



ANNUAL REPORT

for the year ended 2012



CONTENTS

1	: CHIEF EXECUTIVE'S OVERVIEW
3	: THE DEPARTMENT'S ROLE
4	: STRATEGIC DIRECTION
5	: STATEMENT OF ACCOUNTABILITY
6	: STATEMENT OF SERVICE PERFORMANCE
6	: Output Class 1: Policy advice and secretariat and coordination services
12	: Output Class 2: Support services to the Governor-General and maintenance of the official residences
16	: Output Class 3: Intelligence coordination and national security priorities
20	: Output Class 4: Science Advisory Committee
21	: SENIOR MANAGEMENT TEAM
22	: OUR DEMOGRAPHICS
23	: DEPARTMENTAL HEALTH AND CAPABILITY
24	: STATUTORY AND FORMAL RESPONSIBILITIES
25	: STATEMENT OF RESPONSIBILITY
26	: FINANCIAL STATEMENTS
59	: INDEPENDENT AUDITOR'S REPORT

This document was printed on 9lives Uncoated. This is an environmentally friendly stock that is 100% FSC (Forest Stewardship Council), made from post-consumer waste paper in a chlorine-free process. The mill that produces 9lives Uncoated strives to minimise environmental impacts through biosphere protection measures, sustainable use of natural resources, waste reduction and recycling initiatives, energy conservation, and ongoing programmes focused on environmental risk reduction. It holds ISO14001 (International Quality Management Standard) accreditation and a number of other environmental accreditations including Blue Angel and Nordic Swan. The paper bleaching process is Totally Chlorine Free (TCF).

The HIT Pantone inks used in production of this report are vegetable-oil based with only 2% mineral content and are created from 100% renewable resources. The wash used with these inks was Bottcherin 6003, which is entirely CFC and aromatic free.



RECYCLED



CERTIFICATION



TOTALLY
CHLORINE FREE



BLEACHING PROCESS



CHIEF EXECUTIVE'S OVERVIEW

The year was busy and challenging for the Department of the Prime Minister and Cabinet (DPMC), much as it was for many other departments looking to maintain or improve services in a time of on-going fiscal constraint. Highlights include preparing for the formation of the new Government following the November 2011 General Election; advising ministers on their policy programme, particularly through DPMC's leadership of the Better Public Services Advisory Group; developing our leadership of the New Zealand Intelligence Community; and supporting the transition from one Governor-General to the next.

Voting in a general election is the act by which most New Zealanders define their participation in our democratic system of government. This event requires DPMC to provide a considerable amount of support to both the Governor-General (who is responsible on The Queen's behalf for dissolving the outgoing Parliament, swearing in the new ministers, and summoning the new Parliament); and the Prime Minister (who must create a Government with the confidence of the House, and assemble a ministry able to provide leadership across the issues of the day). The election demands an explicit demonstration of DPMC's political impartiality as well as its obligation to provide high-quality and responsive advice to those individuals whom the people of New Zealand have determined should govern. Once again, staff across the department more than met this challenge.

The Better Public Services (BPS) programme gives effect to the Government's priority of building efficient and effective public services. With the close support of Treasury and the State Services Commission (SSC), DPMC convened the Better Public Services Advisory Group to review the state of the public management system and make recommendations for improvement. The Advisory Group's report was provided to the incoming Government after the election, endorsed by ministers and released by the Prime Minister in March. It sets out a new track for the public management system with a much greater emphasis on achieving results, strengthening leadership across the system and providing better services and greater value for money.

In line with the BPS approach, the Government has committed itself to 10 specific and challenging results targets and has laid down the gauntlet to departments to work in

different and better ways to achieve these. DPMC will work alongside agencies to ensure this new approach bears fruit.

Ministers have also been very clear about the high expectations they place on us in the central agencies – DPMC, SSC and Treasury. They expect us to provide assurance that things are on track and, if not, work with agencies to fix them. While the three agencies will retain their separate identities, a number of steps have been taken to ensure we work together in more coherent ways.

The establishment of the Central Agencies Shared Services (CASS) in March of this year was the culmination of several years of cooperative work and has resulted in the three central agencies purchasing finance, human resources, information technology and information management services from CASS. This is a promising start and it will create opportunities for closer business relationships and operational efficiencies over the next few years.

The department, through its Intelligence Coordination Group (ICG), has continued to step up its coordination and leadership of the New Zealand Intelligence Community (NZIC). The NZIC is now committed to a more collaborative approach to its work, which has resulted in improved results from combined resources. The production of a combined Statement of Intent and integrated four-year budget plan for those intelligence agencies that report to the Prime Minister are good examples of DPMC facilitating a more sector-like approach from the NZIC.

In Budget 2012, Cabinet approved funding to establish the National Cyber Policy Office (NCPO) within DPMC from 1 July 2012. The NCPO's role is to lead the development of cyber policy advice for government. In addition to staff engaged directly, the NCPO includes secondees from stakeholder departments.

As revealed by our 2012 climate survey, DPMC staff remain in good heart. Whilst our results compare well with other agencies, we have slipped back from previous surveys. So there are plenty of opportunities to look at how we are doing things and to find ways of improving.

The Queen's Diamond Jubilee Year began on 6 February 2012. As New Zealand's head of state, Queen Elizabeth II plays a central role in the way our nation is constituted, and her 60 highly respected years on the throne have earned her the

warm good wishes of New Zealanders. The department played a role in expressing those good wishes in the form of words (including a motion in the House), images (the Queen's new portrait) and symbols (particularly the Diamond Jubilee emblem). Planning continues on major projects to mark the Diamond Jubilee, notably the visit to New Zealand by HRH The Prince of Wales and HRH The Duchess of Cornwall in November and the opening of the Government House Visitor Centre.

The past year also saw a change of New Zealand's Governor-General. The Rt Hon Sir Anand and Lady Susan Satyanand received a state farewell at Parliament on 17 August 2011 and Sir Anand completed his term six days later. His successor, Lt Gen The Rt Hon Sir Jerry Mateparae, New Zealand's 20th Governor-General, was sworn in on 31 August 2011. It is, at all times, DPMC's great honour to support our Governor-General; this honour and responsibility is particularly highlighted at times of transition.

The domestic and international programme for the Governor-General has been full and varied. Sir Jerry visited Saudi Arabia, Tonga, Timor-Leste, Samoa and Tokelau. State welcomes and dinners, the hosting of foreign dignitaries (including the Governor-General of Australia), and regional visits within New Zealand were highlights of the year at Government House.

After eight years leading the department as its chief executive, Sir Maarten Wevers retired in June this year. During his tenure, DPMC's reputation as a high-performing organisation has flourished and it has been called upon to carry out a range of government initiatives – not least the BPS programme, the implementation of the intelligence sector review, the



Government House Conservation Project, and other reforms. Sir Maarten played a significant leadership role in all of these developments. The announcement in the Queen's Birthday Honours that Sir Maarten had been made a Knight Companion of the New Zealand Order of Merit (KNZM) was warmly welcomed by staff in DPMC. As this honour recognises the work of a talented, dedicated and committed public servant throughout his long and impressive career, both DPMC staff and the wider public service can take much pride from this recognition. We wish Sir Maarten and Lady Louise well in a well-earned retirement.

Andrew Kibblewhite
Chief Executive

THE DEPARTMENT'S ROLE

The Department of the Prime Minister and Cabinet occupies a unique position at the centre of New Zealand's system of democratic government. It exists to support the effective conduct of executive government by the Prime Minister, the Governor-General and members of the Cabinet. The department's principal role is provision of advice, on a daily basis, to the Prime Minister and Cabinet on the wide range of complex issues that confront the Government – particularly its policy priorities. Issues that governments are required to deal with are often complex or pressing, and require well-founded advice and judgement. DPMC also provides impartial advice, through the Clerk of the Executive Council and Government House, to the Governor-General. It plays a role in coordinating and leading the work of government departments and agencies, and other entities as appropriate, to ensure that decision-making takes account of all relevant viewpoints and that advice is as coherent and complete as possible. In addition, it supports the Cabinet decision-making process.

SUPPORTING THE PRIME MINISTER AND CABINET

The Prime Minister is the political leader of the government and the country – and its main public “face”. The Prime Minister is also the chair of the Cabinet, and is responsible for the effective operation of executive government. These roles combine political and executive responsibilities. DPMC provides assistance to the Prime Minister in three broad categories.

Issues that are the direct responsibility of the Prime Minister

The Cabinet Office provides free and frank advice and support on constitutional issues relating to the conduct of executive government – including during elections and transitions between administrations – and issues associated with the operation of the Cabinet system.

Issues that arise across the full range of government business

DPMC provides a continuous flow of advice to the Prime Minister on major and daily issues, along with oversight of wider government activity and access to information and

assessments. DPMC works with central agencies to draw together departments in support of the Government's priorities, to focus agencies on providing options for action, to ensure implementation of agreed programmes and policies, to drive for enhanced agency performance, and to deal effectively with issues which affect the nation. The Cabinet Office, which is within DPMC, provides the secretariat support for decision-making by the Cabinet and its committees.

Administrative support to the Prime Minister

This includes preparation of replies to Parliamentary questions, and dealing with Official Information Act requests and other correspondence. A totally separate body, the Office of the Prime Minister, also advises the Prime Minister: it is the primary point of responsibility for managing political issues and relationships with other political parties and for providing administrative and media support.

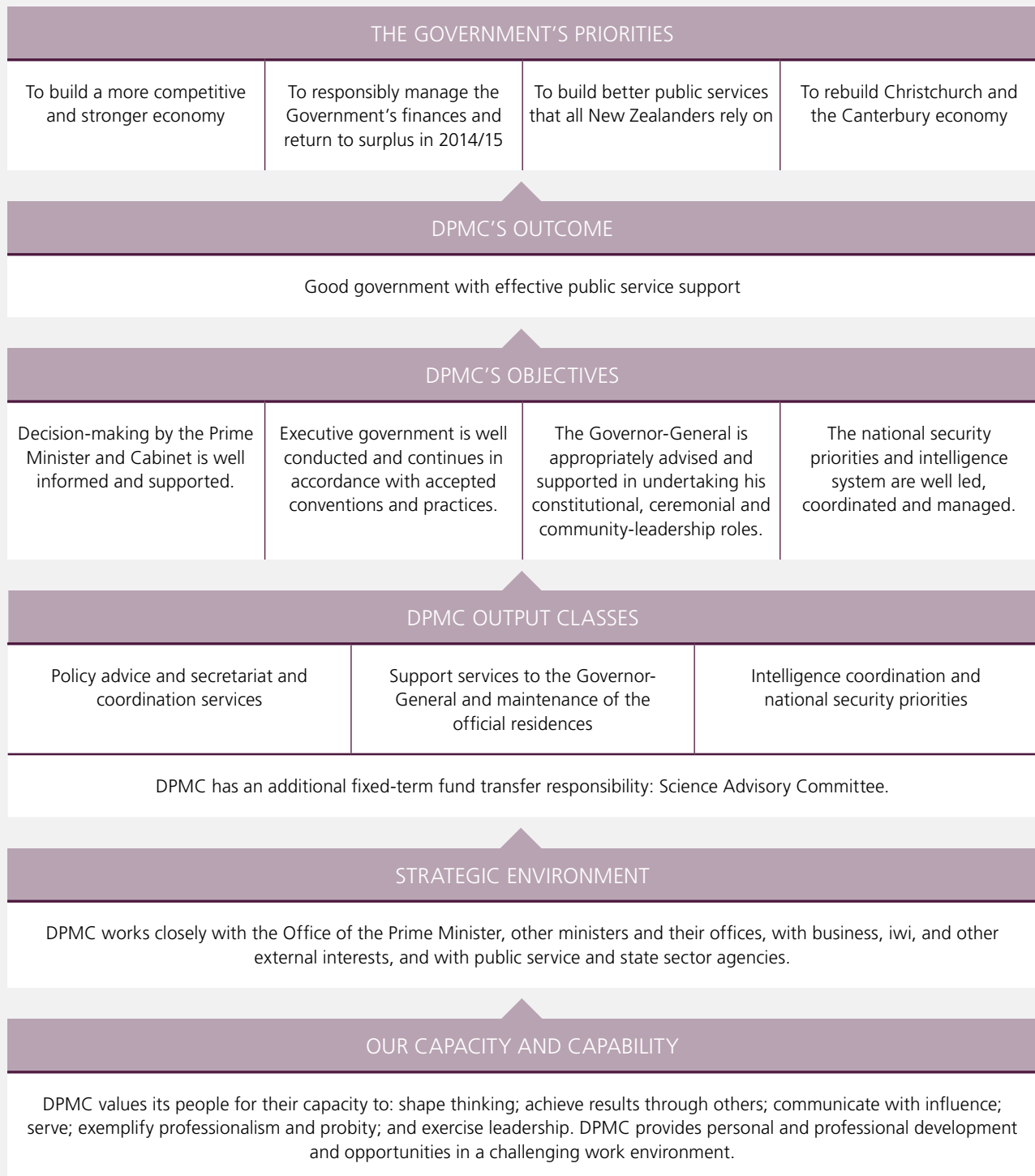
SUPPORTING THE GOVERNOR-GENERAL

The office of the Governor-General is an important part of New Zealand's constitutional arrangements. New Zealand is a constitutional monarchy and the Governor-General serves as the representative of our head of state, The Queen of New Zealand. His constitutional, ceremonial and community roles together seek to maintain national unity and foster national identity. The Clerk of the Executive Council and Government House staff support the Governor-General in carrying out his functions.

BRINGING THE SYSTEM TOGETHER

DPMC strives to support a high standard of executive decision-making by providing quality advice that is timely, responds to the directions set by the Government, is forward-looking, is cognisant of changing circumstances and emerging issues, and gives assurance that policies are being delivered in an effective and coordinated manner. In addition we play a role in coordinating and leading the work of government departments and agencies – including the intelligence agencies – as well as other entities as appropriate, to ensure that decision-making takes account of all relevant viewpoints and that advice is as coherent and complete as possible.

