

support for executive government

*Lead, advise, support,
and coordinate*

coordination of central government activities

DEPARTMENT
of the PRIME MINISTER
and CABINET



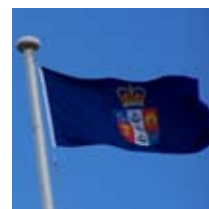
Annual Report

*support the government's three priorities: economic transformation;
families – young and old; and national identity*

leadership across the public service

*advice on issues involving national
security and defence*

for the year ended 30 June 2008





DEPARTMENT
of the PRIME MINISTER
and CABINET



Annual Report

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for the year ended 30 June 2008



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Leadership, collaboration, trust



Chief Executive's Overview

The Department of the Prime Minister and Cabinet's activities underpin executive government in New Zealand. The department provides support and advice to the Governor-General and the Prime Minister on a wide range of issues, and to ministers more generally through the Cabinet system. It also has a leadership role, with the State Services Commission and the Treasury, in relation to the performance of the public service and state sector as a whole.

Our Statement of Intent for the year ending 30 June 2008 (SOI 2007) foreshadowed a number of changes to the department's role, reflecting higher expectations from the government on policy leadership, cross-government collaboration and effectiveness, and ongoing security challenges. This annual report sets out some responses to those changes, and records other departmental contributions to achievement of the government's priorities.

Policy leadership

The three policy themes adopted by the government in 2006 (economic transformation; families – young and old; and national identity) have continued to guide the work of the department and government agencies over the past year. The Department of the Prime Minister and Cabinet has had an ongoing role in supporting agencies charged with taking these themes forward, and in monitoring and reporting

progress. Under the economic transformation theme, DPMC has been closely engaged in efforts to assist the further development of Auckland, including in the establishment and conduct of the Royal Commission on Auckland Issues. Similarly, the department contributed to policy for the broadband package announced in the Budget, and to policy in other areas of infrastructure development.

DPMC also played a role in supporting the government's sustainability programme and climate change policies. We continued to convene departmental chief executives and deputy secretaries from relevant agencies to aid development of sustainability policy options for ministers. The department also participated in cross-agency and wider processes to develop New Zealand's proposed Emissions Trading Scheme (ETS); and, through Australia's Department of the Prime Minister and Cabinet in Canberra, we coordinated discussions with Australian officials on ETS proposals in both countries.

CHIEF EXECUTIVE'S OVERVIEW

Cross-government collaboration

Other cross-agency policy initiatives that DPMC contributed to or led included the House Prices Unit, the Effective Interventions Programme for the criminal justice sector, and development of the Schools Plus initiative to improve educational and life outcomes for 15 to 19 year olds. The findings of the House Prices Unit, and the advice provided to ministers on possible steps to improve housing affordability, were released publicly. Following the conclusion of this cross-agency project, which was hosted by DPMC, we were tasked to lead a further project looking at the role that urban development authorities might play in alternative housing solutions and in wider urban-renewal initiatives.

The last year has seen strengthened collaboration between the central agencies (State Services Commission, Treasury and DPMC) aimed at lifting the performance of the public service and the wider state sector. DPMC has committed to taking over leadership of the State Services Development Goal of "Coordinated State Agencies". Steps have been taken to ensure greater alignment of activity, advice and support between central agency staff and line agencies, especially in relation to those large agencies with sector leadership responsibilities. The central agencies have focused on working more effectively to achieve the government's main policy outcomes, enhance effective engagement with line departments and agencies, and improve the public management system.

Security challenges

The Domestic and External Security Group (DESG) took the lead in the broad strategic shaping of this year's large-scale civil-emergency exercise Ruaumoko, which simulated a volcanic eruption in Auckland. DESG worked closely on this with the Ministry of Civil Defence and Emergency Management, local authorities, central government agencies, and other entities from the Auckland region and hinterland. In the coming year, departments participating in the Officials' Committee for Domestic and External Security Coordination (ODESC) will consider the strategies learnt from Ruaumoko, and from the previous year's Capital Quake exercise in Wellington, for possible adoption. DESG has also been active in facilitating workshops on infrastructure resilience,

and in lifting awareness of threats (including cyber threats) to the security of government agencies' infrastructure. ODESC departments have also updated whole-of-government guidance on security; and DESG, working closely with lead agencies and departmental security officers, has coordinated a programme of awareness-raising and training.

Their Excellencies' programme

Over the last year, the Governor-General the Hon Anand Satyanand and Mrs Satyanand undertook a varied range of visits and activities throughout New Zealand and overseas. Major visits were made to Northland, Southland, and the Waikato region. In May 2008, His Excellency made the first visit by a New Zealand Governor-General to Canada. He also visited the United Nations in New York, where he accepted the prestigious Franklin Delano Roosevelt International Disability Award on behalf of the New Zealand Government. Celebration of leadership and courage were the focus of a special investiture ceremony in July 2007, when the Governor-General presented the Victoria Cross for New Zealand to Corporal Willie Apiata.

Government House

A significant development this year has been the agreement by Cabinet to a major conservation project for Government House Wellington, which will mark its centenary in 2010. As noted in last year's annual report, DPMC has undertaken a process to assess the state of Government House Wellington and develop options for possible refurbishment. The project will cost \$47.4m over four financial years. It is designed to ensure the building is fit for purpose, and to bring it up to modern building and conservation standards whilst enhancing heritage values. During the refurbishment, the Governor-General and Mrs Satyanand will live at Vogel House in Lower Hutt, which will be renamed Government House Vogel from early 2009.

The department has been pleased to welcome Rob Taylor as Official Secretary, Government House, in succession to Adrian Simcock who unfortunately resigned because of illness. Mr Taylor has previously worked at the Ministry of Foreign Affairs and Trade, most recently as New Zealand's Consul-General in Los Angeles and before that as High Commissioner to Vanuatu.



CHIEF EXECUTIVE'S OVERVIEW

Support for Cabinet

The Cabinet Office was fully occupied throughout the year in its core role of providing advice and support to the Prime Minister and ministers as they participated in Cabinet decision making. In January, Cabinet Office and Honours Secretariat staff contributed to preparations for, and served at, the state funeral for the late Sir Edmund Hillary. Subsequently, a thanksgiving service for the life of Sir Edmund was held on 2 April at St George's Chapel, Windsor, in the presence of Her Majesty the Queen. The Clerk of the Executive Council and Cabinet Office staff coordinated the involvement of New Zealand agencies in preparing for this special and rare event at which Sir Edmund's Knight of the Garter banner was "laid up".

The Cabinet Office also produced an updated version of the *Cabinet Manual*. As the Prime Minister the Rt Hon Helen Clark noted in its Foreword, the *Cabinet Manual 2008* represents "an orderly and continuous development of the conventions and procedures of executive government" and provides the basis on which successive New Zealand governments have agreed to conduct themselves whilst in office. It is the manual, rather than legislation, that guides Cabinet's procedures – and these are required to be updated from time to time. The publication of the *Cabinet Manual 2008* represents an important contribution to the function of the department and the Cabinet Office in supporting the continuity of executive government in accordance with accepted conventions and practices. The manual is available online on the department's website (www.dPMC.govt.nz).

On 24 April, the Prime Minister launched the *Cabinet Manual 2008* at a function in the Grand Hall, Parliament Buildings. On the same occasion, Diane Morcom was farewelled at the conclusion of 17 years' service at DPMC, the last five of which were as Secretary of the Cabinet and Clerk of the Executive Council. Ms Morcom became a Companion of the Order of New Zealand (CNZM) in the Queen's Birthday Honours, and was also appointed a Commander of the Victorian Order (CVO) by Her Majesty. On the following day I was pleased to welcome Rebecca Kitteridge as Diane's successor. Ms Kitteridge was previously Deputy Secretary of the Cabinet; her appointment to the position of Secretary of the Cabinet and Clerk of the Executive Council demonstrates the strength we have developed within the department.

This year I have been again very well supported by all staff in the department, in particular by my management team. I should like to place on record my thanks for everyone's efforts, and for the manner in which they have given substance to their roles as impartial public servants serving the government of the day to the best of their ability. It was very pleasing that our latest climate survey of staff opinion showed, yet again, high levels of satisfaction on the part of departmental employees. Despite the daily pressures that many staff face, they continue to value the opportunity to work at the very heart of our democratic system.

Maarten Wevers CNZM
Chief Executive



THE DEPARTMENT'S ROLE

The Department of the Prime Minister and Cabinet's overarching objective is to work to achieve good government through the provision of high-quality impartial advice and support services to the Executive (the Governor-General, Prime Minister and Cabinet).

DPMC has four roles – to lead, advise, support, and coordinate. With Treasury and the State Services Commission, it has a key leadership role in coordinating the efforts of departments so that decision making takes account of all relevant viewpoints and is as coherent and complete as possible. This greater alignment of activity will facilitate government decision making at both strategic and operational levels.

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 Cabinet, and is responsible for the effective operation of collective government. These roles combine political and executive responsibilities.

DPMC provides three kinds of direct support to the Prime Minister:

Issues that are the direct responsibility of the Prime Minister

An important part of this support is for constitutional issues relating to the conduct of executive government – including the formation of government and transitions between administrations – and issues associated with the operation of the Cabinet system.

Issues across the range of government business

As the political head of the government, the Prime Minister must have an overview of government activity and access to information on any and all issues that arise. DPMC works with the rest of the public service to achieve this, coordinating activity where necessary. For example, it works with the other central agencies and with key departments to ensure that the government's sustainability initiatives and its three priority themes (economic transformation; families – young and old; and national identity) are supported.

Support to the Prime Minister

This includes services such as preparing 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 and is the primary point of responsibility for managing political issues and relationships with other political parties.

