



DEPARTMENT *of the*  
PRIME MINISTER *and* CABINET

*Te Tari o Te Pirimia me Te Komiti Matua*

# Annual Report

for the year ended 30 June 2014

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## Chief Executive's Overview

Once again, the Department of the Prime Minister and Cabinet (DPMC) has had an eventful year with many successful initiatives as it works to support the Governor-General, the Prime Minister and Cabinet. The Department has undergone considerable change in the past year with a restructure of the intelligence and security business units and the inclusion of the Ministry of Civil Defence and Emergency Management (MCDEM) into the organisation. These changes strengthen our purpose of *advancing a confident, well-governed and secure New Zealand*.

As a Department we have worked across the State sector to achieve progress on the Government's policy priorities, particularly the Better Public Services (BPS) programme and targets. DPMC has continued to fill a coordinating and trouble-shooting role to help the State sector act more cooperatively, and to encourage sectors to work more closely together, in order to achieve progress toward the BPS results. Several policy areas have been a particular focus for our advice over the past year, including Canterbury issues, education and housing, supporting the Ministerial Committee on Poverty and coordinating multi-agency reporting on the Prime Minister's Methamphetamine Action Plan and oversight of the Prime Minister's Youth Mental Health project. We also now have an advisor based in Auckland to ensure we better understand issues relating to New Zealand's largest city. An exciting development over the past year has been the start of a project aimed at lifting the quality of policy advice across the State sector which will develop over the coming year.

DPMC has become a larger organisation, with the transfer of MCDEM from the Department of Internal Affairs (DIA) to become a unit within DPMC. With this transfer, DPMC has taken on a new responsibility for emergency management, which strengthens our ability to improve the resilience of New Zealand's communities and complements DPMC's leadership of the national security system, noting that we take an "all hazards" approach to national security encompassing natural and man-made threats. I would like to thank the staff in DPMC, DIA, the Central Agencies Shared Services (CASS), and of course the MCDEM staff themselves for their effort and good-will which has made the transfer a success. We're delighted to have you as part of the DPMC team.

I particularly want to acknowledge the leadership of John Hamilton, Director of MCDEM, for both his stewardship and leadership of MCDEM while they were part of DIA and his constructive leadership of the change process.

One of the Department's main priorities over the past year has been to strengthen New Zealand's national security architecture, to ensure New Zealand is better prepared and equipped for emergencies and natural disasters. Through the Officials' Committee on Domestic and External Security Coordination (known as "ODESC") DPMC leads New Zealand's national security sector. We have worked to refresh the ODESC system to be more coordinated, forward-leaning and effective, and to ensure our thinking about New Zealand's security is subject to enough challenge and review to ensure it is as robust as possible. As part of this process, at the beginning of 2014 I was delighted to welcome Howard Broad into the Department in the newly created position of Deputy Chief Executive Security and Intelligence. Howard has moved quickly to improve the structure of DPMC's security and intelligence function, which is already having a positive effect on DPMC's ability to coordinate and lead the national security sector.

DPMC has supported the strengthened oversight and compliance structure for the New Zealand intelligence community provided for in the Government Communications Security Bureau (GCSB) and related legislation passed in 2013. Among other things, that legislation provided for an expanded office of the Inspector-General of Intelligence and Security. DPMC provided support to the establishment of that Office, and we look forward to supporting and working with the Inspector-General to build a trusted intelligence community.

We have continued to lead an initiative to improve New Zealanders' ability to enjoy a secure cyber space in which they can prosper and play. In June DPMC's National Cyber Policy Office led Connect Smart, a cyber security awareness campaign which aims to boost awareness among the public and businesses about cyber risks, and provides tips to reduce your vulnerability online. A key feature of this year's Connect Smart campaign was the recruitment of nearly 70 sponsors and partners to help drive the Connect Smart message among businesses and the education sector. Surveys conducted before and after the campaign show Kiwis are increasingly aware of the importance of cyber security and want to learn more about how to better protect themselves online.

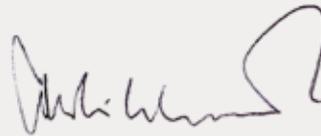
DPMC occupies a unique position at the centre of New Zealand's constitutional system, and we have worked to maintain and strengthen New Zealand's constitutional arrangements and enhance New Zealand's sense of nationhood. One of the highlights of the past year was without doubt the visit of the Duke and Duchess of Cambridge, and of course Prince George. The Governor-General Sir Jerry Mateparae and Lady Janine Mateparae hosted three very successful functions at Government House Wellington for the Duke and Duchess, including the famous Plunket Play Group function for Prince George. The success of the visit was a credit to the hard work and professionalism of a wide range of people and departments. I particularly want to acknowledge the efforts of DPMC staff at Government House and within the Cabinet Office. His Excellency also conducted a range of domestic and international travel within the past year, including representing New Zealand at the 70th anniversary commemorations of the battles of Cassino and D-Day.

In another positive development, Cabinet has agreed to proceed with the CabNet project in accordance with an updated business case. CabNet will create an electronic system to support Cabinet processes and will enable Cabinet and Cabinet committee material to be accessed by authorised users more quickly and securely than the current paper-based system.

Since 2012 the creation of CASS, the transfer of MCDEM from DIA and a boost in funding in Budget 2013 have helped to increase DPMC's effectiveness, administrative infrastructure

and systems. In 2012 the Performance Improvement Framework (PIF) review – an external diagnostic review of government departments – identified that DPMC operates effectively and is highly regarded by its stakeholders. But it identified issues with DPMC's ability to sustain its standard of service over the medium term. Although some work remains, we have made significant progress in addressing these issues and improving DPMC's capabilities, and I look forward to the PIF follow-up review later this year.

Finally, I would like to thank all the staff of DPMC for their hard work and commitment over the past year. DPMC's reputation relies upon the high calibre of its staff, and their ability to work across departments and with a wide range of stakeholders with professionalism and integrity. I am proud of the many ways in which DPMC staff work more collaboratively across business units in the service of New Zealanders.



**Andrew Kibblewhite**  
Chief Executive

## Strategic and Operational Performance

### What we sought to achieve: Supporting the Government's goals

DPMC exists to support New Zealand's Governor-General and Head of State in the conduct of their responsibilities, and the effective conduct of executive government by the Prime Minister and members of the Cabinet.

DPMC plays a role in coordinating and leading the work of government departments and agencies, and other entities as appropriate, to ensure that decision-making takes account of all relevant viewpoints and that advice is as coherent and complete as possible. This ensures that executive decision-making is supported by high-quality advice that is:

- timely,
- responsive to the directions set by the Government,
- forward-looking,
- cognisant of changing circumstances and emerging issues, and
- gives assurance that policies are being delivered in an effective and coordinated manner.

Critical to success is for DPMC to draw on close relationships with other departments and agencies, Crown entities, local government, business, iwi and the wider community.

Underpinning our leadership and coordination role are our values and what we stand for. DPMC aimed at all times to lead and act with integrity, galvanise action, broker solutions and integrate advice and insights to provide decision advantage to policy-makers. All the while, DPMC has continued to provide free and frank advice, and effective support, systems and processes in its support of the Government of the day.

DPMC contributed to the Government's priorities by providing continuity in constitutional and administrative services that support New Zealand's parliamentary democracy. It plays a role as both the "constitutional and institutional glue" that

holds the system together and the "oil" that allows the free flow of information, advice and policy for government decision-making.

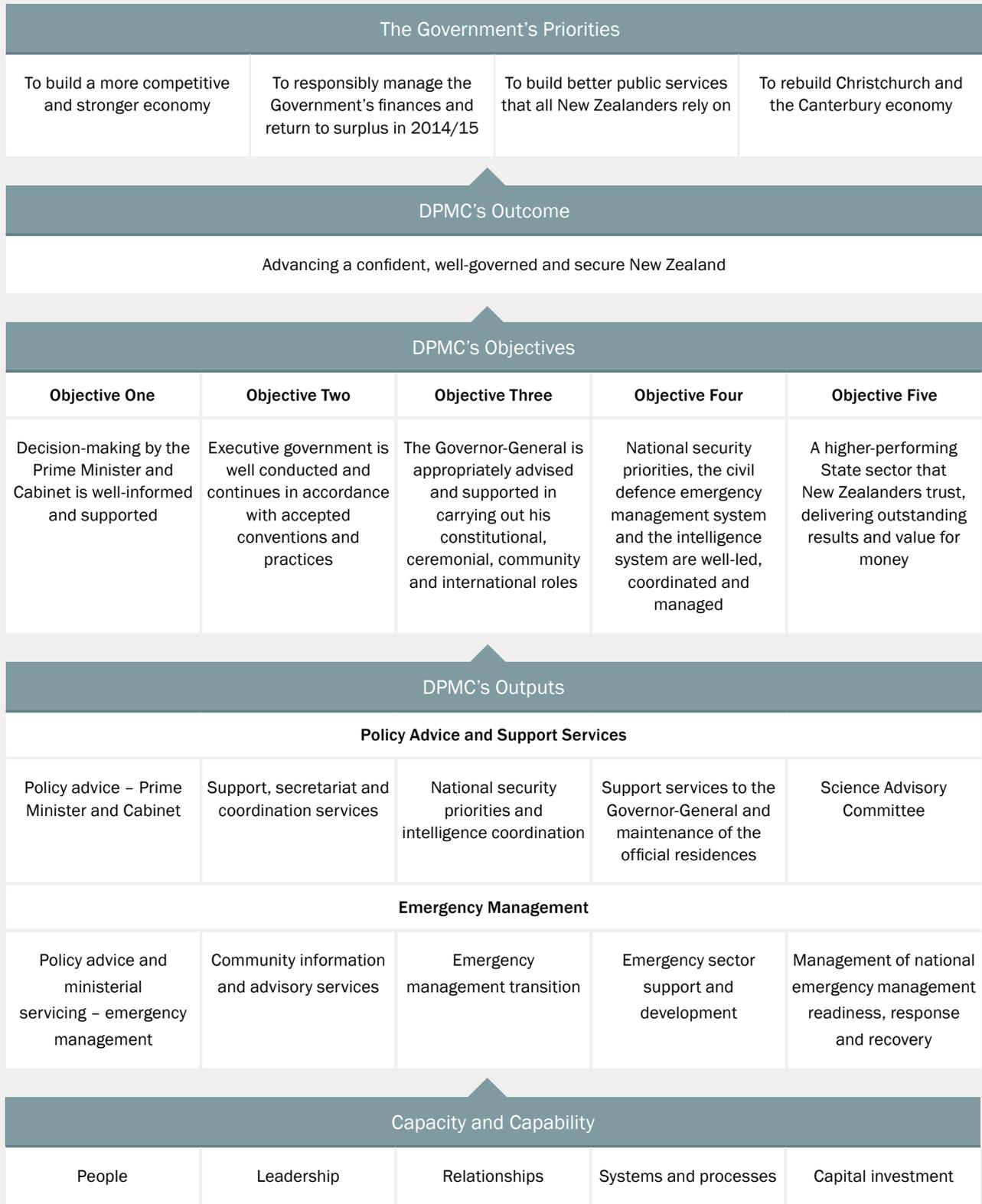
### How we went about achieving it: Strategic direction, objectives and impacts

DPMC's strategic focus is "advancing a confident, well-governed and secure New Zealand". DPMC plays a unique role within the public sector, and its business units operate across a wide variety of areas. This can be seen in the Department's five objectives. Each objective aims to have an impact that, taken together, will maintain and improve the functions of government and the public service, helping to achieve the Department's purpose and the Government's priorities. Underlying these outputs and objectives are 10 strategic priorities, which help to focus DPMC's efforts on what really matters, and helps the Department to go beyond "business as usual".