STRATEGIC DIRECTION



STATEMENT OF ACCOUNTABILITY

The Chief Executive of the Department of the Prime Minister and Cabinet is accountable to the Prime Minister for the financial and human resources management of the Crown's investment in the department and for the production of the classes of outputs detailed in its Statement of Service Performance, with the following exceptions:

- The Secretary of the Cabinet is responsible directly to the Prime Minister for the impartial recording of Cabinet decisions and the development and administration of Cabinet processes. The Secretary is also responsible to Cabinet as a whole for ensuring the confidentiality of Cabinet proceedings and the impartial and effective operation of the Cabinet system.
- The Secretary of the Cabinet, as Clerk of the Executive Council, is responsible directly to the Governor-General and the Prime Minister for servicing the Executive Council and providing advice as may be required on constitutional matters.
- The Director of the National Assessments Bureau is accountable to the Prime Minister for the provision of impartial information and assessments under Output Class 3: Intelligence coordination and national security priorities.



Andrew Kibblewhite

CHIEF EXECUTIVE

Date: 28 September 2012

COUNTERSIGNED BY



Sara Brownlie

CHIEF FINANCIAL OFFICER and FINANCE MANAGER (CASS)

Date: 28 September 2012



STATEMENT OF SERVICE PERFORMANCE

Output Class 1:

Policy advice and secretariat and coordination services

DESCRIPTION

This class of outputs involves:

- providing immediate, medium and long-term impartial policy advice that is delivered freely and frankly to the Prime Minister and, at the Prime Minister's request, to other ministers
- promoting and facilitating the coordination of interdepartmental policy development and promoting a more collective approach across the state sector to the formulation and implementation of the government's key priorities
- providing advice to the Governor-General, the Prime Minister and ministers on constitutional issues relating to the conduct of executive government to support the conduct and continuity of government within accepted conventions and practices (this includes support for the change of Governor-General)
- providing impartial secretariat services to Cabinet, Cabinet committees and the Executive Council; and promulgating their decisions
- providing advice on the policies, processes and procedures relating to the Executive Council, Cabinet and Cabinet committees; and adapting these as required
- coordinating the policy and administrative aspects of the legislative programme as directed by the Cabinet Legislation Committee
- advising on central government decision-making processes
- providing policy advice and administrative support for the New Zealand royal honours system.

The department assists the Prime Minister in overseeing and leading the government as a whole. In addition, it supports the Cabinet decision-making process. As a central agency, the department has a clear role to play in promoting effective policy coordination across the public service. Ministers need to have complete trust in the quality of the advice and support the department offers on the proper conduct of government business within accepted conventions and practices.

Output Class 1 Financial Performance

2011		2012		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
7,062	Expenditure	7,325	7,170	7,345
	<i>Funded by:</i>			
7,063	Revenue Crown	7,345	7,170	7,345
-	Revenue other	-	-	-

Output Class 1 Service Performance

PERFORMANCE MEASURES	2011/12	
	ACTUAL STANDARD	BUDGET STANDARD
Advice provided meets the department's quality, quantity and timeliness standards.	Key stakeholders were satisfied.	Key stakeholders are satisfied.
Services provided meet quality, accuracy, impartiality and timeliness criteria.	Key stakeholders were satisfied.	Key stakeholders are satisfied.

OUTPUT CLASS 1 SERVICE PERFORMANCE: POLICY ADVISORY GROUP

Policy advice to the Prime Minister

OBJECTIVE

Decision-making by the Prime Minister and Cabinet is well informed and supported.

Performance

The Prime Minister is regularly advised by the Chief Executive (with the support of the Director of the Policy Advisory Group, the Secretary of the Cabinet, and the Director of the Security and Risk Group in their own specialist areas) of the range of activities undertaken to facilitate cross-agency coordination of policy advice and implementation. This includes: fortnightly meetings of departmental chief executives (convened to share information on policy directions); weekly meetings with counterpart central-agency chief executives; and interdepartmental coordination of a wide range of policy priorities.

The Policy Advisory Group is part of the officials group that supports each Cabinet committee and reviews policy proposals before they are submitted to Cabinet committee.

It provided advice to the Prime Minister as necessary on all Cabinet and Cabinet committee papers in time for these to be used in Cabinet or Cabinet committee meetings.

In addition, the Policy Advisory Group provided timely briefing notes on issues of interest to the Prime Minister either in response to requests from the Prime Minister or on the Group's initiative. Feedback from the Prime Minister on advice tendered was made available to the Chief Executive, the Director of the Policy Advisory Group, and the advisor concerned.

DPMC provided an important whole-of-government coordination and support role for the Prime Minister and Cabinet on several matters of national importance, most notably the grounding of the Rena and the continuing response to the Pike River mining tragedy and Canterbury earthquakes. The Policy Advisory Group continued to support the Canterbury rebuild through having two of its staff members seconded to CERA.

The Group also provides direct support to the Prime Minister on specifically commissioned initiatives. Work continued on reporting progress on the Prime Minister's "Tackling Methamphetamine" Action Plan. A new commission during this period was the Prime Minister's Youth Mental Health Project which developed a suite of initiatives to respond to mild-to-moderate mental health issues among young people.

OBJECTIVE

State sector performance is improved.

Performance

DPMC works closely with its central agency partners (Treasury and SSC), recognising that the central agencies are jointly responsible for leading performance improvements within the state sector. The three central agencies are committed to ensuring that better services are delivered to New Zealanders, that the state sector is high-performing, and that state-sector expenditure is disciplined.

The department has continued to support the Government's state-sector reform agenda through the BPS suite of programmes. The Policy Advisory Group assisted ministers in the development of ten public-service results within five areas, including the Cabinet decision-making and legislative process needed to achieve the results in the following five areas: reducing long-term welfare dependence; supporting vulnerable children; boosting skills and employment; reducing crime; and improving interaction with government.

OUTPUT CLASS 1 SERVICE PERFORMANCE: CABINET OFFICE

Support for the proper and effective operation of the key institutions of executive government

OBJECTIVE

To provide impartial, efficient and effective secretariat services to Cabinet and Cabinet committees to ensure they operate smoothly and within Cabinet's rules.

Performance

The Cabinet Office provided secretariat services to 196 (2010/11 comparison: 285) Cabinet and Cabinet committee meetings, and 39 (45) Executive Council meetings during the year. A revised Cabinet committee structure was implemented in early 2012 following the formation of the new Government after the 2011 General Election. This resulted in the disestablishment and merger of a number of Cabinet committees, reducing the number from 14 to 11. See "Meeting statistics" table.

The Prime Minister, the chairs of Cabinet committees, and ministers' offices were consulted as required on the compilation of agendas and the acceptance of submissions for meetings.

There were 1,666 (2,139) summary cover sheets prepared for submissions to Cabinet and Cabinet committees during the past year.

Our performance target for the delivery of submissions to ministers' offices is for all papers to be delivered by the close of business two days before the meeting. In the past year, 85 (83) per cent of submissions were received in the Cabinet Office within the Cabinet deadline for lodging papers and we achieved a delivery rate of 75 (76) per cent of all papers to ministers' offices within the period stated in our performance target.

There were 1,884 (2,407) Cabinet and Cabinet committee minutes recorded over the year. Only 10 (11) of these required amendment by the Cabinet Office. (This excludes amendments to committee minutes made as a result of a Cabinet decision.)

All Cabinet committee minutes were prepared in time for the next meeting of Cabinet.

Ninety four (95) per cent of all Cabinet minutes were issued within three days of the Cabinet meeting.

Meeting statistics for the year ended 30 June 2012

	Number of meetings	Number of agenda items	Average number of items per meeting
Executive Council	39	312	8
Cabinet	41	629	15
Cabinet Strategy Committee	10	11	1
Cabinet Committee on Treaty of Waitangi Negotiations	10	31	3
**Cabinet Committee on Implementation of Auckland Governance Reforms	3	5	1
Cabinet Economic Growth and Infrastructure Committee	22	246	11
Cabinet Social Policy Committee	19	95	5
Cabinet External Relations and Defence Committee	7	34	5
Cabinet Legislation Committee	18	134	7
Cabinet Appointments and Honours Committee	20	226	11
**Cabinet Expenditure Control Committee	4	23	6
Cabinet Committee on Domestic and External Security Coordination	1	3	3
Cabinet Business Committee	9	106	12
**Cabinet Domestic Policy Committee	9	39	4
**Ad hoc Cabinet Committee on Rugby World Cup	2	4	2
**Ad hoc Cabinet Committee on Canterbury Earthquake Recovery	8	19	2
*Cabinet Committee on Canterbury Earthquake Recovery	4	11	3
*Cabinet Committee on State Sector Reform and Expenditure Control	9	50	5
Subtotal of Cabinet committee meetings	155	1,037	7
Total including Cabinet	196	1,666	8

* New Cabinet committees.

** Cabinet committees discontinued, or superseded by new committees.

OBJECTIVE

To provide impartial and effective advice to the Prime Minister and ministers to support the proper operation of Cabinet and Cabinet committees.

Performance

Twelve Cabinet Office circulars were prepared and issued in 2011/12 on a range of issues: Management of Parliamentary Business after the Dissolution of Parliament; Constitutional Procedures After the Election; Guidelines and Requirements for Proposals with Financial Implications; Role of the Remuneration Authority in Setting Remuneration for Individuals Appointed to Statutory Bodies and Other Positions; Government Decision Making During the Period of Caretaker Government; Formation of a Government – Next Steps; Resumption of Cabinet Business; 2012 Legislation Programme: Requirements for Submitting Bids; Cabinet Committees: Terms of Reference and Membership; Statutes Amendment Bill for 2012; National-Led Administration: Consultation and Operating Arrangements; and Amended Standing Orders: Implications for First Reading Speeches.

The Cabinet Office provided 37 (2010/11: 32) briefing seminars to departments and ministers' offices interested parties on the Cabinet decision-making process.

Feedback from the Prime Minister and other stakeholders was positive.

OBJECTIVE

To provide impartial and effective advice to the Governor-General, the Prime Minister and ministers:

- to support the proper and effective operation of the key institutions of executive government
 - to ensure the constitutional processes involving the Governor-General, the Prime Minister and ministers are appropriately facilitated and supported.
-

Performance

Advice and support was provided to the Prime Minister and the Governor-General on a range of matters relating to constitutional issues and the functioning of executive government.

Sir Anand Satyanand completed his term as Governor-General on 23 August 2011, and Sir Jerry Mateparae was sworn in as New Zealand's 20th Governor-General eight days later. The transition was supported by the Cabinet Office.

Following the November 2011 General Election, the Cabinet Office also supported a smooth transition between administrations. This included advising the Governor-General, the Prime Minister and departments during the government formation period; facilitating the ceremony and documentation for the appointment of the new administration; and providing a briefing programme for new ministers and their staff.

The Cabinet Office played a coordinating role in arrangements for celebrating Her Majesty Queen Elizabeth II's Diamond Jubilee year, both within New Zealand (where activities included the development and dissemination of a Diamond Jubilee emblem) and overseas (in relation to the waka taua Te Hono ki Aotearoa's participation in the Thames River pageant in June). The Cabinet Office has also contributed to preparatory work for a major Diamond Jubilee project, the Government House Visitor Centre (described on page 15 in relation to the department's Government House objectives); and it has begun preparations for the Diamond Jubilee royal visit by HRH The Prince of Wales and HRH The Duchess of Cornwall in November 2012.

In addition, the Cabinet Office has provided advice on matters relating to ministerial conduct, public duty and personal interests; and it has advanced projects relating to the changes in the monarchy's line of succession (as a result of the Commonwealth summit meeting in October 2011) and MPs' remuneration (the Members of Parliament [Remuneration and Services] Bill).

Formal surveys of the Governor-General are undertaken up to twice a year to assess his level of satisfaction. This feedback has been positive, as has his feedback to the Clerk of the Executive Council at regular six-weekly meetings.

The Prime Minister's satisfaction is also assessed through discussion at regular meetings, as well as through the Office of the Prime Minister's input into formal performance reviews. Again, feedback has been positive.

OBJECTIVE

To coordinate the policy and administrative aspects of the legislative programme, as directed by the Cabinet Legislation Committee.

Performance

The Leader of the House was provided with advice and support on the preparation and management of the Government's legislation programme for the 2012 calendar year. Primary support was provided on the progress of the annual Subordinate Legislation (Confirmation and Validation) Bill, which was passed within the required timeframes. The Office of the Leader of the House was satisfied with the level of service and advice provided.

OBJECTIVE

To provide advice on the policy aspects of the New Zealand royal honours system, support for the compilation of honours lists, and administration of the honours system.

Performance

The Honours Unit advised and assisted the Prime Minister and the Cabinet Appointments and Honours Committee on the compilation of the New Year Honours List 2012 (171 recipients), The Queen's Birthday and Diamond Jubilee Honours List 2012 (185 recipients), and special honours lists (9 recipients). In addition, four individuals were granted use of the title "The Honourable" for life. See "New Zealand honours" table.

New Zealand honours for the year ended 30 June 2012

The Order of New Zealand	
Ordinary Member	1
*Additional Member	4
The New Zealand Order of Merit	
Dame Companion	5
Knight Companion	8
Companion	27
Officer	53
Honorary Officer	5
Member	76
Honorary Member	3
The Queen's Service Order	
Companion	16
Additional Companion	1
The Queen's Service Medal	149
New Zealand Bravery and Gallantry Awards	
The New Zealand Gallantry Star	1
The New Zealand Gallantry Decoration	3
The New Zealand Gallantry Medal	4
The New Zealand Distinguished Service Decoration	
The New Zealand Distinguished Service Decoration	9
TOTAL	365
Other honours and appointments	
Grant of the title "The Honourable" for life	4
GRAND TOTAL	369

* To commemorate The Queen's Diamond Jubilee.