SUPPORTING THE GOVERNOR-GENERAL

DPMC also supports the Governor-General in carrying out his functions. New Zealand is a constitutional monarchy. This means that the Queen is New Zealand's head of state; but her powers and those of her representative, the Governor-General, are almost always exercised only on the advice of ministers. The Governor-General is therefore a significant figure in the constitutional framework, with constitutional, ceremonial, and community roles that together build and foster our national identity and unity.

BRINGING THE SYSTEM TOGETHER

A great deal of DPMC's activities focus on facilitating government decision making at a strategic and operational level. To achieve this, the department relies on close relationships with other departments and agencies and – depending on the issue – on local government, business, and the community.





Lead, advise,
support, coordinate

Outcomes

GOOD GOVERNMENT WITH EFFECTIVE PUBLIC SERVICE SUPPORT

The department seeks to achieve this high-level outcome in collaboration with many other parts of the government system, including ministers, the public service, and the wider state sector. Along with Treasury and the State Services Commission (SSC), DPMC is responsible for providing the leadership that enables the public service to carry out the business of government efficiently, effectively and collectively.

DPMC's particular responsibility is to bring together the people, agencies and information needed for the operation of Cabinet's collective decision making. DPMC works at the point where separate ministers, agencies and advice streams come together at the Cabinet table.

The government's **key strategic priority** for the next decade is for New Zealand to become truly sustainable through its work programme of:

- economic transformation
- families – young and old
- national identity.

DPMC will support the Prime Minister in carrying forward this strategic agenda by working with Treasury, SSC and other key departments so that the government's priorities are delivered.

DPMC also has an **overall outcome** that it works to achieve: **good government, with effective public service support.**

DPMC works towards its overall outcome through five **contributing outcomes**:

1. Decision making by the Prime Minister and Cabinet is well informed and supported.
2. Executive government is well conducted and continues in accordance with accepted conventions and practices.
3. The Governor-General is well supported.
4. The management of domestic and external security is well planned, informed and coordinated.
5. A high-performing, trusted and accessible state sector, delivering the right things, in the right way, at the right prices.

HOW WE GO ABOUT ACHIEVING OUR OUTCOMES

DPMC works closely with Treasury, SSC, ministers' offices, and other public service agencies as necessary.

The five contributing outcomes overlap, with some DPMC business units contributing to several different outcomes. The overall outcome remains the same: that the Prime Minister and the Governor-General are well supported and that the decision-making machinery of government functions effectively to support ministers across the whole range of government business.

Output 1

Policy advice and secretariat and coordination services (includes Contributing Outcomes 1, 2, 4 and 5)

Output 2

Support services to the Governor-General and maintenance of the two Government Houses (includes Contributing Outcome 3)

Output 3

Intelligence assessments on developments overseas (includes Contributing Outcomes 1 and 4)

*confidential,
impartial, effective*



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 External Assessments Bureau is accountable to the Prime Minister for the provision of impartial information and assessments under Output Class 3: Intelligence assessments on developments overseas.

Maarten Wevers CNZM
CHIEF EXECUTIVE

Date: 26 September 2008

COUNTERSIGNED BY

Brent Anderson
CORPORATE SERVICES MANAGER

Date: 26 September 2008

continuity,
quality, judgement



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
- coordinating central government activities to enhance New Zealand's domestic and external security, including intelligence, counter-terrorism preparedness, emergency/crisis management, and defence operations
- 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.

STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 1: POLICY ADVICE AND SECRETARIAT AND COORDINATION SERVICES

Output Class 1 Financial Performance

30.06.07		30.06.08		30.06.08	
Actual		Actual	Main Estimates	Supplementary Estimates	
\$000		\$000	\$000	\$000	\$000
7,680	Revenue – Crown	8,801	8,201	8,801	8,801
7,676	Expenditure	8,774	8,201	8,801	8,801
4	Surplus	27	–	–	–

Output Class 1 Service Performance: Policy Advisory Group

POLICY ADVICE TO THE PRIME MINISTER

Objective

To provide high-quality information, analysis and advice that enables the Prime Minister to lead and manage the public policy business of the government.

Performance

The Policy Advisory Group provided advice to the Prime Minister as necessary on Cabinet and Cabinet committee papers in time for her to use in Cabinet or Cabinet committee meetings.

The Policy Advisory Group provided briefing notes on issues of interest to the Prime Minister, either in response to requests from her or on the Group's initiative.

All written advice provided to the Prime Minister was reviewed by the Director of the Policy Advisory Group and/or the Chief Executive. In most cases this review occurred after the advice was tendered; in sensitive or difficult matters the Director or Chief Executive reviewed the advice before it was submitted.

Feedback from the Prime Minister on any advice tendered was made available to the Chief Executive, the Director of the Policy Advisory Group, and the adviser concerned.

The Policy Advisory Group participated in a range of whole-of-government processes in support of the government's themes including priority initiatives such as sustainability, climate change, effective interventions, housing, and broadband.

The Policy Advisory Group convened regular meetings of the Officials' Social Development Committee, and briefed the Chair of the Cabinet Social Development Committee before each of that committee's meetings.

Objective

To satisfy the Prime Minister that the Group's advice and coordination services are provided to a high standard.

Performance

The Prime Minister gave regular feedback on the advice provided by the Policy Advisory Group. A formal survey was conducted with other key stakeholders and the results support the contention that the Group is performing well against those stakeholders' expectations.

Objective

To satisfy the Prime Minister that the department's leadership and coordination roles are carried out effectively in a timely manner.

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 DESG in their own specialist areas) of the range of activities undertaken to facilitate cross-agency coordination of policy advice and implementation. These activities include: fortnightly meetings of departmental chief executives, convened to share information over policy directions; weekly meetings with counterpart central-agency chief executives; and interdepartmental coordination of a wide range of policy priorities.



STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 1: POLICY ADVICE AND SECRETARIAT AND COORDINATION SERVICES

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 221 (2006/07 comparison: 194) Cabinet and Cabinet committee meetings and 42 (35) Executive Council meetings over the year. See table on the right.

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

There were 2,524 (2,258) 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 two days before the meeting. In the past year 87 (87) per cent of submissions were received in the Cabinet Office within the Cabinet deadline for lodging papers.

There were 2,904 (2,632) Cabinet and Cabinet committee minutes recorded over the year. Only 14 (20) of these required amendment by the Cabinet Office. (This excludes amendments to committee minutes made as a result of Cabinet decision.)

All Cabinet committee minutes were issued within three days of the meeting, before the next meeting of Cabinet. Eighty-nine (90) per cent of all Cabinet minutes were issued within three days of the Cabinet meeting.

Feedback from the Prime Minister was largely positive, with one process issue identified for follow up.

Meeting statistics for the year ended 30 June 2008

	Number of meetings	Number of agenda items	Average number of items per meeting
Executive Council	42	316	7
Cabinet	51	726	14
Cabinet Policy Committee	26	399	15
Cabinet Economic Development Committee	27	253	9
Cabinet Social Development Committee	24	154	6
Cabinet External Relations and Defence Committee	11	61	5
Cabinet Legislation Committee	29	209	7
Cabinet Appointments and Honours Committee	11	159	14
Cabinet Committee on Government Expenditure and Administration	12	83	7
Cabinet Committee on Domestic and External Security Coordination	0	0	0
Cabinet Business Committee	30	480	16
Subtotal of Cabinet committee meetings	170	1,798	10
Total including Cabinet	221	2,524	11

STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 1: POLICY ADVICE AND SECRETARIAT AND COORDINATION SERVICES

Objective

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

Performance

Eight Cabinet Office circulars were prepared and issued in 2007/08 on a range of issues, including revised processes for selecting Law Commission projects and for government responses to Law Commission reports, government decisions and actions in the pre-election period, and delegated legislation.

The Cabinet Office provided 10 (2006/07: 8) briefing seminars to departments and interested parties on the Cabinet decision-making process. The Secretary of the Cabinet also gave briefings to a number of chief executives and their senior management teams on ministers' expectations of Cabinet papers.

The secure Cabinet and Cabinet Committee workspace is now well established as a vehicle by which the Cabinet Office provides ministers' offices and departments with information and guidance on Cabinet and Cabinet committee requirements and procedures. The CabGuide, a web-based resource for daily use by ministers' offices and departments, was launched in August 2007, replacing the hard-copy *Step by Step Guide to Cabinet and Cabinet Committee Procedures*.

During the year the Office organised two ministerial meetings with visiting prime ministers and presidents, in the Cabinet Room.

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. This included support for the arrangements for the state funeral for Sir Edmund Hillary on 2 January 2008 and for the service of thanksgiving for the life of Sir Edmund Hillary KG, held in St George's Chapel at Windsor Castle on 2 April 2008. The service was attended by the Queen and other members of the Royal Family.

There was a Cabinet reshuffle in early November 2007. The Cabinet Office provided the administrative support to effect the changes in ministerial responsibilities and appointment of new ministers. The Office also arranged a briefing programme for new ministers.

The existing *Cabinet Manual*, an authoritative guide to central government decision making for ministers, their offices and those working within government, was thoroughly reviewed and updated. The *Cabinet Manual 2008* was published in April.

Formal meetings were held with the Governor-General to obtain his feedback on a range of issues.

Objective

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

Performance

Advice and support was provided to the Leader of the House and the Cabinet Legislation Committee on the management of the government's legislative programme and the preparation and management of the legislative programme for the 2008 calendar year.



STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 1: POLICY ADVICE AND SECRETARIAT AND COORDINATION SERVICES

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 Secretariat advised and assisted the Cabinet Appointments and Honours Committee on the compilation of the 2008 New Year Honours List (196 recipients) and the 2008 Queen's Birthday Honours List (181 recipients). In addition, a list of New Zealand Gallantry Awards (four recipients) was announced on 2 July 2007, which contained the first Victoria Cross for New Zealand to be awarded since this honour was instituted in 1999. A list of New Zealand Bravery Awards (five recipients) was announced on 21 May 2008. See table on the right.

Other important initiatives completed during the reporting period were the institution of the New Zealand Customs Service Medal on 20 February 2008, and the publication on 23 July 2007 of new rules for the Acceptance and Wear of Commonwealth, Foreign and International Honours by New Zealand Citizens. In addition, the Honours Secretariat worked with the New Zealand Defence Force in obtaining Royal Approval for an extension of eligibility of the "Vietnam" Theatre Honour for the 1st Battalion of the Royal New Zealand Infantry Regiment (1RNZIR), and in developing and approving new regulations for New Zealand general service medals covering service in Vietnam, Timor-Leste, the Solomon Islands, and Korea.

Feedback received from the Governor-General and the Prime Minister was complimentary about the work of the Honours Secretariat.

New Zealand and other honours granted by the Queen for the year ended 30 June 2008

The Order of New Zealand	
Ordinary Member (ONZ)	2
The New Zealand Order of Merit	
Principal Companion (PCNZM)	1
Distinguished Companion (DCNZM)	10
Companion (CNZM)	26
Officer (ONZM)	49
Member (MNZM)	103
Honorary Member (MNZM)	2
The Queen's Service Order	
Companion (QSO)	30
The Queen's Service Medal	
Medal (QSM)	154
Medal (QSM) (Honorary)	1
The New Zealand Gallantry Awards	
The Victoria Cross for New Zealand (VC)	1
The New Zealand Gallantry Decoration (NZGD)	2
The New Zealand Gallantry Medal (NZGM)	1
The New Zealand Bravery Awards	
The New Zealand Bravery Star (NZBS)	1
The New Zealand Bravery Decoration (NZBD)	2
The New Zealand Bravery Medal (NZBM)	2
The New Zealand Antarctic Medal	
Medal	1
The Distinguished Service Decoration	
Decoration	18
TOTAL	406
Other honours and appointments	
Commander of the Royal Victorian Order (CVO)	1
Grant of the title "The Honourable" for life	10
GRAND TOTAL	417

All honours and appointments were promulgated in the New Zealand Gazette.

STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 1: POLICY ADVICE AND SECRETARIAT AND COORDINATION SERVICES

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 2007/08 the Cabinet Office handled 225 (2006/07: 206) enquiries and requests from ministers' offices and departments about Cabinet papers and related information.

Output Class 1 Service Performance: Domestic and External Security Group (DESG)

Objective

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

Performance

The Domestic and External Security Group (DESG) provides leadership, support and coordination on a range of policies and plans designed to strengthen national security and stability and to help deal with various civil contingencies.

In particular, DESG works with a number of government agencies and with local authorities to:

- strengthen early warning of emerging security issues
- assess and evaluate possible threats or national risks
- identify potential vulnerabilities and likely consequences
- determine options for controlling significant risks
- develop management policies for government
- coordinate strategic planning and response around security risks.

This work is part of a long-term programme that is already having positive returns for the management of domestic and external security issues, and for building resilience in communities. National management, including responsiveness and coordination among central government agencies at times of crisis, has improved steadily in recent years.

As a critical aspect of its coordination role, DESG provided policy advice and support for periodic meetings of departmental chief executives under ODESC (Officials' Committee for Domestic and External Security Coordination); chaired Watch Group meetings of specialists to deal with detail; and conducted regular meetings with officials from central government, local government, industry, and academia to advance policy and practical solution-finding.

Issues covered included:

- regional security matters (such as the Pacific Security Strategy and developments in Timor-Leste, Fiji, Tonga, and the Solomon Islands)
- assuring the security of New Zealanders at major events overseas (for example Gallipoli, the Olympics, the 2007 Rugby World Cup in France)
- planning security for the 2011 Rugby World Cup, which is to be held in New Zealand
- government management of natural disasters (such as flooding, earthquakes, and volcanic eruptions)



STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 1: POLICY ADVICE AND SECRETARIAT AND COORDINATION SERVICES

- ▶ planning for management of a pandemic in New Zealand
- ▶ improving national protection against terrorism and other security threats
- ▶ examining the functioning and resilience of critical infrastructure
- ▶ improving security management in the government sector
- ▶ coordinating a national exercise programme to test New Zealand's readiness for dealing with risks such as a large Wellington earthquake, terrorism, and a flu pandemic.

The Prime Minister has given regular feedback on the advice and coordination provided by DESG. A recent stakeholder survey also reports that DESG adds considerable value to government coordination and risk management.

Objective

To provide a system of foreign intelligence collection and assessment activity that reflects policy priorities, national requirements and available resources, and that also ensures a coordinated and harmonised outcome.

Performance

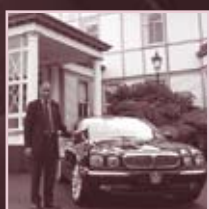
DESG chaired and provided secretariat support for meetings of intelligence committees on a number of sensitive issues throughout the past year. It also undertook other intelligence coordination, which included:

- ▶ support for intelligence sector projects
- ▶ facilitation of inter-agency cooperation
- ▶ intelligence support to ODESC, Watch Groups, and other inter-agency groupings
- ▶ provision of a shared resource to assist agencies in dealing with operational issues.

In the past five years there has been growing emphasis on the use of intelligence to enhance security across a range of government departments. As a consequence, DESG has been involved in an increasing range of coordination and guidance activity.



constitutional, ceremony, community



Statement of Service Performance

Output Class 2: Support services to the Governor-General and maintenance of the two Government Houses

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 the head of state. The Wellington and Auckland Government Houses are important facilities for carrying out the Governor-General's duties, and are also important as historic places.

Output Class 2 Financial Performance

30.06.07		30.06.08		30.06.08	
Actual		Actual	Main Estimates	Supplementary Estimates	
\$000		\$000	\$000	\$000	\$000
4,069	Revenue – Crown	3,476	3,516	3,476	
65	Revenue – other	50	58	58	
4,098	Expenditure	3,506	3,546	3,506	
36	Surplus	20	28	28	



STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 2: SUPPORT SERVICES TO THE GOVERNOR-GENERAL AND MAINTENANCE OF THE TWO GOVERNMENT HOUSES

Output Class 2

Service Performance: Support services to the Governor-General and maintenance of the two Government Houses

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 Governor-General and Mrs Satyanand maintained an extensive schedule of official visits and activities throughout New Zealand and overseas. Countries visited by the Governor-General included Canada, Belgium, Tokelau, Samoa, Cook Islands and Australia; in addition he attended the United Nations in New York to accept the Franklin Delano Roosevelt International Disability Award on behalf of the New Zealand Government. Government House staff liaised closely with the Ministry of Foreign Affairs and Trade and the Cabinet Office to support these successful visits, providing all travel and programme arrangements as well as full briefing and background material for meetings and official events.

The Governor-General's ceremonial programme included hosting 16 investiture ceremonies for the recipients of the 2007 Queen's Birthday Honours and 2008 New Year's Honours awards, 6 credential ceremonies for newly accredited ambassadors, and state welcomes for the heads of state of Uruguay, Vietnam, Ireland, Samoa, Singapore, and Kiribati. A special commemorative reception was also held at Government House Auckland following the funeral of

Sir Edmund Hillary. The Governor-General attended Waitangi and ANZAC Day ceremonies and made an official visit to the Turangawaewae Marae as part of King Tuheitia's Koroneihana celebrations.

Informal debriefing was undertaken with the Governor-General immediately after all ceremonial and community events. Any areas for improvement were discussed at management and programme meetings, and, where possible, incorporated into future events by way of changed procedures. Formal monthly meetings were also held with the Governor-General, seeking feedback on all aspects of support for the official programme.

Formal feedback was sought from the Governor-General on the range of services provided. In addition, feedback was sought from external agencies as part of the stakeholder survey.

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

A wide range of functions and ceremonial occasions were delivered and supported to the standard required by the Governor-General. This included 214 official engagements throughout New Zealand along with major regional visits to Northland, Southland, Stewart Island, and the Rotorua and Waikato districts. In addition, the Governor-General hosted 220 functions at Government House Wellington and 47 functions at Government House Auckland, with an estimated 16,805 people visiting both Houses either as individual guests or on organised tours. Feedback from attendees and visitors confirm that these events were well organised.

Administration systems and processes to support the Governor-General were fully maintained. All correspondence including Royal Prerogative of Mercy applications were dealt with in a timely and appropriate manner. More than 240 speeches covering a wide range of topics were prepared for the Governor-General.

STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 2: SUPPORT SERVICES TO THE GOVERNOR-GENERAL AND MAINTENANCE OF THE TWO GOVERNMENT HOUSES

MAINTENANCE OF THE TWO GOVERNMENT HOUSES

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

The major focus for the year has been further development of plans for the conservation and refurbishment of Government House Wellington. Following completion of the condition survey, the functional analysis and the conservation plan in 2007, design options and budgets were presented to Cabinet.

The options were designed to meet the uses and requirements of Governors-General both now and in the future, to address regulatory and statutory requirements, to incorporate environmentally sustainable design features, and to maintain the heritage values of the building. Cabinet selected its preferred option and a capital appropriation was approved. The funding was announced in the 2008 Budget.

The views of the Governor-General on the maintenance and development programmes for both properties were sought regularly and taken account of.

