



PARLIAMENTARY
COUNSEL OFFICE

TE TARI TOHUTOHU
PĀREMATA

Annual Report

for the year ended 30 June 2021

2021 Annual Report

Report of the
Parliamentary Counsel Office
Te Tari Tohutohu Pāremata
for the year ended 30 June 2021

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

October 2021
Wellington, New Zealand

ISSN 2537-7329 (Print)

ISSN 2537-7337 (Online)

This report is available on the Parliamentary Counsel Office website:

pco.govt.nz



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CHIEF PARLIAMENTARY COUNSEL'S OVERVIEW

Tēnā koutou katoa. Nau mai, haere mai.

This has been a year of significant change and development for the PCO. The unprecedented challenges in supporting the Government's legislative response to COVID-19 have had a large impact on our day-to-day work. We have delivered the Secondary Legislation Act 2021, which gives clarity for the first time to what is secondary legislation. We have reshaped our leadership structure in preparation for the Legislation Act 2019 commencing in late 2021 and to assist us to make meaningful progress on our goals.

Our core work

The COVID-19 pandemic has continued to present unique legislative challenges, particularly in the Auckland resurgence and supporting the quarantine-free travel zones. The normal legislative process has been challenged by the need for speed in decision-making, the highly uncertain and rapidly changing state of knowledge of the pandemic, and the breadth of issues to be managed across the economy (and so across Government). The PCO has worked with other agencies at speed to deliver—and incrementally adapt and improve—fit-for-purpose processes for each round of legislative changes.

At the same time, we have continued to deliver the new Government's broader legislative programme, including new priorities for this parliamentary term.

Our stewardship initiatives

We have continued over the period to progress workstreams identified as critical for the PCO to undertake as steward of New Zealand's legislation.

One of our key achievements has been completing the large amount of legislative work required to enact the Secondary Legislation Act in March 2021. We are continuing to prepare for commencing the Legislation Act 2019 and Secondary Legislation Act 2021 later this year. We have done this work with invaluable support from our partners in both the public and private sectors, for which we are very grateful.

In addition, we have progressed other stewardship initiatives. We have launched our new Policy to Law online resource for instructors at policy-to-law.pco.govt.nz and developed an education strategy to strengthen our ability to lift legislative capability across the system. We have improved our skills in using te reo Māori in legislation and positioned ourselves to deliver further by establishing a revision pilot for dual-language legislation. We have completed a review of the revision programme and recommended legislative changes to support greater progress and more co-ordination with other regulatory stewardship initiatives. Public use of the New Zealand Legislation (NZL) website has continued to grow, supporting its role as a key point of access to the law.

Strengthening the PCO for delivery on its goals

There have been important milestones in this reporting period. However, it has also demonstrated the ongoing difficulty of making meaningful progress on our

stewardship initiatives without affecting the immediate need to deliver our legislative services. These initiatives are key to achieving our goal of making “great law for New Zealand”. This goal requires us to work with others to produce legislation that is fit for purpose, constitutionally sound, and accessible to all users. It requires us to be externally focused. It demands a clear understanding of how we add value to the legislative system and end-users.

As a result, the PCO is making changes to how it organises itself, with a new System and Stewardship group and with our Access group now responsible for PCO’s digital strategy. These changes will better enable us to deliver on this goal, by giving PCO:

- **strong and visible focus on stewardship:** the new Systems and Stewardship group will develop our stewardship strategy, including developing the systems, processes, and organisational capability for us to progress our reach in supporting the Crown as an effective Treaty partner
- **clearer focus on the end-users of legislation:** integrating the digital strategy with the publication services in our Access group will facilitate this focus through end-to-end system design
- **flexible and agile structure and collaborative operating model** so we can continue to respond to new priorities and changing demands, with capability organised in the right way to deliver and to support collaborative working within the PCO and across the system.

In a further organisational achievement this year, we signed our first collective agreement with staff. This represented a significant amount of work from both staff and the leadership team to ensure a good foundation for the office to move forward.

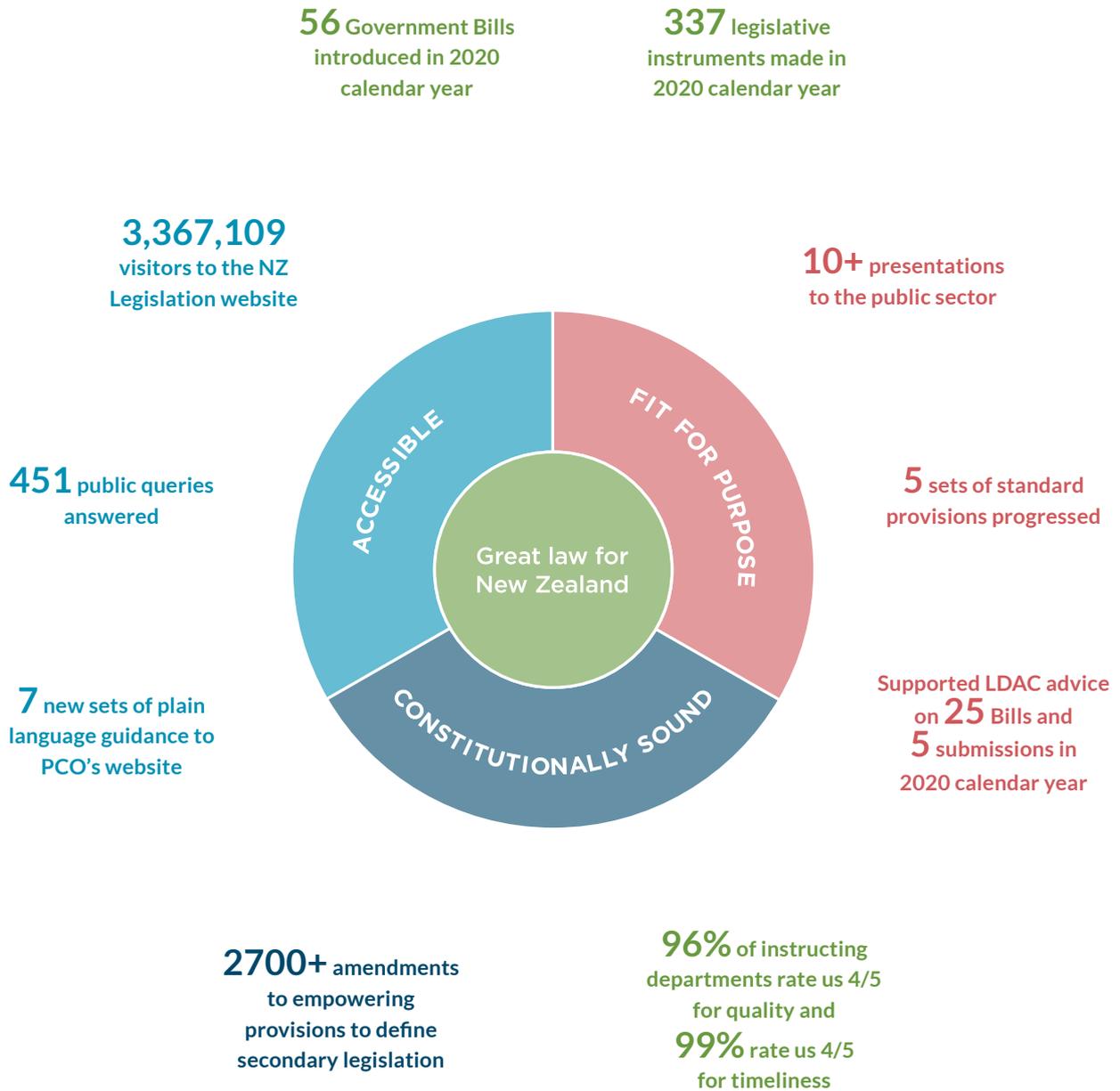
Thanks

I am proud of the collective endeavours of everyone at the PCO, who have already adapted and dug deep to deliver in the time of COVID-19. I am most grateful for all the work done by the previous Chief Parliamentary Counsel, Fiona Leonard, whose term ended in early May. I thank our partners, who have welcomed and supported our efforts over this period. The changes we are now implementing to our structure will strengthen us further to deliver on the Government’s priorities and great law for New Zealanders. This is critical to position us to take up our clear leadership role for legislative stewardship under the Legislation Act 2019 when it commences in late 2021.



Cassie Nicholson
Chief Parliamentary Counsel
29 September 2021

Snapshot of our year



**ABOUT US
AND OUR WORK**

About us

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

The PCO delivers an essential service to Government and the public by drafting and publishing laws. We work with others in many ways to make legislation that is fit for purpose, constitutionally sound, and accessible to users. Appendices 1 and 2 set out more about our legislative functions and partners.

