



Report of the Department of the Prime Minister & Cabinet

Report to the House of Representatives for
the year ended 30 June 2003

*Presented to the House of Representatives pursuant to Section 30
of the State Sector Act 1988 and Section 39 of the Public Finance
Act 1989*

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Statement of Purpose

The Department of the Prime Minister and Cabinet (DPMC) provides advice to the Prime Minister on policy and constitutional issues. It also works to ensure that there is a high-quality and effective process of decision making by the government through providing impartial secretariat services to the Cabinet and the Executive Council. DPMC contributes to the effective coordination of the work of the government across departmental lines, tests the quality of advice coming from departments, and acts as an “honest broker” where there are conflicts over policy advice being offered by different parts of the public sector.

The department provides: assessments on international developments to support informed decision making in New Zealand’s external relations; communication services; and support services to the Governor-General, including the maintenance of the Government Houses in Wellington and Auckland as the official residences of the Governor-General.

Highlights of 2002/03

DPMC published its first statement of intent, with an overall outcome and a set of four contributing outcomes to guide its activities.

The Policy Advisory Group coordinated the Sustainable Development: Programme of Action with a particular focus on water, energy, cities, and child and youth development.

A lead-agency role was taken by DPMC in obtaining Cabinet approval of the government's climate-change policy package and in coordinating New Zealand's ratification of the Kyoto Protocol in December 2002.

The Cabinet Office provided advice and support to the Prime Minister and Governor-General on constitutional and administrative steps associated with the general election and the subsequent formation of the new Labour-Progressive Coalition government.

The External Assessments Bureau provided assessments on a range of events and trends affecting New Zealand's interests. These included pressure on Pacific fisheries, people smuggling, terrorism, Iraq, the Solomon Islands, and North Korea's nuclear programmes.

New Zealand's response to the risk of a SARS outbreak used a whole-of-government approach. DPMC's role was to coordinate the officials response to this potential public-health risk.

The department's Domestic and External Security Secretariat continued its emphasis on developing a whole-of-government approach to a range of issues that may pose a threat to New Zealand's security. This involved working with an increasing number of departments and agencies through the period.

Support was provided for a substantial programme of activities by the Governor-General that included more than 200 New Zealand engagements, 2 overseas visits, nearly 300 functions at the Wellington and Auckland Government Houses, and a series of open days and events attracting 31,000 people.

Chief Executive's Overview

During the year in review a quiet adjustment continued in how the public sector – and more particularly the public service – carries out its work. The core public service is increasingly focusing on the outcomes of government intervention, rather than purely on the efficient delivery of services.

Efficient delivery and value for taxpayer expenditure remain important, but there is now more emphasis on taking a whole-of-government approach to complex issues and developing wider partnerships. This is to ensure that the most effective approaches and interventions are implemented as part of government policy.

All government ministries and departments are required to publish statements of intent in which they state their outcomes and set performance measures against which to assess progress on achieving these outcomes. DPMC issued its first statement of intent in the 2002/03 year and will be reporting on its performance measures in next year's annual report.

Focusing on Outcomes

DPMC's overall outcome is: "Good government, with effective public service support". To help achieve this outcome, the department has identified four specific contributing outcomes:

- Decision making by the Prime Minister and Cabinet is well supported.
- The continuity of executive government within accepted conventions and practices is maintained and well supported.
- The Governor-General is well supported.
- The management of domestic and external security and other risks is well planned and coordinated.

DPMC's role is to support the decision-making processes of the Prime Minister and Cabinet. The changing public-service environment makes DPMC's coordination activities more important than ever. There is an increasing need for it to work jointly with its fellow central agencies,

the Treasury and the State Services Commission, on strategies for raising the performance of the overall public sector.

Sustainable Development

A shift that is influencing both DPMC's work and that of the wider public sector is the government's commitment to a sustainable development framework for New Zealand. The government cannot do this alone: strong relationships and partnerships will be required between central government, local government, and various other sector groups.

The DPMC's Policy Advisory Group has been at the forefront of those developments as part of its continuing role to coordinate activities across government on a wide range of issues

The Policy Advisory Group's coordination role will be tested when the sustainable-development programme of action is implemented. DPMC's aim is to help the government sector speak with one voice on this issue and to search for solutions that are more than simply trade-offs. Policy development needs to find approaches that improve New Zealand's economic performance *and* also enhance our environmental and social wellbeing.

DPMC has already made an important contribution during the year in review through its lead role in managing the government's Climate Change Programme – including Cabinet approval of the policy package and the ratification by the government of the Kyoto Protocol in December 2002. Responsibility for the Climate Change Programme has since been transferred to the Ministry for the Environment.

The 2002 General Election

The 2002 general election involved the Cabinet Office in a range of tasks leading up to and following the election. The Office advised the Prime Minister and the Governor-General on the constitutional and administrative steps associated with the election and the resulting formation of the government.

The Cabinet Office administered the "caretaker government" convention in respect of Cabinet decision-making procedures while the new government was being formed. Advice was given to the Prime Minister

on coalition consultation and decision-making procedures and on the formation and operation of Cabinet committees. The Office also arranged the swearing-in ceremony for the new Labour-Progressive Coalition government and briefing sessions for new Ministers and their staff.

Security Environment

Just how much the world has changed since 11 September 2001 is becoming increasingly apparent. There are substantial and rapid re-adjustments taking place in relations between major states, and risks are being posed increasingly by non-state entities such as terrorists and other transnational criminal groups. New Zealanders overseas who are serving with the New Zealand Defence Force or other government agencies or international organisations, or who are travelling privately on business or as tourists, face a greater range of challenges and security threats than they did before.

New Zealand so far has been free of any terrorist attack but the New Zealanders who have been victims of bombings overseas during the last 12 months make clear the nature and range of this threat. The work of the department's External Assessments Bureau (EAB) and Domestic and External Security Secretariat (DESS) is changing as New Zealand deals with a state of sustained international uncertainty. Work continued on developing a whole-of-government approach to a range of issues that may pose a threat to New Zealand's security – whether these originate through terrorism, disease outbreaks, or bio-security risks.

There is a much greater awareness of the need for government agencies to work together in such circumstances. The SARS outbreak is a case in point: a whole-of-government approach was adopted and 30 working group meetings were held as part of the Officials Committee on Domestic and External Security Coordination. No SARS cases were reported in New Zealand, and the overall planning and implementation required in dealing with this potentially serious threat provided a useful opportunity to establish effective processes.

Supporting the Governor-General

One of DPMC's contributing outcomes is to support the Governor-General, who undertook another extensive programme of activities both in New Zealand and overseas. Dame Silvia Cartwright's 226 official

engagements within New Zealand included visits to Stewart Island and the Chatham Islands. Some of the highlights of the year were officiating at the State Opening of Parliament, investing Sir Hugh Kawharu ONZ, and Mrs Dorothy Mihinui DCNZM on their respective marae, and attending Outward Bound's 40-year celebrations in Anakiwa. Many official guests have been hosted at Government House, including the President of East Timor and their Imperial Highnesses the Crown Prince and Princess of Japan.

Nearly 300 functions were held at the Government Houses in Wellington and Auckland, many of them for charities and cultural organisations of which the Governor-General is patron. Eight investitures were held for recipients from the 2002 Queen's Birthday and Golden Jubilee Honours List, and also for the 2003 New Year Honours List. Other major ceremonies were: the swearing-in of the new government and the confirmation of the Parliamentary Speaker; and 7 credentials ceremonies, where 24 ambassadors and high commissioners presented their Letters of Credence.

Overseas engagements saw the Governor-General visit Nauru in March to represent New Zealand at the funeral for President Dowiyogo. In April the Governor-General made a state visit to Turkey, where she attended ANZAC Day Services at Gallipoli.

The tradition of open days at the Government Houses in Wellington and Auckland continued. Some 31,000 people visited the houses and gardens either attending functions, open days or the Labour weekend "Flora Flora" Floral Arts Exhibition and the inaugural concert by the Wellington Sinfonia at Government House in Wellington, or the annual matinee concert by the Auckland Sinfonia at Government House in Auckland. Open days and other events allow a large cross section of New Zealanders to see and enjoy these historic houses and grounds.