We have been implementing the outcome of a previous security review covering both Houses and have deferred a further security review of Government House Wellington so that it can take place as part of the conservation project.



analysing, evaluating, reporting



Statement of Service Performance

Output Class 3: Intelligence assessments on developments overseas

Description

This class of outputs involves:

- providing information and reports on events and trends overseas affecting New Zealand's interests
- collecting, collating, evaluating, and analysing information on topics likely to affect New Zealand's foreign relations and external interests
- preparing intelligence assessments and reports on political, economic, scientific, environmental, strategic, and biographic subjects as required.

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

30.06.07		30.06.08	30.06.08	
Actual		Actual	Main Estimates	Supplementary Estimates
\$000		\$000	\$000	\$000
3,168	Revenue – Crown	3,339	3,399	3,339
3,162	Expenditure	3,339	3,399	3,339
6	Surplus	–	–	–

STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 3: INTELLIGENCE ASSESSMENTS ON DEVELOPMENTS OVERSEAS

Output Class 3 Service Performance: External Assessments Bureau (EAB)

Objective

To ensure the effective provision of high-quality, accurate and succinct assessments of overseas developments that are of policy relevance to New Zealand.

Performance

There were no instances of significant factual errors being reported in papers that had already been issued.

In a few instances, readers (particularly in New Zealand diplomatic missions overseas) provided additional information, insights and interpretations subsequent to the publication of papers, especially for biographic reports. (EAB generally seeks such input before publication as part of its established process of consultation to improve the quality of its assessments, and has strengthened this consultation process during the past year.)

Limits on the length of papers continued to be enforced strictly.

A high priority was given to work directly related to topics of immediate concern to policy makers, but EAB also sought this year to respond to feedback from readers who asked for more reporting on longer-term "cross-cutting" issues. EAB seeks to provide insights on such issues as a way of sketching a broad context for the external developments and events that bear on New Zealand's interests internationally.

During the reporting period:

- the National Assessments Committee (NAC) approved 74 (2006/07: 71) papers (unusually, EAB was not the sole author of reports commissioned by the NAC this year; the New Zealand Defence Force and the Government Communications Security Bureau each prepared one report for NAC)
- 575 (536) biographical reports were prepared
- 201 (191) other assessments and reports were prepared, including 93 (92) executive intelligence summaries.

The moderate upturn in reporting volume was probably the consequence of the gradual recovery of EAB's capability, following a period of unusually high turbulence in staffing in 2006 and 2007. The new staff who were recruited over the past two years are rapidly gaining experience and competence, and the outlook is for stability in staffing and a further consolidation in capability in the year ahead.

Biographic reports were delivered to primary customers before the visits and conferences to which the reports related.

Relevant EAB reports were available at the start of Watch Group (close situation monitoring) meetings.

A review of the NAC has resulted in the establishment of a regular meeting, as part of the NAC schedule, to review the quality of the material it has seen and to judge whether it is meeting stakeholder requirements effectively. Such meetings are chaired by an external independent expert.

Objective

To ensure that the Prime Minister, other senior ministers, and officials are satisfied with the assessments and reports provided.

Performance

Assessments reflected national priorities, and those done in response to specific tasking addressed the topics specified by those who requested them. Positive feedback was received from the Prime Minister and stakeholders.

At least 90 per cent of assessments submitted to the NAC required no more than minor revision. (This performance indicator remains unchanged from last year.)

EAB assessments and reports

	2008	2007	2006	2005
National Assessments Committee reports	74	71	77	80
Biographical reports	575	536	541	445
Other reports and assessments	108	99	136	122
Executive intelligence summaries	93	92	93	90



SENIOR MANAGEMENT TEAM



Maarten Wevers CNZM

CHIEF EXECUTIVE



Gregory Baughen

DIRECTOR,
EXTERNAL
ASSESSMENTS
BUREAU



Steve Long QSO

DIRECTOR,
DOMESTIC
& EXTERNAL
SECURITY GROUP



Brent Anderson

CORPORATE
SERVICES
MANAGER



Andrew Kibblewhite

DIRECTOR,
POLICY
ADVISORY
GROUP



Rebecca Kitteridge
(from 25 April 2008)

Diane Morcom
CNZM, CVO
(from 29 September 2003
to 24 April 2008)

SECRETARY OF
THE CABINET &
CLERK OF THE
EXECUTIVE
COUNCIL



Robert Taylor
(from 25 March 2008)

Adrian Simcock
(from 30 July 2007 to
8 November 2007)

OFFICIAL
SECRETARY,
GOVERNMENT
HOUSE

OUR DEMOGRAPHICS

as at 30 June 2008

	2008		2007	2006	2005
	Full time	Part time			
Office of the Chief Executive	2	–	2	2	2
Policy Advisory Group	14	2	16	14	15
Domestic and External Security Group	5	1	8	7	5
External Assessments Bureau	25	2	28	29	29
Cabinet Office	19	6	27	27	24
Corporate and Support	14	1	15	15	15
Corporate – Government House Project	2	–	1 ¹		
Government House	26	1	28	29	31
Sub-total	107	13			
TOTAL	120 ²		125 ³	123 ⁴	121 ⁵

Gender distribution	2008	2007	2006	2005
Female	55%	55%	47%	46%
Male	45%	45%	53%	54%

Ethnicity	2008	2007	2006	2005
NZ European	81%	82%	90%	81%
NZ Māori	7%	8%	10%	12%
Pacific peoples	2.5%	2%	– ⁶	2%
Asian	2.5%	2%	– ⁶	2%
Other	7%	6%	– ⁶	3%

¹ Previously included in 2007 as part of Corporate and Support.

² Total includes 11 staff seconded from other departments and organisations. Casual staff are not included.

³ Total includes 16 part-time staff and 11 seconded from other departments and organisations.

⁴ Total includes 8 part-time staff and 8 seconded from other departments and organisations.

⁵ Total includes 5 part-time and 7 seconded staff.

⁶ Data not reported in 2006.



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, maintain agency credibility, build and sustain strong networks and effective working relationships, ensure robust infrastructure, and deliver strong information-management. 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 PEOPLE

One-third of our staff have been with us for more than five years – and half of this one-third have been with us for more than ten years. This is almost the same as two years ago, indicating that DPMC continues to retain a proportion of staff with good organisational knowledge.

Planned turnover (defined as retirement and secondment) and unplanned turnover remained at about 20 per cent, slightly higher than the national average turnover rate of 17 per cent reported by Statistics NZ. Such turnover is indicative of a competitive labour market. The 47 per cent of employees who left DPMC have remained in the public sector, a reflection on DPMC's practice of secondment and its reputation for growing exceptional talent and leadership.

The largest age group are those aged between 40 and 49; they make up slightly more than a third of staff. Two years ago, the largest group was 50 to 59 year olds (and they made up 34 per cent). Thirty-one per cent of DPMC's staff are 50 years or older, in contrast with 45 per cent two years ago. This indicates that as older people leave the department they are largely replaced by those in their midcareers.

Integrating equality and diversity is a key ingredient for organisational success. In April 2008 DPMC released its Equality and Diversity Policy, which was based on the policy published by the State Services Commissioner under Section 6 of the State Sector Act 1988 (SSA). DPMC's policy restates its commitment to lead and support all staff in valuing equality

and diversity. It also restates the expectation that the Chief Executive and senior management will show leadership in modelling and valuing equal employment opportunities across all organisational strategies, processes, systems, and plans – and in ensuring that these are integrated into all aspects of the business, from strategic to operational.

Under the Equality and Diversity Policy sit key equal employment opportunity documents. These include DPMC's:

- Māori Responsiveness Plan
- Pay and Employment Equity Response Plan
- Disability Action Programme
- Work-Life Balance Initiatives
- Flexible Working Guidelines
- Positive Ageing Action Plan.

OUR HEALTH

Creating a healthy and safe work environment is an ongoing departmental priority. In April 2008, DPMC was independently audited for primary-level status in the ACC Workplace Safety Management Practices Programme. The programme recognises and rewards employers who develop and maintain safer work practices and systems. DPMC once again achieved the audit standard and in particular was delighted that its commitment to employee participation in health and safety practices was recognised with a tertiary-level pass.

Absence due to sick leave continues to remain low. Average sick-leave usage is four days per annum; average accrued sick leave is 40 days.

The department has a counselling programme (the Employee Assistance Programme) available to employees; in the last year, five accessed it. As a percentage of staff, this number is low but within the norm (four per cent benchmarked against a three to six per cent "typical" referral rate). Eighty per cent of the referrals were personal rather than work related. Forty per cent of the referrals were by managers, which demonstrates good awareness of and support for the programme.

DEPARTMENTAL HEALTH AND CAPABILITY

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

- a Health Check Day
- 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.

ORGANISATIONAL HEALTH

In 2008 the department commissioned Winsborough Limited, a specialist organisational psychology company, to undertake an assessment of staff perceptions of organisational climate. This is the third climate survey undertaken by DPMC. It provides invaluable insight into the way staff think about working at the department, and their areas of concern and satisfaction.

The response rate to the survey was good (83 per cent), enabling us to accept the results as a good reflection of staff views. The department was again rated by staff as achieving “good practice” to “outstanding” results (as explained below):

Element	Rating	Explanation
Clarity	Outstanding	Staff have a very clear sense of the department’s values and standards. They understand what their role comprises and how they contribute to the department’s goals. They know where DPMC is going.
Drive	Good Practice	DPMC has the building blocks of a performance culture. Rewards extend beyond financial. Innovation is seen as important.
Alignment	Good Practice	Our structures are creating organisational flexibility, underpinned by good communication. There is cooperation across the department.
Confidence	Good Practice	Our staff believe the department can succeed and their unit is effective. Morale is positive.