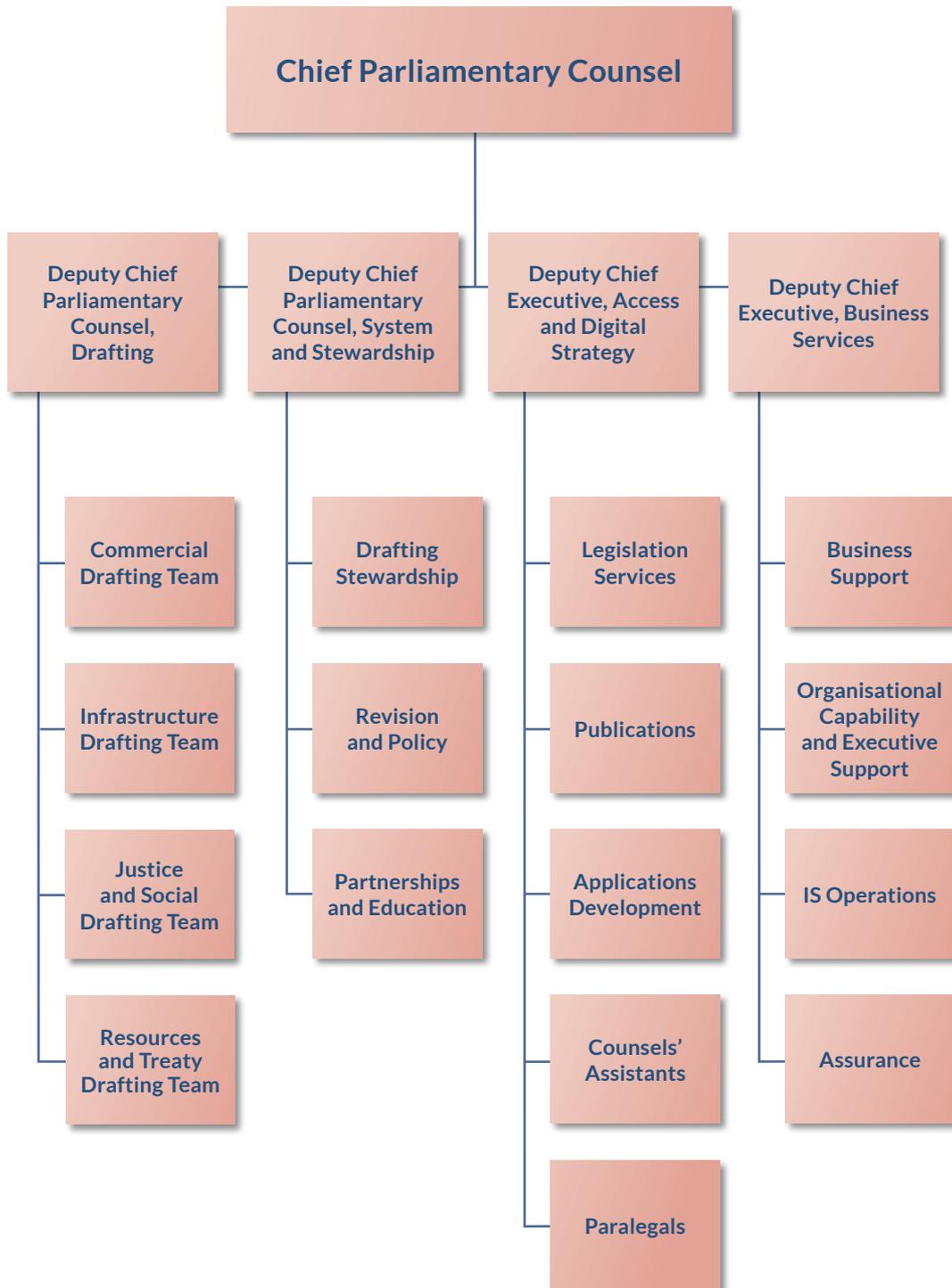
Leadership and organisational structure

The PCO's leadership team underwent significant change in the reporting period. At the start of the period, it consisted of Fiona Leonard (Chief Parliamentary Counsel), Cassie Nicholson (Deputy Chief Parliamentary Counsel, Drafting), Jonathan Robinson (Deputy Chief Parliamentary Counsel, Access), and Noel Lee (Corporate Services Manager). On the expiry of Fiona's term on 6 May 2021, Cassie Nicholson was appointed Chief Parliamentary Counsel. By the end of the reporting period, we had made the decision to change the leadership structure and the way PCO is organised to deliver on its goals, with the process of appointing a new leadership team underway.

Under the new structure, PCO's three groups are to be reorganised into four:

- **Drafting:** This group undertakes drafting of Bills, amendments to Bills, and secondary legislation required for the Government's legislative programme.
- **Access and Digital Strategy:** This group provides free and ready access for users to up-to-date legislation through the New Zealand Legislation website, including all the services needed to support publication and IT development of that website and its underlying drafting and publishing tools and systems.
- **System and Stewardship:** This group leads the PCO's stewardship strategy, including the strategy to progress our reach in supporting the Crown as a Treaty partner and our broader education strategy. This group supports the Legislation Design and Advisory Committee (LDAC), oversees the revision programme, and is responsible for building our partnerships across the system.
- **Business Services:** This group provides the critical services needed to support the organisation as a whole, including an organisational capability and support team, business support, and enterprise-wide IS operations and support.

The new organisational chart is set out below (with the previous chart set out in Appendix 3):



Our strategic framework

The PCO's goal is to make great law for New Zealand. For New Zealand law to be great, it needs to meet three outcomes: be fit for purpose, be constitutionally sound, and be accessible to users, both current and future.

Legislation is **fit for purpose** if its purpose is clear, effective, and certain and flexible for the future, and if it fits within the wider legal system. Legislation is **constitutionally sound** if it reflects Treaty of Waitangi principles, reflects constitutional values, and follows good process. Legislation is **accessible** if it is easy to find, find your way around, and understand.



Embedding our strategic framework in our core work

Drafting legislation

The PCO's law drafting services are part of the process of implementing new policy or changes to policy through enactment of legislation. Our first involvement with new legislation is during development of the Government's legislation programme, which establishes priorities for proposed legislation. The PCO's advice at this stage, particularly in relation to complexity and size of legislative proposals, enables the Government to more efficiently and effectively manage the legislation programme. Parliamentary counsel draft Bills for introduction. They also play an extensive role in drafting and advising on select committee amendments, and draft Government amendments at the committee of the whole House. Parliamentary counsel also draft much of New Zealand's secondary legislation (legislative instruments).

The PCO's goals for legislation are embedded in our work:

- We focus, in drafting, on finding the best legal mechanism to implement the Government's intentions with minimum risk of unintended consequences. Government departments often seek early design input from the PCO, and we can

be heavily involved in these issues (even before we have received instructions). Throughout the drafting process, parliamentary counsel work closely with government departments that have the policy and legal expertise in the particular subject matter to promote fit-for-purpose legislation.

- It is increasingly important to check how proposals interact with the Treaty of Waitangi well in advance of legislation being developed, so that legislation embeds this policy well.
- Following a good process for making law supports the legitimacy of that law and increases public confidence in the system more generally. The PCO embeds these concerns in its drafting, but also by working with others. For example, we work with the Ministry of Justice on vetting under the New Zealand Bill of Rights Act 1990, with Crown Law on issues that raise Crown legal risks, with Crown Law and Te Arawhiti on Treaty issues, and with the Legislation Design and Advisory Committee in its early advice on Bills.
- We seek to draft in plain language that ordinary users can understand. We have a number of tools that we are using to systematically bring legislation into a simpler and more coherent framework.

The PCO drafted 56 Government Bills and 337 legislative instruments in the 2020 calendar year. You can see how this compared with previous years in Appendix 4.

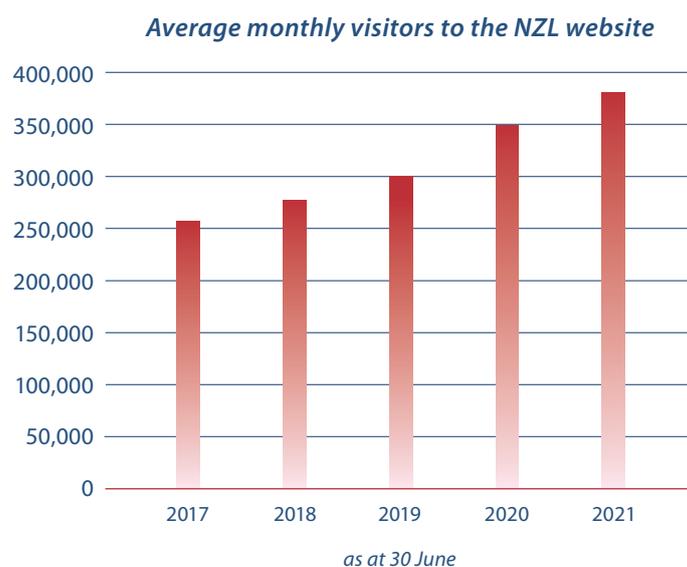
Providing access to legislation

The PCO is responsible for publishing Bills (and amendments to Bills), Acts of Parliament, secondary legislation drafted by the PCO, and reprints of Acts and secondary legislation. The PCO also supplies hard copies of legislation to the House.

The NZL system is the complete drafting and publishing system used by the PCO. The system is also available to Office of the Clerk and Inland Revenue Department drafting staff. It enables the PCO to provide public access to up-to-date official legislation on the NZL website at legislation.govt.nz. We also provide access to printed copies of legislation via the NZL website.

The PCO has a strong focus on maintaining this asset and incrementally improving it for the public. We achieve this particularly by improving the accessibility of the secondary legislation that can be found on or via the website.

The graph on the right shows the average monthly number of visitors to the NZL website in each of the past five reporting years. Visitor numbers have continued to grow:



In accordance with the Declaration on Open and Transparent Government, the PCO continues to actively release data publicly. In addition to publishing legislative data on the NZL website, we make it available through data.govt.nz as reusable XML. Non-legislative data is also released in reusable form.

The PCO also maintains a separate website for publishing legislative disclosure statements (disclosure.legislation.govt.nz). Disclosure statements are published for all Government Bills and substantive supplementary order papers introduced or released since 29 July 2013. The Legislation Act 2019 includes provisions to make disclosure requirements mandatory in the future.

Our performance framework

We have a range of systems, guidance, and tools to ensure we are delivering high-quality legislation that is easy to find, use, and understand, in line with our goal of “great law for New Zealand”.

Training: The PCO monitors, enhances, and applies a comprehensive training programme for new counsel. Counsel continued to attend in-house forums, workshops, and courses for their development and to meet their NZ Law Society continuing professional development (CPD) requirements. Managers attended coaching and feedback training delivered in house. Other training and development for staff continued in accordance with individual training plans and manager-assessed training and development needs. More training was online this year.