### Measuring DPMC's impact

This *Annual Report* contains two methods by which DPMC measures its achievement. DPMC assesses the progress and achievements it has made during the year, particularly in light of what it set out to do in the *Statement of Intent 2013-16*. DPMC also made extensive use of stakeholder surveys to measure its performance. These surveys went to the Prime Minister, Ministers and senior officials, including chief executives, and asked them to indicate their satisfaction with the services they received from DPMC. The results of both of these methods of performance measurement are summarised for each objective, under the headings "What we have achieved" and "The impact we made". In the Information Supporting the Estimates for 2013-14, DPMC established a series of specific measures by which we would measure our performance. We report on those measures in the *Statement of Service Performance*.

STRATEGIC FRAMEWORK



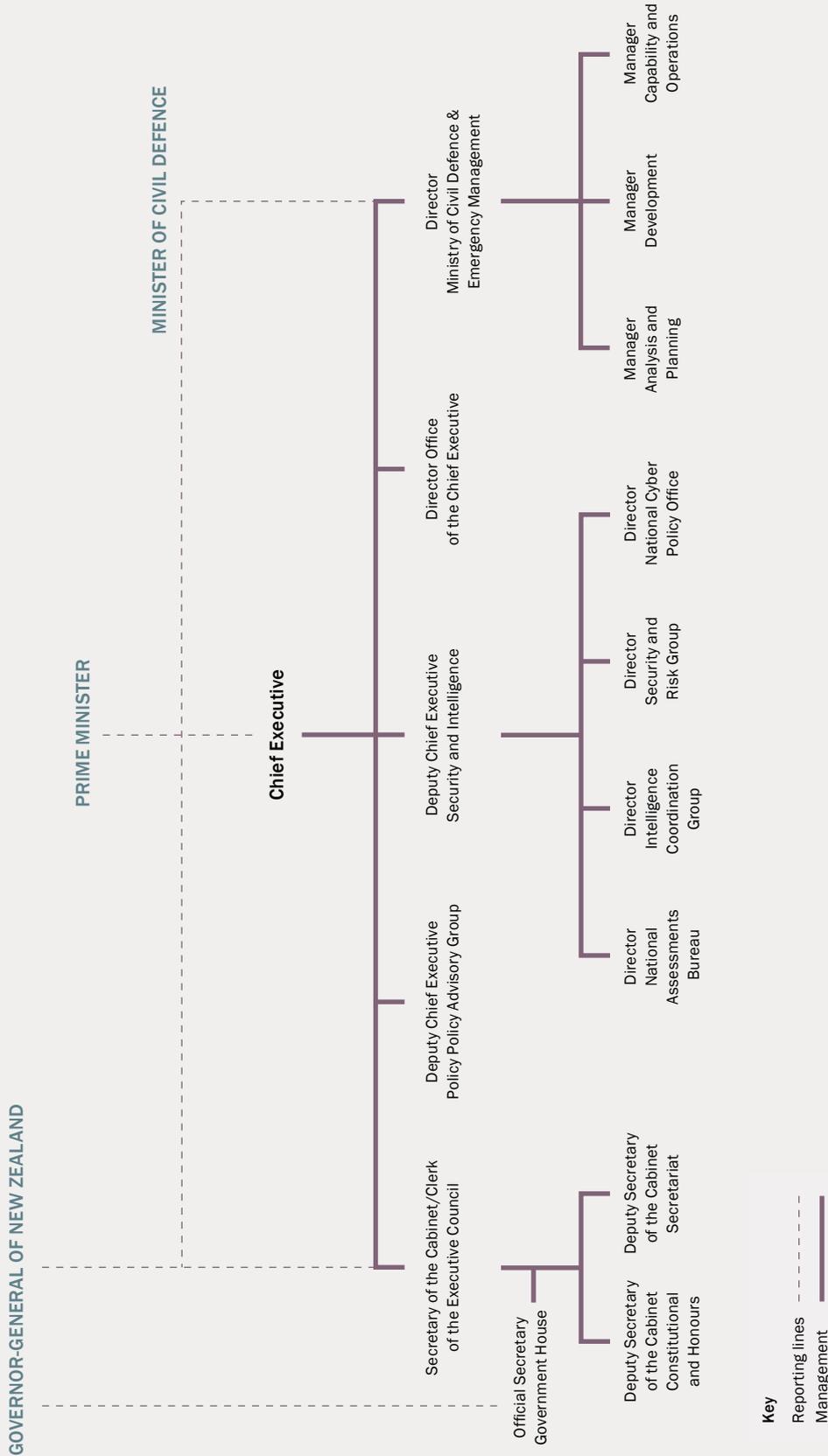
## STRATEGIC OBJECTIVES, IMPACTS AND PRIORITIES

OBJECTIVE 1: Decision-making by the Prime Minister and Cabinet is well-informed and supported	
Impact to be achieved	The Prime Minister and Cabinet are confident that the advice, assessments and processes supporting their decision-making are world class.
OBJECTIVE 2: Executive government is well-conducted and continues in accordance with accepted conventions and practices	
Impact to be achieved	Confidence in the integrity and effectiveness of New Zealand's system of government is maintained.
OBJECTIVE 3: The Governor-General is appropriately advised and supported in carrying out his constitutional, ceremonial, community and international roles	
Impact to be achieved	The office of the Governor-General is strengthened as a symbol of national unity and leadership.
OBJECTIVE 4: National security priorities, the civil defence emergency management system and the intelligence system are well-led, coordinated and managed	
Impact to be achieved	New Zealand has world-class processes in place to identify and deal with national security events and emergencies and to build national resilience.
Impact to be achieved	The New Zealand Intelligence Community is viewed as trusted, integrated, customer-oriented and crucial to building national resilience.
OBJECTIVE 5: A higher-performing State sector that New Zealanders trust, delivering outstanding results and value for money	
Impact to be achieved	The Central Agencies provide collective leadership to achieve outstanding results for New Zealanders.

## Strategic Priorities for 2013/14

Ensure that the system understands, and is delivering on, the Prime Minister's policy priorities	Ensure that New Zealand will have in place world-class national security strategies, capabilities and mitigation	New Zealanders will enjoy a secure cyber space in which they can prosper and play with confidence	Develop the people strategy, policies and practices for hiring, retaining and enabling people to achieve their best	The Cabinet system is resilient, secure and meets the needs of Ministers and the public servants who support them
Support Ministers so that they are well-equipped to carry out their roles and functions	Lift the policy game across the system	Lead an integrated, customer-oriented and trusted intelligence community	Enhance New Zealand's sense of nationhood	Contribute to the generation of resilient communities

ORGANISATIONAL STRUCTURE FOR 2013/14<sup>1</sup>



1 DPMC altered the structure of some of its security-related business units during late 2013/14, effective from 1 July 2014. In this document we refer to the activities of the groups that made up the structure in existence in 2013/14. For an overview of DPMC's structure from 1 July 2014, refer to DPMC's *Statement of Intent 2014-17*, available at [www.dpmc.govt.nz](http://www.dpmc.govt.nz).

## PROGRESS TOWARDS OBJECTIVES AND IMPACTS

The Department has six impacts spread across five objectives, which are explained in our 2014 *Statement of Intent*. The following objectives are laid out differently to those in the 2013 *Statement of Intent*, due to the transfer of MCDEM to DPMC in April 2014. The following section outlines how DPMC has contributed to achieving these impacts and objectives over the 2013–14 year.

### OBJECTIVE ONE

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

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#### *IMPACT: WHAT SUCCESS WILL LOOK LIKE*

The Prime Minister and Cabinet are confident that the advice, assessments and processes supporting their decision-making are world-class.

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#### Why is this important?

The Prime Minister and the Cabinet are the centre of executive government in New Zealand. By chairing Cabinet, the Prime Minister leads and coordinates government and oversees its general policy direction. Ministers work together as the Cabinet and in Cabinet committees to discuss issues, make decisions and exercise a critical national leadership function.

#### What we have achieved

Through the Policy Advisory Group (PAG), DPMC advised the Prime Minister as necessary on all Cabinet and Cabinet committee papers and known oral submissions to support his consideration of proposals in Cabinet or Cabinet committee meetings. It also participated in all officials' groups that support the chair of each Cabinet committee, to review policy submissions in advance of their consideration by each Cabinet committee.

In addition, DPMC provided timely advice on issues of interest to the Prime Minister, either in response to requests from the Prime Minister or on its own initiative. The establishment of a PAG advisor located in Auckland meant DPMC has been able to provide more coverage of issues in this part of the country.

Further advice to the Prime Minister and other members of the Cabinet was provided in support of significant whole-of-government issues, including continued advice on Canterbury

earthquake recovery, including insurance issues, support for the Ministerial Committee on Poverty, the Government's Better Public Services results, Crown/Māori matters, water reform, significant natural resources issues, state asset sales and investing in educational success policy initiative. In addition, PAG continues to support the Canterbury rebuild through having a staff member seconded in a leadership position within the Canterbury Earthquake Recovery Authority (CERA).

During the year, DPMC commenced the "Policy Project" to lift the quality of policy advice across the public service. The project has examined the current state of our policy system, and has started to work with senior policy leaders from across government to develop and implement a programme of initiatives related to improving quality of policy advice.

DPMC continued to coordinate the multi-agency reporting on progress on the Prime Minister's "Tackling Methamphetamine" Action Plan. The Prime Minister's Youth Mental Health Project continued to be progressively implemented and monitored. Leadership of this project now sits with the Ministry of Health but PAG remains closely involved through membership on oversight groups.

The Cabinet Office continued to provide consistent and high-quality secretariat services to Cabinet and Cabinet committees, thereby ensuring that New Zealand's government decision-making process was efficient. The Prime Minister, the chairs of Cabinet committees, and Ministers' offices were consulted as required on the compilation of agendas and the acceptance of submissions for meetings.