Engagement levels are very high. The department’s organisational average on this measure is 5.3 out of 6, which rates as outstanding or, in the upper quartile of the Gallup equivalent, as reflecting a workforce that is largely committed and engaged. Of staff who responded to the survey, 77 per cent indicated that they are satisfied in their work and in working for DPMC. The top three motivations for our staff are: the meaningful nature of the department’s work (rated by 61 per cent); challenge in the individual’s work (49 per cent); recognition and feedback (41 per cent).

Scores dipped slightly in “Drive”: the management team is concerned about lower scores on the “Challenge and Opportunity”, “Rewards”, and “Workload” scales and is planning ways to improve DPMC’s performance in these areas. This is a challenge common to small organisations that have flat structures and limited scope for upwards or sideways movement.

OUR PERFORMANCE

One of DPMC’s priorities has been action to expand its capability for improving whole-of-government performance, which is part of its commitment to the third, fourth, fifth, and sixth of the Development Goals for the State Services. The department has been working more closely with the other central agencies (Treasury and State Services Commission) to improve the exchange of information and to prioritise areas of targeted performance improvements within the state sector.

It is important that the central agencies work together to ensure New Zealand has a *high-performing, trusted and accessible state sector, delivering the right things in the right way at the right prices* (this is DPMC’s fifth contributing outcome, and is shared with the other central agencies). During 2007/08 consultants were asked to develop detailed options for improving central agency coordination. Their report identified 14 drivers critical to the success of this – and these drivers will be developed as a framework for achieving shared goals and greater central-agency collaboration.



DEPARTMENTAL HEALTH AND CAPABILITY

RISK-ASSURANCE PROCESSES

DPMC has undertaken to update its strategic risk profile. Group managers, key personnel, and members of DPMC's Audit and Risk Committee attended a workshop in March 2008 to:

- agree DPMC's strategic risks
- evaluate the agreed risks
- consider further development of the department's risk-management process.

The next step is for a working group (one representative from each unit within DPMC) to identify any issues or gaps in the risk profile and report back to the Senior Management Group.

INFORMATION MANAGEMENT

The department has successfully implemented the GSN (Government Shared Network) and Government House is now fully integrated into the network.

An upgrade of the email system has improved its integration with the department's electronic data-records-management system. This has moved DPMC towards greater compliance with the Public Records Act.

Work identified in the 2006/07 security audits has now been completed. As the network continues to change, the department remains very aware of potential security issues and works closely with the Government Communications Security Bureau (GCSB) to ensure that configuration changes meet security standards.

This year we have established a stable information environment – although, as in most networked environments, a growing portion of time is spent on ensuring a high level of protection against increasingly frequent viruses, spam, and cyber attacks.



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 Civil List Act 1979
- to certificate subordinate legislation approved in Executive Council in terms of Section 32 of the Evidence Act 1908
- 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 and 2000)
- to administer the Royal Warrants of the New Zealand Gallantry Awards and the New Zealand Bravery Awards (1999)
- to administer the Seal of New Zealand Act 1977
- to administer the Royal Titles Act 1978.



reliability,
integrity, assurance



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 the judgements made in the process of producing those statements.

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, these financial statements fairly reflect the financial position and operations of the department for the year ended 30 June 2008.

Maarten Wevers CNZM
CHIEF EXECUTIVE

Date: 26 September 2008

COUNTERSIGNED BY

CORPORATE SERVICES MANAGER

Date: 26 September 2008





Financial Statements

for the year ended 30 June 2008

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Financial Statements

for the year ended 30 June 2008

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2008

30.6.07			30.6.08		30.6.08	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	REVENUE					
14,917	Revenue – Crown		15,616	15,116		15,616
49	Revenue – other	3	50	58		58
16	Gains	4	–	–		–
14,982	TOTAL REVENUE		15,666	15,174		15,674
	EXPENSES					
10,363	Personnel costs	5	10,685	10,996		10,885
292	Depreciation and amortisation expense	8,9	288	380		350
63	Capital charge	6	58	63		63
4,218	Other operating expenses	7	4,588	3,707		4,348
14,936	TOTAL EXPENDITURE		15,619	15,146		15,646
46	NET SURPLUS		47	28		28

Explanations of significant variances against budget are detailed in note 19.



STATEMENT OF FINANCIAL POSITION

as at 30 June 2008

30.6.07				30.6.08	30.6.08		
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000		
	CURRENT ASSETS						
1,968	Cash and cash equivalents		2,163	1,591		1,746	
38	Other receivables		72	16		–	
12	Prepayments		119	13		12	
100	Inventory		100	100		100	
2,118	TOTAL CURRENT ASSETS		2,454	1,720		1,858	
	NON-CURRENT ASSETS						
317	Inventory		328	300		317	
820	Property, plant and equipment	8	726	993		770	
8	Intangible assets	9	46	–		8	
1,145	TOTAL NON-CURRENT ASSETS		1,100	1,293		1,095	
3,263	TOTAL ASSETS		3,554	3,013		2,953	
	CURRENT LIABILITIES						
1,411	Creditors and other payables	10	1,270	1,180		1,120	
46	Provision for repayment of surplus	11	47	28		28	
516	Employee entitlements	12	650	482		516	
–	Provision	13	434	–		–	
1,973	TOTAL CURRENT LIABILITIES		2,401	1,690		1,664	
	NON-CURRENT LIABILITIES						
120	Provisions	13	–	–		120	
467	Employee entitlements	12	450	500		466	
587	TOTAL NON-CURRENT LIABILITIES		450	500		586	
2,560	TOTAL LIABILITIES		2,851	2,190		2,250	
703	NET ASSETS		703	823		703	
	TAXPAYERS' FUNDS						
703	General funds	14	703	823		703	
703	TOTAL TAXPAYERS' FUNDS		703	823		703	

STATEMENT OF CHANGES IN TAXPAYERS' FUNDS

for the year ended 30 June 2008

30.6.07		Note	30.6.08	30.6.08	
Actual \$000	Actual \$000		Main Estimates \$000	Supplementary Estimates \$000	
703	Balance at 1 July		703	823	703
46	Surplus for the year		47	28	28
46	TOTAL RECOGNISED REVENUE AND EXPENSES FOR THE YEAR		47	28	28
(46)	Provision for repayment of surplus to the Crown	11	(47)	(28)	(28)
–	MOVEMENTS IN TAXPAYERS' FUNDS FOR THE YEAR		–	–	–
703	TAXPAYERS' FUNDS AS AT 30 JUNE		703	823	703



STATEMENT OF CASH FLOWS

for the year ended 30 June 2008

30.6.07		30.6.08		30.6.08	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	CASH FLOW – OPERATING ACTIVITIES				
14,917	Receipts from Crown	15,616	15,116	15,616	
49	Receipts from other revenue	50	58	58	
(4,256)	Payments to suppliers	(4,459)	(3,752)	(5,345)	
(10,014)	Payments to employees	(10,643)	(10,951)	(10,104)	
(63)	Payments for capital charge	(58)	(63)	(63)	
(58)	Goods and services tax (net)	5	–	–	
575	NET CASH FLOW FROM OPERATING ACTIVITIES	511	408	162	
	CASH FLOW – INVESTING ACTIVITIES				
16	Receipts from sale of property, plant and equipment	–	–	–	
(220)	Purchase of property, plant and equipment	(227)	(500)	(338)	
(9)	Purchase of intangible assets	(43)	–	–	
(213)	NET CASH FLOW FROM INVESTING ACTIVITIES	(270)	(500)	(338)	
	CASH FLOW – FINANCING ACTIVITIES				
(106)	Repayment of net surplus to the Crown	(46)	(28)	(46)	
(106)	NET CASH FLOW FROM FINANCING ACTIVITIES	(46)	(28)	(46)	
256	Net increase/(decrease) in cash and cash equivalents	195	(120)	(222)	
1,712	Cash and cash equivalents at the beginning of the year	1,968	1,711	1,968	
1,968	CASH AND CASH EQUIVALENTS AT END OF YEAR	2,163	1,591	1,746	

RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES

for the year ended 30 June 2008

30.6.07		30.6.08		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
46	NET SURPLUS	47	28	28
	ADD/(LESS) NON-CASH ITEMS			
292	Depreciation	288	380	350
14	Increase/(decrease) in non-current employee entitlements	(17)	–	–
–	Increase/(decrease) in non-current provisions	(120)	–	–
306	TOTAL NON-CASH ITEMS	(151)	380	350
	ADD/(LESS) WORKING CAPITAL MOVEMENTS			
(21)	(Increase)/decrease in receivables and prepayments	(141)	–	38
(34)	(Increase)/decrease in inventory	(11)	–	–
307	Increase/(decrease) in creditors and other payables	(103)	–	(254)
(13)	Increase/(decrease) in current employee entitlements	134	–	–
–	Increase/(decrease) in current provisions	434	–	–
239	WORKING CAPITAL MOVEMENTS – NET	313	–	(216)
	ADD/(LESS) INVESTING ACTIVITY ITEMS			
(16)	(Gain)/loss on sale of property, plant and equipment	–	–	–
(16)	TOTAL INVESTING ACTIVITY ITEMS	–	–	–
575	NET CASH FLOW FROM OPERATING ACTIVITIES	511	408	162



STATEMENT OF COMMITMENTS

as at 30 June 2008

Non-cancellable operating lease commitments

The department leases premises on the third and fifth floors of the Reserve Bank Building, Wellington (see note 7).

The annual lease payments are subject to two-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.