In-house training in te reo Māori during the reporting period attracted a high level of participation. Sessions on engaging effectively with Māori were also run and open to all staff.

The PCO encourages staff development through acting in senior roles as opportunities arise and taking on secondments, both internally and externally. During the year, a PCO staff member was seconded to a legal role with the Office of the Clerk (OOC) and other staff undertook acting manager roles. Staff from OOC, the Ministry of Transport, the Ministry of Business, Innovation and Employment (MBIE) and the Electricity Authority were seconded to legal and other roles within the PCO.

Supporting with guidance materials: The PCO maintains a Drafting Manual and other core manuals to support the quality of its staff's work.

In the 2020/21 year, we substantially reviewed and rewrote the core chapters of the Drafting Manual. As well as bringing it up to date with current practice, the rewrite has focused on making it more accessible to users, easier to update incrementally as practice evolves, and well-integrated with standard provisions for legislation that are being developed.

Monitoring through quality assurance: The PCO has a system of peer review for all drafting of legislation. Bills must be reviewed at least once before introduction. And legislative instruments must be reviewed at least once before being made. Peer review is our key assurance that drafts are fit for purpose, constitutionally sound, and accessible. To do this, peer review focuses on legal effectiveness and workability, consistency with identified standard PCO requirements, and the plain language standard. Peer review also provides peer support and coaching and promotes organisational resilience by providing back-up support for drafters.

The PCO also uses a system of proofreading to check for errors and ensure consistency. Bills must be proofread at least once before introduction and legislative instruments must be proofread at least once before being made. This is a critical system for maintaining quality and reducing minor errors.

In the reporting period, we continued to meet our standards for peer review and proofreading (see page 50).

Listening to feedback from other agencies: Our annual client survey provides an important opportunity for our instructing agencies to provide feedback and rate the quality and timeliness of our service.

This year 96% of instructors were satisfied or very satisfied with the quality of our service, and 99% with its timeliness.

For further information about our annual survey see pages 49 and 51.

Our funding

The PCO's single departmental output expense 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, Parliament, and the New Zealand public.

The Attorney-General is responsible for appropriations in Vote Parliamentary Counsel for the 2020/21 financial year, covering:

- a total of just over \$20 million for the provision of law drafting services, which includes legislative drafting assistance to Pacific Island nations, undertaking three-yearly programmes of statute law revision, administering legislation that the PCO is responsible for, and access to legislation in both paper and electronic form
- a total of just under \$3 million for the purchase or development of assets by the PCO and for the PCO's use, as authorised by section 24(1) of the Public Finance Act 1989.

Significant features of the 2020/21 year

Supporting the Government's legislative response to COVID-19

COVID-19 continued to have an impact during 2020/21 with periods of lockdown, increased alert levels, and frequent changes to the quarantine-free travel exemptions. These required both urgent drafting and publication services, and posed significant challenges. At times, we worked on up to four orders a week, often on the weekend or late at night.

We have used a range of resourcing and legislative strategies to manage the risks and adapt our usual processes of quality assurance to be fit for purpose to this context. These adaptations include:

- working with key Government partners to develop template orders that support quicker government decision-making while still including robust policy and legal settings
- developing legislative techniques that minimise the risk of frequent legislative changes
- having multiple drafters play different roles in a team approach (rather than relying on only one or two drafters) and cycling between teams
- playing a greater role than usual in reporting on multiple COVID-19 legislative workstreams across government
- creating a new COVID-19 drafting manager role to manage a virtual across-office team and regularly rostering staff on call.

The health and safety of our employees is our top priority with this work. It demands adaptability and responsiveness from staff, with high workloads, short deadlines, and after-hours work. Work is ongoing to manage staff workloads and alleviate potential stress impacts.

Enacting the Secondary Legislation Act 2021 and preparing for the Legislation Act 2019

We completed the significant amount of legislative work required to enact the Secondary Legislation Act in March 2021. Since then, we have undertaken work to prepare for the commencement of the main provisions of that Act and the Legislation Act. Commencement of the Legislation and Secondary Legislation Acts will bring the following benefits for secondary legislation:

- a single and clearly defined category of secondary legislation minimising unhelpful distinctions. Each provision in every Act across the statute book that gives a person or body the power to make secondary legislation has been amended to state this clearly
- greater clarity on how secondary legislation must be published, whether a minister must present it to Parliament, and whether Parliament can disallow it
- over time, easier to find and access secondary legislation through improvements to the NZL website and standard minimum publication requirements for new empowering provisions
- a new PCO report to Parliament on secondary legislation each year, to be reviewed by the Regulations Review Committee to create transparency and greater accountability, supporting the PCO's stewardship of legislation
- laying the necessary foundation for future improvements (eg by gathering all exemptions from disallowance and presentation in one place, and establishing standard wording in empowering provisions).

As well as implementing these secondary legislation reforms, the Legislation Act 2019 will update and incorporate the Interpretation Act 1999 with some minor improvements. Under the Legislation Act 2019, responsibility for administering these provisions will transfer from the Ministry of Justice to the PCO. The Legislation Act 2019 will continue the PCO. But also, in a new objective for the PCO, it will recognise the PCO's stewardship role for New Zealand legislation.

Work carried out in 2020/21 against our strategic framework

In addition to our core drafting and access work, the PCO has a series of strategic initiatives and workstreams developed to deliver on our goal of great law for New Zealand. These are set out in the PCO’s Strategic Intentions.¹ We have reported (below) on our work on these initiatives and priorities against the three outcomes of our goal. In many cases, work affects more than one outcome. But for simplicity, we have reported each against the outcome it most contributes to.

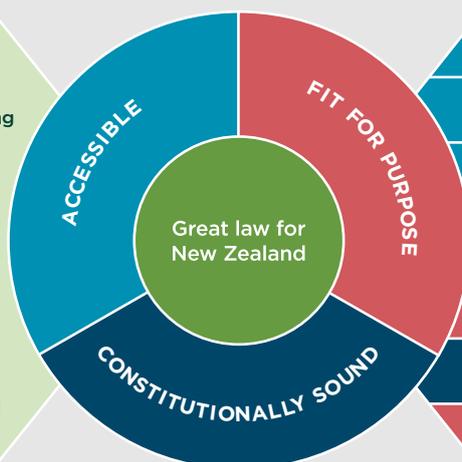
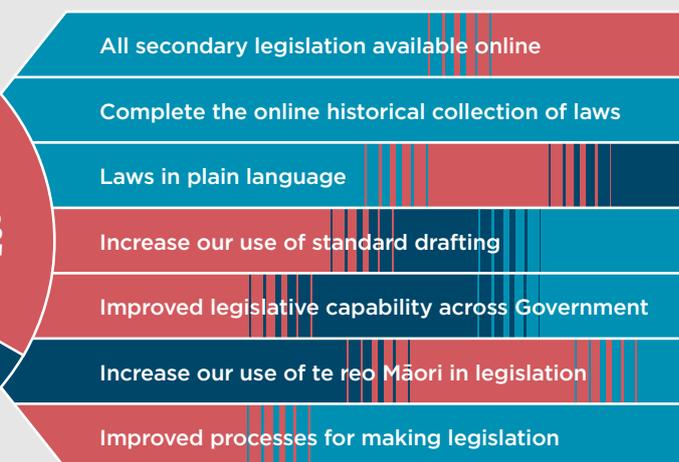
WHAT WE DO:

We work with others to make legislation that is fit for purpose, constitutionally sound, and accessible to all users

CORE BUSINESS:



INITIATIVES:



Fit-for-purpose legislation

Legislation is fit for purpose if its purpose is clear and effective, it is both certain and flexible for the future, and it fits within the wider legal system. These key elements will enable legislation to achieve its policy goals, as well as reducing the risk of unintended or costly consequences or failures to adapt over time to society’s needs. This has benefits both for the costs of the legislative system and to society more broadly.

¹ Strategic Intentions for the period 1 July 2020 to 30 June 2024: pco.govt.nz/strategic-intentions

<p>Increasing the standardisation of legislation ...</p> <p>... results in laws that are easier for New Zealanders to use, less complex, and more legally effective</p>	<p>Together with our inter-agency standardisation board, we reviewed our programme of work to identify two tranches of priority work: the highest-use legislative provisions and sets of regularly used provisions with high complexity.</p> <p>We focused most of the year's work on the first tranche. We completed or near completed projects for commencement provisions, empowering provisions, and updates to transitional and savings provisions. In the second tranche of priority work, we completed our project for infringement offences.</p> <p>We also progressed work on implementing systems to ensure easy access and use of the standard provisions by parliamentary counsel.</p>
<p>Supporting the Legislation Design and Advisory Committee ...</p> <p>... improves the quality and effectiveness of legislation with early advice on design, framework, constitutional, and public law issues</p>	<p>LDAC published its own annual report covering the committee's operation for the 2020 calendar year. This confirmed that, despite the disruption of COVID-19, it was still able to advise on 24 Bills (compared with 35 Bills in the previous year) and make five submissions on Bills before select committees (the same as the previous year). Over the last part of this year, we have increased our advisory support and provided additional senior support for LDAC.</p>
<p>Improving legislative capability across government ...</p> <p>... manages risks within the system to the fitness of legislation</p>	<p>We launched our new online interactive tool, Turning Policy into Law, designed to help instructors understand and easily find information about each step of the legislative process for Bills.</p> <p>We also refreshed our Step-by-Step Guide for Ministerial Advisers for Developing Legislation and providing training to new ministers.</p> <p>We continued to present seminars regularly to departmental officials and wider audiences on working with the PCO. These included our regular joint seminar for new instructors with the Office of the Clerk.</p> <p>In the second half of the reporting period, we took stock of our education work programmes and developed an education strategy. In the next period, we intend to consolidate our resources and increase their user focus before we take next steps, which will be focused on lifting capability of other agencies that make secondary legislation.</p>