OBJECTIVE

To maintain the records of Cabinet; and to provide related information services.

Performance

The Cabinet Office maintains records of all Cabinet and Cabinet committee meetings, administers the convention on access to documents of previous administrations, and provides advice to ministers' offices on the storage and disposal of Cabinet papers.

The Cabinet Office receives and redirects Official Information Act requests for Cabinet documents and handles substantive requests for information about the work of the Cabinet Office. In addition, on behalf of the Prime Minister, it consults

with the Leader of the Opposition about the proposed release of official information dating from previous Opposition administrations.

In 2011/12 the Cabinet Office handled 140 (2012/11: 127) enquiries and requests from ministers' offices and departments about Cabinet papers and related information.

The Cabinet Office has led the development of a business case for an electronic Cabinet support system (CabNet). Late in the 2010/11 year, Cabinet agreed that CabNet could proceed and funding was agreed in the 2012 Budget. In the 2011/12 year the focus has been on creating a dedicated team to advance the project.



STATEMENT OF SERVICE PERFORMANCE

Output Class 2:

Support services to the Governor-General and maintenance of the official residences

DESCRIPTION

This class of outputs involves:

- providing financial, administrative, communications, travel and advisory services to the Office of the Governor-General; and providing domestic and personal services to the Governor-General
- conducting a range of official functions, investitures and receptions at Government House, and hosting state and other dignitaries
- providing for the general upkeep and security of the Government Houses and grounds in Wellington and Auckland
- maintaining the other residences and buildings associated with the two Government Houses.

The Governor-General is The Queen's representative in New Zealand – and has constitutional, ceremonial and community roles. He requires high-quality advice and support to carry out these roles in a way that is appropriate for the representative of our head of state. Government House Wellington and Government House Auckland are important facilities for carrying out the Governor-General's duties, and are also important as listed historic places.

Output Class 2 Financial Performance

Support services to the Governor-General and maintenance of the residences

2011		2012		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
4,301	Expenditure	669	585	669
	<i>Funded by:</i>			
4,288	Revenue Crown	664	580	664
27	Revenue other	49	30	30

Support services to the Governor-General and maintenance of the official residences

2011		2012		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
-	Expenditure	3,155	2,929	3,159
	<i>Funded by:</i>			
-	Revenue Crown	3,134	2,904	3,134
-	Revenue other	-	-	-

Output Class 2 Service Performance

PERFORMANCE MEASURES	2011/12	
	ACTUAL STANDARD	BUDGET STANDARD
Support to the Governor-General is efficient and effective.	Feedback from the Governor-General was positive.	Feedback from the Governor-General is positive.
Events at the two Government Houses are well organised.	Feedback from key stakeholders on the quality of events was positive.	Feedback from key stakeholders on the quality of events is positive.
Maintenance of the Governor-General's programme is appropriate and well-balanced.	Feedback from the Governor-General and other key stakeholders was positive.	Feedback from the Governor-General and other key stakeholders is positive.
The usefulness and heritage value of the two Government Houses is maintained or increased.	All standards in relation to the two Government Houses have been met.	All standards in relation to the two Government Houses are met.

OUTPUT CLASS 2 SERVICE PERFORMANCE: SUPPORT SERVICES TO THE GOVERNOR- GENERAL AND MAINTENANCE OF THE OFFICIAL RESIDENCES

Support services to the Governor-General

OBJECTIVE

To provide efficient and effective support to the Governor-General to facilitate the ceremonial and the community roles of the Governor-General.

Performance

The Rt Hon Sir Anand and Lady Susan Satyanand received a state farewell at Parliament on 17 August 2011 and Sir Anand completed his term as Governor-General six days later. His successor, Lt Gen The Rt Hon Sir Jerry Mateparae, New Zealand's 20th Governor-General, was sworn in on the forecourt of Parliament on 31 August 2011. This report covers the last eight weeks of Sir Anand's term and the first ten months of Sir Jerry's term.

In consultation with the Governor-General, Government House staff have developed a new strategic framework for his ceremonial and community leadership roles, reflecting the Governor-General's personal goals for his term.

Their Excellencies undertook a full and varied domestic and international programme in the past year. International visits included the first by a New Zealand Governor-General to Saudi Arabia since the establishment of diplomatic relations in 1976, as well as visits to Australia, Tonga, Timor-Leste, Samoa and Tokelau.

Within New Zealand, Sir Jerry and Lady Janine Mateparae attended the November 2011 memorial service in Greymouth on the first anniversary of the Pike River mining tragedy, and the memorial service to mark the first anniversary of the Christchurch earthquake in February 2012. This latter event was the centrepiece of Sir Jerry's second visit to Canterbury in support of response and recovery efforts after the September 2010 and February 2011 earthquakes; it followed a number of visits to Canterbury by Sir Anand and Lady Susan Satyanand, including a visit to Lyttelton in July 2011. In addition, Sir Jerry made visits to Northland and the western Bay of Plenty, which were well received and also well covered by the local media. Full briefing as well as travel and administrative support was provided for all domestic and international travel.

Sir Jerry's ceremonial programme included Waitangi Day activities in both Waitangi and Wellington and ANZAC Day activities in Christchurch and Wellington. During the past year, 16 investiture ceremonies for the recipients of the 2011 Queen's Birthday and Diamond Jubilee Honours and the 2012 New Year Honours were held at Government House Auckland and Government House Wellington. In addition, the year saw five special investitures: three for gallantry or service by members of the New Zealand Defence Force; one for a bravery award; and one in Dunedin for Mr Ralph Hotere, who received the Insignia of a Member of the Order of New Zealand. Six credentials ceremonies for newly accredited heads of diplomatic missions were also held.

Sir Anand and Lady Susan Satyanand hosted a state welcome for the King of Tonga, His Majesty King George Tupou V, in July 2011; this was the first state welcome at Government House Wellington since its reopening earlier in the year. In February 2012, Sir Jerry and Lady Janine Mateparae hosted a four-day visit to New Zealand by the Governor-General of Australia, Her Excellency Ms Quentin Bryce, which included a full state welcome and state dinner at Government House Wellington.

Other foreign dignitaries hosted include the Prime Minister of Timor-Leste, Mr Xanana Gusmão; the Secretary-General of the United Nations, His Excellency Ban Ki-moon; the Secretary-General of the Commonwealth, Mr Kamalesh Sharma; the President of the European Commission, José Manuel Barroso; the Deputy Prime Minister of Viet Nam, Mr Nguyen Xuan Phuc; the Deputy President of South Africa, His Excellency Kgalema Motlanthe; the First Minister of Wales, the Rt Hon Carwyn Jones; and the Chairman of the Communist Party of the People's Republic of China, Mr Jia Qinglin.

Their Excellencies were kept well informed on and fully engaged in all programme-planning activities through the development of the strategic framework, weekly programme-planning meetings, and debriefings after overseas and regional visits. In addition, regular feedback was sought and received from the Governor-General on the range of services provided in support of his ceremonial and community roles. Positive feedback was also regularly received from external agencies and other stakeholders.



OBJECTIVE

To provide services to the Governor-General to ensure the efficient and effective running of the official programme and the household. These services include advisory, administrative and household activities, and the organising of functions.

Performance

Advisory, administrative and household support was provided to Sir Anand and Lady Susan, and subsequently to Sir Jerry and Lady Janine, at both Government House Auckland and Government House Wellington.

A diverse range of functions was delivered and supported throughout the year to the high standard required by the Governor-General. This included 165 official engagements throughout New Zealand, as well as the hosting of 142 functions at Government House Auckland and Government House Wellington, with an estimated 14,990 people participating as guests. Highlights of the year included receptions to mark Matariki (the traditional Māori New Year); the 70th anniversary of the Royal New Zealand Navy (including the Changing of The Queen's Colour); the 75th anniversary of the Royal New Zealand Air Force; the Waitangi Day Garden Reception (which included a New Zealand citizenship ceremony); and ceremonies, receptions, and dinners for a number of organisations such as the New Zealand Arts Foundation, the New Zealand Qualifications Authority (Top Scholar Awards), the Royal Society of New Zealand, the Asthma Foundation, Diabetes New Zealand, and the Athlae Lyon Bequest Society. Following on from the success of the 2011 Wellington Open Days, two further Open Days were held in March 2012 during which some 4,000 people visited the House and grounds. These and many other events gained positive media coverage. Feedback from Their Excellencies and guests confirm that all events were well organised and that they maintained the dignity and standard expected of the Office of Governor-General.

About 200 draft speeches were prepared on a wide range of topics for Sir Anand and Lady Susan and for Sir Jerry and Lady Janine. These speeches were favourably commented on by Their Excellencies and were well received by audiences. Significant speeches and many photographs and features focusing on the Governor-General's work were uploaded to the Government House website, the content of which was thoroughly updated to reflect the completion of the Government House Conservation Project and the change of Governor-General. Government House continued to develop its presence in social media, with regular updates through Facebook and Twitter – including some by the Governor-General himself. Three videos were also developed during the year, including the first video recording of the Governor-General's New Year message.

With 2012 marking the Diamond Jubilee of Her Majesty Queen Elizabeth II, a number of events and initiatives have been instituted. The 2012 Open Days included a Diamond Jubilee display as well as an opportunity for members of the public to send a written message to The Queen. The Governor-General's website was expanded with a special Diamond Jubilee section (www.diamondjubilee.govt.nz) which included a historical feature on The Queen's reign. Their Excellencies hosted a Diamond Jubilee celebration dinner at Government House Auckland for the New Zealand Thoroughbred Breeders' Association and a Diamond Jubilee Ball for the New Zealand branch of the Royal Scottish Country Dance Society at Government House Wellington. Planning is underway to establish a visitor centre at Government House Wellington to mark the Diamond Jubilee; and Government House staff are working with the Diamond Jubilee Visit Office, which is planning the New Zealand visit of HRH The Prince of Wales and HRH The Duchess of Cornwall in November 2012.

All correspondence including Royal Prerogative of Mercy applications and commemorative cards and letters were dealt with in a timely and appropriate manner.

OBJECTIVE

To preserve, secure and enhance the buildings and grounds of both Government Houses as appropriate residences for the head of state and as historic places.

Performance

With the completion of the Government House Conservation Project in early 2011, Government House Wellington is well equipped to meet the current and future requirements of New Zealand's Governors-General. It now meets regulatory and statutory requirements and incorporates environmentally sustainable design features. The project has won numerous awards from the Property Council of New Zealand, the New Zealand Historic Places Trust and the New Zealand Institute of Architects. Some further works, including resurfacing of the tennis court and the refurbishment of the pool, have also been completed. Government House Auckland's maintenance plan and schedule has continued. The views of Their Excellencies on the maintenance and development programmes for both Houses are regularly sought.

Work is being undertaken to improve Government House holdings of art and furniture. During the year, discussions were held with the Museum of New Zealand Te Papa Tongarewa to finalise the loan of several significant pieces of art; and a leading collector has lent a number of important pieces of colonial-era furniture.

The May 2012 Budget included capital funding to establish a visitor centre in existing outbuildings at Government House Wellington to mark the Diamond Jubilee, as well as operational funding for an educational programme initially aimed at school children. A working group that includes representatives from Government House, Cabinet Office, Department of Conservation, and Ministry of Culture and Heritage has been established for this project. The Government House Visitor Centre is expected to be completed by mid-November 2012.



STATEMENT OF SERVICE PERFORMANCE

Output Class 3:

Intelligence coordination and national security priorities

DESCRIPTION

This class of outputs involves:

- coordinating central government activities to enhance New Zealand's national security – including intelligence, counter-terrorism preparedness, emergency/crisis management, and defence operations
- providing advice and guidance on policies and preparation for strengthening national security
- producing intelligence assessments on political, economic, scientific, environmental, strategic, and biographic subjects overseas affecting New Zealand's interests
- collecting, collating, evaluating, and analysing information that is used in the production of these assessments.

The use of effective planning and coordination processes in government can manage the risks of certain adverse events occurring, and can lessen their effect if they do occur. The department is responsible for assessing, monitoring and responding to threats of any kind in a timely and structured way.

Output Class 3 Financial Performance

2011		2012		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
5,452	Expenditure	5,640	5,597	5,967
	<i>Funded by:</i>			
5,481	Revenue Crown	5,967	5,597	5,967
	Revenue other	-	-	-

OUTPUT CLASS 3 SERVICE PERFORMANCE: SECURITY AND RISK GROUP

OBJECTIVE

To provide integrated advice on issues involving national security and defence, and emergency management; and to guide and coordinate crisis-management arrangements across the government.

Performance

Following the approval by Cabinet last year of a broader concept of national security for New Zealand, the Security and Risk Group (SRG) has led work with a wide range of departments and agencies to re-focus national planning in ways that reflect the new definition:

“National security is the condition which permits the citizens of a state to go about their daily business confidently free from fear and able to make the most of opportunities to advance their way of life. It encompasses the preparedness, protection and preservation of people, and of property and information, both tangible and intangible.”

At the same time, Cabinet set new expectations around civil contingencies and societal risks in order to ensure that in future these will be managed alongside traditional national security themes. SRG has been working with departments to assist them in balancing competing interests, and in pursuing security goals in accountable ways so that the Government's responsibilities to protect New Zealand, its people and its interests are undertaken with due respect for civil liberties and the rule of law. The new security principles and practices endorsed by the Government are being incorporated into the work of all government agencies that assist in managing issues of national security.