The Leader of the House was provided with advice and support on the preparation and management of the Government's legislation programme for the 2013 and 2014 calendar years. Primary support was provided on the annual Subordinate Legislation (Confirmation and Validation) Bill, which was introduced and progressed within the required timeframes.

#### **Cabinet and Cabinet committees – key figures**

- **44** Cabinet and **184** Cabinet committee meetings
- **2,060** summary cover sheets to Cabinet and Cabinet committee papers
- **2,316** Cabinet and Cabinet committee minutes
- **6** Cabinet office circulars
- **13** briefing seminars to interested parties on the Cabinet decision-making process

### The impact we made

Previous surveys have shown that stakeholders understood that the main function of DPMC's advice is to support the Prime Minister and occasionally other Ministers by providing "free and frank" advice on issues of the day, to provide second-opinion advice on policy from other departments and to engage with departments early in the policy process to lift the quality of their advice. PAG is seen as a small unit of highly capable individuals who have good relationships with their stakeholders. Its impact was evidenced in the Prime Minister being well-briefed about issues, and in its ability to bring many parties together to ensure a coordinated approach to policy development. The Prime Minister provided very positive feedback and expressed his high level of confidence in the advice he had received. Stakeholders from the Prime Minister's Office have also informally expressed their confidence in the work PAG has done. DPMC's coordination of the multi-agency reporting process for the Methamphetamine Action Plan is an example of the role the leadership and coordination role that the PAG plays; PAG leadership of this project continues to be a helpful mechanism for ensuring all the agencies with responsibilities for addressing parts of the methamphetamine problem are working in a coordinated way.

The "Policy Project", started in 2013/14, will provide the basis for a programme of improvement in the quality of policy advice supporting decision-making by the Prime Minister and Cabinet. The project will also draw on and liaise with similar projects overseas, to ensure that our systems and processes are drawing on international best-practice. The impact of this initiative will begin to be measured in 2014/15.

Through the Cabinet Office, DPMC also ensured that the decision-making process was efficient and well-organised. The Prime Minister provided very positive feedback on the Cabinet Office's support of the Government's decision-making process. The impact of this initiative will begin to be measured in 2014/15.

### OBJECTIVE TWO

Executive government is well-conducted and continues in accordance with accepted conventions and practices.

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#### *IMPACT: WHAT SUCCESS WILL LOOK LIKE*

Confidence in the integrity and effectiveness of New Zealand's system of government is maintained.

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#### Why is this important?

At the heart of New Zealand's democratic, political and economic systems is stable executive government, accountable to an elected House of Representatives. The executive branch of government comprises the Governor-General, the Prime Minister, other Ministers of the Crown and the public service. Through the Cabinet Office, DPMC undertakes to maintain and strengthen executive government through the advice and support provided to the Governor-General and Prime Minister.

#### What we have achieved

Advice and support were provided on a range of matters relating to constitutional issues and the functioning of executive government. Key achievements in 2013/14 included the first annual proactive release of information on the management of ministerial conflicts of interest, input into a speech by the Governor-General in November 2013 on aspects of government formation following an election, and advice to Ministers and departments on government decision-making during the pre-election period.

The Cabinet Office facilitated the appointment of new Ministers during the course of the year, and supported the Governor-General's role in the process of several list MP replacements and the issuing of the writs for the Christchurch East by-election and the referendum on state asset sales.

The Honours Unit advised and assisted the Prime Minister and the Cabinet Appointments and Honours Committee on the compilation of honours lists: the New Year Honours List 2014 (178 recipients), the Queen's Birthday Honours List 2014 (180 recipients) and two special honours lists of New Zealand Bravery Awards announced on 2 December 2013 (17 recipients) and 23 June 2014 (27 recipients). The Bravery Awards announced on 23 June 2014 recognise the acts of bravery that took place over three years ago following a magnitude 6.3 earthquake that struck Christchurch on

22 February 2011. In addition, six individuals were granted use of the title “The Honourable” for life. A full list of honours can be seen at [www.dpmc.govt.nz](http://www.dpmc.govt.nz).

Advice and support on the visit of the Duke and Duchess of Cambridge and Prince George from 7 to 16 April 2014 were provided to the Royal Household, the Governor-General, the Prime Minister, government agencies, private organisations and members of the public. The Cabinet Office collaborated with the Visits and Ceremonials Office on the planning and delivery of all aspects of the visit.

### The impact we made

Executive government has continued to operate smoothly, and the Prime Minister and Governor-General have received the advice and support required to fulfil their roles. Feedback from the Prime Minister and the Governor-General, both formal and informal, has been positive. The Governor-General provided his feedback to the Clerk of the Executive Council at regular six-weekly meetings and through formal feedback surveys undertaken twice during the year. The Prime Minister’s satisfaction was also assessed through discussion at regular meetings, his responses to a stakeholder survey conducted at the end of the 2013/14 year, as well as through the Office of the Prime Minister’s input into formal performance reviews.

## OBJECTIVE THREE

The Governor-General is appropriately advised and supported in carrying out his constitutional, ceremonial, community and international roles.

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### *IMPACT: WHAT SUCCESS WILL LOOK LIKE*

The office of the Governor-General is strengthened as a symbol of national unity and leadership.

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### Why is this important?

As the representative of New Zealand’s Head of State, the Governor-General fulfils important constitutional, ceremonial and international roles as well as a community leadership role. As a key contributor to the New Zealand system of government, the Governor-General requires high-quality advice and support from the Clerk of the Executive Council (who is responsible for liaison between the Governor-General and the Government) and also from the Official Secretary and Government House staff.

### What we have achieved

In consultation with the Governor-General, Government House staff reviewed the Government House Strategy to reflect his personal goals for his term. In 2014, the programme has reflected the theme of “families and peace” and 2015 will focus on “nationhood”.

The Official Secretary and Government House staff provided advisory, administrative and household support for Their Excellencies’ overseas and domestic programmes, as well as at Government House Auckland and Government House Wellington. Through the Cabinet Office, DPMC staff provided policy and advisory support for His Excellency in a variety of areas, including his constitutional and ceremonial roles, his relationship with the Government, and international travel undertaken by the Governor-General in the Head of State role.

The highlights of the year included a very successful visit by the Duke and Duchess of Cambridge and Prince George. Their Excellencies hosted three major events at Government House Wellington: a full ceremonial welcome, a Plunket Play Group function for Prince George and a state reception attended by Members of Parliament and others. The Plunket Play Group function was particularly well-received by local and international media.

The international programme included state visits to Cambodia, Vietnam and Laos, and representation of New Zealand at the 70th anniversary commemorations of the battles of Cassino and D-Day. His Excellency spoke at the Dawn Service in Anzac Cove and at Chunuk Bair on Anzac Day, addressed the Permanent Forum on Indigenous Issues at the United Nations, met His Holiness Pope Francis at the Vatican and opened New Zealand’s new embassy in Addis Ababa. Their Excellencies also visited the Cook Islands and Niue.

The domestic programme included dedicated weeks in Auckland and regional visits to the Waikato, Whanganui and the East Coast region, which were well-received. In addition, 133 events were held at Government House Auckland and Government House Wellington, with 16,682 people participating as guests. The functions included a Matariki and Citizenship ceremony in Auckland and launch of the Governor-General’s Anzac of the Year Award. Their Excellencies attended 128 external functions. The Governor-General’s ceremonial programme included Waitangi Day activities in both Waitangi and Wellington, and 23 investiture ceremonies for the recipients of the 2014 Queen’s Birthday Honours, Gallantry awards and the 2014 New Year Honours. Several

new patronages were also accepted during the year, bringing the total number to 174.

Open days and regular public tours gave access to increasing numbers of visitors. In its first year of operation, the Government House Visitor Centre received 5,299 visitors, including 2,658 in the early childhood to tertiary level age-group, representing a significant enhancement of the accessibility of Government House Wellington to the public.

More details on Government House achievements and activities for the year can be found at [www.gg.govt.nz](http://www.gg.govt.nz) and on the Governor-General's Facebook page.

#### Support to the Governor-General – key figures

- **235** speeches and **55** media releases provided to the Governor-General
- Facebook “likes” rising from **1,491** on 1 July 2013 to **13,430** on 30 June 2014
- Twitter followers rose from **2,400** to **5,343** in the period April to June 2014
- **5,299** visitors through the Government House Wellington Visitor Centre

#### The impact we made

DPMC's activities in support of the Governor-General have resulted in the institution of the Governor-General becoming better understood among young New Zealanders, in particular achieving progress towards our desired impact of strengthening public perceptions of the office of the Governor-General as a symbol of national unity and leadership. The operation of the Visitor Centre received enthusiastic responses from school groups and members of the public and has proven to be an effective way to educate young New Zealanders about our Governors-General, our constitutional arrangements and the history of Government House. The Governor-General's engagements, the media coverage he received and his social media presence have also contributed to greater awareness of the role of Governor-General and of Government House. The Governor-General's greater use of social media has proven to be a successful way of engaging with more New Zealanders who might not access traditional media. Support to Their Excellencies' programme of engagements, which over this year has been focused on families, has also helped to make the office of the Governor-General more relevant to the lives of New Zealanders. Weekly planning meetings, briefings and debriefings kept Their Excellencies well-informed and engaged.

Feedback from Their Excellencies and guests confirm that events were well-organised and maintained the dignity and standard expected of the office of the Governor-General. Overall, the feedback from the Governor-General showed his continued satisfaction with the services, advice and support provided to enable him to carry out his various constitutional, ceremonial, community and international roles.

#### OBJECTIVE FOUR

National security priorities, the civil defence emergency management system and the intelligence system are well-led, coordinated and managed.

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#### IMPACT ONE: WHAT SUCCESS WILL LOOK LIKE

New Zealand has world-class processes in place to deal with national security events and emergencies and to build national resilience.

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#### Why is this important?

DPMC's work is focused on building national preparedness and resilience, and on assessing the key risks and opportunities affecting New Zealand's national security interests, noting that New Zealand takes an all hazards approach to national security. DPMC's role in national security is to ensure that potential risks to New Zealand's wellbeing are assessed, an adequate level of preparedness for security is tested and maintained and responses to incidents are timely and coordinated, so that national resilience is further strengthened.

In addition, to ensure that New Zealand continues to draw an economic dividend from information communication technology and Internet connectivity, the risks of cyber insecurity need to be addressed. This includes espionage, damage or destruction of government information, online political vandalism, intellectual property theft and commercial disruptions and various types of cybercrime. Cyber threats are growing and evolving, and New Zealand is both attractive and vulnerable to advanced cyber exploitation. Through the National Cyber Policy Office (NCPO), DPMC leads and coordinates the Government's strategic direction for addressing cyber security.

#### What we have achieved

##### *Security, risk and resilience*

During the year, DPMC maintained a watching brief to identify emerging issues at the earliest possible moment, and worked with the departments responsible to ensure that arrangements

were in place for quick and effective management when required.