<p>Improving processes for making legislation ...</p> <p>... increases efficiency and reduces risk within the system to the fitness of legislation</p>	<p>The PCO and the Inland Revenue Department (IRD) jointly commissioned a review to examine the processes and procedures that resulted in an incorrect version of the COVID-19 Response (Taxation and Other Regulatory Urgent Measures) Bill being introduced into Parliament on 30 April 2020. The scope of the review was to identify what went wrong and to recommend improvements to practice, systems, and processes so as to avoid a similar incident in the future.</p> <p>Following this review, the PCO and IRD signed a new memorandum of understanding (MOU) that implements the recommendations. In particular, the MOU improves the processes by which the IRD requests that the PCO prepare and publish its legislation and brings the PCO's and IRD's drafting practices closer together.</p>
<p>Contributing to fit-for-purpose legislation in the Pacific</p>	<p>We have continued to support the drafting capacity of Pacific nations through our Pacific desk, provided under an MOU with the Ministry of Foreign Affairs and Trade. The desk focuses its help on the Cook Islands, Niue, and Tokelau, the three nations within the Realm of New Zealand. The drafting workload for 2020/21 has been significant. The desk has completed a large amount of legislation for the Cook Islands, including helping with legislation required for the country's ongoing response to COVID-19 and the country's economic challenges in the face of the pandemic. We have also completed a draft Bill and various regulations for Niue.</p> <p>In the reporting period, we often reviewed and provided feedback on legislation drafted by officials in both the Cook Islands and Niue. And we continued to advise the Crown Law Offices in both countries on interpretation and drafting issues.</p> <p>The PCO continues to offer help to other Pacific Island nations when resources permit. In 2020/21, the PCO provided legislative drafting help to Kiribati and received a request from Fiji.</p> <p>The work also includes training, and providing and maintaining supporting guidance. The training for 2020/21 focused on providing specific legal and legislative advice. The PCO also worked with Tongan officials and the Public Service Commission Fale network to provide online training workshops to the Tongan public service.</p>

Constitutionally sound legislation

Legislation is constitutionally sound if it reflects Treaty of Waitangi principles, reflects constitutional values, and follows good process. Ensuring the constitutional soundness of our legislation and legislative process is critical to maintaining the confidence of New Zealanders in our system of law.

Increasing our use of te reo Māori in legislation ...

... gives practical effect to the Crown's commitment to work in partnership with iwi and Māori to continue actively to protect and promote this taonga, the Māori language, for future generations

Our Māori strategy has two strands: building organisational capability through ongoing language classes at different levels, and a long-term project to develop the necessary capability, capacity, and processes for greater use of dual-language drafting.

In this period, we worked with others (Te Taura Whiri i te Reo Māori, the Department of Internal Affairs, the Office of the Clerk, Te Puni Kōkiri, and Te Arawhiti) to establish a pilot for a dual-language revision Bill. We are working to put in place the key pou for the pilot.

Improved processes for making legislation ...

... by strengthening visibility and so increasing the confidence of New Zealanders in our system of law

The Secondary Legislation Act enacts a new duty for the PCO to prepare a report to the Attorney-General on the design, drafting, or publication of legislation, including on exemptions for secondary legislation. This report must be presented to the House and be referred to the Regulations Review Committee. This creates additional transparency and accountability in the legislative system.

In this reporting period, we began work on defining the elements of this report.

Accessible legislation

Accessible legislation promotes compliance with legislation and lowers the costs of compliance. It does this by making it easier for people to find the law, find their way round it, and understand their legal rights and obligations.

<p>Laws in plain language ...</p> <p>... result in clearer, more concise, and more consistent legislation, ensuring that those who must apply or comply with laws can better understand them</p>	<p>We have continued to progress our plain language standard by gradually releasing to our website sets of plain language guidance on key features of legislation. Training for staff across the organisation has increased. And we have incorporated external plain-language reviews into our standard provisions work, deepening its reach across the statute book.</p>
<p>Promoting all secondary legislation being accessible online ...</p> <p>... improves ease of access to a wide range of legislation that affects the daily lives of New Zealanders</p>	<p>As set out on page 14, the PCO undertook significant legislative work in the reporting period to enact the Secondary Legislation Act 2021 and to prepare for the implementation of amendments across 640 Acts and legislative instruments.</p> <p>This includes notes that provide greater clarity on how each piece of secondary legislation must be published.</p>
<p>Revising the statute book ...</p> <p>... keeps it up to date, making it easier for users to understand legislation</p>	<p>On 16 March 2021 the Attorney-General presented the Chief Parliamentary Counsel's Report on Subpart 3 of Part 2 of the Legislation Act 2012 to Parliament. The report reviews the operation and effectiveness of the revision requirements under the Legislation Act 2012. The Chief Parliamentary Counsel's report made a number of recommendations, to increase the substantive benefits to law of doing revision Bills and to streamline the process in order to minimise the time taken to prepare them.</p> <p>A new revision programme for the 53rd parliamentary term was presented to the House of Representatives on 10 June 2021. It proposes 10 Bills intended to revise 12 Acts.</p>

Organisational health and capability

People and capability

The PCO has a committed, highly skilled workforce that consistently delivers high-quality services in alignment with our goals. We continue to focus on ensuring we have a safe and inclusive work environment, and a values-led and supportive culture, and that we attract and retain staff with the skills we need.

The recruitment and retention of skilled and experienced staff is critical to our performance. Staff turnover continued to be low except in the technical staff group, which had four retirements and one resignation out of its 21 staff. During the year we recruited three new parliamentary counsel and ten non-counsel staff members, including five on fixed terms.

	2020/21 Maximum target turnover	2020/21 Actual	2020/21 Actual (number)	2019/20 Actual	2018/19 Actual	2017/18 Actual
Parliamentary counsel	7%	5%	2	3%	8%	6%
Technical staff	12%	23%	5	5%	5%	0%
Corporate staff	10%	7%	2	13%	0%	0%
Total staff turnover	10%	10%	9	6%	5%	3%

Succession planning continues to be a key feature of the PCO's efforts in organisational health and capability.

Equal employment opportunities

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

As at 30 June 2021, the staff gender breakdown was:

	Male	Female	Total
Total staff	34	54	88
Senior Management (tiers 1 and 2)	2	2	4
Tier 3 managers	6	4	10
Parliamentary counsel	9	23	32
Other Drafting Services staff	0	3	3
Access to Legislation staff	6	11	17
Corporate Services staff	11	11	22

A new collective agreement

This year, the PCO worked with the Public Service Association to develop a collective agreement, which was signed in May. Key features of the agreement included enhanced conditions relating to sick leave, eye tests and eyewear reimbursement, evening meal allowance (relating to overtime and shift work), and shift allowance (Publications Unit). There were also enhancements to our parental leave provisions for partner's leave and the rate of payment of annual leave following a period of parental leave.

Managing our risks and increasing our resilience

The PCO started a programme of work in September 2019 to improve its risk management maturity, with the aim of ensuring that the risk framework and methodology is simple, is easy to use, encourages PCO teams to have risk conversations, and enables effective and consistent risk reporting to the leadership team and the Audit and Risk Committee. Some work has been done to improve PCO risk reporting, but ongoing focus is needed to improve the PCO's risk management maturity and embed it in the organisation. The PCO has also identified a need to strengthen our control environment further, including with a more comprehensive system of assurance. The new leadership structure has a new Chief Assurance Officer role to oversee risk and assurance across the organisation. A key priority for this new role will be developing and implementing an enterprise-wide assurance framework and plan.

Risk-based approach to technology work programme

In the reporting year, the PCO followed a risk-based approach to its information technology work programme. The PCO has undertaken work to ensure technology components are running supported versions. Where possible, the PCO has rationalised components or moved them to more easily maintained platforms.

The PCO has also undertaken assurance activities to ensure the technology services used are well supported and reliable. We also continue to use the Government Chief Digital Officer's Information and Communications Technology (ICT) Operations Assurance Framework. In the reporting year, we progressed items identified during the Protective Security Requirements audit and arranged an independent security assessment and environment-wide penetration test of the PCO's IT systems and websites. However, a focus of the new Chief Assurance Officer role will be providing more systematic and ongoing assurance that controls and remedial actions are fully implemented.

Audit and Risk Committee

The PCO's Audit and Risk Committee met five times during 2020/21. The committee consisted, in this period, 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.

The independence of this function is to be strengthened further in the next reporting period with a change to fully external membership.

Business continuity

It is imperative that the PCO's essential services continue or recover quickly during periods of business disruption or emergency. The PCO continued to review and update business continuity plans where necessary. The business continuity plan was not activated before alert levels increased in early 2021 as the PCO had well-established business continuity practices in place which enabled staff to work from home.

The PCO also updated both its business continuity policy and safety and emergency procedures, wrote an article for the *Journal of Business Continuity and Emergency Planning*, and attended meetings of the Government Sector Continuity and Recovery Group and business continuity-related forums.

Disaster recovery

The PCO has a disaster recovery plan in place for its information systems, including a back-up site in Auckland. This is to mitigate service-delivery risks as much as possible in the event of a major incident. The PCO successfully retested its disaster recovery plan in 2020/21 and continued to strengthen the PCO systems' resilience by housing them in two separate geographical locations.

Protective Security Requirements

The Government-mandated Protective Security Requirements (PSR) provide 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 Government's mandatory requirements for protective security
- develop an appropriate security culture to securely and effectively meet their business goals.

The PCO produced its self-assessment report against the PSR capability maturity model in 2021. It also attended PSR and security vetting forums, and updated its security policy.