Marie Shroff

A significant change will occur at the Cabinet Office during the 2003/04 year, following the appointment of Marie Shroff as Privacy Commissioner from the end of September. As Secretary of the Cabinet and Clerk of the Executive Council since 1987, Marie has been responsible for the operation of Cabinet and the Executive Council during a period of major changes to New Zealand's electoral system

and government-formation process. She had the responsibility of guiding the Cabinet Office and Government House through the transition to proportional representation and coalition government in New Zealand. During her time at the Cabinet Office, Marie Shroff worked with four Governors-General, six Prime Ministers, and governments composed of various parliamentary parties.

Thanks to DPMC Staff

As usual, DPMC's staff members have responded willingly and admirably to the demands made on them by a busy year that has produced challenges across all the department's work areas.

A handwritten signature in black ink, appearing to read 'Mark Prebble', written in a cursive style.

Mark Prebble
Chief Executive

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, as Clerk of the Executive Council, is responsible directly to the Governor-General and the Prime Minister respectively for servicing the Executive Council and providing advice as required from time to time on constitutional matters.
- The Director of the External Assessments Bureau is accountable to the Prime Minister for the class of outputs "Intelligence Assessments on Developments Overseas".
- The Hon. Pete Hodgson, Convenor of the Ministerial Group on Climate Change, is responsible for the Climate Change Project (which was part of this department until 31 January 2003).



Audit New Zealand

**REPORT OF THE AUDITOR-GENERAL
TO THE READERS OF THE FINANCIAL
STATEMENTS OF THE DEPARTMENT OF
PRIME MINISTER AND CABINET
FOR THE YEAR ENDED 30 JUNE 2003**

We have audited the financial statements on pages 17 to 54. The financial statements provide information about the past financial and service performance of the Department of Prime Minister and Cabinet and its financial position as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 32 to 35.

Responsibilities of the Chief Executive

The Public Finance Act 1989 requires the Chief Executive to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of the Department of Prime Minister and Cabinet as at 30 June 2003, the results of its operations and cash flows and service performance achievements for the year ended on that date.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and section 38(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Chief Executive. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed John O'Connell, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Chief Executive in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Department of Prime Minister and Cabinet's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have carried out an assurance related assignment for the Department of Prime Minister and Cabinet in relation to transfer of the Climate Change Programme to the Ministry for the Environment. Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Department of Prime Minister and Cabinet.

Unqualified opinion

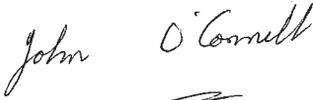
We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Department of Prime Minister and Cabinet on pages 17 to 54:

- comply with generally accepted accounting practice in New Zealand; and

- fairly reflect:
 - the Department of Prime Minister and Cabinet’s financial position as at 30 June 2003;
 - the results of its operations and cash flows for the year ended on that date; and
 - its service performance achievements in relation to the performance targets and other measures set out in the forecast financial statements for the year ended on that date.

Our audit was completed on 26 September 2003 and our unqualified opinion is expressed as at that date.



John O'Connell
 Audit New Zealand
 On behalf of the Auditor-General
 Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of Department of the Prime Minister and Cabinet for the year ended 30 June 2003 included on the Department of Prime Minister and Cabinet’s website. The Department of Prime Minister and Cabinet’s Chief Executive is responsible for the maintenance and integrity of the Department of Prime Minister and Cabinet’s website. We have not been engaged to report on the integrity of the Department of Prime Minister and Cabinet’s web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

We have not been engaged to report on any other electronic versions of the Department of the Prime Minister and Cabinet’s financial statements, and accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. 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 related audit report dated 26 September 2003 to confirm the information included in the audited financial statements presented on this web site.

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

Statement of Responsibility

In terms of Sections 35 and 37 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 2003.



Mark Prebble
Chief Executive

Date: 26 September 2003

Countersigned by:



Brent Anderson
Corporate Services Manager

Date: 26 September 2003

Statement of Objectives and Service Performance

for the year ended 30 June 2003

OUTPUT CLASS D1: POLICY ADVICE AND SECRETARIAT AND COORDINATION SERVICES

Description

This class of outputs involves:

- the provision of immediate, medium- and long-term policy advice of an impartial nature, delivered freely and frankly to the Prime Minister and, at the Prime Minister's request, to other Ministers
- the promotion and facilitation of interdepartmental coordination of policy development and the promotion of a greater collective approach to performance standards across the state sector, through the formulation and implementation of the government's key goals
- the provision of constitutional, policy and procedural advice to the Governor-General, the Prime Minister and, at the Prime Minister's direction, other Ministers and government departments
- the provision of advice on the policies, processes and procedures relating to the Executive Council, Cabinet, and Cabinet committees, including the review of policies and procedures where appropriate
- the coordination of the policy and administrative aspects of the legislation programme, as directed by Cabinet Legislation Committee
- the provision of impartial secretariat services to Cabinet, Cabinet committees, and the Executive Council, and the promulgation of their decisions
- the development and promulgation of information, advice, and guidelines on the nature and operations of the central processes of executive government

- the provision of advice on the policy aspects of the New Zealand Honours system, and administration of the Honours system
- the provision of services to assist with the purchase of media time and space for government public-information programmes
- the provision of advice, coordination and communication services relating to the Kyoto Protocol on reducing global greenhouse gas emissions.

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 the 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

Financial Performance

30.06.02 Actual		30.06.03 Actual	30.06.03 Main Estimates	30.06.03 Supp. Estimates
\$000		\$000	\$000	\$000
8,635	Revenue – Crown	7,445	6,843	7,445
8,401	Expenditure	7,034	6,843	7,445
<u>234</u>	Surplus	<u>411</u>	<u>–</u>	<u>–</u>
		<u>=====</u>	<u>=====</u>	<u>=====</u>

Service Performance – Policy Advisory Group

Policy Advice to the Prime Minister

Key Task *Providing good information and effective advice that enables the Prime Minister to lead and manage the public-policy business of the government.*

Achievement *Advice was provided on a wide range of issues, in a timely manner. Leadership and coordination services were also provided in respect of a wide range of policy issues.*

Key Task *Ensuring that the Prime Minister and other key clients show a high level of satisfaction with the advice and coordination services provided.*

Achievement Feedback from the Prime Minister is provided to the Chief Executive and the Director of the Policy Advisory Group on a regular weekly basis, as well as on an ad hoc basis, and is acted on. Feedback is received from other ministers and chief executives on the quality and timeliness of the advice and coordination services provided.

The Prime Minister and other key clients have informed the department of their satisfaction with the advice and coordination services provided.

Service Performance – Cabinet Office

Support for Proper And Effective Operation of the Key Institutions of Executive Government

Key Task Providing advice to the Prime Minister and Governor-General on constitutional policy and procedural issues.

Achievement Advice and support was provided to the Prime Minister and Governor-General on constitutional and administrative steps associated with the general election and the subsequent formation of the new Labour-Progressive Coalition government.

Advice was provided to the Prime Minister on a range of Ministerial issues. The Directory of Portfolios, which lists the agencies and legislation administered in each portfolio, was updated as at 1 July 2002 and again, following the formation of the government, in October 2002. An update of the Schedule of Responsibilities delegated to Associate Ministers was presented to the House on 1 October 2002; and it was further updated and presented to the House in February and June 2003. An update of the Register of Ministers' Interests and Assets was presented to the House on 12 December 2002.

Key Task Providing advice on policies, processes and procedures relating to Cabinet, Cabinet committees and Executive Council; administering and maintaining the conventions,

policies and guidelines in the Cabinet Manual, the Step by Step Guide and related Cabinet Office circulars; and providing policy and procedural advice and information on these matters to Ministers' offices and departments.

Achievement The Cabinet Office administered the “caretaker government” convention in respect of Cabinet decision-making procedures during the period of caretaker government following the general election.

Advice was provided to the Prime Minister on coalition consultation and decision-making procedures under the new government and on the formation and operation of Cabinet committees.

Thirteen Cabinet Office circulars were prepared and issued in 2002/03 on a range of issues, including government decision making during the period of caretaker government and resumption of business after the formation of the new coalition government.

A number of briefing sessions for new Ministers were arranged following the formation of the government after the general election. Briefings on Cabinet procedures were also provided to new staff in Ministers' offices.

The Office provided 13 briefing seminars to departments on the Cabinet decision-making process.

Key Task *Providing impartial secretariat services to Executive Council, Cabinet and Cabinet committees including: preparing agendas; checking that submissions meet the requirements set by Cabinet; preparing summary cover sheets for submissions; recording decisions; and distributing submissions and minutes.*

Achievement Cabinet Office provided secretariat services to 174 Cabinet and Cabinet committee meetings and 34 Executive Council meetings over the year. This compares with 238 and 40 respectively in 2001/02.