As part of the new arrangements, the terms of reference for the inter-agency chief executives security committee known as ODESC (which is supported by SRG) were revised to strengthen

the quality of advice on national security, intelligence, and crisis management as well as to improve planning and coordination in these areas. ODESC is now overseeing a wider range of issues and providing better alignment of security and intelligence arrangements with the objectives, principles, framework, and processes set out in the National Security System (NSS).

To assist ODESC in this role, the Security and Risk Group has established a new interagency committee of senior officials forming six “clusters” around the overarching security objectives set by Cabinet:

- preserving sovereignty and territorial integrity
- strengthening international order to promote security
- sustaining economic prosperity
- maintaining democratic institutions and national values
- ensuring public safety
- protecting the natural environment.

These cluster groups, working both independently and collectively, can be expected to better orient future work to the broad national objectives and provide a top-down approach to security management. The intention is to foster a more comprehensive approach to national security in parallel with departmental processes, by framing issues within the intended national outcomes and testing that appropriate arrangements are in place to achieve them. While these objectives have been broadly covered in past planning, policy development has usually occurred in ways that have addressed specific problems or departmental mandates rather than an integrated national security end-state. Moreover, not all themes have come under the purview of ODESC in the past.

Throughout the past year, the SRG provided advice to the Prime Minister and coordinated responses across government on most situations that were of a scale or nature that presented risks for the security of New Zealanders or the country. The Prime Minister has expressed satisfaction with that advice. Among the more significant events were the Rugby World Cup, the grounding of the *Rena*, various situations involving New Zealand troops deployed overseas, a range of civil contingencies and natural hazards, and the failure of the Maui gas pipeline. SRG was also engaged in significant new interagency policy work on people-smuggling, illegal migrants, strengthening the protection of official information, transnational organised crime, counter-terrorism preparations, and security for major sporting events here and overseas. Some of this work involved new legislation; some involved exercises to test readiness; and some involved working with our Australian counterparts.

OUTPUT CLASS 3 SERVICE PERFORMANCE: INTELLIGENCE COORDINATION GROUP

OBJECTIVE

To advise the Prime Minister on intelligence matters.

Performance

The Intelligence Coordination Group (ICG) provided regular coordinated briefings to the Prime Minister, and to other ministers where appropriate. Positive feedback has been received on this.

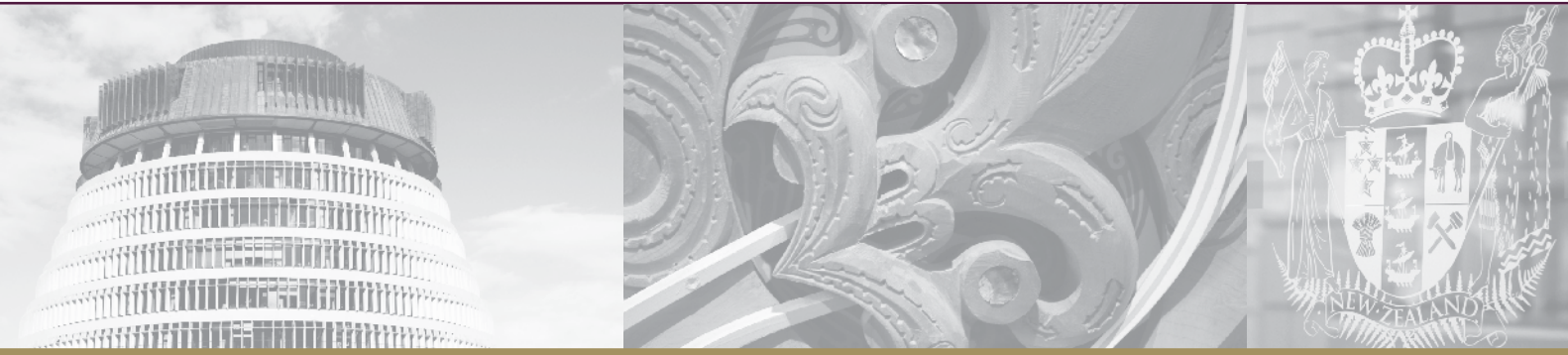
OBJECTIVE

To provide priority setting, coordination and collaboration, resourcing, accountability and evaluation of the New Zealand Intelligence Community (NZIC).

Performance

With the assistance of intelligence agencies, ICG produced a joint Statement of Intent (SOI) on behalf of the core intelligence agencies which report to the Prime Minister – namely the Government Communications Security Bureau (GCSB), the New Zealand Security Intelligence Service (NZSIS) and the National Assessments Bureau (NAB), which together make up the NZIC. This is the second time that a joint SOI has been produced for these agencies; and it sets out their priorities, as well as performance measures, for the next three to five years. Central government agencies, along with the ODESC group responsible for the governance of the NZIC, have provided positive feedback on the creation of the joint SOI. With the Cabinet’s approval of the NSS last year, ICG has been able to continue work on setting clearer priorities for the NZIC.

Work has continued on a number of projects to ensure that the NZIC is well coordinated and collaborative and, in line with the Government’s vision for Better Public Services, is acting more as a sector. Examples of activities towards a coordinated NZIC approach to issues of importance to New Zealand include regular meetings of NZIC heads and senior management as well as “working level” forums. ICG also facilitated the coordination of the NZIC in giving support to the Police leading up to and during the 2011 Rugby World Cup (RWC); this was a success for the NZIC, and the Police has expressed its appreciation for the NZIC’s support. ICG has continued to encourage and facilitate the high level of cooperation and collaboration across the broader intelligence community that flowed during the RWC.



In addition, ICG has worked to ensure that the NZIC is using its resources as efficiently as possible. This year ICG coordinated a more fully integrated four-year budget plan for GCSB, NZSIS and NAB which set out new initiatives, resourcing pressures and funding proposals. ICG continues to lead a working group on future information management needs in the NZIC, to ensure prudent use of NZIC resources. ICG continues to take advantage of the opportunities afforded by the Pipitea House co-location of much of the NZIC and has actively worked to ensure a more coordinated and collaborative response from the NZIC on issues of importance to the Government.

OBJECTIVE

To coordinate New Zealand's international intelligence relationships.

Performance

ICG has developed a coordinated and coherent "voice" for the NZIC when dealing with its international counterparts, to ensure that New Zealand's national interests are served.

OUTPUT CLASS 3 SERVICE PERFORMANCE: NATIONAL ASSESSMENTS BUREAU

OBJECTIVE

To provide the Government and senior officials with a "decision advantage" through assessments on matters of national security and overseas developments that are of policy relevance to New Zealand.

Output Class 3 Service Performance

PERFORMANCE MEASURES	2011/12	
	ACTUAL STANDARD	BUDGET STANDARD
The assessments produced are of policy relevance to New Zealand and are high in quality, accurate and succinct.	More than 95% were factually correct.	95% of assessments are factually correct.
	More than 95% required no more than minor revision*.	95% of assessments require no more than minor revision.
	Regular feedback on quality and relevance indicated that key stakeholders are satisfied.	Feedback from key stakeholders is positive.
Coordination services provided meet quality, accuracy, impartiality and timeliness criteria.	The weekly meetings of the NAC confirmed stakeholder satisfaction.	Feedback from key stakeholders is positive.

* Based on the NAC's scrutiny of the highest-priority reporting.

Performance

This reporting period saw implementation completed on the Intelligence Agencies Review of March 2010. The national assessments programme was fully established, and now provides ministers and senior officials with intelligence assessment contributed by all relevant parts of the NZIC. The wider assessments community became a regular contributor to the reporting commissioned and authorised by the National Assessments Committee (NAC), and led the writing for a third of this reporting. The NZIC agencies also became regular contributors to the weekly executive intelligence summaries written for ministers and senior officials. The other two streams of reporting, biographical reports and “other” reports and assessments (the latter including a large body of assessments as well as formal reporting on administrative matters), were provided almost solely by NAB.

The volume of reporting trended upwards after the lower output of the previous year, when the national assessments programme was being devised and new product formats and reporting arrangements were being introduced. Output this year was, however, still below what might be expected as a “normal” tempo of reporting, because of the effects of preparations for the RWC. All elements of the New Zealand intelligence and security community, to greater or lesser degree, switched their priorities and resources towards those preparations. While this affected NAB less than most of its partner agencies, the reporting programme slowed in the first three or four months of the reporting year as these other agencies made the RWC their foremost priority.

Ideally, performance indicators would be based on feedback from ministers and other audiences on the overall quality and relevance of NAB’s reporting – on its body of output as a whole and the prioritisation decisions that lie behind it. So far this has been difficult to obtain in a structured way (although the stakeholder survey to be conducted for DPMC in the coming year will offer a valuable opportunity to gain such feedback).

NAB currently relies on ministers’ feedback to gain the views of its stakeholders on the quality and relevance of its reporting – and this is provided on a regular basis, usually via the Director of ICG. NAB also uses the following for quality assurance:

- The NSS provides top-level guidance on the government’s national security interests. The NSS, and the operational planning that supports it, provides the context for NAB’s decisions on subject coverage. All NAB’s reporting is

oriented towards the priorities set out in the NSS, and NAB intends to tighten that linkage in the coming year. At a more operational level, the weekly meetings of the NAC operate as a quality-assurance mechanism for NAB.

- Through the NAC, NAB (together with the other assessments agencies) have developed and implemented a set of quality-assurance practices for assessment reporting.
- In the past year NAB undertook a business-model review that secured the NAC’s and ODESC’s agreement to a redefinition of its subject coverage, this being tailored specifically to provide greater depth on matters of highest priority to New Zealand’s interests.
- NAB actively engages with international liaison partners so that it remains up to date on best practice.

OBJECTIVE

New Zealand’s assessments community is well led and coordinated.

Performance

NAB meets this objective chiefly through the NAC, where the Director of NAB is able to function as the chair of a collective that represents the twelve agencies which constitute the wider assessments community. The NAC’s weekly meetings provide an effective forum for oversight and coordination of the national assessments programme, and for governance of the function of assessment as one of the disciplines making up the NZIC.

Having acquired new terms of reference in the previous year, the NAC adopted a programme of work in 2011/12 focused on:

- an agreed definition of the manner in which the individual agencies will collaborate in the national assessments programme; and the authorities and obligations of individual agency heads in relation to the Director of NAB (work on this is continuing)
- quality assurance in assessment reporting, with a series of practice improvements being adopted in March
- professional training and development in assessment (this concerns issues such as how to draw together the activity that’s already underway into a structured package and how to resource it effectively with the funds and people likely to be available).



STATEMENT OF SERVICE PERFORMANCE

Output Class 4:

Science Advisory Committee

DESCRIPTION

This class of outputs involves:

- providing strategic and operational advice on science and science policy issues to the Prime Minister
- promoting the public understanding of, and engagement with, science
- developing relationships with similar offices overseas.

The Chief Science Advisor, Professor Sir Peter Gluckman, is appointed as a Ministerial Advisory Committee of one. He is accountable to the Prime Minister.

Output Class 4 Financial Performance

2011		2012		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
335	Expenditure	386	407	407
	<i>Funded by:</i>			
335	Revenue Crown	407	407	407
-	Revenue other	-	-	-

Output Class 4 Service Performance

PERFORMANCE MEASURES	2011/12	
	ACTUAL STANDARD	BUDGET STANDARD
Advice provided meets the department's quality, quantity and timeliness standards.	Key stakeholders were satisfied.	Key stakeholders are satisfied.

OBJECTIVE

To provide independent advice to the Prime Minister and his Government on such matters as are from time to time included in an agreed work programme determined by the Prime Minister.

The Chief Science Advisor's work programme involves activities aimed at:

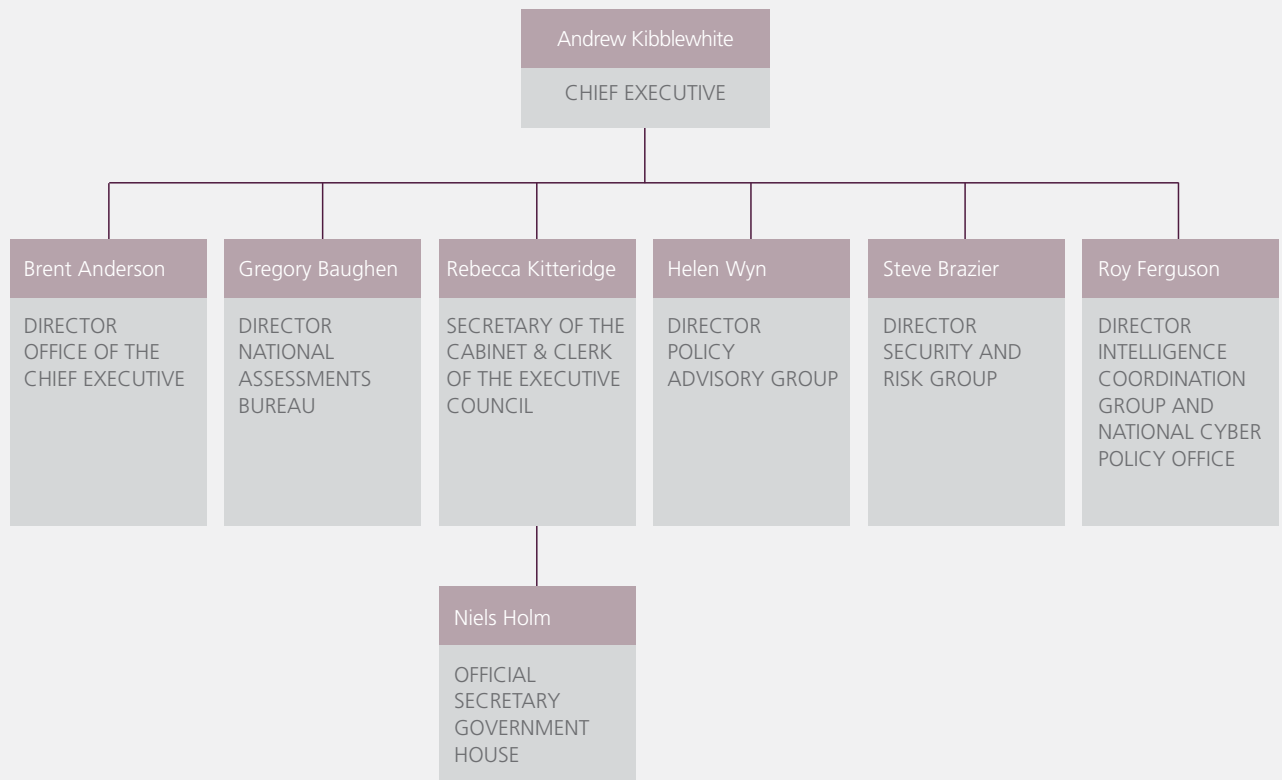
- promoting the role of science in, and the contribution of science to, society, economic development and policy formation
- advancing New Zealand's interests through science.