Over the past two years DPMC, assisting the other key members of the national security community, has led the process to better identify and articulate the risks, threats and hazards that challenge New Zealand's national security. From this our national security priorities can be drawn and managed with stronger leadership of the sector and coordination of agencies.

Given the breadth of our national security interests, and the large number of players involved (over 30 government agencies), leadership of this sector is critical and organisation is key. The committee of Officials for Domestic and External Security Coordination (ODESC), the inter-agency mechanism used to deal with national security issues, is administered and chaired by DPMC. In 2014, DPMC was responsible for implementing new ODESC governance arrangements to improve national security prioritisation, co-ordination and leadership. This has seen the creation of three new governance boards – collectively responsible for driving performance across the national security and resilience sector. More specialised meetings were held as required to deal with urgent matters, and a number of sub-committees or “watch groups” were formed to deal with issues as they arose.

DPMC also coordinated work on a wide range of national issues including testing national-level responses to natural disasters, mass arrivals of illegal immigrants and counter-terrorism arrangements; coordination of security planning for the Cricket World Cup (co-hosted with Australia) and the U20 FIFA World Cup in 2015; and coordination of two security sector professional development programme courses. DPMC coordinated the establishment of a new national maritime security governance arrangement, the Maritime Security Oversight Committee (MSOC), responsible for ensuring an integrated approach to New Zealand's maritime security. DPMC also led the development of a national Maritime Security Strategic Framework, which informs MSOC's decision-making and governance activity.

On 1 April 2014, DPMC took responsibility for MCDEM, which was transferred from DIA. This transfer reflects the Government's desire to have a more tightly coordinated approach to planning for and managing national security risks. The transfer of MCDEM staff to DPMC was successfully completed by 1 April 2014, and DPMC is on track to have CASS fully support the National Crisis Management Centre by a revised deadline of 9 December 2014. The transfer

strengthens coordination across the national security and intelligence sector and provides closer alignment of civil defence emergency management with national security and crisis management processes, and will strengthen the Government's capabilities around risk, resilience and response to emergencies. The transfer also means that DPMC now supports the Minister of Civil Defence.

It is MCDEM's role to take the lead in building resilience in New Zealand communities through encouraging risk reduction, increasing community preparedness and building capability and capacity to respond to and recover from emergencies. Throughout New Zealand, regional Civil Defence Emergency Management (CDEM) groups are responsible for enhancing community readiness and responding to local emergencies using local resources. At the national level, MCDEM maintains high readiness to support the CDEM groups in their management of an emergency response, and in the event of a large-scale emergency and a declaration by Government of a state of national emergency, MCDEM is responsible for controlling and coordinating the national response, as it did for the response to the 2011 Christchurch earthquake. MCDEM is responsible for maintaining the readiness of the National Crisis Management Centre and its supporting information and communications technology systems. MCDEM's work programme in 2013/14 has been dominated by implementing the lessons learnt from the response to the Canterbury earthquakes by revising and strengthening procedures for readiness and response.

#### *Cyber policy*

The Connect Smart campaign was a significant DPMC initiative in 2014. It provided an ongoing positive, accessible approach to cyber security, encouraging people, businesses and schools to use the Internet in a smart way. The Connect Smart website has been established as an ongoing platform to provide authoritative, trusted information and advice on cyber security to home users and businesses. The initiative is grounded in independent research on the cyber behaviour of New Zealanders, commissioned by the National Cyber Policy Office (NCPO) in early 2014. This will provide a benchmark to assess improvements in cyber security capability.

A growing public-private partnership has been established to drive cyber security – involving banks, telecommunications, IT companies (eg, Google, HP, Datacom), software companies (eg, Microsoft), social media (eg, Facebook), government agencies, non-government organisations (eg, Netsafe, NZ Internet Taskforce) and business associations

(eg, Business NZ, Institute of Directors). This is fundamental to driving the Connect Smart message – given the role the private sector plays in operating networks, promoting IT products and doing business online.

Although Connect Smart was the most visible deliverable of our work in this area, work has progressed on a refreshed Cyber Security Strategy; an inter-agency cybercrime plan; an assessment of the options for a national operational mechanism to deal with issues across the spectrum of cyber insecurity; and an initiative to evaluate the economic costs of cyber insecurity.

#### Connect Smart Week 2014

- **8,065** visits to the Connect Smart website
- Over **300,000** Twitter users received Connect Smart tweets (not used in 2013)
- **930** views of Facebook Connect Smart videos (not used in 2013)
- **\$266,045** worth of media coverage (equivalent advertising value) gained, beating the target of **\$45,000**

#### The impact we made

The realignment of ODESC's governance architecture to manage national security issues and emergencies, including through the creation of the new position of Deputy Chief Executive, Security and Intelligence, has resulted in more focused leadership and governance of a better defined national security sector. It has also resulted in better coordinated decision-making and responses to the threats we face by bringing together security sector chief executives and senior officials more frequently; and there have already been improvements in the coordination of agencies to ensure operational effectiveness, which we expect will continue to improve over the next 12 months.

Decision-making within the national security sector has received more support from DPMC, and the roles of new boards within ODESC are better defined.

As well as providing high-level governance for the ODESC system, DPMC also provides the system with secretariat support. Stakeholders were asked to rate the support that DPMC provides to the national security system, and in particular the support to the various ODESC boards. Feedback from those surveys indicates that DPMC still has some work to do to lift the quality of support it provides to these boards, including its administrative services, and the work required to shape the forward work programme. From August 2014, DPMC

has established a dedicated unit within its Security and Intelligence Group which is responsible for supporting the ODESC system and its various boards.

In addition to supporting the ODESC system, DPMC does work in identifying security priorities, civil defence and emergency management, and cyber policy.

By developing a strategic, "all-of-sector" and "all-of-government" view, DPMC has been able to highlight the security priorities that are most important for the Government and New Zealand. This ensures that risks receive appropriate attention, and that the right capabilities are developed in response. The identification of key sector-wide capabilities that have the greatest potential to improve sector performance has also been an important step forward.

Through its close contacts with overseas counterparts, particularly through its engagement with OECD counterparts, DPMC has been able to compare our processes against other countries so that we can be confident that New Zealand's arrangements are, or are on track to be, world-class. DPMC put in place formal arrangements to ensure assurance around national-level exercising and lessons learnt from previous events (Canterbury earthquake, Pike River and the Rena grounding) as well as national exercises, are incorporated into future planning.

The transfer of MCDEM into DPMC has started to more closely align civil defence emergency management with national security and crisis management processes, strengthening the Government's capabilities around risk, resilience and emergency response. Through MCDEM, DPMC has also helped CDEM groups lift their performance and revised the tools used for assessing the capabilities and capacities of CDEM groups for implementation in 2014/15. Through the public education programme we continued to raise community awareness of emergency preparedness (for more information, see the *Statement of Service Performance*). In conjunction with the Ministry of Foreign Affairs and Trade we have used our knowledge and skills in emergency management to enhance preparedness and response capabilities in the Pacific nations of Tonga, Niue, Samoa, the Tokelaus and the Cook Islands.

DPMC's work in cyber policy has created an increasingly joined up approach to cyber policy across government. Through Connect Smart, DPMC has achieved significant advances in public-private partnerships, which is fundamental to driving cyber security awareness given the important role the private sector plays. NCPO has engaged internationally on Internet governance, and cyber security confidence-building measures.

One of MCDEM's key indicators is the proportion of people who are prepared for civil defence emergencies.

<b>People prepared at home:</b>	
<b>2013/14</b>	<b>30%</b>
2012/13	32%
2011/12	32%
2010/11	32%
2009/10	24%
2008/09	23%
<b>People prepared both at home and work:</b>	
<b>2013/14</b>	<b>15%</b>
2012/13	17%
2011/12	16%
2010/11	18%
2010/11	18%
2009/10	11%
2008/09	10%

#### *IMPACT TWO: WHAT SUCCESS WILL LOOK LIKE*

The New Zealand Intelligence Community (NZIC) is viewed as trusted, integrated, customer-oriented and crucial to building national resilience.

#### **Why is this important?**

The core New Zealand Intelligence Community (NZIC) is made up of the Government Communications Security Bureau (GCSB), New Zealand Security Intelligence Service (NZSIS) and elements of DPMC's Security and Intelligence Group. DPMC's leadership of the NZIC and coordination of the agencies results in a sector being seen to work seamlessly as a whole – sharing resources, collaborating and eliminating duplication – to provide significantly improved results. DPMC's role involves:

- setting priorities and recommending the allocation of resources while ensuring cost-effectiveness,
- leading engagement on intelligence matters with other countries,
- providing timely, coordinated intelligence advice relating to the Government's national security priorities, and
- coordinating work by the NZIC to build public confidence.

Although these priorities remain unchanged from last year, the expectations that the Government, Parliament and the public have of the sector, and of DPMC as its lead and coordinator,

are much increased. The essential task for DPMC is to push more strongly for prioritisation, effective and efficient use of resources and for performance.

#### **What we have achieved**

One of the clear findings of DPMC's PIF review in June 2013 was that the other departments and agencies in the intelligence sector wanted and expected DPMC to step up to a more explicit and active role of leadership and coordination. This was consistent with the outcomes of other planning processes during the year, including the PIF for NZIC which was released in June 2014.

One headline in giving effect to this was the creation of a new Security & Intelligence Group within DPMC in January 2014 and the appointment of a Deputy Chief Executive, Security and Intelligence. The initial focus of this role has been to create the conditions for DPMC to lead and coordinate a lift in sector performance, including through beginning a change process within DPMC's security and intelligence business units. During the year, DPMC took a lead in developing a more regular and coordinated programme of briefings to the Prime Minister and to ODESC. DPMC also contributed to the policy work leading up to the passage of the Intelligence and Security Committee Amendment Act 2013 and the Inspector-General of Intelligence and Security Amendment Act 2013 and provided administrative support to the Committee as it took on its expanded mandate, including its first hearing in public. DPMC supported the processes leading to the appointment of the new Inspector-General for Intelligence and Security, and to the expansion of the office of the Inspector-General so that she could take up the position's expanded responsibilities.

DPMC has continued to ensure that the NZIC performed as a sector, and that the NZIC's work was well-coordinated and collaborative and reflected the Government's vision for Better Public Services. That included coordinating the preparation of the NZIC's joint Four-Year Plan and participation in the joint Statement of Intent (SOI). These are both in their fourth year and are now established as a standard part of the NZIC's joint planning to recognise common goals and budget jointly to achieve priorities. Through regular meetings of agency heads and senior management as well as "working-level" forums, DPMC continued to advance a coordinated NZIC approach to issues of importance to the resilience of New Zealand. It also supported the new Deputy Chief Executive in providing a coordinated and coherent "voice" for the NZIC when dealing with its international counterparts.