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. (See Appendix 1 for the business statistics for Executive Council, Cabinet, and Cabinet committees).

There were 1,790 summary cover sheets prepared for submissions to Cabinet and Cabinet committees during the past year. This compares with 2,414 in 2001/02.

Eighty-five per cent of submissions were received in the Cabinet Office by the Cabinet deadlines for lodging papers. Eighty-three per cent of submissions were distributed to Ministers' offices within the Cabinet Office's performance targets for the delivery of papers (i.e. two days before the meeting). The comparative figures for 2001/02 were 85 per cent and 79 per cent.

There were 2,108 Cabinet and Cabinet committee minutes recorded over the year, compared with 2,750 in 2001/02. All Cabinet committee minutes are issued within two or three days of the meeting, before the next meeting of Cabinet. Ninety-seven per cent of all Cabinet minutes were issued within three days of the Cabinet meeting; this figure was the same in 2001/02.

Ninety-eight per cent of all Cabinet and Cabinet committee minutes did not require amendment by the Cabinet Office (this excludes amendments to committee minutes made by Cabinet). This figure was 99 per cent in 2001/02.

Key Task *Co-ordinating the policy and administrative aspects of the legislation programme, as directed by the Cabinet Legislation Committee.*

Achievement Advice and support was provided to the Leader of the House and the Cabinet Legislation Committee on the management of the government's legislation programme for 2002 and the preparation and management of the legislation programme for 2003.

Key Task *Providing 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.*

Achievement Policy continued to be developed and ongoing advice given on operational service medals, as well as on new regulations for the New Zealand Memorial Cross, long-service awards, and a new Polar or Antarctic medal.

Warrants and regulations were finalised for the New Zealand Operational Service Medal, the New Zealand Special Service Medal (for Nuclear Testing), and a new New Zealand General Service Medal (for service in Afghanistan and the Solomon Islands).

The Honours Secretariat of the Cabinet Office advised and assisted the Prime Minister and the Cabinet Appointments and Honours Committee on the compilation of the New Year Honours List 2003 (187 recipients) and The Queen's Birthday Honours List 2003 (185 recipients). Four investiture ceremonies were held at Government House in August 2002 and four in April 2003.

Key Task *Maintaining the records of Cabinet and providing related information services.*

Achievement 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.

Service Performance – Domestic and External Security Secretariat (DESS)

Key Task *Providing integrated advice on domestic and external security, defence operations, intelligence and counter-terrorism preparedness; providing advice on the operational effectiveness of the emergency management system at a national level; and providing advice to the Parliamentary Committee on Intelligence and Security.*

<i>Achievement</i>	Four meetings of ODESC ¹ (Intelligence), two of ODESC (Terrorism), nine of ODESC (SARS), and six others were held. Watch Groups on terrorism, people-smuggling, and Iraq were held throughout the year.
<i>Key Task</i>	<i>Providing a system of intelligence collection and assessment activity that reflects policy priorities, national requirements, and available resources and that ensures a coordinated and harmonised outcome.</i>
<i>Achievement</i>	Three meetings of the Foreign Intelligence Requirements Committee and 34 meetings of the Current Intelligence Requirements Groups were held. The Prime Minister and other key clients were satisfied with the advice and coordination services provided. Advice was provided to the Prime Minister on a range of domestic and external security issues. The Prime Minister was satisfied with the quality of this advice and with the support provided for the Intelligence and Security Committee of Parliament.

Service Performance – Corporate Services

Negotiating Terms and Conditions for Government Agencies' Advertising and Publicity

<i>Key Task</i>	<i>Negotiating annual volume-incentive media agreements that are advantageous to government departments and agencies.</i>
<i>Achievement</i>	Negotiations with media for the year ended 30 June 2003 were completed by the end of July 2002. Details of agreements with media for 2003/04 were communicated to government agencies during August.

Service Performance – Climate Change Team

Climate Change Programme (to 31 January 2003 when it was transferred to the Ministry for the Environment)

<i>Key Task</i>	<i>Providing good information and effective advice that enables the Minister responsible to lead and manage the public</i>
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¹ ODESC = Officials' Committee for Domestic and External Security Coordination.

policy aspects of the government's Climate Change Programme.

Achievement Recommendations on confirmed policy package and Kyoto ratification were finalised for Cabinet.

Assistance was given during the passage of the Climate Change Response Bill through the Select Committee stage; the Bill passed into law.

The climate-change policy package was confirmed by Cabinet, and the Kyoto Protocol was ratified by December 2002.

First New Zealand input was provided for the guidelines on emissions from land use, land-use change and forestry produced by the United Nations Framework Convention on Climate Change (UNFCCC).

New Zealand was instrumental at the 8th Conference of the Parties to UNFCCC in finalising the guidelines for monitoring, reporting, and review under the Kyoto Protocol.

Key Task *Implementing public consultation and communication programmes in relation to the Kyoto Protocol ratification and domestic policy options.*

Achievement Completion of consultation on the preferred policy package; feedback was compiled and analysed.

Proposals were sought for a research programme on public awareness of climate change; researchers were engaged.

A media campaign was developed, to show how climate change will affect the regions of New Zealand.

A second climate-change booklet for school children, which aims to get their input on how New Zealand can reduce greenhouse gases, was released.

CLASS OF OUTPUTS D2: SUPPORT SERVICES TO THE GOVERNOR-GENERAL AND MAINTENANCE OF THE RESIDENCES

Description

This class of outputs involves:

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

The Governor-General is the Queen's representative in New Zealand – and has important constitutional, ceremonial and community roles. She needs to receive 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 also as historic places.

Financial Performance

30.06.02		30.06.03	30.06.03	30.06.03
Actual		Actual	Main	Supp.
		Estimates		
\$000		\$000	\$000	\$000
3,203	Revenue – Crown	3,102	3,102	3,102
47	Revenue – Other	46	48	48
3,231	Expenditure	3,131	3,132	3,132
19	Surplus	17	18	18

Service Performance – Support Services to the Governor-General and Government House

Support Services to the Governor-General

Key Task Ensuring that events and functions run smoothly and are organised to a high standard agreed with the Governor-General.

Achievement There were 278 functions held at the Government Houses in Wellington and Auckland during the reporting period. This compares with 223 in the previous year (2001/02).

This year's functions included two open days and two outdoor concerts at both Government Houses which were visited by 31,000 people during the year. Many official guests were hosted at Government House, including the President of East Timor and their Imperial Highnesses the Crown Prince and Princess of Japan.

Official welcome ceremonies, state dinners, investitures, and credentials ceremonies were held at Government House in Wellington.

Key Task Ensuring that the services provided are efficient (cost effective and well organised).

Achievement Services were provided in accordance with the requirements of the Governor-General and her programme.

Key Task Ensuring that the Governor-General's programme is well balanced.

Achievement Arrangements were made and briefings provided to the Governor-General to enable her to attend 226 separate official engagements throughout New Zealand including Stewart and Chatham Islands. This compares with arrangements and briefing for 247 engagements in 2001/02.

The Governor-General visited Nauru in March to represent New Zealand at the funeral of President

Dowiyogo, and made a state visit to Turkey during which she attended ANZAC Day services at Gallipoli.

Key Task *Ensuring that the Governor-General is highly satisfied with all services and functions.*

Achievement Catering and domestic services were provided in accordance with the Governor-General's requirements.

Correspondence requirements were met and speech material provided in a timely manner.

All services, functions and ceremonial occasions were delivered to a standard required by the Governor-General.

Maintenance of Government House

Key Task *Ensuring that rolling programmes are planned and implemented for garden development, building preservation, and restoration of valuable art works.*

Achievement During the year a number of projects were completed including the exterior painting and ground-floor carpeting in Wellington, roofing repairs in Auckland and Wellington, and improvements to the sub-floor area in Auckland.

Key Task *Ensuring that the programmes implemented meet the requirements of the Governor-General.*

Achievement The annual capital and maintenance programme was presented and accepted by the Governor-General and the department in August 2002. A longer-term maintenance programme for Auckland was completed, and a proposal to make additional capital funding available from 2003/04 for improvements to the service area at Government House in Auckland was accepted by the government.