Improving system reporting

During the reporting year, the PCO completed the migration of a number of legislative workflow tracking tools to a new central platform. This has provided greater consistency and flexibility, and enhanced our reporting ability. We upgraded or replaced technically obsolete components to ensure that the services comprising the NZL system remained supported.

Departmental Capital Expenditure

The PCO replaced its ageing on-premises internet proxy service and remote access components, which provided enhanced security functionality.

FINANCIAL INFORMATION

FINANCIAL STATEMENTS OF THE PARLIAMENTARY COUNSEL OFFICE

FOR THE YEAR ENDED 30 JUNE 2021

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 2021, including the Summary of Performance, are set out below.

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 2021 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 2022 and its operations for the year ending on that date.



Cassie Nicholson
Chief Parliamentary Counsel
29 September 2021

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2021

2020			2021	Unaudited		
				2021	2021	2022
Actual		Notes	Actual	Main Estimates	Supp. Estimates	Forecast
\$000			\$000	\$000	\$000	\$000
	Revenue					
20,223	Crown		20,073	20,223	20,073	20,073
222	Other revenue	2	226	200	200	200
20,445	Total revenue		20,299	20,423	20,273	20,273
	Expenses					
10,910	Personnel	3	11,360	11,173	12,256	12,597
7,252	Operating	4	6,060	7,354	6,543	6,005
1,182	Depreciation and amortisation	7/8	718	991	719	916
905	Capital charge	5	755	905	755	755
20,249	Total expenses		18,893	20,423	20,273	20,273
196	Net surplus		1,406	0	0	0
0	Other comprehensive revenue and expense		0	0	0	0
196	Total comprehensive revenue and expense		1,406	0	0	0

Explanations of major variances against the original 2021 budget (2021 Main Estimates) 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 2021

2020			2021	Unaudited		
				2021	2021	2022
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					
3,283	Cash and cash equivalents		2,620	3,300	3,214	3,215
10,718	Debtors and other receivables	6	13,210	8,022	11,218	9,418
294	Prepayments		197	255	294	294
14,295	Total current assets		16,027	11,577	14,726	12,927
	Non-current assets					
1,205	Property, plant, and equipment	7	775	842	736	458
1,735	Intangible assets	8	1,555	4,346	1,705	3,897
2,940	Total non-current assets		2,330	5,188	2,441	4,355
17,235	TOTAL ASSETS		18,357	16,765	17,167	17,282
	Current liabilities					
979	Creditors and other payables	9	814	710	979	979
196	Return of operating surplus	10	1,406	0	0	0
872	Employee entitlements	11	944	875	997	1,112
2,047	Total current liabilities		3,164	1,585	1,976	2,091
	Non-current liabilities					
97	Employee entitlements	11	102	89	100	100
2,144	TOTAL LIABILITIES		3,266	1,674	2,076	2,191
15,091	Net assets		15,091	15,091	15,091	15,091

Explanations of major variances against the original 2021 budget (2021 Main Estimates) 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 2021

2020			2021	Unaudited		
				2021	2021	2022
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
196	Total comprehensive revenue and expense		1,406	0	0	0
	Owner transactions					
(196)	Return of operating surplus to the Crown	10	(1,406)	0	0	0
15,091	Balance as at 30 June		15,091	15,091	15,091	15,091

Explanations of major variances against the original 2021 budget (2021 Main Estimates) 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 2021

2020		Notes	2021	Unaudited		
				2021	2021	2022
Actual			Actual	Main Estimates	Supp. Estimates	Forecast
\$000			\$000	\$000	\$000	\$000
	Cash flows from operating activities					
	Cash was provided from:					
	Supply of outputs:					
19,467	—Crown		17,589	22,223	19,573	21,873
282	—Departments		226	200	200	200
0	—Other		0	0	0	0
19,749	Subtotal		17,815	22,423	19,773	22,073
	Cash was disbursed to:					
	Produce outputs:					
(10,653)	—Personnel		(11,274)	(11,042)	(12,106)	(12,460)
(7,129)	—Operating		(6,139)	(7,366)	(6,565)	(6,027)
97	—Net GST paid		(6)	0	0	0
(905)	—Capital charge		(755)	(905)	(755)	(755)
(18,590)	Subtotal		(18,174)	(19,313)	(19,426)	(19,242)
1,159	Net cash flows from operating activities		(359)	3,110	347	2,831
	Cash flows from investing activities					
	Cash was disbursed to:					
(202)	Purchase of property, plant, and equipment		(108)	(200)	(70)	(200)
(67)	Purchase of intangible assets		0	(2,630)	(150)	(2,630)
(269)	Net cash flows from investing activities		(108)	(2,830)	(220)	(2,830)
	Cash flows from financing activities					
	Cash was disbursed to:					
(1,112)	Payment of net surplus to Crown		(196)	0	(196)	0
(1,112)	Net cash flows from financing activities		(196)	0	(196)	0
(222)	Net increase/(decrease) in cash held		(663)	280	(69)	1
3,505	Add opening cash brought forward		3,283	3,020	3,283	3,214
3,283	Closing cash to carry forward	14	2,620	3,300	3,214	3,215

Explanations of major variances against the original 2021 budget (2021 Main Estimates) 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 2021

2020		2021
Actual \$000		Actual \$000
	Non-cancellable operating lease commitments	
695	Less than one year	695
695	One to two years	608
608	Two to five years	0
0	Over five years	0
1,998	Total non-cancellable operating lease commitments	1,303

There are no capital commitments (2020: nil).

Reserve Bank office lease: This lease is for the rental of office space on floors 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. The amounts stated above do not include the car park lease as the value of the commitment is less than \$10,000.

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 levels 12 and 13 has an expiry date of 14 May 2023.

The Reserve Bank car park lease has an expiry date of 15 April 2022 and is automatically renewed unless a notice to cancel is provided.

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

Statement of Contingent Assets and Contingent Liabilities

As at 30 June 2021

Unquantifiable Contingent Liabilities

There are no unquantifiable contingent liabilities (2020: nil).

Quantifiable Contingent Liabilities

There are no quantifiable contingent liabilities (2020: nil).

Contingent Assets

There are no contingent assets (2020: nil).

As at 30 June 2021, there are no guarantees or indemnities given under the Public Finance Act 1989 in respect of the activities of the PCO (2020: 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 2021

Note 1 Statement of Accounting Policies

Reporting entity

The Parliamentary Counsel Office (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 2021 and were approved for issue by the Chief Parliamentary Counsel on 29 September 2021.

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 and comply with Tier 2 PBE accounting standards. This is on the basis that the PCO's total expenditure being is less than \$30 million per annum.

These financial statements comply with PBE accounting standards.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements. There have been no changes in the PCO's accounting policies since the date of the last audited financial statements.

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 of the PCO's leases are operating leases. An operating lease is a lease that does not transfer substantially all of 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

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 (excluding 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 disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal 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 to allocate the cost of assets, less any estimated residual value, over their useful lives. The 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 is reviewed, and adjusted if applicable, at each financial year-end.

Intangible assets

Software acquisition and development

Acquired computer software is capitalised based on the cost incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the PCO are

recognised as an intangible asset. Direct costs include the software development, employee costs, and an appropriate portion of relevant overheads.

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

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. The estimated useful lives and associated amortisation rates of intangible assets are:

- Intangible assets 5 to 10 years

Impairment

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

Non-cash-generating assets

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

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

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

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

Creditors and other payables

Short-term payables are recorded at their face value.

Employee entitlements

Short-term employee entitlements

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

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

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated

based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

Long-term employee entitlements

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

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

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, non-vested long service leave and retirement leave are expected to be settled within 12 months of balance date and are classified as current liabilities. 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 a detailed formal plan has been approved for the restructure and has either been announced publicly to those affected, or where 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).

Goods and services tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

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. It 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 relating to long service leave and retirement leave liabilities is disclosed in Note 11.

Budget and forecast figures

The 2021 Main Estimates figures are for the year ended 30 June 2021 and were published in the 2019/20 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 2021.

The 2022 forecast figures are for the year ending 30 June 2022, which are consistent with the best estimate financial forecast information submitted to Treasury for the BEFU for the year ending 30 June 2022.

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 2022 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 17 March 2021. 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 2022 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 2022 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 17 March 2021.

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 104 staff positions (98.9 full time equivalents).
- Operating costs are based on historical experience. The general pattern is expected to continue.
- Estimated year end information for 2020/21 is used as the opening position for the 2021/22 forecasts.

The actual financial results achieved for 30 June 2022 are likely to vary from the forecast information presented, and the variations may be material.

Note 2 Other revenue

2020		2021
Actual \$000		Actual \$000
222	Other departmental income	226
0	Other third party income	0
222	Total other income	226

Note 3 Personnel costs

2020		2021	Unaudited		
			2021	2021	2022
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Forecast \$000
10,048	Salaries and wages	10,618	10,421	11,472	11,813
300	Annual, retirement, long service, and sick leave	165	181	155	155
552	Employer contributions to defined contribution plans*	568	559	607	607
10	Other	9	12	22	22
10,910	Total personnel expenses	11,360	11,173	12,256	12,597

* 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

2020		2021	Unaudited		
			2021	2021	2022
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Forecast \$000
2,129	Consultancy and contractors	1,275	2,080	1,216	1,216
47	Audit fees for audit of the financial statements	48	50	48	49
753	Operating lease rentals	733	745	733	733
64	Printing expenses	131	66	97	97
2,096	NZL system expenses	2,068	1,954	2,030	2,030
1,272	Computing expenses	829	1,360	1,365	1,365
891	Other operating expenses	976	1,099	1,054	515
7,252	Total operating expenses	6,060	7,354	6,543	6,005

Note 5 Capital charge

The PCO pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge was \$0.755 million (2020: \$0.905 million) and the rate for the year ended 30 June 2021 was 5% (2020: 6%).