Through the National Assessments Bureau (NAB), DPMC produced assessments in a range of formats covering topics that supported national security and foreign policy decision-makers. The content of these assessments was informed by the Cabinet-mandated priorities and by close interaction with decision-makers about what kind of reporting was required. Despite staffing pressures within NAB throughout much of the reporting year, DPMC maintained output levels close to those achieved when NAB was at or near full-strength. DPMC continued to work through the National Assessments Committee (NAC), which NAB chairs, as a forum to coordinate and oversee the national assessments programme. The NAC comprises 12 agencies that represent the wider assessments community and during 2013/14 it issued 30 higher-level (strategic) reports under its own branding – the highest number since the NAC was re-shaped after the 2009 Murdoch Review.

NAB worked with its closest assessment partners to more frequently produce detailed and succinct “whole-of-community” reports to support decision-makers during periods of international crisis. NAB also worked with its partners in the assessment community to help improve the overall standard of assessment reporting by contributing to training courses and by maintaining a dialogue on quality assurance and standards. In response to feedback received that NAB needed to improve its focus on senior customers, a customer outreach programme was initiated, designed to improve and broaden the service NAB offered. Over the course of the year relationships were initiated with a number of new Ministers and chief executives. These involved not only the provision of relevant written product, but also tailored verbal briefing services.

### The impact we made

DPMC has focused on implementing recommendations from both the DPMC PIF review and the NZIC PIF review, and the activity outlined above, in the NZIC and the wider national security sector, indicates the Department has made significant progress. The establishment of the new Deputy Chief Executive position, and the changes made to the Security and Intelligence Group, have improved DPMC’s ability to lead and coordinate the NZIC. NZIC leaders are meeting more regularly, communication is improving and DPMC is playing a more active role supporting resourcing and capability decisions within the NZIC and providing more support for the NZIC’s international relationships. Efforts to date to improve public trust in the intelligence community have focused on improving the internal operation of the NZIC.

Qualitative survey data indicated that customers regarded DPMC’s assessments as high-quality, well-written and clear. NAB (and the NAC) pays close attention to the accuracy of its reporting, ensuring that the vast bulk of its assessments were factually correct and required no more than minor revision. During the course of the year, NAB was required to issue only one minor factual correction to a report that it had already disseminated out of 286 reports issued. Customers recognised DPMC’s efforts to improve its responsiveness, relevance and timeliness and this remained an ongoing focus of NAB’s self-improvement programme, with feedback also indicating that more work could be done as part of the outreach function.

The survey data also showed that DPMC’s customer outreach programme had struck a responsive chord with senior customers, who continued to make time in their busy diaries for direct engagement with NAB managers and staff. The verbal briefing format has proved particularly successful and demonstrated the value of a bespoke and interactive approach to providing assessment services and products to busy senior customers.

### OBJECTIVE FIVE

A higher-performing State sector that New Zealanders trust, delivering outstanding results and value for money.

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#### IMPACT: WHAT SUCCESS WILL LOOK LIKE

Central Agencies are providing collective leadership to achieve outstanding results for New Zealanders.

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#### Why is this important?

New Zealand’s State sector faces a range of challenges – from the difficult international economic environment to changing public expectations of service design and delivery. The Government’s goal has been to achieve a fundamental shift in the way the New Zealand State sector operates in order to meet these challenges. In response, the State sector has identified and started to implement new ways of working in terms of business design, culture and how agencies act with each other on a day-to-day basis. This is being achieved within a constrained budget in order to return the Government’s fiscal position to surplus by 2014/15. DPMC’s response, collectively with the Treasury, the State Services Commission (SSC) and other whole-of-system leaders such as the Government Chief Information Officer, has been to work together to lead the

State sector in understanding how well the system as a whole can serve the needs of New Zealanders. The Central Agencies are committed to shifting State services so that they work much more cohesively, and it takes responsibility for enabling performance improvements in the sector – albeit with each agency having distinct roles and perspectives. Their focus is on actively assisting State sector agencies in meeting New Zealanders' expectations of better services that will be delivered in more immediate and flexible ways, gaining better traction on the results that matter most and increasing the efficiency and effectiveness with which the State sector delivers more with less.

### What we have achieved

DPMC has applied its close understanding of the Government's collective ambitions, preferences and priorities to add value to the work of the Central Agencies as they work to deliver the Government's Better Public Service results for New Zealand. The PIF review noted further areas for development, and these are being actively progressed together with DPMC's Central Agency partners. To enable the Central Agencies to play a stronger and more cohesive leadership role, DPMC has continued to support the State Sector Reform Advisory Group, which supports Ministers to monitor the system and provides advice for improving the performance of the State sector.

Primarily through the Policy Advisory Group, DPMC has continued to support the Government's State sector reform programme by working jointly with the Treasury and SSC to provide assurance on the 10 priority result areas set out in the Better Public Services programme. It has paid particular attention to advising Ministers on the progress being made against these results – an approach that Ministers value. DPMC has also worked closely with the Treasury and SSC on agency performance and policy issues and it has collaborated on the programme of PIF reviews as well as on other significant agency reviews. For much of the 2013/14 year, the Deputy Chief Executive, Policy, was the Central Agencies' sponsor for functional leadership, which was aimed at achieving improved collective impact in key business functions: ICT, property and procurement.

### The impact we made

The efforts of the Central Agencies have a system-wide effect, making detailed measurement of our shared impact difficult. The Central Agencies use two benchmarks for gauging the success of its system-level work: the overall progress toward achieving the Better Public Services results, and the Kiwis Count survey. The Government has set 10 challenging results to be achieved over the next two to three years. Progress towards the results targets is publicly reported every six months. Good progress is currently being made on many results, with Result 1 (reduce long-term welfare dependence), Result 5 (increase the proportion of 18-year-olds with NCEA Level 2), Result 6 (increase the proportion of 25- to 34-year-olds with NZQF Level 4 or above) and Result 8 (reduce re-offending) all improving their ratings of progress towards target. Results 2 (increase participation in early childhood education) and 10 (transactions with government can be completed in a digital environment) are on track to achieve their targets but changes are not yet embedded. In Result 7, two of the 2017 targets, reduced total crime and youth crime, have now been met. Results 3 (reduce rheumatic fever), 4 (reduce assaults on children) and 9 (a one-stop shop for government support for businesses) are not yet on track to achieve their targets.

Kiwis Count is a comprehensive survey that measures New Zealanders' perceptions of the quality of 42 frequently used public services. The results are used to calculate a Service Quality Score (SQS). The overall SQS for the March 2014 quarter was 72. This is the same as the December 2013 score and maintains the stable trend seen since June 2012. Kiwis Count also measures New Zealanders' trust in public services, based on their perceptions and experience. Trust in public services based on perception has been increasing since the first survey in 2007 and is currently tracking to be the highest it has ever been on an annual basis for the 2013/14 year (this was 41% in 2012/13 and has stayed above 44% for the first three quarters of the 2013/14 financial year). Trust based on experience has increased by 10% to 77% since the survey began.

## Departmental Health and Capability

At the heart of DPMC's success has been the high calibre of staff it employs. It is critical that we continue to attract and retain staff of this calibre. Accordingly, we aim to create a workplace where staff are treated – and treat each other – fairly and with respect, are well-managed and have personal development opportunities, are strongly encouraged and supported, and where unhelpful barriers to work are removed as much as possible. Because staff are crucial in ensuring that a small agency such as DPMC is efficient and high achieving, each individual's striving for achievement needs to be supported with efficient and effective tools and systems and processes. This has provided the basis for us to develop a programme of work over the coming years to improve our systems and processes to lift the organisation's health and capability. To measure our performance and identify areas for focus in future years, we commenced four streams of work:

- Ensure we reward high performance, build capability and maintain a workforce with the appropriate skills, knowledge and attributes to achieve our goals.
- Increase diversity in our workforce.
- Build organisational "fitness" for change.
- Integrate more effectively with the National Security and Intelligence workforce (network) to achieve a greater overall benefit for New Zealand.

A key achievement this year has been the transfer of MCDEM from DIA to DPMC. Effective from 1 April 2014, MCDEM became DPMC's largest business unit, and its staff became DPMC staff.

### Our people

Our people are our most important asset. We take pride in the high calibre of our workforce, and continue to aim to be an employer of choice in recruiting staff and being a good employer for our current staff. We aim to continue to attract talented staff (including secondees from across the public service and the private sector) who see DPMC as an employer of choice. DPMC conducts employee engagement surveys every two years, and expects to conduct its next survey in September 2014. The results of this survey will be reported in the *Annual Report* covering 2014/15.

### Equal Employment Opportunities

DPMC actively seeks to become a more diverse organisation. The Department considers diversity to cover ethnicity, gender, disability, age and experience. During the year, the Chief Executive established and chaired a working group which is looking at diversity within the Department. This working group was established with three aims:

- a. Gain a better understanding of the Department's current diversity.
- b. Develop an understanding of the Department's desired state.
- c. Lead the changes necessary to achieving our desired EEO state.

Throughout 2014/15, this group will initiate and lead the actions required to develop DPMC into the diverse organisation that it needs to be to advance an increasingly diverse New Zealand.

### Leadership

During 2013/14, the Chief Executive altered the shape of DPMC's senior leadership teams. The Executive Leadership Team comprises the Chief Executive's direct-reports, meets weekly and focuses on providing high-level advice to the Chief Executive, allocating resources across the Department and ensuring business units are aligned toward the Department's priorities. The Senior Management Group comprises all Tier 2 and 3 managers within the Department, meets monthly and focuses on monitoring the Department's progress against its objectives and priorities and contributing to the Department's strategic direction.

### Staff recruitment, performance and development

Our selection process recognises the need to find highly experienced staff who can adapt quickly to the changing nature of our workload and be able to lead by example across the State sector. We maintained our in-depth induction programme which ensures that staff understand quickly the expectations of their role and the wider DPMC working culture. CASS Human Resources provided support in the recruitment of new staff this year, including the transfer of all MCDEM staff, who were previously employed by DIA, into DPMC. Remuneration levels were reviewed and benchmarked against market data. Individual salary changes were derived from both

market information and performance assessments against individual objectives and achievements.

With the assistance of the CASS Learning and Development team, DPMC managers used the individual development plans generated through the performance management process to create a matrix of core development needs that will form the foundation for our learning and development programme over the next 12 months. Through this process, staff articulated where their work linked to the wider objectives of DPMC and what training is required to ensure suitable development. Staff development was further supported with an extensive secondment programme to and from other government departments. In addition, we placed high value on the development of leadership and management capabilities and continued to utilise the Leadership Development Centre (LDC) and the Australia and New Zealand School of Government (ANZSOG).