Key Task *Seeking the Governor-General's views on the quality and adequacy of buildings and grounds maintenance, as part of the quarterly programme-review process.*

Achievement The Governor-General's views were sought regularly, particularly in regard to development work and garden development projects.

OUTPUT CLASS D3: INTELLIGENCE ASSESSMENTS ON DEVELOPMENTS OVERSEAS

Description

This class of outputs involves:

- the provision of information and reports on events and trends overseas affecting New Zealand's interests
- the identification, collation, evaluation, and analysis of information on topics likely to affect New Zealand's foreign relations and external interests
- the preparation of intelligence assessments and reports on political, economic, environmental, biographic, strategic, military, and scientific subjects as required.

The use of effective planning and coordination processes in government can manage the risks of certain adverse events occurring or 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.

Financial Performance

30.06.02 Actual		30.06.03 Actual	30.06.03 Main Estimates	30.06.03 Supp. Estimates
\$000		\$000	\$000	\$000
2,408	Revenue – Crown	2,781	2,781	2,781
2,404	Expenditure	2,742	2,781	2,781
<u>4</u>	Surplus	<u>39</u>	<u>-</u>	<u>-</u>

Service Performance – External Assessments Bureau (EAB)

Key Task *Ensuring the effective provision of accurately and succinctly assessed information on overseas developments of policy relevance to New Zealand.*

Achievement The National Assessments Committee approved 74 papers. (This compares with 76 in the previous year (2001/02).)

There were 489 biographical reports prepared and delivered to primary customers in advance of the visits to which they related. The comparative figure for 2001/02 was 732.

There were 321 other assessments and reports prepared, compared with 305 in 2001/02.

Included in the 321 other assessments and reports were: 92 executive intelligence summaries prepared in consultation with the New Zealand Security Intelligence Service and the Government Communications Security Bureau; and 41 watch-group reports on people-smuggling, terrorism, Iraq, and the Solomon Islands.

Priority was given to work directly related to topics of immediate concern to policy makers, including overseas crises.

Key Task *Ensuring that the Prime Minister, other senior Ministers, and officials are satisfied with assessments and reports provided.*

Achievement Assessments received substantial positive feedback and reflected national priorities. Those done in response to specific tasks fully addressed the topics specified by those who requested them.

No EAB papers to the National Assessments Committee required more than minor revision.

Financial Statements

for the year ended 30 June 2003

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Statement of Accounting Policies

for the year ended 30 June 2003

Reporting Entity

The Department of the Prime Minister and Cabinet is a government department defined by Section 2 of the Public Finance Act 1989.

These financial statements incorporate the following classes of outputs of the Department of the Prime Minister and Cabinet.

Policy advice and secretariat and coordination services (Output D1)

Support services to the Governor-General and
maintenance of the residences (Output D2)

Intelligence assessments on developments overseas (Output D3)

The financial statements have been prepared in accordance with Section 35 of the Public Finance Act 1989. They have also been prepared in accordance with Treasury Instructions and generally accepted accounting practice.

Measurement Base

The measurement base adopted is that of historical cost.

Accounting Policies

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 Section 5 of the Public Finance Act 1989.

Goods and services tax (GST)

The Statement of Unappropriated Expenditure and Statements of Departmental and Non-Departmental Expenditure and Appropriations are inclusive of GST. All other statements are GST exclusive. The Statement of Financial Position is also exclusive of GST, except for creditors and payables and debtors and receivables which are GST inclusive.

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

Fixed assets

All fixed assets have been valued on historical cost basis. All individual assets or groups of assets are capitalised if their purchase cost is \$2,000 or greater.

Gains and losses arising from the sale or disposal of assets have been included in the Statement of Financial Performance.

Depreciation of assets

All fixed assets 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 fixed assets are as follows:

Fixtures and fittings	10%
IT equipment	33%
Office equipment	20%
Furniture	20%
Motor vehicles	25%
Kitchen equipment, e.g. domestic appliances	20%
Major plant and equipment	10%
Minor plant and equipment	20%
Ground improvements	14%

Taxation

The department is exempt from the payment of income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.

Financial instruments

The department is party to financial arrangements in the form of bank accounts, accounts receivable, accounts payable and accruals as part of its everyday operations. These are reflected in the statement of financial

position at their fair value. Revenue and expenses in relation to the financial instruments are recognised in the Statement of Financial Performance in arriving at the operating surplus.

Cost allocation

Direct costs are expenses incurred from activities in producing outputs. These costs are charged directly to the related output classes. Direct costs represent 87 per cent of total departmental appropriation for output costs. (This compares with 90 per cent in 2001/02.)

Indirect costs are expenses incurred by corporate services and by the office of the chief executive. Indirect costs are allocated to each output class in proportion to the level of appropriation in relation to the total vote. Indirect costs represent 13 per cent of total departmental appropriation for output costs. (This compares with 10 per cent in 2001/02.)

Leases

The department leases office premises and photocopiers. As all risks and ownership are retained by the lessor, these leases are classified as operating leases. Operating lease costs are expensed in the period in which they are incurred.

Employee entitlements

Provision is made in respect of the department's liability for annual, retirement and long-service leave. Annual leave entitlements have been calculated on an actual entitlement basis at current rates of pay. Long-service leave and retiring leave have been calculated on an actuarial basis, based on the present value of expected future entitlements.

Commitments

Future payments are disclosed as commitments at the point where a contractual obligation arises, to the extent that they are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

Changes in accounting policies

There have been no changes in accounting policies, including cost-allocation accounting policies. All policies have been applied on bases consistent with those used in the previous period.

Statement of Financial Performance Objectives

for the year ended 30 June 2003

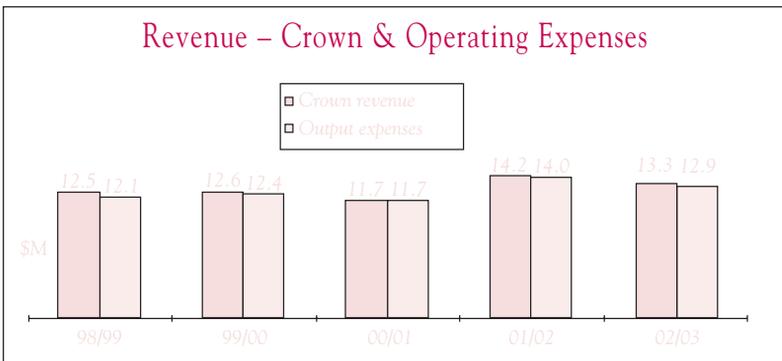
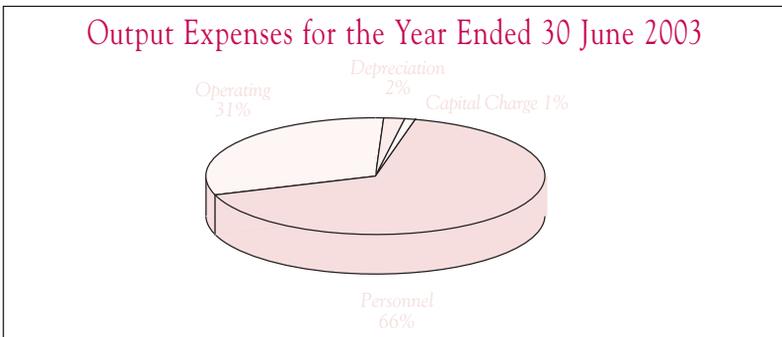
30.6.02 Actual		Unit	30.6.03 Actual	30.6.03 DFR
Operating results				
14,036	Output expenses	\$000	12,907	12,756
359	Operating surplus before capital charge	\$000	538	107
270	Net surplus (deficit)	\$000	467	18
Working capital				
249	Net current assets	\$000	392	379
108	Current ratio	%	114	118
14	Liquid ratio	%	103	100
90	Average creditors outstanding	days	62	50
Resource utilisation				
Physical assets:				
1,002	Total physical assets at year end	\$000	866	861
	Additions as % of NBV of			
33	physical assets	%	25	58
840	Taxpayers' funds	\$000	840	840
Forecast net cash flows				
229	Surplus (deficit) operating activities	\$000	1,118	783
(314)	Surplus (deficit) investing activities	\$000	(204)	(500)
(422)	Surplus (deficit) financing activities	\$000	(270)	(330)
(507)	Net increase (decrease) in cash held	\$000	644	(47)
Human resources				
19	Staff turnover	%	21 ¹	15
5	Average length of service	years	5	5
133	Total staff	number	121	123