Performance

The programme has been well executed, and feedback from the Prime Minister on the performance of the Chief Science Advisor has been positive. For more information see the Report on the Office of the Chief Science Advisor 2011-2012 at www.pmcsa.org.nz.



SENIOR MANAGEMENT TEAM



OUR DEMOGRAPHICS

as at 30 June 2012

	2012 ¹		2011	2010	2009	2008
	Full time	Part time				
Office of the Chief Executive	6	2	2	2	2	2
Corporate Services ²	-	-	18	16	15	15
Government House Project	-	2	1	2	2	2
Policy Advisory Group	21	1	19	17	17	16
Intelligence Coordination Group ³	4	-	4	-	-	-
Security and Risk Group	5	-	6	7	8	6
National Assessments Bureau	30	-	25	27	30	27
Cabinet Office	18	3	26	26	26	25
Government House	25	1	26	29	19	27
Sub-total	109	9				
TOTAL	118⁴		127⁵	126⁶	119⁷	119⁸

GENDER DISTRIBUTION	2012	2011	2010	2009	2008
Female	55%	50%	52%	52%	55%
Male	45%	50%	48%	48%	45%

ETHNICITY	2012	2011	2010	2009	2008
NZ European	75%	85%	83%	79%	81%
NZ Māori	3%	3%	4%	7%	7%
Pacific peoples	3%	1%	1%	1%	2.5%
Asian	1%	3%	2%	3%	2.5%
Other	18%	8%	10%	12%	7%

¹ The department has an establishment cap of 124 full-time-equivalent (FTE) staff in seven business units spread over seven locations. For more information see www.dPMC.govt.nz.

² The Corporate Services business unit was disestablished in March 2012.

³ The Intelligence Coordination Group was established in September 2010.

⁴ Includes 17 staff seconded from other departments and organisations.

⁵ Includes 13 part-time staff and 13 staff seconded from other departments and organisations.

⁶ Includes 15 part-time staff and 12 staff seconded from other departments and organisations.

⁷ Includes 13 part-time staff and 14 staff seconded from other departments and organisations.

⁸ Includes 13 part-time staff and 12 staff seconded from other departments and organisations.

DEPARTMENTAL HEALTH AND CAPABILITY

Creating a supportive and focused workplace is central to the department's ability to maintain high performance.

Key capability requirements in DPMC are fairly constant. They are based on our ability to attract and retain high-performing staff. DPMC seeks to create a workplace where staff are treated – and treat each other – fairly and with respect, where staff are well managed, and where unhelpful barriers to work and personal development are removed as much as possible.

Our health

Creating a healthy and safe work environment is an ongoing departmental priority. Our staff are encouraged to participate in a wide variety of health and wellbeing activities.

DPMC also provides a comprehensive occupational health service to all staff. This includes:

- immunisation for influenza (free vaccination)
- eye tests
- a health and exercise subsidy
- ergonomic assessment for all new staff as part of induction, and further assessment on request.

Our learning and development framework

The department has again reviewed staff feedback through the performance management process. This will be used to develop a matrix of identified development needs that will

form the foundation for our learning and development programme over the next 12 months.

We place high value on the development of leadership and management capabilities and continue to utilise Leadership Development Centre (LDC) and Australia and New Zealand School of Government (ANZSOG) offerings. Third parties are used to provide development opportunities for staff who do not meet LDC and ANZSOG criteria.

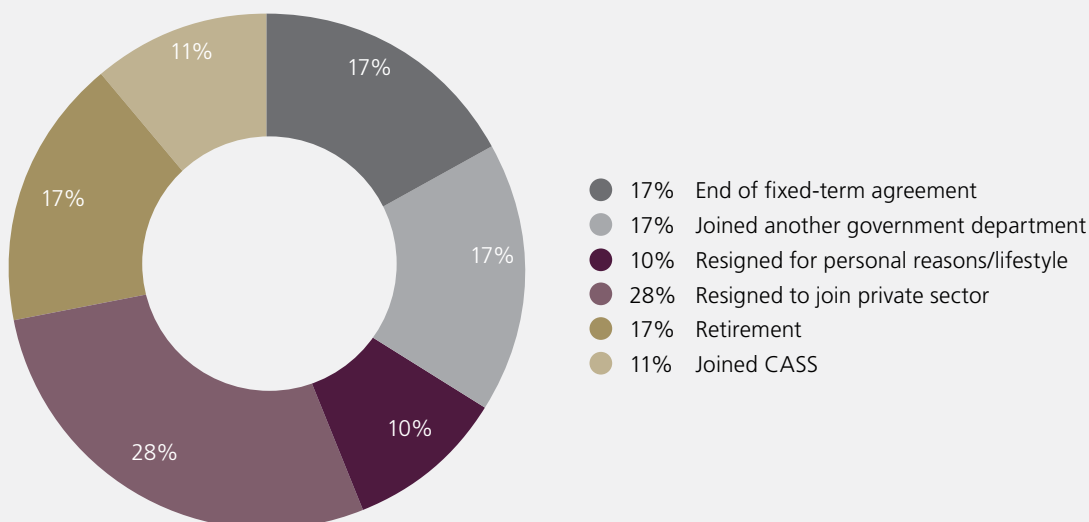
Risk-assurance processes

The Audit and Risk Committee (ARC) has continued to meet regularly to review and assess a range of DPMC capabilities and areas of potential risk, and to report on these to the Chief Executive. The current committee consists of two external members (Souella Cumming, who is also the Chair; and Shenagh Gleisner) and one DPMC representative (Michael Webster).

Equal employment opportunities and diversity

DPMC will continue its commitment to the four groups identified in the Equal Employment Opportunities policy for the Public Service – Māori, ethnic or minority groups, women and people with disabilities – and to appointment on merit. We monitor our workforce by collecting data on gender and ethnicity distribution at each tier of management. When DPMC identifies issues that need to be addressed, appropriate response plans are developed. In our 2012 Climate Survey no significant issues of an EEO nature were raised.

Reasons for turnover



STATUTORY AND FORMAL RESPONSIBILITIES

Chief Executive

The Chief Executive has the following responsibilities:

- the statutory responsibility to appoint such officers as may be required to assist the Intelligence and Security Committee of Parliamentarians (established under the Intelligence and Security Committee Act 1996) to carry out its duties
- coordination responsibilities in the response phase of an emergency under the International Terrorism (Emergency Powers) Act 1987.

Secretary of the Cabinet and Clerk of the Executive Council

The statutory and formal responsibilities of the Secretary of the Cabinet and the Clerk of the Executive Council are:

- to administer the Letters Patent Constituting the Office of the Governor-General of New Zealand 1983
- to preserve and maintain the official records of Cabinet, and to administer the convention on access to documents of a previous administration

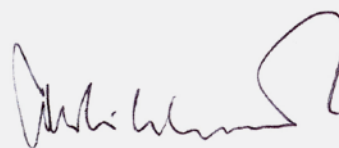
- to administer the Governor-General Act 2010
- to administer the Civil List Act 1979
- to certificate other instruments executed by the Governor-General in terms of the Official Appointments and Documents Act 1919
- to administer the Oath of Allegiance and the Executive Councillors' Oath in terms of Section 23 of the Oaths and Declarations Act 1957
- to administer the Statutes of The Queen's Service Order (2007), The Order of New Zealand (1987), and The New Zealand Order of Merit (1996)
- to administer the Royal Warrants of the New Zealand Gallantry Awards
- to administer the New Zealand Bravery Awards (1999)
- to administer the Seal of New Zealand Act 1977
- to administer the Royal Titles Act 1978.

STATEMENT OF RESPONSIBILITY

In terms of the Public Finance Act 1989 I am responsible, as Chief Executive of the Department of the Prime Minister and Cabinet, for preparation of the department's financial statements and Statement of Service Performance, and for the judgements made in them.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control procedures that provides reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, the financial statements and statement of service performance fairly reflect the financial position of the department as at 30 June 2012 and its operations for the year ended on that date.



Andrew Kibblewhite

CHIEF EXECUTIVE

Date: 28 September 2012

COUNTERSIGNED BY



Sara Brownlie

CHIEF FINANCIAL OFFICER and FINANCE MANAGER (CASS)

Date: 28 September 2012

FINANCIAL STATEMENTS

for the year ended 30 June 2012

DEPARTMENTAL FINANCIAL STATEMENTS

- 27 : Statement of Comprehensive Income
- 28 : Statement of Financial Position
- 29 : Statement of Changes in Equity
- 30 : Statement of Cash Flows
- 31 : Statement of Commitments
- 32 : Statement of Contingent Liabilities and Contingent Assets
- 32 : Statement of Departmental Expenditure and Capital Expenditure Against Appropriations
- 33 : Statement of Unappropriated Expenditure
- 34 : Notes to the Departmental Financial Statements

NON-DEPARTMENTAL FINANCIAL STATEMENTS

- 49 : Schedule of Non-Departmental Assets and Liabilities
- 50 : Statement of Non-Departmental Expenses and Capital Expenditure Against Appropriations
- 52 : Statement of Non-Departmental Unappropriated Expenditure and Capital Expenditure
- 52 : Schedule of Non-Departmental Expenses
- 53 : Schedule of Non-Departmental Commitments
- 53 : Schedule of Non-Departmental Contingent Liabilities and Contingent Assets
- 54 : Notes to the Non-Departmental Financial Schedules and Statements



DEPARTMENTAL FINANCIAL STATEMENTS

for the year ended 30 June 2012

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2012

2011		2012		2012	
Actual \$000	Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	INCOME				
17,167	Revenue Crown	17,517	16,658	17,517	
27	Revenue other	22	30	30	
-	Gains	27	-	-	
17,194	TOTAL INCOME	17,566	16,688	17,547	
	EXPENSES				
12,105	Personnel costs	11,800	12,364	11,823	
386	Depreciation and amortisation expense	382	470	339	
53	Capital charge	56	56	56	
4,606	Other operating expenses	4,937	3,798	5,329	
17,150	TOTAL EXPENDITURE	17,175	16,688	17,547	
-	Other comprehensive income	-	-	-	
44	NET SURPLUS AND COMPREHENSIVE INCOME	391	-	-	

Explanations for major variance against the budget are provided in note 19.

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

2011			2012	2012	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	CURRENT ASSETS				
1,806	Cash and bank balances		2,139	1,004	1,108
-	Debtor Crown	18	1,020	-	1,020
27	Other debtors and receivables	6	152	55	40
23	Prepayments		21	55	30
100	Inventory	7	100	100	100
1,956	TOTAL CURRENT ASSETS		3,432	1,214	2,298
	NON-CURRENT ASSETS				
284	Inventory	7	233	318	300
767	Property, plant and equipment	8	217	811	266
477	Intangible assets	9	-	447	-
1,528	TOTAL NON-CURRENT ASSETS		450	1,576	566
3,484	TOTAL ASSETS		3,882	2,790	2,864
	CURRENT LIABILITIES				
1,624	Creditors and other payables	10	2,010	1,090	1,400
44	Provision for repayment of surplus to the Crown	11	391	-	-
699	Employee entitlements	12	728	566	650
140	Provisions	13	60	-	140
2,507	TOTAL CURRENT LIABILITIES		3,189	1,656	2,190
	NON-CURRENT LIABILITIES				
274	Employee entitlements	12	293	431	274
274	TOTAL NON-CURRENT LIABILITIES		293	431	274
2,781	TOTAL LIABILITIES		3,482	2,087	2,464
703	NET ASSETS		400	703	400
	EQUITY				
703	Taxpayers' funds		400	703	400
703	TOTAL EQUITY		400	703	400

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2012

2011			2012	2012	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
703	BALANCE AT 1 JULY		703	703	703
	COMPREHENSIVE INCOME				
44	Surplus for the year		391	-	-
44	TOTAL COMPREHENSIVE INCOME		391	-	-
	OWNER TRANSACTIONS				
-	Capital contribution	18	1,020	-	1,020
-	Transfer to Treasury	18	(1,323)	-	(1,323)
(44)	Return of operating surplus to the Crown	11	(391)	-	-
703	BALANCE AT 30 JUNE		400	703	400

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2012

2011				2012	2012		
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000		
	CASH FLOW FROM OPERATING ACTIVITIES						
17,167	Receipts from the Crown		17,517	16,658		17,517	
27	Receipts from other revenue		22	30		30	
(4,505)	Payments to suppliers		(5,053)	(3,818)		(5,681)	
(12,056)	Payments to employees		(11,405)	(12,344)		(11,795)	
(53)	Payments for capital charge		(56)	(56)		(56)	
(44)	Goods and services tax (net)		20	-		-	
536	NET CASH FLOW FROM OPERATING ACTIVITIES	14	1,045	470		15	
	CASH FLOW FROM INVESTING ACTIVITIES						
-	Receipts from sale of property, plant and equipment		27	-		27	
(359)	Purchase of property, plant and equipment		(303)	(150)		(303)	
(291)	Purchase of intangible assets		(192)	(150)		(192)	
(650)	NET CASH FLOW FROM INVESTING ACTIVITIES		(468)	(300)		(468)	
	CASH FLOW FROM FINANCING ACTIVITIES						
(97)	Repayment of net surplus to the Crown		(44)	(250)		(45)	
-	Capital withdrawals		(200)	-		(200)	
(97)	NET CASH FLOW FROM FINANCING ACTIVITIES		(244)	(250)		(245)	
(211)	Net increase/(decrease) in cash and cash equivalent		333	(80)		(698)	
2,017	Cash and bank balances at the beginning of the year		1,806	1,084		1,806	
1,806	CASH AND BANK BALANCES AT THE END OF THE YEAR		2,139	1,004		1,108	

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF COMMITMENTS

as at 30 June 2012

Capital commitments

At 30 June 2012 the department has no capital commitments. (2011: nil)

Non-cancellable operating lease commitments

The department leases premises on the fifth floor of the Reserve Bank Building and on the second floor of Pipitea House, both in Wellington (see note 5).