#### **Our working environment**

Creating a healthy and safe work environment is an ongoing departmental priority. Our staff are encouraged to participate in a wide variety of health and wellbeing activities. We provide a comprehensive occupational health service to all staff. This includes free vaccination against influenza, eye tests, a health and exercise subsidy, a hazards register for identifying issues and ergonomic assessments for all new staff, with further assessments upon request. In addition, we are committed to the public service Code of Conduct and ensure that staff are protected against harassment and bullying. We provide for flexible work arrangements, when requested, for staff to balance the needs of DPMC with their personal commitments.

#### **Our systems and processes**

Our aim is to ensure that our systems and processes are efficient and effective, support our culture of collaboration and meet the high expectations of the Governor-General, the Prime Minister and Ministers. We have also recognised that in order to gain effective collaboration within the Central Agencies, we need to have systems and processes that are compatible with those of the Treasury and SSC. To achieve this, DPMC began a project to review and update its corporate policies to ensure consistency with our Central Agency partners.

#### **Risk-assurance processes**

During the year, the membership of the Risk and Assurance Committee was refreshed and a new work programme established. The Committee continued to meet regularly to review and assess areas of potential risk, DPMC's range of capabilities and mitigation strategies, reporting back to the Chief Executive on the management of these risks. The current Committee consists of two external members (Shenagh Gleisner, as Chair, and Dame Patricia Reddy) and one DPMC representative (Paul Ash).

#### **Official Information**

In the 2013/14 year the Department completed 318 responses to requests made under the Official Information Act and Privacy Act. Previous *Annual Reports* have referred to the number of responses made over a calendar year, rather than the financial year. In the 2013 calendar year, DPMC completed 410 responses, and in the 2012 year it completed 341 responses.

In addition to responding to requests that DPMC receives directly, the Department has an administrative function in drafting and preparing responses to Official Information Act requests on behalf of the Prime Minister's Office when required.

## Statutory and Formal Responsibilities

### Chief Executive

The responsibilities of the Chief Executive of DPMC are:

- 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, and
- 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 Governor-General of New Zealand 1983,
- preserve and maintain the official records of Cabinet, and to administer the convention on access to documents of a previous administration,
- administer the Governor-General Act 2010,
- administer the Seal of New Zealand Act 1977,
- administer the Royal Titles Act 1978,
- administer the Oath of Allegiance and the Executive Councillors' Oath under the Oaths and Declarations Act 1957,
- administer the Statutes of The Queen's Service Order (2007), The Order of New Zealand (1987), and The New Zealand Order of Merit (1996),
- administer the Royal Warrants of the New Zealand Gallantry Awards and the New Zealand Bravery Awards (1999),
- certify certain instruments executed by Ministers under the Official Appointments and Documents Act 1919, and
- countersign certain documents under the New Zealand Government Property Corporation Act 1953.

### Director, Ministry of Civil Defence & Emergency Management

Under the CDEM Act 2002, the functions of the Director are to:

- a. provide advice to the Minister on matters relating to civil defence emergency management,
- b. identify hazards and risks that the Director considers are of national significance,
- c. monitor and evaluate the national civil defence emergency management strategy,
- d. develop, monitor, and evaluate the national civil defence emergency management plan,
- e. develop, in consultation with the relevant persons and organisations that have responsibilities under this Act, any guidelines, codes, or technical standards that may be required for the purposes of this Act,
- f. monitor the performance of Civil Defence Emergency Management Groups and persons who have responsibilities under this Act,
- g. promote civil defence emergency management that is consistent with the purpose of this Act, and
- h. during a state of national emergency, direct and control for the purposes of this Act the resources available for civil defence emergency management.

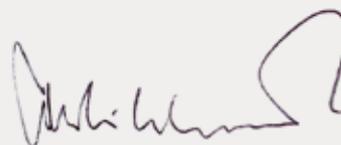
## Statement of Responsibility

In accordance with sections 35 and 45C of the Public Finance Act 1989, I am responsible as Chief Executive of the Department of the Prime Minister and Cabinet, for the preparation of the financial statements and statement of service performance, and the judgements made in the process of producing those statements.

I am responsible for establishing, and I have established, a system of internal control procedures that provide reasonable assurance as to the integrity and reliability of financial reporting. These systems have been maintained throughout the year.

In my opinion, the financial statements and statement of service performance fairly reflect the financial position and operations of the Department of the Prime Minister and Cabinet for the year ended 30 June 2014.

In my opinion the forecast financial statements fairly reflect the forecast financial position and operations of the Department for the financial year to which they relate.



**Andrew Kibblewhite**

CHIEF EXECUTIVE

Date: 30 September 2014

COUNTERSIGNED BY



**Sara Brownlie**

CHIEF FINANCIAL OFFICER

Date: 30 September 2014

# Statement of Service Performance

*Vote Prime Minister and Cabinet*

*Output expense: Policy Advice and Support Services – Multi-class output appropriation (MCOA)*

*Output expense: Emergency Management Services – Multi-class output appropriation*

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## **Scope of Policy Advice and Support Services appropriation**

### ***National Security Priorities and Intelligence Coordination***

This output class is limited to leadership and coordination around national security matters, leading collaboration within the New Zealand intelligence community and providing intelligence assessments to support national security priorities.

### ***Support, Secretariat and Coordination Services***

This output class is limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities including support for the coordination of the Government's legislation programme; secretariat services to the Executive Council, Cabinet and its committees; and administration of the New Zealand Honours system.

### ***Policy Advice – Prime Minister and Cabinet***

This output class is limited to the provision of advice (including second-opinion advice and contributions to policy advice led by other agencies) to support decision-making by the Prime Minister and the Cabinet.

### ***Support Services to the Governor-General and Maintenance of the Official Residences***

This output class is limited to financial, administrative, communications and advisory services for the Governor-General; and services to maintain the Governor-General's residences.

### ***Science Advisory Committee***

This output class is limited to the purchase of high-quality scientific advice to the Prime Minister.

## **Scope of Emergency Management Services appropriation**

### ***Emergency Sector Support and Development***

This output class is limited to developing and implementing operational policies and projects, advice, assistance and

information to the civil defence and emergency management sector.

### ***Management of National Emergency Management Readiness, Response and Recovery***

This output class is limited to management of national emergency readiness, response and recovery, including: support to local civil defence emergency management organisations, maintaining the National Crisis Management Centre in a state of readiness, national training and education, coordination and management of central government's response and recovery activities and administration of related expenses.

### ***Community Information and Advisory Services***

This output class is limited to the development and delivery of long-term national programmes to raise individual and community awareness and preparedness.

### ***Policy Advice and Ministerial Servicing – Emergency Management***

This output class is limited to the provision of advice and services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities relating to civil defence and emergency management.

The Ministry of Civil Defence & Emergency Management transferred from DIA to DPMC effective from 1 April 2014. Consequently, the DPMC *Annual Report* focuses on the last quarter of the 2013/14 year of MCDEM's activities and performance. For convenience, and to help with comparing performance to earlier periods, we include performance reporting for the full 2013/14 year for MCDEM, but note that DPMC is responsible only for the April–June quarter. Readers may wish to refer to the DIA *Annual Report*, which will report on MCDEM performance for the first three quarters of the 2013/14 year. Some MCDEM-related performance measures are recorded quarterly, while others are recorded annually.

### National Security Priorities and Intelligence Coordination

ICG provided impartial advice to the Prime Minister on intelligence matters; led and coordinated the agencies of the NZIC in terms of requirements, priority setting, risk management and performance reporting; and coordinated NZIC's overall relationships with foreign partners. NAB made objective assessments of events and developments relevant to New Zealand's national security and international environment; exercised a coordination and leadership role in relation to certain parts of the New Zealand Intelligence Community; assured quality standards for assessment; and produced reports to inform members of the interdepartmental watch groups that coordinate New Zealand's responses to external crises and threats. SRG coordinated the National Security System (NSS). This includes preparing for and responding to security crises, emergencies and natural disasters; and dealing with national security threats that affect New Zealand and its interests, both onshore and offshore.

Performance Information	Standard	2012/13	2013/14		
Assessments provided to inform Ministers and senior officials of risks and opportunities relating to New Zealand interests are accurate and succinct 100% of the time.	Not less than 95%	New measure	99.65% (see note 1)		
Ministers and senior officials have confidence that assessments provided are of high quality and of policy relevance to New Zealand.	Prime Minister	Exceeded expectations	New measure	Prime Minister's satisfaction	Exceeded expectations
	Ministers	Exceeded expectations		Ministers' satisfaction	Met expectations
	Senior Officials	Met expectations		Senior Officials' satisfaction	Met expectations
All-of-government responses to national crises and events are effectively coordinated and managed.	Satisfaction with DPMC support for the national security system meets expectations or above  Response to national crises:  Survey of key agencies involved with a national crisis or event with a baseline to be established in 2014/15	New measure	DPMC support for the Officials Committee for Domestic and External Security Coordination	Met expectations	
			DPMC support for the Readiness and Response Board	Met expectations	
			DPMC support for the Security and Intelligence Board	Expectations not met (see note 3 below)	
			Response to national crises	Not applicable in 2013/14 (see note 4 below)	
Advice and guidance on policies and preparation for strengthening national security is fully integrated, timely and of high quality.	Prime Minister's satisfaction exceeds expectations or above	New measure	Prime Minister's satisfaction with national security advice and guidance	Far exceeded expectations	

#### Notes:

1. This measure records the percentage of assessments published by the National Assessments Bureau that do not require subsequent revision or correction. In the 2013/14 year, only one minor factual correction to a report needed to be made, out of a total of 286 complete reports issued during the year.
2. Stakeholders were asked to rate the service they received from DPMC on a scale of 1–10. 9–10 is associated with Far exceeded expectations, 7–8 is associated with Exceeded expectations, 5–6 is associated with Met expectations, and 3–4 is associated with Expectations not met.
3. Improvements in this result are expected in coming years as a result of the new structure of DPMC's security and intelligence business units effective from 1 July 2014. The new structure established a team responsible for supporting the national security system and its committees and boards.
4. This measure was not reported against in 2013/14 as there were no national crises to manage, and therefore no measurable performance.

### Support, Secretariat and Coordination Services

The Secretariat of the Cabinet provided impartial secretariat services to Cabinet and Cabinet committees, provided impartial advice to the Governor-General, Prime Minister and other Ministers on certain constitutional, policy and procedural issues, especially those contained in the Cabinet Manual, assisted in the coordination of the Government's legislative programme and administered the New Zealand Royal Honours system, including the Honours lists.

The Clerk of the Executive Council provided impartial secretariat services to the Executive Council and acted as a channel of communication between the Governor-General and the Government, and had overall responsibility for policy and administration of Government House.