30.6.07		30.6.08	
Actual \$000		Actual \$000	
	OPERATING COMMITMENTS		
887	Accommodation leases	577	
110	Other operating commitments	101	
997	TOTAL COMMITMENTS	678	
	TERM CLASSIFICATION FOR OPERATING COMMITMENTS		
473	Less than one year	307	
524	One to five years	371	
997	TOTAL COMMITMENTS	678	

STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

as at 30 June 2008

Contingent liabilities

At 30 June 2008 the department has no contingent liabilities.

At 30 June 2007 the department had a contingent and unquantifiable liability pending court proceedings involving a minister of the Crown.

Contingent assets

At 30 June 2008, the department has no contingent assets. (2007: nil)

STATEMENT OF UNAPPROPRIATED EXPENDITURE

for the year ended 30 June 2008

The department has no unappropriated expenditure for the year ended 30 June 2008. (2007: nil)



STATEMENT OF DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

for the year ended 30 June 2008

30.6.07			30.6.08	30.6.08	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	<i>Vote: Prime Minister and Cabinet</i>				
	APPROPRIATIONS FOR OUTPUT EXPENSES				
7,616	D1 – Policy advice and secretariat and coordination services	19	8,774	8,201	8,801
4,098	D2 – Support services to the Governor-General and maintenance of the two Government Houses	19	3,506	3,546	3,506
3,222	D3 – Intelligence assessments on developments overseas	19	3,339	3,399	3,339
14,936	TOTAL OUTPUT EXPENSES		15,619	15,146	15,646
	APPROPRIATIONS FOR CAPITAL EXPENDITURE				
236	Property, plant and equipment		232	–	300
236	TOTAL CAPITAL EXPENDITURE		232	–	300

FINANCIAL PERFORMANCE OBJECTIVES

for the year ended 30 June 2008

30.6.07			30.6.08	01.7.07
Actual		Unit	Actual	SOI
	OPERATING RESULTS			
49	Other revenue	\$000	50	58
14,936	Output expenses	\$000	15,619	15,146
109	Operating surplus before capital charge	\$000	105	91
46	Net surplus	\$000	47	28
	WORKING CAPITAL			
145	Net current assets	\$000	53	30
1:1	Current ratio		1:1	1:1
1:1	Liquid ratio		1:1	1:1
51	Average creditors outstanding	Days	48	50
	RESOURCE UTILISATION			
	Physical assets:			
820	Total physical assets at year end	\$000	726	993
28	Additions as % of physical assets	%	24	30
703	Taxpayers' funds	\$000	703	823
	FORECAST NET CASH FLOWS			
575	Net cash flow from/(used in) operating activities	\$000	511	408
(213)	Net cash flow from/(used in) investing activities	\$000	(270)	(500)
(106)	Net cash flow from/(used in) financing activities	\$000	(46)	(28)
256	Net increase/(decrease) in cash and cash equivalents	\$000	195	(120)
	HUMAN RESOURCES			
28.5	Staff turnover ¹	%	20.6	23
5.1	Average length of service	Years	5.3	5.4
125	Total staff	Numbers	120	127

¹ Staff turnover figures exclude aides de camp on rotational secondments.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

1. Statement of Accounting Policies for the year ended 30 June 2008

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.

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

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 2008. The financial statements were authorised for issue by the Chief Executive of the department on 26 September 2008.

BASIS OF PREPARATION

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.

This is the first set of financial statements prepared using NZ IFRS. NZ IFRS 1, First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards, has been applied and the comparatives for the year ended 30 June 2007 have been restated to NZ IFRS accordingly. Reconciliation of equity and net surplus/(deficit) for the year ended 30 June 2007 and reconciliation of equity as at 1 July 2006 (date of transition) to their balances reported in the previous year's GAAP-based financial statements are detailed in note 20.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and also in preparing an opening NZ IFRS Statement of Financial Position as at 1 July 2006 for the purpose of transition to NZ IFRS.

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

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.

Judgements that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are:

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.

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 Financial Performance 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

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 Financial Performance.

Financial instruments

The department is a party to financial arrangements as part of its everyday operations. These include instruments such as cash and cash equivalents, 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 cash equivalents

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 Financial Performance 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 of an item of property, plant and equipment, less any estimated residual value, over its estimated useful life.

Depreciation of assets

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 for the current and comparative periods have been estimated as follows:

Fixtures and fittings	10 years	10%
IT equipment	3 years	33%
Office equipment	5 years	20%
Furniture	5 years	20%
Motor vehicles	4 years	25%
Kitchen equipment	5 years	20%
Plant and equipment	5-10 years	10-20%
Ground improvements	5 years	20%

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

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.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

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 Financial Performance.

The useful life and associated amortisation rate of computer software for the current and comparative period is as follows:

Acquired computer software	3 years	33%
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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 Financial Performance.

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 Financial Performance 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 Financial Performance only when there is a demonstrable commitment, without realistic possibility of withdrawal, to either 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 Financial Performance 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

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 Financial Performance on a straight-line basis over the term of the lease.

Superannuation schemes

Defined-contribution 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 Financial Performance 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.

Taxpayers' funds

Taxpayers' funds are the Crown's investment in the department and are measured as the difference between total assets and total liabilities. They consist of general funds.

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 there 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.

Good 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 2008, 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 and by the Office of the Chief Executive. Indirect costs are allocated to each output class based on cost drivers, related activity, and usage information.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

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

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.

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.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY

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

- NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning

on or after 1 January 2009. The revised NZ IAS 1 requires information in financial statements to be aggregated on the basis of shared characteristics and to introduce a Statement of Comprehensive Income. This will enable readers to analyse changes in equity resulting from transactions with the Crown in its capacity as "owner" separately from "non-owner" changes. The revised NZ IAS 1 gives the department the option of presenting items of income and expense and components of other comprehensive income either in a single Statement of Comprehensive Income with subtotals, or in two separate statements (a separate Income Statement followed by a Statement of Comprehensive Income). The department has not yet decided when it will apply the revised NZ IAS 1.

- NZ IFRIC 12 Service Concession Arrangements was approved in March 2007 and is effective for periods beginning on or after 1 January 2008. NZ IFRIC 12 draws a distinction between two types of service concession arrangements:

- In one, the operator receives a financial asset, specifically an unconditional contractual right to receive cash or another financial asset from the government, in return for constructing or upgrading the public sector asset.
- In the other, the operator receives an intangible asset: a right to charge for use of the public sector asset that it constructs or upgrades. A right to charge users is not an unconditional right to receive cash because the amounts are contingent on the extent to which the service is used.

NZ IFRIC 12 also allows for the possibility that both types of arrangements may exist within a single contract.

The adoption of the revised NZ IAS 1 and the application of NZ IFRIC 12 are not expected to have a material impact on the department's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

2. Budget composition

	30.6.08		30.6.08
	Budget Forecast \$000	Supplementary Estimates Changes \$000	Final Budget Total \$000
REVENUE			
Crown	15,116	500	15,616
Other	58	–	58
TOTAL REVENUE	15,174	500	15,674
EXPENDITURE			
Personnel	10,996	(111)	10,885
Operating	3,707	641	4,348
Depreciation	380	(30)	350
Capital charge	63	–	63
TOTAL EXPENSES	15,146	500	15,646
NET SURPLUS	28	–	28

3. Revenue – other

30.6.07		30.6.08
Actual \$000		Actual \$000
49	Rental income	50
49	TOTAL REVENUE – OTHER	50

4. Gains

30.6.07		30.6.08
Actual \$000		Actual \$000
16	Gain on sale of property, plant and equipment	–
16	TOTAL GAINS	–



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

5. Personnel costs

30.6.07		30.6.08
Actual \$000		Actual \$000
9,792	Salaries and wages	10,063
360	Employer contributions to defined-contribution plans	377
1	Increase in employee entitlements	134
210	Other	111
10,363	TOTAL PERSONNEL COSTS	10,685

6. 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 2008 was 7.5 per cent. (2006/07: 7.5 per cent)

7. Other operating expenses

30.6.07		30.6.08
Actual \$000		Actual \$000
46	Audit fees for audit of financial statements	46
–	Audit fees for NZ IFRS transition	6
400	Premises rental ¹	415
113	Contract for photocopying services	142
99	Inventories consumed	92

¹The premises rental expenses do not include the costs of accommodation for personnel located on two floors of the Beehive, which is provided by the Parliamentary Service (estimated annual rental for this furnished accommodation is \$350,000).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

8. Property, plant and equipment

	Fixtures and fittings	Furniture	Office equipment	Motor vehicles	Plant and equipment	IT equipment	Kitchen equipment	Ground improvement	Total
COST									
Balance at 1 July 2006	886	263	450	139	623	2,462	122	20	4,965
Additions		43	7	42	8	87	18	13	218
Disposals	(6)	(3)	(141)	(85)	(21)	(335)	(5)	–	(596)
Balance at 30 June 2007	880	303	316	96	610	2,214	135	33	4,587
Balance at 1 July 2007	880	303	316	96	610	2,214	135	33	4,587
Additions	20	–	6	57	44	58	4	–	189
Disposals	–	–	–	–	–	(27)	–	–	(27)
Balance at 30 June 2008	900	303	322	153	654	2,245	139	33	4,749
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES									
Balance at 1 July 2006	400	212	383	134	503	2,310	110	20	4,072
Depreciation expense	94	21	17	10	39	101	7	2	291
Eliminate on disposal	(6)	(2)	(141)	(85)	(22)	(335)	(5)	–	(596)
Balance at 30 June 2007	488	231	259	59	520	2,076	112	22	3,767
Balance at 1 July 2007	488	231	259	59	520	2,076	112	22	3,767
Depreciation expense	86	19	18	22	46	80	9	3	283
Eliminate on disposal	–	–	–	–	–	(27)	–	–	(27)
Impairment losses	–	–	–	–	–	–	–	–	–
Balance at 30 June 2008	574	250	277	81	566	2,129	121	25	4,023
CARRYING VALUE									
At 1 July 2006	486	51	67	5	120	152	12	–	893
At 30 June and 1 July 2007	392	72	57	37	90	138	23	11	820
At 30 June 2008	326	53	45	72	88	116	18	8	726