Note 6 Debtors and other receivables

2020		2021
Actual \$000		Actual \$000
10,718	Debtor Crown	13,202
0	Debtors and other receivables	8
10,718	Total debtors and other receivables	13,210

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 2019	444	817	171	1,600	0	3,032
Additions/(Disposals)	0	62	138	2	0	202
Balance at 30 June 2020	444	879	309	1,602	0	3,234
Balance at 1 July 2020	444	879	309	1,602	0	3,234
Additions/(Disposals)	0	108	0	0	0	108
Balance at 30 June 2021	444	987	309	1,602	0	3,342
Accumulated depreciation and impairment losses						
Balance at 1 July 2019	(186)	(531)	(105)	(652)	0	(1,474)
Depreciation expense	(83)	(162)	(40)	(270)	0	(555)
Balance at 30 June 2020	(269)	(693)	(145)	(922)	0	(2,029)
Balance at 1 July 2020	(269)	(693)	(145)	(922)	0	(2,029)
Depreciation expense	(83)	(143)	(43)	(269)	0	(538)
Balance at 30 June 2021	(352)	(836)	(188)	(1,191)	0	(2,567)
Carrying amounts						
At 30 June 2019	258	286	66	948	0	1,558
At 30 June 2020	175	186	164	680	0	1,205
At 30 June 2021	92	151	121	411	0	775

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 2019	21,542	1,537	23,079
Additions/(Disposals)	0	67	67
Balance at 30 June 2020	21,542	1,604	23,146
Balance at 1 July 2020	21,542	1,604	23,146
Additions/(Disposals)	0	0	0
Balance at 30 June 2021	21,542	1,604	23,146
Accumulated amortisation and impairment losses			
Balance at 1 July 2019	(20,784)	0	(20,784)
Amortisation expense	(326)	0	(326)
Impairment losses	0	(301)	(301)
Balance at 30 June 2020	(21,110)	(301)	(21,411)
Balance at 1 July 2020	(21,110)	(301)	(21,411)
Amortisation expense	(180)	0	(180)
Balance at 30 June 2021	(21,290)	(301)	(21,591)
Carrying amounts			
At 30 June 2019	758	1,537	2,295
At 30 June 2020	432	1,303	1,735
At 30 June 2021	252	1,303	1,555

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.

Work in progress is currently \$1.3 million, of which the majority relates to a lodgement portal for legislation. This portal will be the on-going, secure access point for all agencies to maintain and update their secondary legislation catalogue on the NZL website. The development of the portal is on hold until Government decides to complete and fund the work required under the relevant parts of the Legislation Act 2019 which would require the portal to be developed.

Note 9 Creditors and other payables

2020		2021
Actual \$000		Actual \$000
699	Accrued expenses	540
280	GST payable	274
979	Total other payables	814

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

2020		2021
Actual \$000		Actual \$000
196	Return of operating surplus	1,406
196	Total repayment of net surplus	1,406

The return of operating surplus to the Crown is required to be paid by 31 October 2021. 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

2020		2021
Actual \$000		Actual \$000
	Current liabilities	
84	Retirement and long service leave	117
767	Annual leave	799
21	Sick leave	28
872	Total current portion	944
	Non-current liabilities	
97	Retirement leave	102
97	Total non-current portion	102
969	Total employee entitlements	1,046

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 2021. The major long-term economic assumptions adopted in the valuation process for long service and retirement leave were:

- Salary increase rate: 3.08% (2020: 2.72%)
- Discount rate: 3.08% (2020: 1.63%)

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 2021.

Key management personnel

2020		2021
Actual \$000		Actual \$000
1,240	Remuneration	1,223
4	Full-time equivalent staff	4

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

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

The above key management personnel disclosure excludes the Minister. The Minister's remuneration and other benefits are not received only for his role as a member of key management

personnel of the PCO. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Members of Parliament (Remuneration and Services) Act 2013 and are paid under Permanent Legislative Authority, and not paid by the PCO.

Apart from those transactions described above, the PCO has not entered into any related party transactions and there are no conflicts of interest recorded. The PCO has a policy on conflicts of interest and in each Senior Management Team meeting any conflicts of interest are recorded.

Note 13 Events after balance date

The PCO does not have any post-balance date events for 2021 (2020: nil).

Note 14 Financial instruments

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

2020		2021
Actual \$000		Actual \$000
	Financial assets measured at amortised costs	
	Loans and receivables	
3,283	Bank balances	2,620
10,718	Debtor—Crown	13,202
14,001	Total loans and receivables	15,822
	Financial liabilities measured at amortised costs	
699	Creditors	540
699	Total financial liabilities	540

Note 15 Major budget variances—actuals against main estimates

Statement of Comprehensive Revenue and Expense

The 2020/21 business activities resulted in a net operating surplus of \$1.406 million (2020: \$0.196 million).

Personnel expenses were \$0.187 million higher than budgeted due to additional staff being employed to provide secretariat support to the Legislation Design and Advisory Committee and in the IT team.

Operating expenses were \$1.294 million lower than budgeted mainly due to a significant reduction in consultant and contractor costs, particularly relating to work associated with secondary legislation and the use of the PCO drafting panel. There was also a reduction in software licences required in the reporting year. This was partially offset by an increase in legislative printing costs and an increase in the maintenance and support costs for the New Zealand Legislation system.

Depreciation and amortisation expenses were \$0.273 million lower than budgeted due to a reduction in capital expenditure relating to the NZL system and the Access to Secondary Legislation Project.

Note 16 COVID-19 impact

During August and September 2020 and March 2021, the Auckland region moved into Alert Levels 3 and 2 and other parts of the country moved into Alert Level 2. Towards the end of June 2020, the Wellington region moved into Alert Level 2 for one week.

On 17 August 2021, all of New Zealand moved to Alert Level 4. On 31 August 2021, all of New Zealand south of Auckland moved to Alert Level 3. On 7 September 2021, all of New Zealand except Auckland moved to Alert Level 2. The financial impact on the PCO during all of those alert levels has been minimal. The PCO continued to provide its core services throughout all COVID-19 alert levels.

There was no change in the number of staff employed during those alert levels. There are no changes to staff numbers envisaged due to COVID-19 in the remainder of the 2021/22 year. Revenue for the 2020/21 year was unaffected and is unlikely to be affected in the coming year.

Appropriation Statements

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by the PCO for the year ended 30 June 2021.

Statement of Actual Expenses and Capital Expenditure Against Appropriations

For the year ended 30 June 2021

2020		2021	Unaudited		
			2021	2021	2022
Actual		Actual	Main Estimates	Supp. Estimates	Forecast
\$000		\$000	\$000	\$000	\$000
	VOTE: PARLIAMENTARY COUNSEL				
	<i>Multi-category appropriations</i>				
15,069	Law Drafting Services	0	0	0	0
5,180	Access to Legislation	0	0	0	0
20,249	Total multi-category appropriations	0	0	0	0
	<i>Departmental output expenses</i>				
0	Drafting and access to legislation	18,893	20,423	20,273	20,273
0	Total departmental output expenses	18,893	20,423	20,273	20,273
	<i>Departmental capital expenditure</i>				
269	Parliamentary Counsel Office— Capital Permanent Legislative Authority	108	2,830	500	2,830
269	Total capital appropriations	108	2,830	500	2,830
20,518	Total annual and permanent appropriations	19,001	23,253	20,773	23,103

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

For the year ended 30 June 2021

There were no expenses or capital expenditure incurred in excess of appropriation, without appropriation or outside the scope or period of appropriation (2020: nil).

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

For the year ended 30 June 2021

There were no capital injections during the year without, or in excess of authority (2020: nil).

Summary of Performance

For the year ended 30 June 2021

The PCO agreed to provide outputs in 2020/21 to meet the requirements of the Attorney-General in terms of their nature, outcome emphasis, quality and quantity specifications, and cost.

Drafting of and Access to Legislation

This appropriation is limited to the drafting and publishing of and providing access to legislation, and examining and providing advice and assistance on the design, drafting, and publication of legislation, and any other related functions directed by the Attorney-General.

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
- 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 standard for select committees is that:

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

The quality 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)(a) or (b) of the Legislation Act 2012.

The quality standard for Pacific Island instructors is that:

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

The quality standards for peer reviewing are that:

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

The quality standards for proofreading legislation are that:

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

Measure	For the year ended 30 June			
	2021	2020	2020	2019
	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
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 ²	N/A ³
the proportion of select committees we survey that rate the quality standard as 4 or better on a scale of 1 to 5, with 1 being very dissatisfied and 5 being very satisfied	90%	100% satisfaction 50% response rate ⁴	100% satisfaction 62% response rate ⁵	100% satisfaction 50% response rate ⁶
the proportion of instructing departments and agencies we survey that rate the quality standard as 4 or better on a scale of 1 to 5, with 1 being very dissatisfied and 5 being very satisfied	90%	96% satisfaction 62% response rate	96% satisfaction 64% response rate	95% satisfaction 58% response rate
in regard to the 3-yearly revision programme, relevant instructing departments and agencies are satisfied that the quality standard has been achieved	relevant departments and agencies are satisfied	N/A ⁷	The relevant agency was satisfied ⁸	N/A ⁹

¹ The revision programme quality standard was not applicable for the 2020/21 year as no revision Bills were passed.

² The Partnership Law Bill was passed in the 2019/20 year.

³ The revision programme quality standard was not applicable for the 2018/19 year as no revision Bills were passed.

⁴ In 2020/21, responses were received from the following committees: Education and Workforce, Finance and Expenditure, Governance and Administration, Health, Justice, and Transport and Infrastructure.