Performance Information	Standard	2012/13	2013/14	
Cabinet and Cabinet committee minutes requiring subsequent amendment (excluding amendments made as the result of Cabinet decisions).	No more than 0.5%	0.27%	0.3%	
Papers for Cabinet and Cabinet committee meetings will be delivered by the close of business, two business days before the meeting (subject to on-time delivery to the Cabinet Office).	100%	77%	79%	
Cabinet minutes will be issued within three business days of the Cabinet meeting.	100%	92%	94%	
Formal feedback from the Governor-General and the Prime Minister on services provided.	Overall expectations are met or exceeded	New measure	Satisfaction of the Governor-General	Exceeded expectations
			Satisfaction of the Prime Minister	Far exceeded expectations

### Policy Advice – Prime Minister and Cabinet

PAG provided coherent and impartial advice on issues of the day directly to the Prime Minister and, on occasion, to other Ministers; led ad hoc special projects of high priority for the Prime Minister; contributed to policy development across the full range of government business, including coordinating the provision of advice across agencies; and, operating as the Corporate Centre together with the Treasury and SSC, led DPMC's involvement on State sector performance. SRG provided impartial advice to the Prime Minister on risk and security matters. NCPO provided advice to the Prime Minister and other Ministers relating to cyber policy.

Performance Information	Standard	2012/13	2013/14
The satisfaction of the Prime Minister and Cabinet with the policy advice service, as per the common satisfaction survey (see notes 1, 2 and 4 below).	At least 80%	New measure	Achieved. Rated as "Far exceeded expectations" (see note 1 below for comparable numerical value)
Technical quality of policy advice papers assessed by a survey with a methodology robustness of 90% (see note 3 below).	At least an average of 90%	New measure	Achieved. Rated as "Far exceeded requirements" (see note 1 below for comparable numerical value)
The total cost per hour of producing outputs.	At most \$150	New measure	\$112
The total cost per hour of producing outputs using updated formula.	At most \$105	New measure	\$96 (see note 5 below)

#### Notes:

- Stakeholders were asked to rate the service they received from DPMC on a scale of 1–10. 9–10 is associated with Far exceeded expectations, 7–8 is associated with Exceeded expectations, 5–6 is associated with Met expectations and 3–4 is associated with Expectations not met.
- This year's reporting focused on policy advice provided to the Prime Minister by PAG, which provides the vast bulk of DPMC's policy advice function. Next year's *Annual Report* will expand reporting to include policy advice provided by NCPO, MCDEM and the National Security Policy unit. MCDEM and the National Security Policy unit are new to DPMC.
- DPMC used a modified version of the common satisfaction survey to measure ministerial satisfaction. The survey asked the Prime Minister to rate the policy advice he received on a 10-point scale covering the following headings: meets needs, timeliness, quality and overall satisfaction. The common satisfaction survey contains additional questions which we considered would not produce useful feedback given that we were only asking for feedback from one stakeholder.
- This year's reporting measured the quality of DPMC's policy advice by asking the Prime Minister to rate his satisfaction with the quality of advice, considering its accuracy, clarity, analytical rigour, fitness for purpose and relevance to the wider context. Given the nature of most of DPMC's policy advice, we would be unable to submit the advice to third parties to provide an external assessment of the technical quality of the advice.
- The formula underlying this measure has recently been updated by the Treasury to better align it with the amended definition of policy advice costs. Performance measures calculated using both the original and updated formulae have been provided to help readers understand how this change has affected the assessment of performance.

	Original Formula	Updated Formula
Total cost per output hour	<b>Total Policy Advice Costs</b> Total Policy Output and Non-policy Output Hours	<b>Total Policy Advice Costs</b> Total Policy Output Hours (excluding non-policy advice hours)

### *Support Services to the Governor-General and Maintenance of the Official Residences*

The Clerk of the Executive Council provided impartial secretariat services to the Executive Council and acted as a channel of communication between the Governor-General and the Government, and had overall responsibility for policy and administration of Government House.

The Official Secretary managed the running of Government House to ensure effective support of the Governor-General, including planning and organising all official engagements and functions to ensure that the Governor-General is well-supported in all settings; and had overall responsibility for the management, control and maintenance of the buildings, grounds and assets of Government House Wellington and Government House Auckland.

Performance Information	Standard	2012/13	2013/14	
Support to the Governor-General is efficient and effective.	The Governor-General's overall expectations are met or exceeded	Governor-General feedback positive	Satisfaction with Cabinet Office service	Exceeded expectations
			Satisfaction with Government House service	Proficient (see note 1)
Events at Government House are well-organised.	The Governor-General's overall expectations are met or exceeded	Governor-General feedback positive	Excellent	
The Governor-General's official residences are well-maintained.	Maintenance, heritage and gardening plans are adhered to	Plans were adhered to	Plans were adhered to	
Management of the Governor-General's domestic and international programme is appropriate and well-balanced (see note 1).	The Governor-General's overall expectations are met or exceeded	New measure	Proficient (see note 1)	

#### Note:

1. The Governor-General provided feedback and was asked to indicate his satisfaction with the service provided by Government House staff on a 10-point scale. Ratings out of 10 had a corresponding descriptor: 9–10 is Excellent, 6–8 is Proficient, and 4–6 is Competent. The rating for his satisfaction with Cabinet Office staff is out of 5 with a 5 indicating service “Far exceeded expectations”, 4 indicating “Exceeded expectations” and 3 indicating “Met expectations”.

### *Emergency Sector Support and Development*

Through this appropriation we develop and implement operational policies and projects, advice, assistance and information for the civil defence and emergency management sector. We develop and deliver long-term national programmes to raise individual and community awareness and preparedness.

Performance Information	Standard	2012/13	2013/14
Director Guidelines, Technical Standards, Codes and other CDEM sector information publications maintained – currently reviewed at least every 4 years.	4–7 revised each year (of 25)	4	4
Satisfaction, assessed as “Good” or “Very Good”, in relation to:			
• CDEM Group – coverage of the Guidelines, Technical Standards and Codes and other publications (see note 1 below),	At least 80% (of est 100)	64%	65%
• CDEM Group – quality of the Guidelines, Technical Standards and Codes and other publications, and	At least 80% (of est 100)	73%	80%
• the quality of the newsletters/updates – 16–20 issues (see note 1 below).	At least 80% (of 200)	67%	80%
Attendee satisfaction with civil defence and emergency management training courses (see note 1 below).	At least 90% (of 120–150)	93% (of 140)	Q4: 91% (of 41) Q2: 80% (of 120)

#### Note:

1. CDEM Group stakeholders and course attendees are asked to assess the quality of services and information received on a 5-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

### *Management of National Emergency Management Readiness, Response and Recovery*

Through this appropriation we managed national emergency readiness, response and recovery. This included supporting local civil defence emergency management organisations, maintaining the readiness of the National Crisis Management Centre and national training and education. We coordinated and managed central government's response and recovery activities and the administration of related expenses.

Performance Information	Standard	2012/13	2013/14
National Warning System tests conducted.	At least 4 (one test per quarter)	4	4 (one test conducted in each quarter)
National warnings issued within 30 minutes after the notification of a pending event that exceeds the thresholds.	All (of 1-6)	All (of 1)	All (of 2 in Q4) All (of 2 in Q1-Q3)
National warning distribution list – accuracy of contact details (at each warning or test).	At least 95%	96%	99% for Q4 (96.7% for Q1-Q3)
Stakeholder satisfaction with the timing and content of national warning messages.	Assessed as “Satisfied” or better by at least 85% (of 200)	63%	74%
National Crisis Management Centre (NCMC) managed, during activations, with:			
<ul style="list-style-type: none"> <li>staffing in place according to the activation mode within 2 hours,</li> </ul>	All	All	All
<ul style="list-style-type: none"> <li>essential information technology systems available and operating at agreed performance levels,</li> </ul>	All	Not achieved	Q4: Not achieved (see note 1 below) Q3: Achieved Q2: Achieved Q1: Achieved
<ul style="list-style-type: none"> <li>back-up information technology systems and equipment fully functional, and</li> </ul>	At least 99.8%	100%	100%
<ul style="list-style-type: none"> <li>coordination and management consistent with the Response Concept of Operations for extended activations.</li> </ul>	All (no variations)	No extended activations in 12/13	No extended activations in 2013/14
National Crisis Management Centre activations reviewed:	All	All (1 review)	All (1 review in Q4)
<ul style="list-style-type: none"> <li>mode 2 or higher activations – within 3 months, and</li> </ul>			
<ul style="list-style-type: none"> <li>approved recommendations (lessons identified) actioned – within set timeframes.</li> </ul>	All	All	All

#### Note:

1. The Emergency Management Information System (EMIS) was down in April 2014. Despite the transfer of MCDEM to DPMC, DIA retained responsibility for EMIS during Q4.

### Community Information and Advisory Services

Performance Information	Standard	2012/13	2013/14
Advertising reaches the targeted audience demographic (assessed quarterly)	At least 70%	Not achieved	Q4: 78% Q3: 84.1% Q2: No activity (see note 1 below) Q1: 81.5%
<ul style="list-style-type: none"> <li>television</li> </ul>			
<ul style="list-style-type: none"> <li>radio</li> </ul>	At least 45%	Not achieved	Not achieved (see note 2 below)
Availability of the civil defence website 24 hours a day, 7 days a week	At least 99.9%	99.91%	99.91%

#### Notes:

1. There was no activity in Q2 because more money was put into television advertising for “Get Through Week” in September. As a result, there were insufficient funds available to support October–December activity.
2. Although some local CDEM groups maintained radio advertising, a lack of funding for radio advertising meant MCDEM funds that were available were reallocated to television advertising. As a result, no radio advertising was purchased.

### Policy Advice and Ministerial Servicing – Emergency Management

Performance Information	Standard	2012/13	2013/14
Policy advice and policy briefings delivered to agreed quality criteria and standards – demonstrated through independent assessment.	Agreed quality criteria and standards met	Achieved	Q4: Not measured in 2013–14 (see note 1 below)
Minister's satisfaction with the quality of policy advice (quarterly) (see note 2).	Assessed as “Satisfied” or better	Q1: Good Q2: Good Q3: Satisfied Q4: Satisfied	Q4: Not measured in 2013–14 (see note 3 below) Q3: 7 Q1–Q2: 7 (see note 2 below)
Total cost of an hour of professional staff time devoted to policy unit outputs.	\$90–\$120	New measure	\$137.78 (see note 3 below)

#### Notes:

1. DPMC does not use an external organisation to measure the quality of the policy advice that we provide, but DIA does. Readers can refer to the *DIA Annual Report* for 2013/14 for results relating to Q1–Q3. Ministerial satisfaction was not measured for Q4. DIA measured ministerial satisfaction for Q1–Q3. After the transfer of MCDEM to DPMC, there was insufficient policy advice produced in Q4 to warrant a separate survey covering one quarter.
2. In 2013/14, DIA changed the way it collected information for this measure, in accordance with the Treasury Common Policy Indicators Report Data Collection Guidelines. DIA now undertake surveys on a 6-monthly basis, using a standardised Ministerial Satisfaction Survey format using a rating scale from 1 to 10.
3. This is a new measure and the standard that was set for the 2013/14 year was based on a hypothetical estimate by DIA. From 1 April 2014, this measure will be a whole-of-DPMC figure.