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

9. Intangible assets

30.6.07		30.6.08
Actual \$000		Actual \$000
	ACQUIRED SOFTWARE	
	COST	
9	Opening balance 1 July	9
–	Additions	43
9	Closing balance 30 June	52
	ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	
1	Opening balance 1 July	1
–	Amortisation expenses	5
1	Closing balance 30 June	6
	CARRYING VALUE	
8	AT 30 JUNE	46

10. Creditors and other payables

30.6.07		30.6.08
Actual \$000		Actual \$000
673	Trade creditors	683
38	Creditors relating to capital expenditure	–
643	Accrued expenses	506
57	GST payable	81
1,411	TOTAL CREDITORS AND OTHER PAYABLES	1,270

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

11. Provision for repayment of surplus to the Crown

30.6.07		30.6.08	
Actual \$000		Actual \$000	
46	Current year net surplus	47	
46	TOTAL PROVISION FOR REPAYMENT OF SURPLUS	47	

12. Employee entitlements

30.6.07		30.6.08	
Actual \$000		Actual \$000	
	CURRENT EMPLOYEE ENTITLEMENTS		
381	Annual leave	420	
47	Long-service leave	51	
71	Retirement leave	170	
17	Sick leave	9	
516	TOTAL CURRENT LIABILITIES	650	
	NON-CURRENT EMPLOYEE ENTITLEMENTS		
68	Long-service leave	82	
399	Retirement leave	368	
467	TOTAL NON-CURRENT LIABILITIES	450	
983	TOTAL EMPLOYEE ENTITLEMENTS	1,100	

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 considered the interest rates on New Zealand Government bonds which have terms to maturity that match, as closely as possible, the estimated future cash outflows.

The salary-inflation factor has been determined after considering historical salary-inflation patterns and after obtaining advice from an independent actuary.

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 \$32,000 higher/lower.

If the inflation factor were to differ by 1% from the department's estimates, with all other factors held constant, the carrying amount would be an estimated \$36,200 higher/lower.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

13. Provisions

30.6.07		30.6.08	
Actual \$000		Actual \$000	
	LEASE MAKE-GOOD		
120	Opening balance 1 July	120	
–	Additional provision made	–	
120	Closing balance 30 June	120	
	ASSETS WRITE-OFF		
–	Opening balance 1 July	–	
–	Additional provision made	314	
–	Closing balance 30 June	314	
120	TOTAL PROVISIONS	434	

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

department has been advised that it cannot renew one of these leases and is required to vacate the premises by 30 June 2009. Hence a provision for asset write-off has been provided.

14. Taxpayers' funds

30.6.07		30.6.08	
Actual \$000		Actual \$000	
	GENERAL FUNDS		
703	Balance at 1 July	703	
46	Net surplus	47	
(46)	Provision for repayment of surplus to the Crown	(47)	
703	GENERAL FUNDS AT 30 JUNE	703	

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

15. Related-party transactions and key management personnel

Related-party transactions

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.

Key management personnel compensation

30.6.07		30.6.08
Actual \$000		Actual \$000
1,541	Salaries and other short-term employee benefits	1,779
1,541	TOTAL KEY MANAGEMENT PERSONNEL¹ COMPENSATION	1,779

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

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 and 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 cash equivalents, 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.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

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 – see note 10) 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:

30.6.07		30.6.08	
Actual \$000		Actual \$000	
	LOANS AND RECEIVABLES		
1,968	Cash and cash equivalent	2,163	
38	Other receivables	72	
2,006	TOTAL LOANS AND RECEIVABLES	2,235	
	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
1,411	Creditors and other payables (see note 10)	1,270	

18. Capital management

The department's capital is its equity (or taxpayers' funds), which comprise 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.

19. Explanations of major variances against budget

D1 – Policy advice and secretariat and coordination services

The appropriation for this output class increased by \$600,000 in the Supplementary Estimates. The change relates largely to: additional funding to coordinate policy development and communications around the "Climate Change Solutions" package, including the proposed Emissions Trading Scheme (\$500,000); and fiscally neutral adjustment from D3 – Intelligence assessments on developments overseas (\$60,000) and D2 – Support services to the Governor-General and maintenance of the two Government Houses (\$40,000) for unexpected costs relating to professional services, personnel and IT costs.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

D2 – Support services to the Governor-General and maintenance of the two Government Houses

The appropriation for this output class decreased by \$40,000 in the Supplementary Estimates. The change relates to a fiscally neutral adjustment to D1 – Policy advice and secretariat and coordination services.

D3 – Intelligence assessments on developments overseas

The appropriation for this output class decreased by \$60,000 in the Supplementary Estimates. The change relates to a fiscally neutral adjustment to D1 – Policy advice and secretariat and coordination services.

Statement of Financial Performance

The variance between actual and budgeted personnel costs was due to management of staff vacancies in anticipation of higher operating expenses.

The variance between actual and budgeted operating costs was due to additional costs relating to asset write-off.

20. Explanation of transition to NZ IFRS

The department's financial statements for the year ended 30 June 2008 are its first financial statements that comply with NZ IFRS. The department has applied NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards in preparing these financial statements. The department's transition date is 1 July 2006. The department prepared its opening NZ IFRS balance sheet at that date. The reporting date of these financial statements is 30 June 2008. The department NZ IFRS adoption date is 1 July 2007.

Reconciliation of surplus

There have been no material adjustments to the department's surplus as a result of the transition from NZ GAAP to NZ IFRS for the year ended 30 June 2007.

Statement of Cash Flows

There have been no material adjustments to the Statement of Cash Flows on transition to NZ IFRS.

Reconciliation of equity

The table on the following page shows the changes in equity as a result of the transition from NZ GAAP to NZ IFRS as at 1 July 2006 and 30 June 2007.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

	1 July 2006			30 June 2007		
	NZ GAAP \$000	Effect on transition to NZ IFRS \$000	NZ IFRS \$000	NZ GAAP \$000	Effect on transition to NZ IFRS \$000	NZ IFRS \$000
CURRENT ASSETS						
Cash and cash equivalents	1,712	–	1,712	1,968	–	1,968
Receivables and prepayments	29	–	29	50	–	50
Inventory	383	–	383	417	–	417
TOTAL CURRENT ASSETS	2,124	–	2,124	2,435	–	2,435
NON-CURRENT ASSETS						
Property, plant and equipment ¹	893	–	893	828	(8)	820
Intangible assets ¹	–	–	–	–	8	8
TOTAL NON-CURRENT ASSETS	893	–	893	828	–	828
TOTAL ASSETS	3,017	–	3,017	3,263	–	3,263
CURRENT LIABILITIES						
Creditors and payables	1,106	–	1,106	1,411	–	1,411
Provision for repayment of surplus	106	–	106	46	–	46
Provisions	–	–	–	–	–	–
Employee entitlements ²	485	17	502	499	17	516
TOTAL CURRENT LIABILITIES	1,697	17	1,714	1,956	17	1,973
NON-CURRENT LIABILITIES						
Provisions ³	–	120	120	–	120	120
Employee entitlements	480	–	480	467	–	467
TOTAL NON-CURRENT LIABILITIES	480	120	600	467	120	587
TOTAL LIABILITIES	2,177	137	2,314	2,423	137	2,560
NET ASSETS	840	(137)	703	840	(137)	703
TAXPAYERS' FUNDS						
General funds ^{2,3}	840	(137)	703	840	(137)	703
TOTAL TAXPAYERS' FUNDS	840	(137)	703	840	(137)	703

¹**Property, plant and equipment/Intangible assets:** Computer software was classified as property, plant and equipment under NZ GAAP. Computer software that does not form an integral part of items of property, plant and equipment has been reclassified as an intangible asset on transition to NZ IFRS.

²**Employee entitlements/General funds:** Sick leave was not recognised as a liability under NZ GAAP. NZ IAS 19 requires the department to recognise employees' 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 absences.

³**Provisions/General funds:** Lease make-good was not recognised as a liability under NZ GAAP. Under NZ IAS 37 the department is required to recognise lease make-good as a provision, to the extent of the present value of the expected future payments and for amounts in relation to the making good of the leased premises.

Non-Departmental Financial Statements

for the year ended 30 June 2008

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

STATEMENT OF NON-DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

for the year ended 30 June 2008

30.6.07				30.6.08		30.6.08	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000		
	APPROPRIATIONS FOR OTHER EXPENSES TO BE INCURRED BY THE CROWN (PERMANENT LEGISLATIVE AUTHORITY)						
423	Depreciation expenses on Crown assets		700	475	750		
16	Commissioner of Security Warrants (NZSIS Amendment (No 2) Act 1999)		34	30	45		
818	Government House – other payments (Civil Act 1979)	2	831	798	1,106		
1,257	SUB-TOTAL		1,565	1,303	1,901		
	APPROPRIATION FOR PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS BY THE CROWN						
146	Government House – capital investment		1,512	2,150	2,150		
146	SUB-TOTAL		1,512	2,150	2,150		
1,403	TOTAL		3,077	3,453	4,051		

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 2008.