⁵ In 2019/20, responses were received from the following committees: Education and Workforce; Environment; Epidemic Response; Finance and Expenditure; Foreign Affairs, Defence and Trade; Health; Social Services and Community; Transport and Infrastructure. The Abortion Legislation Committee was disestablished before the survey began.

⁶ In 2018/19, responses were received from the following committees: Finance and Expenditure; Foreign Affairs, Defence and Trade; Governance and Administration; Health; Primary Production; and Social Services and Community.

⁷ The revision programme quality standard was not applicable for the 2020/21 year as no revision Bills were passed.

⁸ The Partnership Law Bill was passed in the 2019/20 year.

⁹ The revision programme quality standard was not applicable for the 2018/19 year as no revision Bills were passed.

Measure	For the year ended 30 June			
	2021	2020	2020	2019
	Standard	Actual	Actual	Actual
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 introduced Bills drafted by PCO that are peer reviewed	97%	100%	100%	100%
proportion of legislative instruments drafted by PCO and submitted to Cabinet that are peer reviewed ¹⁰	97%	100%	100%	99%
proportion of Government Bills drafted by the PCO that are proofread before introduction	97%	100%	100%	100%
proportion of legislative instruments drafted by the PCO that are proofread before being submitted to Cabinet	97%	100%	100%	100%

¹⁰There 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.

Timeliness

The timeliness standards for the Attorney-General are that:

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

The timeliness standard for select committees is that:

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

The timeliness standards for instructing departments and agencies are that:

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

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			
	2021	2020	2020	2019
	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
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 ²	N/A ³
the proportion of select committees we survey that rate the timeliness standard as 4 or better on a scale of 1 to 5, with 1 being very dissatisfied and 5 being very satisfied	90%	100% satisfaction 50% response rate ⁴	100% satisfaction 62% response rate ⁵	100% satisfaction 50% response rate ⁶
the proportion of instructing departments and agencies we survey that rate the timeliness standard as 4 or better on a scale of 1 to 5, with 1 being very dissatisfied and 5 being very satisfied	90%	99% satisfaction 62% response rate	95% satisfaction 64% response rate	96% satisfaction 58% response rate
in regard to the 3-yearly revision programme, relevant instructing departments and agencies are satisfied that the timeliness standard has been achieved	Relevant departments and agencies are satisfied	N/A ⁷	The relevant agency was satisfied ⁸	N/A ⁹

¹ The revision programme timeliness standard was not applicable for the 2020/21 year as no revision Bills were passed.

² The Partnership Law Bill was passed in the 2019/20 year.

³ The revision programme timeliness standard was not applicable for the 2018/19 year as no revision Bills were passed.

⁴ In 2020/21, responses were received from the following committees: Education and Workforce, Finance and Expenditure, Governance and Administration, Health, Justice, and Transport and Infrastructure.

⁵ In 2019/20, responses were received from the following committees: Education and Workforce; Environment; Epidemic Response; Finance and Expenditure; Foreign Affairs, Defence and Trade; Health; Social Services and Community; Transport and Infrastructure. The Abortion Legislation Committee was disestablished before the survey began.

⁶ In 2018/19, responses were received from the following committees: Finance and Expenditure; Foreign Affairs, Defence and Trade; Governance and Administration; Health; Primary Production; and Social Services and Community.

⁷ The revision programme timeliness standard was not applicable for the 2020/21 year as no revision Bills were passed.

⁸ The Partnership Law Bill was passed in the 2019/20 year.

⁹ The revision programme timeliness standard was not applicable for the 2018/19 year as no revision Bills were passed.

Measure	For the year ended 30 June			
	2021	2020	2020	2019
	Standard	Actual	Actual	Actual
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
the time taken to make legislation 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
	all SOPs: within 1 working day after they have been circulated to Members of Parliament	met	met	not met ¹⁰
	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

¹⁰ In 2018/19, the budget standard was not achieved as the circulation email for SOP 168 (which was circulated to Parliament on 12 December 2018) was not sent to the PCO's Publications Unit until 16 January 2019.

Measure	For the year ended 30 June			
	2021	2020	2019	
	Standard	Actual	Actual	Actual
the time taken to publish legislation in printed and electronic forms (target 100% of standard) ¹¹	all Government Bills and SOPs: within 5 working days of introduction or release	met	met	met
	all legislative instruments: within 5 working days of being made	met	met	met
	all Acts: within 10 working days of assent	met	met	met
amendments are incorporated within 30 working days of the date of effect of the amendment	99%	62% ¹²	93% ¹³	83% ¹⁴
amendments are incorporated within 15 working days of the date of effect of the amendment	100%	99% ¹⁵	100%	99% ¹⁶
the time taken to respond to public enquiries	90% within 1 working day of receipt	98%	98%	97%
	100% within 5 working days of receipt	100%	100%	100%

¹¹ The legislative requirement to supply printed copies of legislation was repealed on 29 October 2019.

¹² In 2020/21, the budget standard was not achieved due to the unusually high number of compilations that commenced on 1 August 2020 (238) and 7 August 2020 (335). Overall, more than a third of the year's compilations came into force within that 7 day period.

¹³ In 2019/20, the budget standard was not achieved due to a) an unusually high number of compilations (133) that commenced on 1 July 2019; and b) a delay in the circulation email for the Subordinate Legislation Confirmation Act 2019, leading to conflict with Christmas leave; and c) multiple taxation Acts coming into force on 1 April 2020.

¹⁴ In 2018/19, the budget standard was not achieved due to an unusually high number of compilations that commenced in November 2018 (365; the monthly average for the rest of the year was 67), which in turn affected compilations commencing in December.

¹⁵ In 2020/21, the budget standard was not achieved due to three large Income Tax Act 2007 compilations that came into force on 1 April 2021. Publication was further delayed because a change request was also required.

¹⁶ In 2018/19, the budget standard was not achieved due to an amendment notice not being sent to PCO for gazettal until more than 2 months after it came into force; and 4 taxation amendments that had their compilations delayed by change requests.

Quantity

	For the year ended 30 June			
	2021	2020	2019	
Measure	Standard	Actual	Actual	Actual
free public access to the NZL website is available 24 hours a day, 7 days a week	99%	99%	99%	99%
availability of the drafting tool for Office of the Clerk and Inland Revenue Department drafting staff ¹	99%	99%	99%	99%

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

	For the calendar year			
	2020	2019	2018	
Measure	Standard	Actual	Actual	Actual
all Bills on the annual legislative programme in category 1 (that must be passed or introduced as a matter of law in the current calendar year) and category 2 (that must be passed in the current calendar year) are drafted	100%	84% ¹	89% ²	93% ³

¹ The budgeted standard was not met for 9 Bills in the 2020 calendar year: the Government decided not to proceed with 6 Bills and deferred introduction of another 3 Bills to the following calendar year.

² The budgeted standard was not met for 7 Bills in the 2019 calendar year: the Government decided not to proceed with 4 Bills and deferred introduction of another 3 Bills to the following calendar year.

³ The budgeted standard was not met for 3 Bills in the 2018 calendar year: no instructions were received for 2 of these and 1 Bill was drafted but not introduced due to delays in settling the te reo Māori text.

Financial performance

Financial performance	Actual	Approved appropriation (2020/21 Supplementary Estimates)
(Figures are \$000s and GST-exclusive)	2021	2021
Total expenditure	18,893	20,273

Independent Auditor's Report

To the readers of Parliamentary Counsel Office's annual report for the year ended 30 June 2021

The Auditor-General is the auditor of 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 26 to 45, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2021, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the PCO for the year ended 30 June 2021 on pages 7 to 23 and 47 to 54; and
- the statements of expenses and capital expenditure of the PCO for the year ended 30 June 2021 on page 46.

Opinion

In our opinion:

- the financial statements of the PCO on pages 26 to 45:
 - present fairly, in all material respects:
 - ~ its financial position as at 30 June 2021; 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 23 and 47 to 54:
 - presents fairly, in all material respects, for the year ended 30 June 2021:
 - ~ 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 46 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 29 September 2021. 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 to the PCO's information on strategic intentions for the period 1 July 2020 to 30 June 2024 and relevant Estimates and Supplementary Estimates of Appropriations 2020/21, and 2020/21 forecast financial figures included in the PCO's 2019/20 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 54, but does not include the information we audited, and our auditor's report thereon.

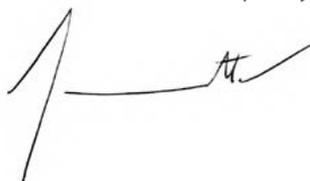
Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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: International 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

Appendix 1 – 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. The Chief Parliamentary Counsel is appointed under the 2012 Act by the Governor-General on the Prime Minister's recommendation.

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 the PCO does not draft
- examine local and private Bills, and members' Bills as directed by the Attorney-General
- advise on and help draft local and private Bills, and draft members' Bills at the Attorney-General's direction.

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 IRD 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 Public Service Act 2020, and so is not under the direct control of the Public Service Commissioner. However, the PCO is subject to certain provisions of the Public Service Act 2020, including those that relate to setting and enforcing minimum standards of integrity and conduct.

The Legislation Act 2019 rewrites and will replace the Legislation Act 2012. The Act will come into force late in 2021.