The annual lease payments are subject to three-yearly and ten-yearly reviews. The amounts disclosed as future commitments are based on the current rental rates. Other operating commitments include contracts for photocopying services and garden maintenance services.

There are no restrictions placed on the department by any of the operating leasing arrangements.

2011		2012	
Actual \$000		Actual \$000	
	OPERATING COMMITMENTS		
	NON-CANCELLABLE OPERATING LEASE COMMITMENTS		
628	No later than one year	628	
2,196	Later than one year and not later than 5 years	2,055	
3,068	Later than five years	2,585	
5,892	TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS	5,268	
	OTHER NON-CANCELLABLE COMMITMENTS		
79	No later than one year	36	
79	TOTAL OTHER NON-CANCELLABLE COMMITMENTS	36	
5,971	TOTAL OPERATING COMMITMENTS	5,304	

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

as at 30 June 2012

Contingent liabilities

At 30 June 2012 the department has no contingent liabilities. (2011: nil)

Contingent assets

At 30 June 2012 the department has no contingent assets. (2011: nil)

STATEMENT OF DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

for the year ended 30 June 2012

2011				2012	2012		
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000		
	<i>Vote: Prime Minister and Cabinet</i>						
	APPROPRIATIONS FOR OUTPUT EXPENSES						
7,062	Policy advice and secretariat and coordination services	19	7,325	7,170		7,345	
4,301	Support services to the Governor-General and maintenance of the residences	19	669	585		669	
-	Support services to the Governor-General and maintenance of the official residences ¹	19	3,155	2,929		3,159	
5,452	Intelligence coordination and national security priorities	19	5,640	5,597		5,967	
335	Science Advisory Committee		386	407		407	
17,150	TOTAL OUTPUT EXPENSES		17,175	16,688		17,547	
	APPROPRIATIONS FOR CAPITAL EXPENDITURE						
621	Department of the Prime Minister and Cabinet – capital expenditure Permanent Legislative Authority		478	300		480	
621	TOTAL CAPITAL EXPENDITURE		478	300		480	

¹ The Governor-General Act 2010 has resulted in several changes in output appropriations. One of the changes was the establishment in 2012 of a new output class (Support services to the Governor-General and maintenance of the official residences) which covered the last ten months of operations in 2011/12.

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF UNAPPROPRIATED EXPENDITURE

for the year ended 30 June 2012

Expenses to be approved under section 26C of the Public Finance Act 1989

The Governor-General Act 2010 has resulted in several changes in output appropriations. One of the changes was the establishment in 2012 of a new output class (Support services to the Governor-General and maintenance of the official residences) which covered the last ten months of operations in 2011/12.

The Act also required a portion of the appropriation to be transferred into the new output. The forecast transfer amount was overstated; this resulted in the actual costs of the existing output (Support services to the Governor-General and maintenance of the residences) exceeding those appropriated by \$84,000.

The unappropriated expenditure was later addressed in the 2012 March baseline updates, through a fiscally neutral transfer that will be validated under section 26C of the Public Finance Act 1989.

(2011: nil)

Expenses and capital expenditure incurred in excess of appropriation

Nil. (2011: nil)

Expenses and capital expenditure incurred without appropriation or other authority, or outside the scope of appropriation

Nil. (2011: nil)

Breaches of projected departmental net asset schedule

Nil. (2011: nil)

NOTES TO THE DEPARTMENTAL FINANCIAL STATEMENTS

for the year ended 30 June 2012

1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

Reporting entity

The Department of the Prime Minister and Cabinet ("the department") is a government department as defined by the Public Finance Act 1989 and is domiciled in New Zealand.

The primary objective of the department is to provide services to the public rather than making a financial return.

Accordingly the Department of the Prime Minister and Cabinet is a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the department are for the year ended 30 June 2012. They were authorised for issue by the Chief Executive of the department on 28 September 2012.

In addition, the department has reported on Crown activities which it administers.

Basis of preparation

Statement of compliance

The financial statements of the department have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practices (NZ GAAP).

These financial statements have been prepared in accordance with, and comply with, NZ IFRS as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on historical-cost basis. The accrual basis of accounting has been used.

Functional and presentation currency

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

Judgements and estimations

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised (if the revision affects only that period) or in the period of the revision and future periods (if the revision affects both current and future periods).

There is one item where judgements have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year. It is:

Retirement and long-service leave

Note 12 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long-service leave liabilities.

Changes in accounting policies

Accounting policies are changed only if the change is required by a standard or interpretation, or if it otherwise provides more reliable and more relevant information.

Standards, amendments, and interpretations issued that are not yet effective and have not been "early adopted"

Standards, amendments, and interpretations issued but not yet effective that have not been "early adopted", and which are relevant to the department, are:

- *NZ IFRS 9 Financial Instruments* will eventually replace *NZ IAS 39 Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument

standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework (ASF) will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new ASF (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this ASF, the department is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the department expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the department is unable to assess the implications of the new ASF at this time.

Because of the change in the ASF for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Significant accounting policies

Revenue

Revenue is measured at the fair value of consideration received.

Revenue from the Crown is earned in exchange for the provision of outputs and is recognised as revenue when earned. The department receives its revenue through the Crown's appropriation process.

Revenue from the supply of goods and services is recognised as earned.

Rental income is recognised as other revenue in the Statement of Comprehensive Income when it is earned.

Revenue from the sales of items of property, plant and equipment is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Capital charge

The capital charge is recognised as an expense in the period to which the charge relates.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less impairment changes.

Impairment of a receivable is established when there is objective evidence that the department will not be able to collect amounts due under the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Income.

Financial instruments

The department is a party to financial arrangements as part of its everyday operations. These include instruments such as cash and bank balances, receivables, and creditors and other payables. Financial assets and financial liabilities are initially measured at fair value plus transaction costs. The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Cash and bank balances

Cash includes cash on hand and bank accounts.

Inventory

Inventories held for distribution for public benefit purposes are recorded at the lower of cost calculated using the first-in first-out method or current replacement cost.

Property, plant and equipment

Overview

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

All individual assets are capitalised if their purchase cost is \$2,000 or greater.

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 department and if the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Realised gains and losses arising from disposal of property, plant and equipment are recognised in the Statement of Comprehensive Income in the period in which the transaction occurs.

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 department and the cost of the item can be measured reliably.

Depreciation

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an asset, less any estimated residual value, over its estimated useful life. The useful life and associated depreciation rates are as follows:

Furniture and fittings	5-10 years	10-20%
Plant and equipment	5-10 years	10-20%
IT equipment	3-4 years	20-33%
Motor vehicles	4 years	25%

Intangible assets

Software acquisition and development

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Direct costs include software acquisition and development, and consultancy costs. Staff training costs are recognised as an expense when incurred.

Amortisation

Intangible assets with finite lives are subsequently recorded at cost, less any amortisation and impairment losses.

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

Amortisation begins when an asset is available for use and ceases at the date that an asset is de-recognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income.

The useful life and associated amortisation rate of computer software is as follows:

Acquired computer software	3-4 years	20-33%
----------------------------	-----------	--------

Impairment of non-financial assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed at least annually to determine if there is any indication of impairment, i.e. that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value (less costs to sell) and value-in-use.

Value-in-use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

Losses resulting from impairment are recognised in the Statement of Comprehensive Income.

Employee entitlements

Short-term employee entitlements

Short-term employee entitlements 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, annual leave, and sick leave and are recognised in the Statement of Comprehensive Income when they accrue to employees. Employee entitlements to be settled within 12 months are reported at the amount expected to be paid.

Termination benefits are recognised in the Statement of Comprehensive Income only when there is a demonstrable commitment, without realistic possibility of withdrawal, either to terminate employment prior to normal retirement date or

to provide such benefits as a result of an offer to encourage voluntary redundancy.

The department recognises a liability for sick leave. The amount of the liability is calculated on the unused sick-leave entitlement that can be carried forward at balance date, to the extent that the department anticipates it will be used by staff to cover future sick-leave absences.

Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long-service leave and retirement leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual-entitlements information
- the present value of the estimated future cash flows. (The discount rate is based on the weighted average of government bonds with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.)

Defined-contribution plans

Obligations for contributions to defined-contribution pension plans are recognised as an expense in the Statement of Comprehensive Income when they are due.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Leases

The department leases office premises and photocopiers. As substantially all risks and rewards incidental to ownership of assets are retained by the lessor, these leases are classified as operating leases. Operating lease costs are expensed in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Superannuation schemes

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and individual retirement funds are accounted for as defined-contribution schemes and are recognised as expenses in the Statement of Comprehensive Income when they are incurred.

Provisions

The department recognises a provision for future expenditure of uncertain amounts or timing when there is a present obligation (either legal or constructive) as a result of a past event, when it is probable that an outflow of future economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Equity

Equity (taxpayers' funds) is the Crown's investment in the department and is measured as the difference between total assets and total liabilities.

Commitments

Expenses yet to be incurred on non-cancellable contracts that were entered into on or before balance date are disclosed as commitments to the extent that they are equally unperformed obligations.

Cancellable commitments that have, explicit in the agreement, penalty or exit costs on exercising the option to cancel are included in the Statement of Commitments at the value of that penalty or exit cost.

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are recorded in the Statement of Contingent Liabilities and Contingent Assets at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Goods and services tax (GST)

All items in the financial statements, including the appropriation statements, are GST exclusive – except for receivables and payables, which are on a GST-inclusive basis.

The net amount of GST recoverable from or payable to the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitment and contingencies are disclosed exclusive of GST.

Income tax

Government departments are exempt from income tax as public authorities. Accordingly, no charge for income tax has been provided for.

Budget figures

The budget figures are those included in the department's Budget Estimates for the year ended 30 June 2012, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates.

Statement of cost accounting policies

The department has determined the cost of outputs using the cost allocation system that follows:

- Direct costs are expenses incurred from activities in producing outputs. These costs are charged directly to the related output classes.
- Indirect costs are expenses incurred by Corporate Services (which was disestablished in March 2012) and by the

Office of the Chief Executive; they include costs incurred since March 2012 by CASS and recovered from the department. Indirect costs are allocated to each output class based on cost drivers, related activity, and usage information.

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

Comparatives

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Related parties

The department is a wholly owned entity of the Crown. The government significantly influences the roles of the department as well as its source of revenue.

The department undertakes transactions with other departments, Crown entities, and state-owned enterprises. These transactions are carried out at an arm's length basis and are not considered to be related-party transactions.

Apart from those transactions described above, the department has not entered into any related-party transactions.

2. REVENUE OTHER AND GAINS

2011		2012		2012	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
27	Rental income	22	30	30	
-	Gain on sale of fixed assets ¹	27	-	-	
27	TOTAL REVENUE OTHER AND GAINS	49	30	30	

¹ During the year, the department disposed of a motor vehicle that reached a pre-determined mileage. The net gain on motor vehicle disposal was \$27,000.

3. PERSONNEL COSTS

2011		2012		2012	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
11,347	Salaries and wages	10,973	11,536	11,000	
465	Employer contributions to defined- contribution plans	572	572	545	
(24)	Increase/(decrease) in employee entitlements	48	48	0	
317	Other ¹	207	208	278	
12,105	TOTAL PERSONNEL COSTS	11,800	12,364	11,823	

¹ Other includes recruitment, staff training and attendance at conferences and seminars.

4. CAPITAL CHARGE

The department pays a capital charge on its taxpayers' funds at 30 June and 31 December each year.

The capital charge rate for the year ended 30 June 2012 was 8.0 per cent. (2010/11: 7.5 per cent).

5. OTHER OPERATING EXPENSES

2011		2012		2012	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
53	Audit fees for audit of financial statements	49	48	48	
622	Premises rental	641	550	575	
556	Facilities costs	502	514	514	
103	Inventories consumed	134	86	86	
464	Consultancy	281	200	350	
321	Travel costs	418	402	402	
550	IT maintenance costs ¹	368	499	499	
545	Building and ground maintenance costs	573	527	527	
-	Central Agencies Shared Services (CASS)	1,197	-	890	
1,392	Miscellaneous operating expenses	774	972	1,438	
4,606	TOTAL OTHER OPERATING EXPENSES	4,937	3,798	5,329	

¹ IT maintenance costs were for eight months only. From March 2012 all IT expenses are included in the CASS costs.

6. OTHER DEBTORS AND RECEIVABLES

2011		2012		2012	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
-	Debtors	96	-	-	
-	Less provision for impairment	-	-	-	
	Net debtors	96	-	-	
27	Other receivables	56	55	40	
27	TOTAL OTHER DEBTORS AND RECEIVABLES	152	55	40	

The ageing profile of receivables at year end is detailed below:

2011		2012		2012	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
27	Current	119	55	40	
-	Past due 31-60 days	10	-	-	
-	Past due 61-90 days	23	-	-	
27	TOTAL	152	55	40	

7. INVENTORY

2011		2012		2012	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
100	Current	100	100	100	
284	Non-current	233	318	300	
384	TOTAL INVENTORY	333	418	400	

Inventory includes honours insignia, medals and ribbons.