¹Turnover excluding the Climate Change Project

Statement of Financial Performance

for the year ended 30 June 2003

30.6.02			30.6.03	30.6.03	30.6.03
Actual		Note	Actual	Main Estimates	Supp. Estimates
\$000			\$000	\$000	\$000
Revenue					
14,246	Crown	2	13,328	12,726	13,328
48	Other	3	46	48	48
12	Interest		-	-	-
<u>14,306</u>	Total revenue		<u>13,374</u>	<u>12,774</u>	<u>13,376</u>
Expenses					
8,452	Personnel	4	8,515	8,102	9,035
5,051	Operating	5	4,029	4,065	3,897
444	Depreciation	6	292	500	350
89	Capital charge	7	71	89	76
<u>14,036</u>	Total output expenses		<u>12,907</u>	<u>12,756</u>	<u>13,358</u>
<u>14,036</u>	Total expenses		<u>12,907</u>	<u>12,756</u>	<u>13,358</u>
<u>270</u>	Net surplus (deficit)		<u>467</u>	<u>18</u>	<u>18</u>

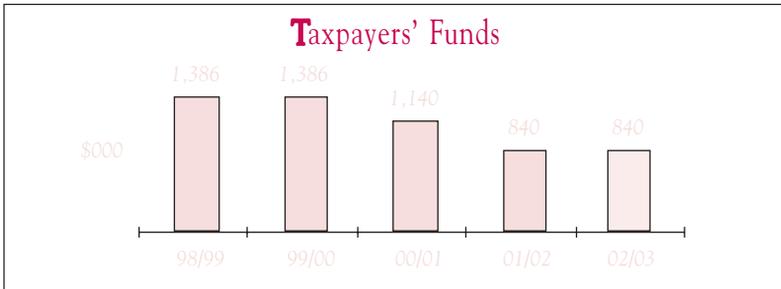


The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.

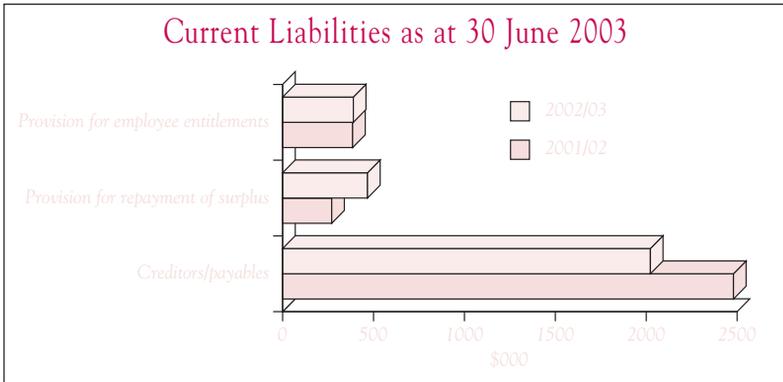
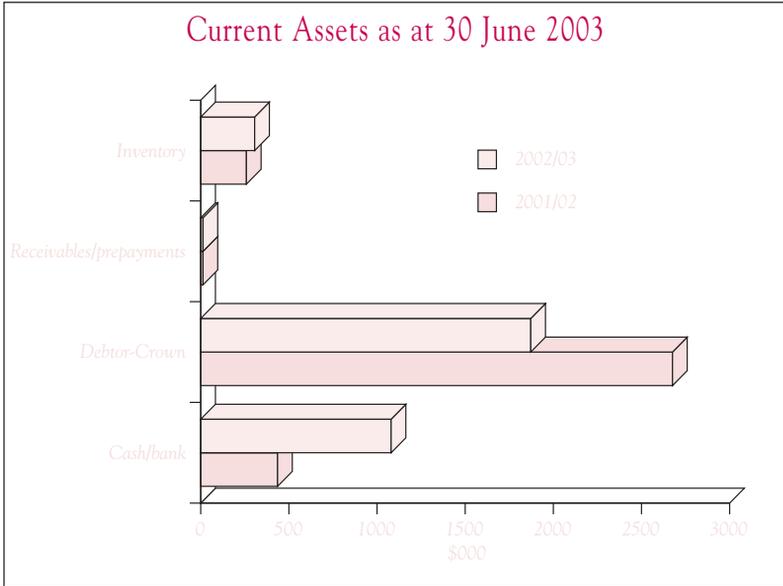
Statement of Movements in Taxpayers' Funds

for the year ended 30 June 2003

30.6.02		30.6.03	30.6.03	30.6.03
Actual		Actual	Main	Supp.
			Estimates	Estimates
\$000		Note \$000	\$000	\$000
1,140	Taxpayers' funds as at 1 July	840	840	840
	Movements during the year			
270	Net surplus	467	18	18
	Total recognised revenue and			
270	expenses for the year	467	18	18
(270)	Provision for repayments of surplus			
	to the Crown	8	(18)	(18)
(300)	Repayment of capital	-	-	-
840	Taxpayers' funds as at 30 June	840	840	840



The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.



The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.

Statement of Cash Flows

for the year ended 30 June 2003

30.06.02 Actual		30.06.03 Actual	30.06.03 Main Estimates	30.06.03 Supp. Estimates
\$000		\$000	\$000	\$000
	Cash flow – operating activities			
	<i>Cash was provided from :</i>			
12,804	Supply of outputs to Crown	14,132	13,341	14,811
13	Interest	–	–	–
47	Other	46	48	48
12,864		14,178	13,389	14,859
	<i>Cash was disbursed to:</i>			
	Producing outputs			
(8,271)	– personnel	(8,403)	(8,567)	(9,219)
(4,120)	– operating	(4,571)	(4,000)	(4,500)
(155)	– net GST paid	(15)	50	50
(89)	– capital charge	(71)	(89)	(76)
(12,635)		(13,060)	(12,606)	(13,745)
229	Net cash flows from operating activities	1,118	783	1,114
	Cash flow – investing activities			
	<i>Cash was provided from:</i>			
23	Sale of fixed assets	13	–	–
	<i>Cash was disbursed to:</i>			
(337)	Purchase of fixed assets	(217)	(500)	(454)
(314)	Net cash flows from investing activities	(204)	(500)	(454)
	Cash flow – financing activities			
	<i>Cash was disbursed to:</i>			
(122)	Repayment of net surplus to Crown	(270)	(330)	(270)
(300)	Repayment of capital	–	–	–
(422)	Net cash flows from financing activities	(270)	(330)	(270)
(507)	Net (decrease) in cash held	644	(47)	390
943	Add opening cash at 1 July	436	167	436
436	Closing cash at 30 June	1,080	120	826

The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.

Reconciliation of Net Surplus to Net Cash Flow from Operating Activities *for the year ended 30 June 2003*

30.06.02 Actual		30.06.03 Actual	30.06.03 Main Estimates	30.06.03 Supp. Estimates
\$000		\$000	\$000	\$000
270	Net operating surplus	467	18	18
	Non-cash items			
444	Depreciation	292	500	350
20	Inc (Dec) in non-current employee entitlements	7	–	–
464	Total non-cash items	<u>299</u>	<u>500</u>	<u>350</u>
	Working capital movements			
1	(Inc)Dec in debtors and receivables	(5)	–	–
(1)	(Inc)Dec in prepayments	5	–	–
(1,623)	(Inc)Dec in Crown debtors	804	615	1,483
46	(Inc)Dec in inventory	(47)	100	(41)
1,014	Inc(Dec) in creditors and payables	(409)	(450)	(696)
40	Inc(Dec) in current employee entitlements	4	–	–
(523)	Working capital movements – net	<u>352</u>	<u>265</u>	<u>746</u>
	Add(Less): investing activity items			
18	(Gain)Loss on sale of fixed assets	–	–	–
18	Total investing activity items	<u>–</u>	<u>–</u>	<u>–</u>
229	Net cash flow from operating activities	<u>1,118</u>	<u>783</u>	<u>1,114</u>

*The accompanying accounting policies and notes form part of
and are to be read in conjunction with these statements.*

Statement of Commitments

as at 30 June 2003

The department leases premises on the third and fifth floors of the Reserve Bank Building, Wellington.

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 leases include non-cancellable contracts for building services and leases for photocopiers.

