satisfied	N/A ¹	Instructing departments and agencies were satisfied	N/A ²
whether Pacific Island instructors are satisfied that the timeliness standard has been achieved	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 (2017/18 Supplementary Estimates)
(Figures are \$000s and GST exclusive)	2018	2018
Total expenditure	14,788	15,923

¹ The statute revision timeliness standard was not applicable for the 2017/18 year as no revision Bills were passed.

² The statute revision timeliness standard was not applicable for the 2015/16 year as no revision Bills were passed.

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of the Parliamentary Counsel Office's annual report for the year ended 30 June 2018

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 47, that comprise the statement of financial position, statement of commitments, statement of contingent assets and liabilities as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in taxpayers' funds, 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 2018 on pages 7 to 21 and 49 to 56; and
- the statements of expenses and capital expenditure of the PCO for the year ended 30 June 2018 on page 48.

Opinion

In our opinion:

- the financial statements of the PCO on pages 29 to 47:
 - present fairly, in all material respects:
 - ~ its financial position as at 30 June 2018; 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 Reduced Disclosure Regime
- the performance information of the PCO on pages 7 to 21 and 49 to 56:
 - presents fairly, in all material respects, for the year ended 30 June 2018:
 - ~ 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 48 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 26 September 2018. 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 the PCO's 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 with the information on Strategic Intentions for the period 1 July 2017 to 30 June 2021 and relevant Estimates and Supplementary Estimates of Appropriations 2017/18, and 2017/18 forecast financial figures included in the PCO's 2016/17 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.

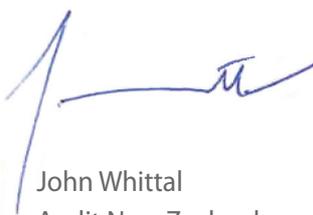
Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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 is currently awaiting its second reading. The policy objectives of this Bill are set out on pages 9–10.

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 so 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.

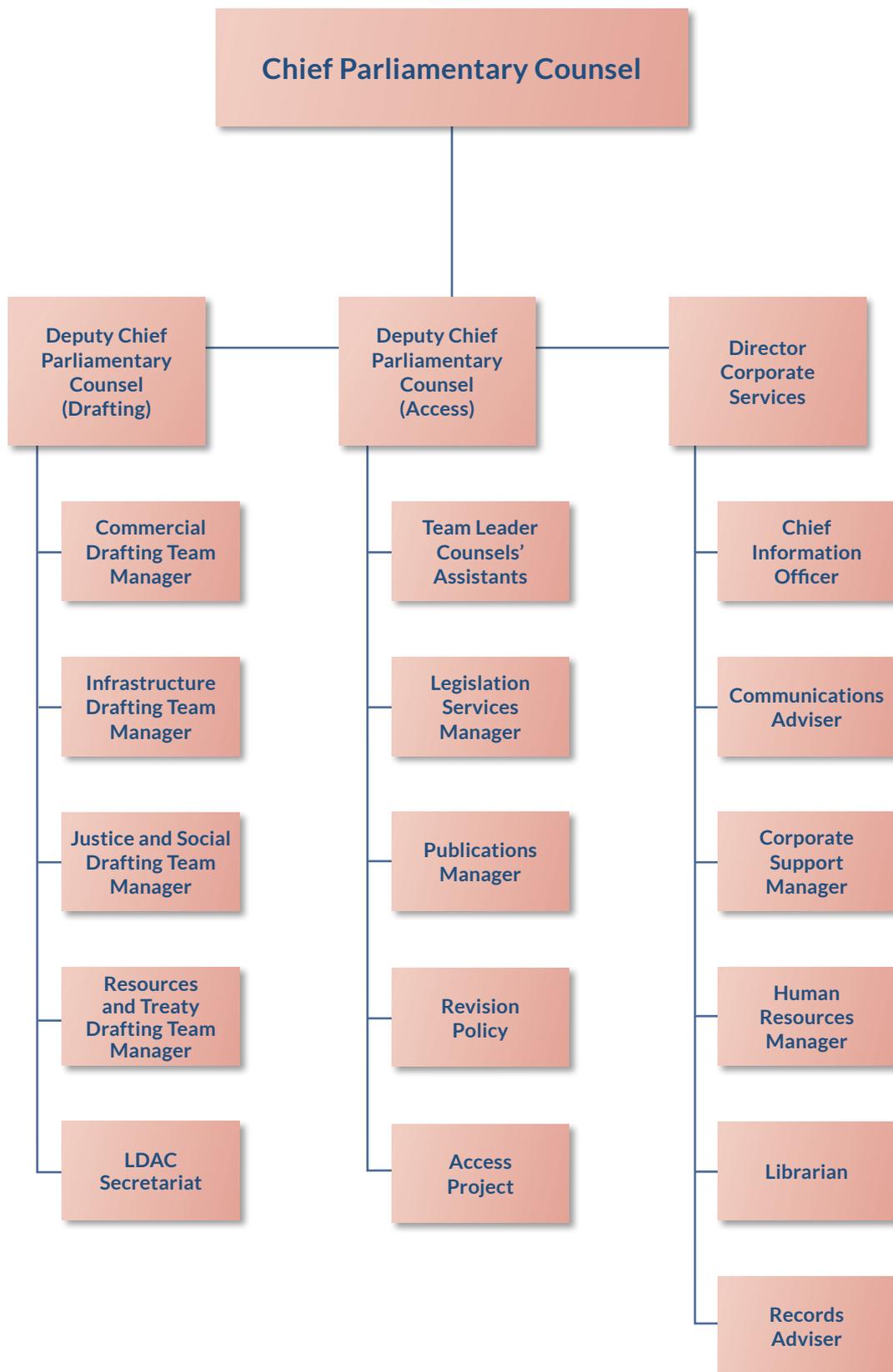
The Minister responsible for the PCO is the Attorney-General. The Chief Parliamentary Counsel is responsible to the Attorney-General for the operations and management of the PCO.

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 (IRD), 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
- is working with the IRD to improve the consistency of drafting practices and training support
- 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 contracts with suppliers under the all-of-Government contracts relating to syndicated procurement of infrastructure-as-a-service.

Organisational structure



Parliamentary Counsel Office
Te Tari Tohutohu Pāremata

Level 13, Reserve Bank Building
2 The Terrace
PO Box 18070, Wellington 6160
New Zealand

Phone 04 472 9639
Email contact@pco.govt.nz

pco.govt.nz
legislation.govt.nz