The carrying amount of inventory held for distribution at costs is \$333,000 as at 30 June 2012. (2011: \$384,000)

The write-down of inventory held for distribution amounted to \$34,000 as at 30 June 2012. (2011: nil)

There have been no reversals of write-downs.

The loss in service potential of inventory held for distribution is determined on the basis of obsolescence.

No inventory has been pledged as security for liabilities. (2011: nil)

8. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings	Motor vehicles	Plant and equipment	IT equipment	Total
COST					
Balance at 1 July 2010	991	174	735	1,262	3,162
Additions	17	-	-	313	330
Disposals	(642)	-	(53)	(187)	(882)
Other movement	-	-	9	-	9
Balance at 30 June 2011	366	174	691	1,388	2,619
Balance at 1 July 2011	366	174	691	1,388	2,619
Additions	-	-	197	89	286
Disposals/transfers	-	(57)	-	(1,477)	(1,534)
Balance at 30 June 2012	366	117	888	-	1,371
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Balance at 1 July 2010	790	95	699	764	2,348
Depreciation expense	61	43	27	150	281
Disposal	(582)	-	(54)	(141)	(777)
Balance at 30 June 2011	269	138	672	773	1,852
Balance at 1 July 2011	269	138	672	773	1,852
Depreciation expense	64	21	47	154	286
Disposals/transfers	-	(57)	-	(927)	(984)
Balance at 30 June 2012	333	102	719	-	1,154
CARRYING VALUE					
At 30 June and 1 July 2011	97	36	19	615	767
At 30 June 2012	33	15	169	-	217

There is no restriction on any asset.

All IT equipment was transferred to the Treasury as assets of CASS.

9. INTANGIBLE ASSETS

2011		2012	
Actual \$000		Actual \$000	
ACQUIRED SOFTWARE			
COST			
436	Opening balance 1 July	700	
291	Additions	192	
(27)	Disposals/transfers	(892)	
700	Closing balance 30 June	-	
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES			
119	Opening balance 1 July	224	
104	Amortisation expenses	96	
-	Disposals/transfers	(320)	
223	CLOSING BALANCE 30 JUNE	-	
CARRYING VALUE			
477	AT 30 JUNE	-	

All intangibles were transferred to the Treasury as assets of CASS.

10. CREDITORS AND OTHER PAYABLES

2011		2012		2012	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
737	Trade creditors	469	500	500	
16	Creditors relating to capital expenditure	-	-	-	
761	Accrued expenses	995	810	800	
-	Salary and redundancy	409	-	-	
110	GST payable	137	90	100	
1,624	TOTAL CREDITORS AND OTHER PAYABLES	2,010	1,400	1,400	

Creditors and other payables are non-interest-bearing and are normally settled on 30-day terms. Therefore the carrying value of creditors and other payables approximates their fair value.

11. PROVISION FOR REPAYMENT OF SURPLUS TO THE CROWN

2011		2012		2012	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
44	Current year net surplus	391	-	-	
44	TOTAL PROVISION FOR REPAYMENT OF SURPLUS TO THE CROWN	391	-	-	

The department's operating surplus must be paid to the Crown by 31 October of each year.

12. EMPLOYEE ENTITLEMENTS

2011		2012		2012	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	CURRENT EMPLOYEE ENTITLEMENTS				
436	Annual leave	547	381	387	
24	Long-service leave	8	32	24	
201	Retirement leave	138	103	201	
38	Sick leave	35	50	38	
699	TOTAL CURRENT EMPLOYEE ENTITLEMENTS	728	566	650	
	NON-CURRENT EMPLOYEE ENTITLEMENTS				
43	Long-service leave	43	97	43	
231	Retirement leave	250	334	231	
274	TOTAL NON-CURRENT EMPLOYEE ENTITLEMENTS	293	431	274	
973	TOTAL EMPLOYEE ENTITLEMENTS	1,021	997	924	

The present value of the retirement and long-service leave obligations depend on a number of factors that are determined on an actuarial basis using some assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary-inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

In determining the appropriate discount rate the department adopts the central table of risk-free discount rates and CPI assumptions provided by the Treasury.

If the discount rate were to differ by 1% from the department's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$12,000 higher/lower.

If the salary inflation factor were to differ by 1% from the department's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$18,000 higher/lower.

13. PROVISIONS

2011		2012		2012	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	LEASE MAKE-GOOD				
120	Opening balance 1 July	60	-	60	
(60)	Provision used	-	-	-	
60	Closing balance 30 June	60		60	
	ASSETS WRITE-OFF				
138	Opening balance 1 July	80	-	80	
10	Additional provision made	-	-	-	
(68)	Provision used	-	-	-	
-	Unused amounts reversed	(80)	-	-	
80	Closing balance 30 June	-	-	80	
140	TOTAL PROVISIONS	60		140	

In respect of its leased premises, the department has made provision to make good any damages and to remove fixtures and fittings as required by the lessor at the expiry of the lease term.

14. RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

2011		2012		2012	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
44	NET SURPLUS/(DEFICIT)	391			
	ADD/(LESS) NON-CASH ITEMS				
386	Depreciation	382	470	339	
386	TOTAL NON-CASH ITEMS	382	470	339	
	ADD/(LESS) NON-CASH ITEMS CLASSIFIED AS INVESTING OR FINANCIAL ACTIVITIES				
122	Net (gains)/losses on disposal of property, plant and equipment	(27)	-	-	
122	TOTAL NON-CASH ITEMS CLASSIFIED AS INVESTING OR FINANCIAL ACTIVITIES	(27)	-	-	
	ADD/(LESS) WORKING CAPITAL MOVEMENT				
59	(Increase)/decrease in receivables and prepayments	(123)	-	-	
34	(Increase)/decrease in inventories	51	-	-	
33	Increase/(decrease) in creditors and other payables	403	-	(324)	
(118)	Increase/(decrease) in provisions	(80)	-	-	
(24)	Increase/(decrease) in employee entitlements	48	-	-	
(16)	TOTAL NET MOVEMENT IN WORKING CAPITAL ITEMS	299	-	(324)	
536	NET CASH FLOW FROM OPERATING ACTIVITIES	1,045	470	15	

15. RELATED-PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

Related-party transactions

Any related-party transactions have been entered into on an arm's length basis.

The department is a wholly owned entity of the Crown. The government significantly influences the roles of the department as well as its source of revenue.

Significant transactions with government-related entities

The department has received funding from the Crown of \$17.517 million (2011: \$17.167 million) to provide services to the Prime Minister, the Cabinet and the Governor-General for the year ended 30 June 2012. In addition, DPMC received approval for a capital contribution of \$1.020 million which is recognised as a Crown debtor.

In March 2011, DPMC began purchasing the delivery of IT, IM, Finance and HR functions from Treasury. The value of services purchased since March was \$1.002 million and a further \$195,000 was contributed for shared implementation costs. At 30 June DPMC owed \$562,000 to Treasury. In addition, \$1.123 million of net book value of assets and intangibles and \$200,000 of cash was transferred to Treasury.

Collectively, but not individually, significant transactions with government-related entities

In conducting its activities, the department is required to pay various taxes (such as PAYE, GST and ACC levies) to the Crown and entities related to the Crown: the payment of these taxes and levies is based on the standard terms and conditions that apply to all payers of taxes and levies. The department is exempt from paying income tax.

The department also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2012 totalled \$164,000 (2011: \$54,000). These purchases include audit services from Audit NZ, services from Department of Internal Affairs, membership payment to Ministry of Economic Development, contribution towards SSC performance improvement framework, purchases of electricity from Genesis, air travel from Air New Zealand, legal services from the Crown Law Office, and postal services from New Zealand Post. In addition, the department provided secondments to Canterbury Earthquake Recovery Authority, Ministry of Foreign Affairs, NZSIS, SSC, the Treasury and Ministry of Science and Innovation totalling \$498,000. The department also had secondees from The Treasury, Department of Labour, New Zealand Law Commission and Ministry of Foreign Affairs totalling \$798,000.

Key management personnel compensation

2011		2012	
Actual \$000		Actual \$000	
2,155	Salaries and other short-term benefits	2,244	
199	Superannuation	209	
2,354	TOTAL KEY MANAGEMENT PERSONNEL¹ COMPENSATION	2,453	

¹ Key management personnel are the Chief Executive and the seven senior managers.

There are no related-party transactions involving key management personnel (or their close family members).

16. FINANCIAL-INSTRUMENT RISKS

The department is a party to financial arrangements as part of its everyday operations.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the department, causing the department to incur a loss. In the normal course of its operations, the department incurs credit risk from sundry debtors, prepayments, bank deposits, and transactions with financial institutions and the New Zealand Debt Management Office (NZDMO).

The department does not require any collateral or security to support financial instruments with the financial institutions it deals with, or with NZDMO, as these entities have high credit ratings. For other financial instruments, the department does not have significant concentrations of credit risk.

The department's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and bank balances, debtors and other receivables.

Currency risk and interest-rate risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest-rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, because of changes in market interest rates.

The department has no significant exposure to currency risk or interest-rate risk on its financial instruments.

Liquidity risk

Liquidity risk is the risk that the department will encounter difficulty in raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the department closely monitors its forecast cash requirements with expected cash drawdowns from the NZDMO. The department maintains a target level of available cash to meet liquidity requirements.

All of the department's financial liabilities (i.e. creditors and other payables) are expected to be settled within 12 months. The contractual undiscounted cash flows equal the carrying values disclosed in note 10.

17. CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities in each of the NZ IAS 39 categories are as follows:

2011		2012		2012	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	LOANS AND RECEIVABLES				
1,806	Cash and bank balances	2,139	1,004		1,108
27	Debtors and other receivables	152	55		40
1,833	TOTAL LOANS AND RECEIVABLES	2,291	1,059		1,148
	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST				
1,624	CREDITORS AND OTHER PAYABLES	2,010	1,090		1,400

18. CAPITAL MANAGEMENT

The department's capital is its equity (or taxpayers' funds), which comprises the general funds. Equity is represented by the net assets.

The department manages its revenues, expenses, assets, liabilities, and general financial dealings prudently. The department's equity is largely managed as a by-product of managing income, expenses, assets and liabilities and complying with the government Budget processes and Treasury instructions.

The objective of managing the department's equity is to ensure that the department is effective in achieving the goals and objectives for which it has been established, while remaining a going concern.

In 2011/12 a capital contribution of \$1.020 million has been recognised which was approved in a prior year's baseline update. This has not yet been drawn down; it is reflected in the Statement of Financial Position as "Debtor Crown" and in the Statement of Changes in Equity as "Capital contribution".

In March 2012, the delivery of support services for information technology, information management, finance and human resources were transferred from the department to the CASS, which is hosted by the Treasury. All IT assets and intangibles valued at \$1.323 million were transferred to the Treasury.

19. EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

Policy advice and secretariat and coordination services

The appropriation for this output class increased by \$175,000 in the Supplementary Estimates. The change is a result of additional funding received for CabNet (\$109,000), Hillary House (\$100,000), CASS funding (\$100,000) and capability increase funding (\$100,000), combined with fiscally neutral transfers to the following output classes: Support services to the Governor-General and maintenance of the residences (\$84,000); Support services to the Governor-General and maintenance of the official residences (\$130,000); and Intelligence coordination and national security priorities (\$20,000).

Support services to the Governor-General and maintenance of the residences

The appropriation for this output class increased by \$0.084 million in the Supplementary Estimates. The change is a result of a fiscally neutral transfer made from the Policy

advice and secretariat and coordination services output class, to fully fund expenditure up to 30 August.

Support services to the Governor-General and maintenance of the official residences

The appropriation for this output class increased by \$0.230 million in the Supplementary Estimates. The change is a result of additional funding received for CASS (\$100,000) and a fiscally neutral transfer made from the Policy advice and secretariat and coordination services output class (\$130,000).

Intelligence coordination and national security priorities

The appropriation for this output class increased by \$0.370 million in the Supplementary Estimates. The change is a result of additional funding received for CASS (\$250,000), funding for the National Cyber Policy Office (\$100,000) and a fiscally neutral transfer made from the Policy advice and secretariat and coordination services output class (\$20,000).



NON-DEPARTMENTAL FINANCIAL STATEMENTS

for the year ended 30 June 2012

The following statements and schedules record the expenses, assets, liabilities, commitments and contingent liabilities that the department manages on behalf of the Crown.

SCHEDULE OF NON-DEPARTMENTAL ASSETS AND LIABILITIES

as at 30 June 2012

2011		Note	2012		
Actual \$000			Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	<i>Vote: Prime Minister and Cabinet</i>				
	CURRENT ASSETS				
4,559	Cash and bank balances	5	4,157	1,830	2,718
-	Prepayment		5	-	-
6	Sundry receivables		-	-	-
4,565	TOTAL CURRENT ASSETS		4,162	1,830	2,718
	NON-CURRENT ASSETS				
77,918	Land, property, plant and equipment	2	76,872	68,335	76,716
77,918	TOTAL NON-CURRENT ASSETS		76,872	68,335	76,716
82,483	TOTAL NON-DEPARTMENTAL ASSETS		81,034	70,165	79,434
	CURRENT LIABILITIES				
733	Creditors and other payables	3, 5	207	259	415
733	TOTAL CURRENT LIABILITIES		207	259	415
733	TOTAL NON-DEPARTMENTAL LIABILITIES		207	259	415

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the Financial Statements of the Government of New Zealand for the year ended 30 June 2012.