30.6.02		30.6.03
Actual		Actual
\$000		\$000
	Operating commitments	
1,752	Accommodation leases	1,743
884	Other operating commitments	909
<u>2,636</u>	Total commitments	<u>2,652</u>
	Term classification for operating commitments	
847	Less than one year	856
542	One to two years	558
577	Two to five years	751
670	More than five years	487
<u>2,636</u>	Total commitments	<u>2,652</u>

Statement of Contingent Liabilities

as at 30 June 2003

The department has no contingent liabilities as at 30 June 2003.
(30 June 2002: Nil)

Statement of Unappropriated Expenditure

for the year ended 30 June 2003

The department has no unappropriated expenditure for the year ended 30 June 2003. (30 June 2002: Nil)

*The accompanying accounting policies and notes form part of
and are to be read in conjunction with these statements.*

Statement of Departmental Expenditure and Appropriations

for the year ended 30 June 2003

	30.6.03 <i>Actual</i> \$000	30.6.03 Main Estimates \$000	30.6.03 Supp. Estimates \$000
Vote : Prime Minister and Cabinet			
Appropriations for classes of outputs			
D1 – Policy Advice and Secretariat and Coordination Services	7,965	7,699	8,376
D2 – Support Services to the Governor-General and Maintenance of the Residences	3,525	3,526	3,526
D3 – Intelligence Assessments on Developments Overseas	3,090	3,129	3,129
Total	<u>14,580</u>	<u>14,354</u>	<u>15,031</u>

*The accompanying accounting policies and notes form part of
and are to be read in conjunction with these statements.*

Statement of Non-Departmental Expenditure and Appropriations

for the year ended 30 June 2003

	30.6.03 <i>Expenditure</i> <i>Actual</i> \$000	30.6.03 <i>Main</i> <i>Estimates</i> \$000	30.6.03 <i>Supp.</i> <i>Estimates</i> \$000
Appropriations for other expenses to be incurred by the Crown (Permanent Legislative Authority)			
Commissioner of Security Warrants	8	20	20
(NZSIS Amendment (No 2) Act 1999			
Government House – other payments	631 ¹	623	830
(Civil Act 1979)			
Sub-total	<u>639</u>	<u>643</u>	<u>850</u>
Appropriation for purchase or development of capital assets by the Crown			
Government House – capital investment	169	169	169
Sub-total	<u>169</u>	<u>169</u>	<u>169</u>
TOTAL	<u><u>808</u></u>	<u><u>812</u></u>	<u><u>1,019</u></u>

¹ Variance is due to lower than budgeted domestic and international travel expenses.

*The accompanying accounting policies and notes form part of
and are to be read in conjunction with these statements.*

Notes to the Financial Statements

for the year ended 30 June 2003

Note 1: Budget composition

		30/6/03	30/6/03	30/6/03
		Budget	Supp.	Final
		Forecast	Estimates	Budget
	Note	\$000	\$000	Total
				\$000
Revenue				
Crown	2	12,726	602	13,328
Other	3	48	–	48
Total revenue		<u>12,774</u>	<u>602</u>	<u>13,376</u>
Expenditure				
Personnel		8,102	933	9,035
Operating	4	4,065	(168)	3,897
Depreciation	5	500	(150)	350
Capital charge	6	89	(13)	76
Total expenses		<u>12,756</u>	<u>602</u>	<u>13,358</u>
Net surplus		<u>18</u>	<u>–</u>	<u>18</u>

Note 2: Revenue – Crown

This is revenue earned for the supply of outputs to the Crown.

Note 3: Other revenue

30.06.02		30.06.03	30.06.03	30.06.03
Actual		Actual	Main	Supp.
\$000		\$000	Estimates	Estimates
			\$000	\$000
47	Rental income	46	48	48
1	Gain on sale of fixed assets	–	–	–
<u>48</u>	Total other revenue	<u>46</u>	<u>48</u>	<u>48</u>

Notes – *continued***Note 4: Employee remuneration of more than \$100,000 per annum**

2001/02 Number of Staff	Remuneration Band	2002/03 Number of Staff
4	\$100,001-\$110,000	4
3	\$110,001-\$120,000	1
2	\$120,001-\$130,000	5
2	\$130,001-\$140,000	3
1	\$140,001-\$150,000	2
–	\$150,001-\$160,000	–
–	\$160,001-\$170,000	–
2	\$170,001 and above	2

(The Chief Executive's remuneration is excluded as it is reported by the State Services Commissioner.)

Note 5: Operating expenses

30.06.02 Actual		30.06.03 Actual	30.06.03 Main Estimates	30.06.03 Supp. Estimates
\$000		\$000	\$000	\$000
	Audit fees for audit of			
29	financial statements	32	30	30
324	Premises rental.....	423	423	423
106	Operating lease rental.....	111	102	102

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

Note 6: Depreciation

30.06.02 Actual		30.06.03 Actual	30.06.03 Main Estimates	30.06.03 Supp. Estimates
\$000		\$000	\$000	\$000
75	Fixtures & fittings	67	90	85
16	Furniture	15	10	10
27	Office equipment	23	25	25
27	Motor vehicles	32	50	50
4	Major plant & equipment	3	5	5
40	Minor plant & equipment	33	40	40
241	IT equipment	110	266	125
11	Kitchen equipment.....	8	11	10
3	Ground improvements	1	3	–
<u>444</u>	Total depreciation	<u>292</u>	<u>500</u>	<u>350</u>

Notes – continued

Note 7: 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 2003 was 8.5% (9% for 2002).

Note 8: Provision for repayment of surplus

30/6/02 Actual \$000		30/6/03 Actual \$000
270	Current year net surplus (deficit)	467
–	Add: other expenses (not for production of outputs)	–
<u>270</u>	Total provision for repayment of surplus	<u>467</u>

Note 9: Debtors and receivables

30/6/02 Actual \$000		30/6/03 Actual \$000
2,676	Debtor – Crown	1,872
–	Sundry receivable	5
13	Prepayment	8
<u>2,689</u>	Total debtors and prepayment	<u>1,885</u>

Note 10: Fixed assets

30/6/02 Actual \$000		30/6/03 Actual \$000
	Fixtures & fittings	
700	At cost	729
193	Accumulated depreciation	260
<u>507</u>	Fixtures & fittings – net book value	<u>469</u>
	Furniture	
219	At cost	219
159	Accumulated depreciation	174
<u>60</u>	Furniture – net book value	<u>45</u>
	Office equipment	
368	At cost	378
310	Accumulated depreciation	334
<u>58</u>	Office equipment – net book value	<u>44</u>

Notes – continued

30/6/02 Actual \$000		30/6/03 Actual \$000
	Motor vehicles	
189	At cost	189
87	Accumulated depreciation	119
102	Motor vehicles – net book value	70
	Major plant & equipment	
122	At cost	122
115	Accumulated depreciation	118
7	Major plant & equipment – net book value	4
	Minor plant & equipment	
325	At cost	332
261	Accumulated depreciation	293
64	Minor plant & equipment – net book value	39
	IT equipment	
2,132	At cost	2,161
1,953	Accumulated depreciation	1,982
179	IT equipment – net book value	179
	Kitchen equipment	
97	At cost	97
73	Accumulated depreciation	81
24	Kitchen equipment – net book value	16
	Ground improvements	
20	At cost	20
19	Accumulated depreciation	20
1	Ground improvements – net book value	–
	Total fixed assets	
4,172	At cost	4,247
3,170	Accumulated depreciation	3,381
1,002	Total fixed assets – net book value	866

Note 11: Creditors and payables

30/6/02 Actual \$000		30/6/03 Actual \$000
745	Trade creditors	771
54	Fixed assets creditors	6
1,681	Accrued liabilities and provisions	1,246
2,480	Total creditors and payables	2,023

Notes – *continued***Note 12: Employee entitlements**

30/6/02 Actual \$000		30/6/03 Actual \$000
	Non-current liabilities	
335	Retirement leave	355
76	Long-service leave	63
<u>411</u>		<u>418</u>
	Current liabilities	
362	Annual leave	356
23	Long-service leave	33
<u>385</u>	Total current portion	<u>389</u>
<u>796</u>	Total employee entitlements	<u>807</u>

Note 13: Financial instruments

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

These include instruments such as bank balance, investments, sundry receivables and trade creditors.

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, and from 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 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.

Fair value

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the statement of financial position. The department is not involved in any off-balance-sheet transactions.

Currency risk and interest rate risk

Currency risk is the risk that debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rate.

Interest rate risk is the risk that the department's return on the funds it has invested will fluctuate because of changes in market interest rate.