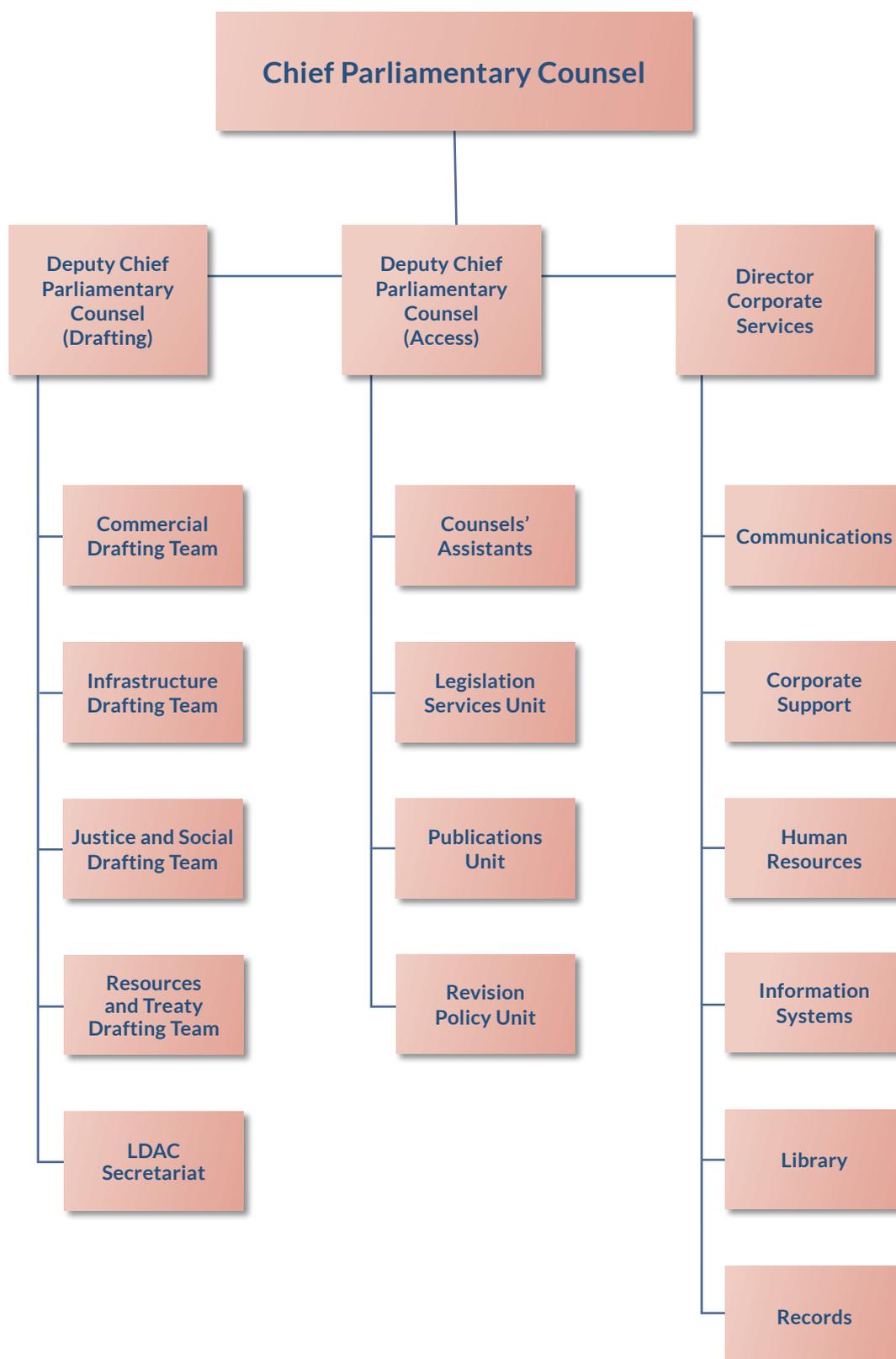
Appendix 2 – Key partners for the PCO

Stakeholder	Relationship
All users of legislation	The PCO provides public access to up-to-date official legislation on the NZL website at legislation.govt.nz .
Cabinet Office	The PCO works closely with the Legislation Co-ordinator in the Cabinet Office, whose role is to provide support to the Government in developing, monitoring, and modifying the legislation programme, and with the Secretary of the Cabinet Legislation Committee.
Crown Law	Crown Law's leadership role for the Government Legal Network, and its focus on the rule of law, makes our relationship with Crown Law vital. We are working to increase collaboration on Crown Law advice affecting drafting of legislation and to ensure departments raise Crown legal risks early with Crown Law in the policy process.
Drafting agencies	The PCO is working with agencies to implement changes to increase accessibility to secondary legislation. We are also increasing our support for their drafting capability through training and other resources.
Gazette Office	The PCO notifies the publication of legislative instruments on the Gazette website.
Government Legal Network (GLN)	The PCO contributes strongly to development of the GLN. The Chief Parliamentary Counsel is a member of the GLN Steering Committee and the PCO is committed to engaging GLN summer clerks and graduates.
Inland Revenue Department (IRD)	The PCO provides IRD's drafting unit with access to the NZL system. This unit is responsible under current arrangements for drafting tax legislation. The PCO has developed an MOU with IRD in relation to drafting, publishing, and IS services.
Instructing departments and agencies	The PCO has extensive working relationships with all central government departments and agencies. We take instructions from them for drafting new and amending legislation and provide links and electronic "feeds" from the NZL website.
International relationships	The Chief Parliamentary Counsel regularly liaises with the heads of Australian drafting offices. In addition, the PCO has a significant leadership role in the Commonwealth Association of Legislative Counsel (CALC), with a NZ parliamentary counsel currently acting as Secretary of CALC.
Law Commission	The PCO works with the Law Commission on matters of law reform.
Leader of the House	The PCO works closely with the offices of the Leader of the House and Deputy Leader of House in helping to manage and progress Government legislation through the House.
Legislation Design and Advisory Committee (LDAC)	The PCO provides LDAC with policy and secretariat support.

Stakeholder	Relationship
Office of the Clerk of the House of Representatives (OOC)	The PCO works closely with the OOC and has developed an MOU with that office for processing, printing, supplying, and publishing legislation. This MOU is currently under review. The PCO provides the OOC with access to the NZL system to draft Members' Bills.
Pacific Island nations	<p>The PCO provides legislative drafting assistance, training, and mentoring to Pacific Island nations through its Pacific desk. The desk operates with funding from the Ministry of Foreign Affairs and Trade and focuses its help on the Cook Islands, Niue, and Tokelau (the three nations within the Realm of New Zealand).</p> <p>The PCO is also involved in the Pacific Islands Law Officers' Network (PILON) and the Pacific Islands Forum Secretariat.</p>
Parliamentary Service	Parliamentary Service provides a range of services including financial accounting services, payroll, and the parliamentary core computing network. MOUs or service-level agreements are in place to manage this.
Regulations Review Committee	The Regulations Review Committee performs an important function for Parliament by reviewing the empowering provisions in Bills and reviewing secondary legislation on the grounds set out in Standing Orders. The PCO has worked closely with the committee and its advisers on the Access to Secondary Legislation project, and on other cross-cutting issues that affect the delegation of legislative power.
Regulatory Quality Team at Treasury	The Treasury is the lead adviser on regulatory management, focusing on embedding a "regulatory stewardship" approach in Government. This approach counters the "set and forget" mind-set, regulatory under-performance, undue burdens on New Zealanders, and sometimes regulatory failure. We work with them to support this stewardship approach.
Revera	Revera provides the PCO with infrastructure-as-a-service and desktop-as-a-service products.

Appendix 3 – Previous organisational chart

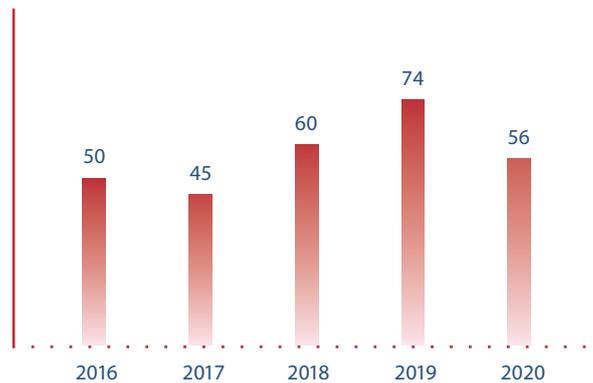
For the new organisational chart, see page 8.



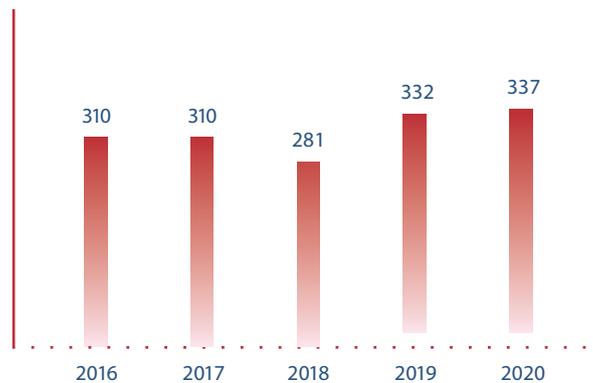
Appendix 4 – Quantity of legislation

The following graphs compare the number of Government Bills drafted and published, legislative instruments made and published, and supplementary order papers (SOPs) drafted and published, in the calendar years from 2016 to 2020.

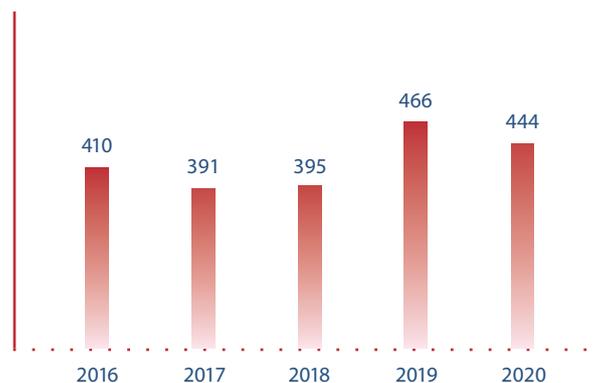
Number of Government Bills drafted and published



Number of legislative instruments made and published



Number of Government Bills and SOPs drafted and published and legislative instruments made and published



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