SCHEDULE OF NON-DEPARTMENTAL EXPENSES

for the year ended 30 June 2008

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

30.6.07		30.6.08		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	<i>Vote: Prime Minister and Cabinet</i>			
834	Other expenses to be incurred by the Crown	865	828	1,151
423	Depreciation on assets	700	475	750
1,257	TOTAL NON-DEPARTMENTAL EXPENSES	1,565	1,303	1,901

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 2008.

SCHEDULE OF NON-DEPARTMENTAL ASSETS AND LIABILITIES

as at 30 June 2008

30.6.07		Note	30.6.08	30.6.08	
Actual \$000	Actual \$000		Main Estimates \$000	Supplementary Estimates \$000	
	<i>Vote: Prime Minister and Cabinet</i>				
	CURRENT ASSETS				
442	Cash in bank	2	2,869	365	350
442	TOTAL CURRENT ASSETS		2,869	365	350
	NON-CURRENT ASSETS				
54,003	Land, property, plant and equipment	3	53,449	52,843	55,403
–	Construction in progress		1,366	–	–
	TOTAL NON-CURRENT ASSETS		54,815	52,843	55,403
54,445	TOTAL NON-DEPARTMENTAL ASSETS		57,684	53,208	55,753
	CURRENT LIABILITIES				
190	Creditors and other payables	4	499	100	100
190	TOTAL CURRENT LIABILITIES		499	100	100
190	TOTAL NON-DEPARTMENTAL LIABILITIES		499	100	100

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 2008.



SCHEDULE OF NON-DEPARTMENTAL COMMITMENTS

as at 30 June 2008

There is a capital commitment of \$634,000 as at 30 June 2008. (30 June 2007: nil)

There are no operating commitments as at 30 June 2008. (30 June 2007: nil)

SCHEDULE OF NON-DEPARTMENTAL CONTINGENT LIABILITIES AND CONTINGENT ASSETS

as at 30 June 2008

Vote: Prime Minister and Cabinet

There are no contingent liabilities as at 30 June 2008. (30 June 2007: 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 2008.

NOTES TO THE NON-DEPARTMENTAL FINANCIAL STATEMENTS

1. Statement of Accounting Policies for the year ended 30 June 2008

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 a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should also be made to the Financial Statements of the Government of New Zealand.

ACCOUNTING POLICIES

The non-departmental schedules and statements have been prepared in accordance with the government's accounting policies as set out in the Financial Statements of the Government of New Zealand and in accordance with the relevant Treasury instructions and Treasury circulars.

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

This is the first set of financial statements prepared using NZ IFRS. The comparatives for the year ended 30 June 2007 have been restated to NZ IFRS accordingly. Note 5 reconciles income and expenses and assets and liabilities for the year ended 30 June 2007 under NZ IFRS to their balances reported in the 30 June 2007 financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and in preparing an opening NZ IFRS Statement of Financial Position as at 1 July 2006 for the purpose of transition to NZ IFRS.

The following particular accounting policies, which materially affect the measurement of financial results and financial position, have been applied:

Budget figures

The budget figures are those presented in the Budget Estimates (Main Estimates) and those amended by the Supplementary Estimates and any transfer made by Order in Council under the Public Finance Act 1989.

Goods and services tax (GST)

All statements are GST exclusive, with the exception of the Statement of Financial Position where the entries for creditors and payables and for debtors and receivables are GST inclusive. In accordance with Treasury instructions, 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 in the financial statements.

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 in Wellington and Auckland as at 30 June 2006. 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 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.



NOTES TO THE NON-DEPARTMENTAL FINANCIAL STATEMENTS

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 Financial Performance 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 of assets

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:

Buildings	2%
Fixtures and fittings	10%
Furniture	20%
Motor vehicles	25%
Plant and equipment	20%
Other assets	2%-20%

COMMITMENTS

Future payments are disclosed as commitments at the point where a contractual obligation arises, to the extent that they are equally unperformed obligations.

FINANCIAL ASSETS AND LIABILITIES

All financial assets and financial liabilities are measured at amortised cost.

2. Explanation of major variances against budget

Explanations for major variances from the non-departmental figures in the Main Estimates are as follows:

Appropriations for other expenses to be incurred by the Crown (permanent legislative authority)

The appropriation for Government House – other payments (Civil List Act 1979) increased by \$308,000 in the Supplementary Estimates. The change reflects cost increases associated with the Governor-General's programme of domestic and overseas travel and includes provision for likely increases in the Governor-General's remuneration and personal allowance, which are subject to annual review.

Statement of Non-Departmental Expenses and Capital Expenditure against Appropriations

At 30 June 2008, expenditure under permanent legislative authority (the Civil List Act 1979) was underspent by \$275,000 because of cancelled or rescheduled travel arrangements.

Schedule of Non-Departmental Expenses

At 30 June 2008, total non-departmental expenses were \$453,000 lower than Supplementary Estimates. This is due largely to the underspending of expenses incurred under permanent legislative authority explained above, and also to lower GST-input expenses resulting from lower-than-expected capital investment in stage one of the Government House conservation and refurbishment project.

Schedule of Non-Departmental Assets and Liabilities

At 30 June 2008, the department's bank balance was higher than expected because of underspending in non-departmental expenses, and higher-than-expected creditor balances.

NOTES TO THE NON-DEPARTMENTAL FINANCIAL STATEMENTS

3. Property, plant and equipment

	Land ¹	Building ¹	Plant and equipment	Furniture and fittings	Motor vehicles	Other assets	Total
COST							
Balance at 1 July 2006	33,850	17,038	238	1,264	160	1,507	54,057
Additions	–	105	–	40	–	–	145
Disposals	–	–	–	–	–	–	–
Revaluation increase	–	–	–	750	–	1,343	2,093
Balance at 30 June 2007	33,850	17,143	238	2,054	160	2,850	56,295
Balance at 1 July 2007	33,850	17,143	238	2,054	160	2,850	56,295
Additions	–	146	–	–	–	–	146
Disposals	–	–	–	–	–	–	–
Balance at 30 June 2008	33,850	17,289	238	2,054	160	2,850	56,441
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
Balance at 1 July 2006	–	–	238	1,244	123	974	2,579
Depreciation expense	–	341	–	20	37	25	423
Eliminate on disposal	–	–	–	–	–	–	–
Eliminate on revaluation	–	–	–	(489)	–	(221)	(710)
Impairment losses	–	–	–	–	–	–	–
Balance at 30 June 2007	–	341	238	775	160	778	2,292
Balance at 1 July 2007	–	341	238	775	160	778	2,292
Depreciation expense	–	362	–	225	–	113	700
Eliminate on disposal	–	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–	–
Balance at 30 June 2008	–	703	238	1,000	160	891	2,992
CARRYING VALUE							
At 1 July 2006	33,850	17,038	–	20	37	533	51,478
At 30 June and 1 July 2007	33,850	16,802	–	1,279	–	2,072	54,003
At 30 June 2008	33,850	16,586	–	1,054	–	1,959	53,449

¹Land and buildings have been revalued to fair value as at 30 June 2006 by an independently contracted registered valuer, QV Valuations.



NOTES TO THE NON-DEPARTMENTAL FINANCIAL STATEMENTS

4. Creditors and other payables

30.6.07		30.6.08	
Actual \$000		Actual \$000	
17	Trade creditors	20	
48	Creditors relating to capital expenditure	403	
127	Accrued expenses	76	
192	TOTAL CREDITORS AND OTHER PAYABLES	499	

5. Explanation of transition to NZ IFRS

There have been no material adjustments to non-departmental assets and liabilities or to non-departmental income and expenses as a result of the transition to NZ IFRS.

TO THE READERS OF THE DEPARTMENT OF THE PRIME MINISTER AND CABINET'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

The Auditor-General is the auditor of the Department of the Prime Minister and Cabinet (the Department). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements, statement of service performance and schedules of non-departmental activities included in the annual report of the Department for the year ended 30 June 2008.

UNQUALIFIED OPINION

In our opinion:

- The financial statements of the Department on pages 30 to 37 and 39 to 53:
comply with generally accepted accounting practice in New Zealand; and
fairly reflect:
 - the Department's financial position as at 30 June 2008; and
 - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Department on pages 9 to 20:
complies with generally accepted accounting practice in New Zealand; and
fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
 - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

- The schedules of non-departmental activities on pages 54 to 61 fairly reflect the assets, liabilities, revenues, expenses, contingencies and commitments managed by the Department on behalf of the Crown for the year ended 30 June 2008.

The audit was completed on 26 September 2008, and 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 the Auditor, and explain our independence.

BASIS OF OPINION

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

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

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;



AUDIT REPORT

- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

RESPONSIBILITIES OF THE CHIEF EXECUTIVE AND THE AUDITOR

The Chief Executive is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Department as at 30 June 2008 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Department's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. In addition, the schedules of non-departmental activities must fairly reflect the assets, liabilities, revenues, expenses, contingencies and commitments managed by the Department on behalf of the Crown for the year ended 30 June 2008. The Chief Executive's responsibilities arise from sections 45A, 45B and 45(1)(f) of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of 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 Institute of Chartered Accountants of New Zealand.

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

S B Lucy
AUDIT NEW ZEALAND

On behalf of the Auditor-General
Wellington, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements and Statement of Service Performance

This audit report relates to the financial statements and statement of service performance of the Department of the Prime Minister and Cabinet for the year ended 30 June 2008 included on the Department of the Prime Minister and Cabinet's website. The Department of the Prime Minister and Cabinet's Chief Executive is responsible for the maintenance and integrity of the Department of the Prime Minister and Cabinet's website. We have not been engaged to report on the integrity of the Department of the Prime Minister and Cabinet's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 26 September 2008 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.





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