Notes – *continued*

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

All interest earned on short-term deposits with the NZDMO are returned to the Crown as part of the surplus repayable to the Crown.

Note 14: Related party information

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.

Note 15: Major budget variations

Statement of Financial Performance

The increase in personnel and operating costs, and in Crown revenue, results from the increase in output class D1.

D1 – Policy Advice and Secretariat and Coordination Services

The appropriation for this output class was increased by \$0.597 million for the Climate Change Project.

(Financial Statements prepared by J.C. Chiew BCA CA.)

Financial Statements and Schedules for Non-Departmental Activities

for the year ended 30 June 2003

The following non-departmental statements and schedules record the expenses, revenue and receipts, assets and liabilities that the department manages on behalf of the Crown.

These non-departmental balances are consolidated into the Crown financial statements and therefore readers of these statements and schedules should also refer to the Crown financial statements for 2002/03.

Statement of Accounting Policies

Measurement and recognition rules applied in the preparation of these non-departmental financial statements and schedules are consistent with generally accepted accounting practice and Crown accounting policies.

Schedule of Expenses

for the year ended 30 June 2003

The Schedule of Expenses summarises non-departmental expenses that the department administers on behalf of the Crown.

30.6.02 Actual \$000		30.6.03 Actual \$000	30.6.03 Budgeted \$000
Vote: Prime Minister and Cabinet			
790	Other expenses to be incurred by the Crown	639	850
303	Depreciation	363	350
–	(Gain)/loss on sales of fixed assets	(50)	(48)
<u>1,093</u>	Total non-departmental expenses	<u>952</u>	<u>1,152</u>

The accompanying Statement of Accounting Policies forms part of and is to be read in conjunction with these statements.

Statement of Expenditure and Appropriations

for the year ended 30 June 2003

The Statement of Expenditure and Appropriations details expenditure and capital payments incurred against appropriations. The department administers these appropriations on behalf of the Crown.

30.6.02 Actual \$000		30.6.03 Actual Expenditure \$000	30.6.03 Supp. Estimates \$000
	Vote: Prime Minister and Cabinet other expenses to be incurred by the Crown:		
15	Fees for the Commissioner of Security Warrants (NZSIS Amendment (No 2) Act 1999)	8	20
775	Government House – other payments (Civil Act 1979)	631	830
790	Total appropriations for other expenses incurred by the Crown	639	850
	Purchase or development of capital assets by the Crown		
168	Government House	169	169
168	Total appropriations for purchase or development of Crown assets	169	169

The accompanying Statement of Accounting Policies forms part of and is to be read in conjunction with these statements.

Organisational Information

for the year ended 30 June 2003

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Staff Information

Staff numbers as at 30 June 2003 were:

	2003 (FTE)	2002	2001
Office of the Chief Executive	2 (2)	2	2
Policy Advisory Group	16 (16)	15	14
DESS	7 (7)	6	5
External Assessments Bureau	27 (27)	25	27
Cabinet Office	24 (22.6)	24	21
Corporate and Support	15 (14.2)	13	11
Government House	30 (30)	29	32
Climate Change Project ⁵	0	19	0
TOTAL	121¹ (118.8)²	133³	112⁴

1 Total includes 6 part-time staff and 13 seconded from other departments and organisations. Casual staff are not included.

2 Figures in parenthesis represent full-time equivalent (FTE) employees.

3 Total includes 6 part-time and 32 seconded staff.

4 Total includes 6 part-time and 15 seconded staff.

5 The Climate Change Project was transferred to the Ministry for the Environment on 31 January 2003.

Management Personnel

M Prebble	Chief Executive
I B Anderson	Corporate Services Manager

Policy Advisory Group

M A Thompson	Director
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Cabinet Office

J M Shroff, CVO	Secretary of the Cabinet and Clerk of the Executive Council
D E Morcom (formerly Wilderspin)	Deputy Secretary of the Cabinet
M A Bell	Assistant Secretary of the Cabinet

Domestic and External Security Secretariat

D W Hill, CNZM	Director
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External Assessments Bureau

D J R Kersey	Director
H J Baas	Assessments Manager
G D Singleton (until 18 October 2002)	Assessments Manager
G Baughan (from 29 October 2002)	Assessments Manager
G Roberts (from 29 October 2002)	Assessments Manager

Government House

N H S Judd, CVO	Official Secretary
D W Smith	Manager, Support Services

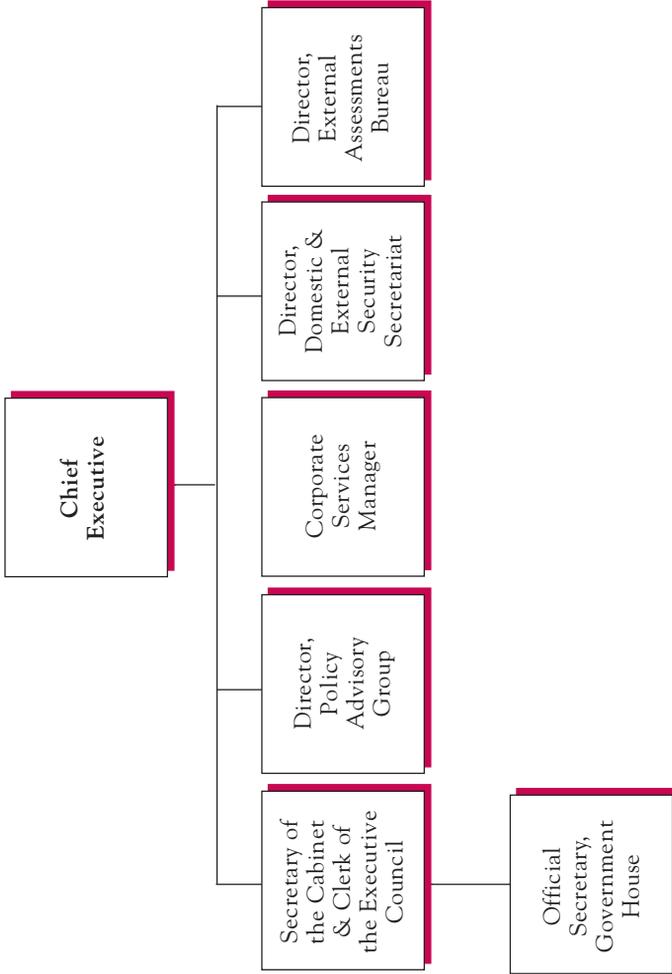
Climate Change Project

(transferred to the Ministry for the Environment on 31 January 2003)

B J Roche	Director (part time)
M W Harvey	Assistant Director

Management Structure

as at 30 June 2003



Officials' Committees and Working Groups

DPMC chaired, coordinated, attended, or serviced the following officials' committees and working groups over the year.

The Chief Executive was:

Chair of Chief Executives' Coordination Meetings

Chair of Officials' Committee on Domestic and External Security Coordination*

Chair of Officials' Committee servicing the Cabinet Policy Committee.

Chair of Officials' Terrorist Emergency Group

Member of Civil Defence Emergency Steering Committee

Member of Chief Executives' Forum

Member of Terrorist Emergency Group

Member of various chief executive groups on a range of policy issues.

**The Chief Executive chaired this committee in his capacity as Coordinator, Domestic and External Security.*

The Secretary of the Cabinet was:

Member of Officials' Committee servicing the Cabinet Policy Committee.

The Director of the Policy Advisory Group was:

Member of Officials' Committee servicing the Cabinet Policy Committee

Chair of Officials' Coordinating Group on Sustainable Development

Chair of Officials' Coordinating Group on Immigration

Chair of Officials' Coordinating Group on Treaty Issues

Chair of Officials' Group on the Maori Trust Office.

The Policy Advisory Group acted as:

Chair of Social Development Committee.
Member of Social Development Committee
Member of Waitangi Day Commemorations Committee
Member of Steering Group on Social Assistance Reform
Member of Broadband Project Steering Group
Member of Committee on Expenditure Control and Government Administration
Member of Committee on Energy Policy
Member of Local Government Review Steering Group
Member of Officials' Group on Roding
Member of Welfare and Employment Reform Steering Group
Member of Senior Officials Group in Employment
Member of Senior Officials Group on Housing
Member of Social Policy Senior Policy Group
Member of Oceans Committee
Member of Crown Entity Steering Committee
Member of Shared Electronic Workspace Steering Group
Member of Government Liaison Committee on the Human Rights Commission National Plan of Action.