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF NON-DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

for the year ended 30 June 2012

2011			2012	2012	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	NON-DEPARTMENTAL OTHER EXPENSES				
1,425	Depreciation expenses on Crown assets	5	1,434	1,962	1,962
149	Ex-gratia payment to the University of Auckland		149	218	218
-	Loss on sale of Crown assets	5	213	0	243
1,574	TOTAL NON-DEPARTMENTAL OTHER EXPENSES		1,796	2,180	2,423
	NON-DEPARTMENTAL OTHER EXPENSES (PERMANENT LEGISLATIVE AUTHORITY)				
933	Governor-General – remuneration and travel		242	330	242
-	Governor-General – salary, allowance and annuities	5	319	300	340
-	Governor-General’s programme	5	602	730	778
-	Governor-General’s travel outside New Zealand	5	140	256	256
52	Fees for the Commissioner of Security Warrants		48	74	74
985	TOTAL NON-DEPARTMENTAL OTHER EXPENSES (PERMANENT LEGISLATIVE AUTHORITY)		1,351	1,690	1,690
2,559	TOTAL APPROPRIATIONS FOR OTHER EXPENSES TO BE INCURRED BY THE CROWN		3,147	3,870	4,113
	<i>Statement continued on next page</i>				

The accompanying accounting policies and notes form part of these financial statements.

2011			2012	2012	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	<i>continued from previous page</i>				
	APPROPRIATION FOR PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS BY THE CROWN				
16,525	Government House – capital investment	5	686	150	1,088
16,525	TOTAL APPROPRIATION FOR PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS BY THE CROWN		686	150	1,088

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the Financial Statements of the Government of New Zealand for the year ended 30 June 2012.

STATEMENT OF NON-DEPARTMENTAL UNAPPROPRIATED EXPENDITURE AND CAPITAL EXPENDITURE

for the year ended 30 June 2012

There were expenses and capital expenditure incurred in excess of appropriation.

The department requested an in-principle expense transfer of \$938,000 for Non-Departmental Capital Expenditure: Government House – Capital Investment, which was not authorised until the October baseline update was approved. As a result the September expense of \$41,000 was in excess of appropriation up to the date of approval.

Authority was obtained for Non-Departmental Other Expense: Loss on Sale of Crown Assets through the March baseline update on 10 April 2012. As a result the March expenditure of \$213,000 was in excess of appropriation up to the date of approval.

(2011: nil)

SCHEDULE OF NON-DEPARTMENTAL EXPENSES

for the year ended 30 June 2012

This schedule summarises non-departmental expenses that the department administers on behalf of the Crown.

2011		2012		2012	
Actual \$000	Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	<i>Vote: Prime Minister and Cabinet</i>				
933	Governor-General's remuneration, travel and programme costs	1,303	1,616	1,616	
149	Ex-gratia payment to the University of Auckland	149	218	218	
52	Fees for the Commissioner of Security Warrants	48	74	74	
1,425	Depreciation on Crown assets	1,434	1,962	1,962	
-	Loss on sale of Crown assets	213	-	243	
2,559	TOTAL NON-DEPARTMENTAL EXPENSES	3,147	3,870	4,113	

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the Financial Statements of the Government of New Zealand for the year ended 30 June 2012.

The accompanying accounting policies and notes form part of these financial statements.

SCHEDULE OF NON-DEPARTMENTAL COMMITMENTS

as at 30 June 2012

As at 30 June 2012, there is a capital commitment of \$0.500 million relating to the building of the Government House Visitor Centre. (30 June 2011: nil)

There are no operating commitments as at 30 June 2012. (30 June 2011: nil)

SCHEDULE OF NON-DEPARTMENTAL CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities as at 30 June 2012. (30 June 2011: nil)

There are no contingent assets as at 30 June 2012. (30 June 2011: nil)

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the Financial Statements of the Government of New Zealand for the year ended 30 June 2012.

NOTES TO THE NON-DEPARTMENTAL FINANCIAL SCHEDULES AND STATEMENTS

for the year ended 30 June 2012

1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by the department on behalf of the Crown. These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand for the year ended 30 June 2012. For a full understanding of the Crown's financial position, results of operations, and cash flows for the year, refer to the Financial Statements of the Government of New Zealand.

Basis of preparation

The non-departmental schedules and statements have been prepared in accordance with the accounting policies of the Financial Statements of the Government of New Zealand, Treasury Instructions, and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice as appropriate for public benefit entities.

There have been no changes in accounting policies during the financial year.

Significant accounting policies

Goods and services tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of GST – except for receivables and payables, which are stated on a GST-inclusive basis. In accordance with Treasury Instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the Financial Statements of the Government of New Zealand.

Debtors and other receivables

Debtors and other receivables are measured at fair value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the department will not be able to collect amounts due according to the original terms of the receivable. The carrying amount of the asset is reduced through the use of an "Allowance for doubtful debtors" account, and the amount of the loss is recognised in the Schedule of Non-Departmental Expenses. When a debt is uncollectible, it is written off against the "Allowance for doubtful debts" account for debtors. Overdue receivables that are renegotiated are reclassified as current (that is, not past due).

Valuation of property, plant and equipment

Land and buildings are recorded at fair value, as determined by an independent registered valuer. QV Valuations revalued land and buildings as at 30 June 2011 and the current-year variability was tested with the valuer for 30 June 2012 to ensure that those values would still be considered a fair reflection. Fair value is determined using market-based evidence unless insufficient market-based evidence exists, in which case the land and buildings are valued at optimised depreciated replacement cost.

Land and buildings are properly revalued at least every three years. Additions between revaluations are recorded at cost.

Other artwork, ornaments and some antique furniture and fittings are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. They are recorded at this fair value, less accumulated depreciation and impairment losses.

Any revaluation surplus arising on the revaluation of a class of asset is transferred directly to the asset revaluation reserve. A revaluation deficit in excess of the asset revaluation reserve balance for the class of property, plant and equipment is recognised in the Statement of Non-Departmental Expenses and Capital Expenditure against Appropriations in the period in which it arises.

Other items of property, plant and equipment are recorded at cost, less accumulated depreciation and impairment losses. All individual assets are capitalised if their purchase cost is \$2,000 or greater.

Depreciation

All items of property, plant and equipment have been depreciated on a straight-line basis that reflects the decline in service potential of the asset during the reporting period. Specific rates of depreciation used for the various classes of property, plant and equipment for the current and comparative periods are as follows:

Asset	Depreciation rate
Land	0%
Buildings	1-33%
Plant and Equipment	20%
Furniture and fittings	10-20%
Motor vehicles	25%
Other assets	2-20%

Commitments

Future expenses and liabilities to be incurred on non-cancellable contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the statement of commitments at the lower of the remaining contractual commitment and the value of that penalty or exit cost.

Budget figures

The budget figures are consistent with the financial information in the Main Estimates. In addition, these financial statements also present the updated budget information from the Supplementary Estimates.

2. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Furniture and fittings	Motor vehicles	Other assets	Total
COST							
Balance at 1 July 2010	30,220	13,640	27	2,173	160	2,333	48,553
Additions	-	41,557	8	280	-	-	41,845
Disposals	-	-	(16)	(538)	-	(7)	(561)
Revaluation increase/ (decrease)	(1,372)	(7,942)	-	-	-	-	(9,314)
Balance at 30 June 2011	28,848	47,255	19	1,915	160	2,326	80,523
Balance at 1 July 2011	28,848	47,255	19	1,915	160	2,326	80,523
Additions	-	463	20	19	154	-	656
Revaluation increase/ (decrease)	-	-	-	-	-	-	-
Work in progress	-	30	-	-	-	-	30
Disposals	-	(381)	-	-	(160)	-	(541)
Balance at 30 June 2012	28,848	47,367	39	1,934	154	2,326	80,668
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
Balance at 1 July 2010	-	1,000	27	1,339	160	627	3,153
Depreciation expense	-	864	-	454	-	107	1,425
Disposal	-	-	(14)	(538)	-	(6)	(558)
Eliminate on revaluation	-	(1,415)	-	-	-	-	(1,415)
Balance at 30 June 2011	-	449	13	1,255	160	728	2,605
Balance at 1 July 2011	-	449	13	1,255	160	728	2,605
Depreciation expense	-	1,033	4	268	28	102	1,435
Disposal	-	(84)	-	-	(160)	-	(244)
Eliminate on revaluation	-	-	-	-	-	-	-
Balance at 30 June 2012	-	1,398	17	1,523	28	830	3,796
CARRYING VALUE							
At 30 June and 1 July 2011	28,848	46,806	6	660	-	1,598	77,918
At 30 June 2012	28,848	45,969	22	411	126	1,496	76,872

3. CREDITORS AND OTHER PAYABLES

2011		2012		2012	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
35	Trade creditors	61	209	50	
581	Creditors relating to capital expenditure	-	50	365	
74	Accrued expenses	146	-	-	
43	Other payables	-	-	-	
733	TOTAL CREDITORS AND OTHER PAYABLES	207	259	415	

4. CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities in each of the NZ IAS 39 categories are as follows:

2011		2012		2012	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	LOANS AND RECEIVABLES				
4,559	Cash and bank balances	4,157	1,830	2,718	
6	Sundry receivables	-	-	-	
4,565	TOTAL LOANS AND RECEIVABLES	4,157	1,830	2,718	
	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST				
733	CREDITORS AND OTHER PAYABLES	207	259	415	

5. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Statement of Non-Departmental Expenses and Capital Expenditure against Appropriations

The appropriation for depreciation expenses on Crown assets was underspent by \$528,000 against the Supplementary Estimates because of the extended life of the Government House Wellington following the completion of the Government House Conservation Project.

At 30 June 2012 the Governor-General's salary, allowance and annuities, the Governor-General's programme, and the Governor-General's travel outside New Zealand was \$313,000 below Supplementary Estimates because of changed or rescheduled travel intentions.

The appropriation for loss on sale of Crown assets increased by \$243,000 in the Supplementary Estimates because of disposal of two former staff residences at Government House Wellington.

The appropriation for Government House – capital Investment was underspent by \$402,000 against the Supplementary Estimates because of underspending on the Government House Conservation Project.

Schedule of Non-Departmental Assets and Liabilities

At 30 June 2012, the department's cash and bank balances was higher than shown in the Supplementary Estimates because of underspending in non-departmental expenses.

Creditors and other payables are lower than shown in the Supplementary Estimates because of early completion of the Government House Conservation Project.



INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of the Department of the Prime Minister and Cabinet's financial statements, non-financial performance information and schedules of non-departmental activities for the year ended 30 June 2012.

The Auditor-General is the auditor of the Department of Prime Minister and Cabinet (DPMC). The Auditor-General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, the non-financial performance information and the schedules of non-departmental activities of the DPMC on her behalf.

We have audited:

- the financial statements of the DPMC on pages 27 to 48, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2012, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure 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; and
- the non-financial performance information of the DPMC that comprises the statement of service performance on pages 6 to 20 which includes DPMC's report on its objectives; and
- the schedules of non-departmental activities of the DPMC on pages 49 to 58 that comprise the schedule of assets and liabilities, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2012, the schedule of expenses, schedule of expenditure and capital expenditure against appropriations, and statement of unappropriated expenditure and capital expenditure for the year ended on that date and the notes to the schedules that include accounting policies and other explanatory information.

OPINION

In our opinion:

- the financial statements of the DPMC on pages 27 to 48:
 - comply with generally accepted accounting practice in New Zealand; and

- fairly reflect the DPMC's:
 - financial position as at 30 June 2012;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by the DPMC and each class of outputs included in each output expense appropriation for the year ended 30 June 2012; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2012.
- the non-financial performance information of the DPMC on pages 6 to 20:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the DPMC's service performance and outcomes for the year ended 30 June 2012, including for each class of outputs:
 - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.
- the schedules of non-departmental activities of the DPMC on pages 49 to 58:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the assets, liabilities, contingencies and commitments as at 30 June 2012 managed by the DPMC on behalf of the Crown; and
 - the revenues, expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure and capital expenditure for the year ended on that date managed by the DPMC on behalf of the Crown.

Our audit was completed on 28 September 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements, the non-financial performance information and the schedules of non-departmental activities are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, the non-financial performance information and the schedules of non-departmental activities. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, the non-financial performance information and the schedules of non-departmental activities, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the DPMC's preparation of the financial statements, the non-financial performance information and the schedules of non-departmental activities that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the DPMC's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Chief Executive;
- the appropriateness of the reported non-financial performance information within the DPMC's framework for reporting performance;
- the adequacy of all disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities; and
- the overall presentation of the financial statements, the non-financial performance information and the schedules of non-departmental activities.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, the non-financial performance information and the schedules of non-departmental activities. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE CHIEF EXECUTIVE

The Chief Executive is responsible for preparing:

- financial statements and non-financial performance information that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the DPMC's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
 - fairly reflect its service performance and outcomes; and
- schedules of non-departmental activities, in accordance with the Treasury Instructions 2011 that:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect those activities managed by the DPMC on behalf of the Crown.

The Chief Executive is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements, the non-financial performance information and schedules of non-departmental activities that are free from material misstatement, whether due to fraud or error.

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

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements, the non-financial performance information and the schedules of non-departmental activities and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

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

Karen Young

Karen Young
AUDIT NEW ZEALAND

On behalf of the Auditor-General
Wellington, New Zealand

DPMC PROVIDES ADVICE, COORDINATION, LEADERSHIP AND SUPPORT

WHAT WE DO

IN THE LAST 12 MONTHS



DEPARTMENT OF THE
PRIME MINISTER AND CABINET

Executive Wing
Parliament Buildings
Wellington 6011

Telephone: +64 4 817 9074
Fax: +64 4 472 3181
Website: www.dpmc.govt.nz