The Domestic and External Security Secretariat acted as:

Chair of Interdepartmental Committee on Security
Chair of Foreign Intelligence Requirements Committee
Chair of Working Committee on Terrorism
Chair of Interdepartmental Watch Groups
Chair of Nuclear Shipment Vessel Committee
Chair of Satellite Re-Entry Committee
Secretary of Officials' Committee on Domestic and External Security Coordination

Member of National Assessments Committee

Member of Officials' Hydrographic Information Advisory Group (and sub-committees)

Member of Departmental Committee on Computer Security (DCCS)

Member of Interdepartmental Committee on Diplomatic Missions Security

Member of Hazards Advisory Committee.

The External Assessments Bureau acted as:

Chair of National Assessments Committee

Member of Officials' Committee on Domestic and External Security Coordination

Member of Working Committee on Terrorism

Member of Foreign Intelligence Requirements Committee

Member of Interdepartmental Watch Groups.

The department also provided liaison officers for the following Cabinet committees:

Cabinet Policy Committee

Cabinet Committee on Government Expenditure and Administration

Cabinet Social Development Committee

Cabinet External Relations and Defence Committee

Cabinet Committee on Domestic and External Security Coordination.

Cabinet Economic Development Committee.

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 Clerk of the Executive Council are:

- to administer the Letters Patent Constituting the Office of the Governor-General of New Zealand 1983
- to be the Registrar of Ministers' Interests
- 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 (1975 and 1981), 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 certificate and seal documents of the New Zealand Government Property Corporation in terms of Section 10 of the New Zealand Government Property Corporation Act 1953
- to administer the Seal of New Zealand Act 1977, (from July 2002)
- to administer the Royal Titles Act 1978 (from 1 July 2002).

Departmental Capability

DPMC is acutely aware of the need to maintain a very high level of preparedness for meeting and managing future risk. The two dimensions of this risk are capability risk and performance risk. The two are closely intertwined, as capability risk spills over into performance risk if changes in capability are not monitored closely.

For DPMC, capability involves organising its overall resources so that the department can meet its intended outcomes efficiently and effectively. DPMC has a good-agency reputation as an honest and effective broker, capable of inspiring the voluntary co-operation of other agencies and stakeholders in implementing government policies, and tries hard to maintain this.

Staff members who are capable of performing to the highest standards are essential for achieving DPMC's outcomes and maintaining the required quality of its work. The skills required include high-level conceptual, analytical and communication skills; considerable commitment to the goals of the department; and good judgement and the ability to work effectively with others.

There is a commitment at DPMC to providing all possible opportunities for individuals to obtain job satisfaction and appropriate development within a working environment that supports and values excellent performance, demands personal integrity, adheres to the values of the public service, and tries to maintain an appropriate balance between work and life. A number of these initiatives are reported on below.

In order to be effective, DPMC needs effective infrastructure – including information-technology resources and the department's various corporate, administrative and information-support services. These, together with personal processes of interaction, support the work of staff members and promote high levels of information and knowledge-sharing.

Equal Employment Opportunities (EEO)

DPMC continued to pursue its EEO objectives, in its 2001/2003 EEO plan. Human resources policies and practices were reviewed, to ensure compliance with the amended requirements of the Human Rights Act.

Employment-related initiatives were included in DPMC's work plan for the implementation of the New Zealand Disability Strategy; anti-harassment policy and procedures were reviewed and training implemented for all staff; and the consultation process for the department's work-life balance programme was commenced.

Employee Relations

All staff are employed on individual employment agreements. The most recent collective employment contract expired on 30 June 2000, and no requests have been received from staff to renew it. No formal Partnership for Quality agreement is in place; rather, a series of regular meetings are held with the PSA.

Commitment to Childcare

Children of DPMC employees were eligible for places at the playHouse child care centre in the Parliamentary complex.

Superannuation and Retirement

DPMC continued to subsidise contributions to the Global Individual Retirement Plan (IRP) and the Government Superannuation Fund. Administrative costs and an employer subsidy (on a dollar-for-dollar basis) were met for employees who contributed to the IRP. At 30 June 2003, 61 per cent of employees received employer contributions to superannuation.

Seminars on financial planning and retirement preparation were offered to staff.

Occupational Health and Safety (OSH)

DPMC maintained its OSH programme – ergonomic furniture and equipment for staff who use computers, occupational safety advice, and eye-testing for those exposed to computer screens for prolonged periods and an annual workplace hazard audit. New staff, and those moving to new offices, received an ergonomic assessment as well as training in the correct use of desktop computers.

Health and safety committees operated across the department's three locations. DPMC also has a representative on the health and safety committee for the wider Parliamentary complex.

Staff were encouraged to maintain a good level of physical fitness, and the department offered a subsidy for approved fitness-related programmes.

DPMC operated an employee assistance programme and continued to administer a group health insurance scheme for staff, through Southern Cross Healthcare.

Information Management

This year saw a review of the IT Directions Strategy. Representatives from each business unit were involved in a day-long workshop which led to the development of a department-wide information strategy. Principles were developed and agreed concerning departmental information tools, storage, sharing, and culture. Issues were identified where it was felt that DPMC could be better aligned with these principles; and a schedule of immediate, medium- and long-term initiatives was developed to deal with this.

The purpose of the information strategy was to provide a framework for the management and development of DPMC's information-management systems. One of its aims is to maintain a flexible yet robust infrastructure that allows the department to perform its functions effectively while improving the systems' manageability. The information strategy will be reviewed annually and will be considered a guideline towards developing and maintaining excellent information- and knowledge-management practices within the department.

An electronic information administrator was appointed during the year to manage DPMC's web and intranet sites, and also to liaise with the Parliamentary Library and the e-government unit on any electronic information initiatives. The department trialed an external help desk and the full-time services of an outsourced network engineer for four months. Although the help desk service was cancelled, the full-time outsourced IT support will be continued for a further 12 months.

Renovations to the Beehive introduced interruptions to planned work and general operations, with three business-unit moves taking place during the year. All three were completed efficiently with minimal down time. The final move, which puts the Cabinet Office back in place on the 10th floor occurred in September 2003.

Various other initiatives were completed during the year, including:

- redevelopment of the department's web site and the Governor-General's web site
- development of a structure and framework for the department's intranet, which will be populated with content and will go live next year

- installation of earthquake protection and essential power installed in the server room, so that it is better prepared for emergencies
- upgrading of the firewall hardware and software, the email and document-management systems, laptops, and the financial system.

Appendix I: Business Statistics for Executive Council, Cabinet and Cabinet Committees

for the year ended 30 June 2003

<i>Committee</i>	<i>No. of meetings</i>	<i>No. of agenda items</i>	<i>Average no. of items per meeting</i>
Executive Council	34	215	6.3
Cabinet	37	518	14.0
Cabinet Policy Committee	23	258	11.2
Cabinet Economic Development Committee	22	209	9.5
Cabinet Social Development Committee	22	160	7.3
Cabinet External Relations and Defence Committee	8	45	5.6
Cabinet Legislation Committee	23	175	7.6
Cabinet Appointments and Honours Committee	12	168	14.0
Cabinet Committee on Government Expenditure and Administration	12	94	7.8
Cabinet Committee on Domestic and External Security Coordination	3	7	2.3
Cabinet Business Committee	12	156	13.0
Subtotal of Cabinet committee meetings	137	1272	9.3
Total including Cabinet	174	1790	10.3

Appendix II: Summary of New Zealand and Other Honours Granted by The Queen

for the year ended 30 June 2003

The Order of New Zealand

Ordinary Member	1
Honorary Member	1

The New Zealand Order of Merit

Principal Companion (PCNZM)	0
Distinguished Companion (DCNZM)	8
Companion (CNZM)	27
Officer (ONZM)	54
Honorary Officer (ONZM)	3
Member (MNZM)	110
Honorary Member (MNZM)	2

The Queen's Service Order

Companion for Community Service (QSO)	13
Companion for Public Services (QSO)	18

The Queen's Service Medal

for Community Service (QSM)	60
for Public Services (QSM)	73
for Public Services (QSM) (Honorary)	2

TOTAL	372
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Other Honours and Appointments

Grant of the title "The Honourable" for life	8
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GRAND TOTAL	380
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All honours and appointments were promulgated in the *New Zealand Gazette*.