## FINANCIAL PERFORMANCE

Multi-class output expense appropriations (MCOA) – Multi-class output appropriations allow departments the flexibility of having one appropriation across a number of output classes. To maintain transparency, the Public Finance Act 1989 requires departments to report on actual expenses and performance for each output class within a MCOA, as well as reporting actual expenses and performance for the entire appropriation.

With the implementation of the Public Finance Amendment Act 2013 for Budget 2014, all multi-class output appropriations (MCOAs) expired at the end of 2013/14. The legislation effectively replaces them with multi-category appropriations (MCAs). For the 2014/15 Estimates, all MCOAs needed to be either transitioned into an MCA or disestablished and reverted to single category appropriations. An MCA provides greater flexibility for allocating resources to where they can best contribute to an overarching purpose, while retaining transparency at the category level on expenditure and performance.

The revenue received from others reflects the agreed recovery value received from other government agencies for staff who were seconded. Explanation on variances is provided in note 21 on page 57.

2013		2014	2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
	<b>POLICY ADVICE AND SUPPORT SERVICE MCOA</b>				
	REVENUE CROWN				
	<i>Multi-Class Output Expenses Appropriation – MCOA</i>				
7,095	National Security Priorities and Intelligence Coordination	8,328	8,768	8,328	-
3,960	Policy Advice – Prime Minister and Cabinet	5,251	4,179	5,251	-
496	Science Advisory Committee	525	525	525	-
4,028	Support Services to the Governor-General and Maintenance of the Official Residences	4,258	4,106	4,258	-
4,213	Support, Secretariat and Coordination Services	4,771	4,475	4,771	-
	<i>Multi-Category Appropriation – MCA</i>				
-	National Security Priorities and Intelligence Coordination	-	-	-	8,860
-	Policy Advice – Prime Minister and Cabinet	-	-	-	4,131
-	Science Advisory Committee	-	-	-	525
-	Support Services to the Governor-General and Maintenance of the Official Residences	-	-	-	4,109
-	Support, Secretariat and Coordination Services	-	-	-	4,478

2013		2014		2014		2015	
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000		Unaudited Forecast (as per BEFU 2014) \$000	
	<b>REVENUE OTHER</b>						
	<i>Multi-Class Output Expenses Appropriation – MCOA</i>						
333	National Security Priorities and Intelligence Coordination	73	-	63		-	
465	Policy Advice – Prime Minister and Cabinet	503	-	497		-	
34	Support Services to the Governor-General and Maintenance of the Official Residences	74	30	30		-	
147	Support, Secretariat and Coordination Services	84	-	111		-	
	<i>Multi-Category Appropriation – MCA</i>						
-	Support Services to the Governor-General and Maintenance of the Official Residences	-	-	-		30	
<b>20,771</b>	<b>TOTAL REVENUE</b>	<b>23,867</b>	<b>22,083</b>	<b>23,834</b>		<b>22,133</b>	
	<b>POLICY ADVICE AND SUPPORT SERVICE</b>						
	<b>EXPENDITURE</b>						
	<i>Multi-Class Output Expenses Appropriation – MCOA</i>						
7,799	National Security Priorities and Intelligence Coordination	7,672	8,768	8,391		-	
3,496	Policy Advice – Prime Minister and Cabinet	5,706	4,179	5,748		-	
446	Science Advisory Committee	435	525	525		-	
4,125	Support Services to the Governor-General and Maintenance of the Official Residences	4,206	4,136	4,288		-	
4,624	Support, Secretariat and Coordination Services	3,618	4,475	4,882		-	
	<i>Multi-Category Appropriation – MCA</i>						
-	National Security Priorities and Intelligence Coordination	-	-	-		8,860	
-	Policy Advice – Prime Minister and Cabinet	-	-	-		4,131	
-	Science Advisory Committee	-	-	-		525	
-	Support Services to the Governor-General and Maintenance of the Official Residences	-	-	-		4,139	
-	Support, Secretariat and Coordination Services	-	-	-		4,478	
<b>20,490</b>	<b>TOTAL EXPENDITURE</b>	<b>21,637</b>	<b>22,083</b>	<b>23,834</b>		<b>22,133</b>	
<b>281</b>	<b>SURPLUS/(DEFICIT)</b>	<b>2,230</b>	<b>-</b>	<b>-</b>		<b>-</b>	

On 11 November 2013 Cabinet approved the transfer of civil defence and emergency management functions from DIA to DPMC from 1 April 2014. The figures reported by DPMC are for the period 1 April 2014 to 30 June 2014.

2013		2014	2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
	<b>EMERGENCY MANAGEMENT</b>				
	<b>REVENUE CROWN</b>				
	<i>Multi-Class Output Expenses Appropriation – MCOA</i>				
-	Community Information and Advisory Services	322	-	322	-
-	Emergency Sector Support and Development	1,085	-	1,085	-
-	Management of National Emergency Management Readiness, Response and Recovery	877	-	877	-
-	Emergency Management Transition	1,354	-	1,354	-
-	Policy Advice and Ministerial Servicing – Emergency Management	237	-	237	-
	<i>Multi-Category Appropriation – MCA</i>				
-	Community Awareness and Readiness	-	-	-	1,690
-	Emergency Sector Support and Development	-	-	-	4,151
-	Management of Civil Defence Emergencies	-	-	-	4,097
-	Policy Advice – Emergency Management	-	-	-	934
	<b>EMERGENCY MANAGEMENT</b>				
	<b>REVENUE OTHER</b>				
-	Community Information and Advisory Services	-	-	9	-
-	Emergency Sector Support and Development	-	-	48	-
-	Management of National Emergency Management Readiness, Response and Recovery	21	-	34	-
	<i>Multi-Category Appropriation – MCA</i>				
-	Community Awareness and Readiness	-	-	-	23
-	Emergency Sector Support and Development	-	-	-	121
-	Management of Civil Defence Emergencies	-	-	-	86
-	<b>TOTAL REVENUE</b>	<b>3,896</b>	-	<b>3,966</b>	<b>11,102</b>

2013		2014	2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
	<b>EXPENDITURE</b>				
	<i>Multi-Class Output Expenses Appropriation - MCOA</i>				
-	Community Information and Advisory Services	572	-	331	-
-	Emergency Sector Support and Development	784	-	1,133	-
-	Management of National Emergency Management Readiness, Response and Recovery	995	-	911	-
-	Emergency Management Transition	682	-	1,354	-
-	Policy Advice and Ministerial Servicing - Emergency Management	63	-	237	-
	<i>Multi-Category Appropriation - MCA</i>				
-	Community Awareness and Readiness	-	-	-	1,713
-	Emergency Sector Support and Development	-	-	-	4,272
-	Management of Civil Defence Emergencies	-	-	-	4,183
-	Policy Advice - Emergency Management	-	-	-	934
-	<b>TOTAL EXPENDITURE</b>	3,096	-	3,966	11,102
-	<b>SURPLUS/(DEFICIT)</b>	<b>800</b>	-	-	-

The combined revenue and cost incurred for both DIA and DPMC for these output classes are as per the schedule below.

2013 Annual Report DIA		2014	2014		2015
Actual \$000		Summation of Actual \$000	Main Estimates DIA \$000	Summation Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
	<b>EMERGENCY MANAGEMENT</b>				
	<b>REVENUE CROWN</b>				
-	Emergency Management Transition	1,354	-	1,354	-
1,611	Community Information and Advisory Services	1,453	1,331	1,453	1,690
3,877	Emergency Sector Support and Development	3,995	3,711	3,995	4,151
3,961	Management of National Emergency Management Readiness, Response and Recovery	3,740	3,736	3,740	4,097
904	Policy Advice and Ministerial Services – Emergency Management	908	914	908	934
	<b>REVENUE OTHER</b>				
-	Emergency Management Transition	-	-	-	-
26	Community Information and Advisory Services	89	23	98	23
136	Emergency Sector Support and Development	467	121	515	121
97	Management of National Emergency Management Readiness, Response and Recovery	354	86	367	86
-	Policy Advice and Ministerial Services – Emergency Management	-	-	-	-
10,612	<b>TOTAL REVENUE</b>	12,360	9,922	12,430	11,102
	<b>EXPENDITURE</b>				
-	Emergency Management Transition	682	-	1,354	-
1,570	Community Information and Advisory Services	1,792	1,354	1,551	1,713
3,721	Emergency Sector Support and Development	4,161	3,832	4,510	4,272
4,235	Management of National Emergency Management Readiness, Response and Recovery	4,191	3,822	4,107	4,183
836	Policy Advice and Ministerial Services – Emergency Management	734	914	908	934
10,362	<b>TOTAL EXPENDITURE</b>	11,560	9,922	12,430	11,102
250	<b>SURPLUS/(DEFICIT)</b>	800	-	-	-

## Departmental Financial Statements

for the year ended 30 June 2014

### Statement of Comprehensive Income

for the year ended 30 June 2014

2013			2014		2014		2015
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000	
	<b>INCOME</b>						
19,792	Revenue Crown	2	27,008	22,053	27,008	32,975	
979	Other revenue	3	755	30	792	260	
20,771	<b>TOTAL INCOME</b>		<b>27,763</b>	<b>22,083</b>	<b>27,800</b>	<b>33,235</b>	
	<b>EXPENSES</b>						
12,652	Personnel costs	4	14,950	14,474	14,474	14,761	
78	Depreciation and amortisation expense	11	108	740	53	610	
26	Capital charge	5	227	158	240	240	
7,734	Other operating expenses	6	9,448	6,711	13,033	17,624	
20,490	<b>TOTAL EXPENDITURE</b>		<b>24,733</b>	<b>22,083</b>	<b>27,800</b>	<b>33,235</b>	
<b>281</b>	<b>NET SURPLUS/(DEFICIT)</b>		<b>3,030</b>	-	-	-	
-	Other comprehensive income		-	-	-	-	
-	<b>Total comprehensive income</b>		<b>3,030</b>	-	-	-	

Explanations for major variance against the budget are provided in note 21.

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

## Statement of Changes in Equity

for the year ended 30 June 2014

2013			2014	2014		2015
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
<b>400</b>	<b>BALANCE AT 1 JULY 2013</b>		<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>4,063</b>
	<b>COMPREHENSIVE INCOME/(EXPENSE)</b>					
281	Surplus for the year		3,030	-	-	-
2,600	Capital contribution	20	1,065	20	1,065	-
(281)	Return of operating surplus to the Crown	13	(3,030)	-	-	-
<b>3,000</b>	<b>BALANCE AT 30 JUNE 2014</b>		<b>4,065</b>	<b>3,020</b>	<b>4,065</b>	<b>4,063</b>

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

# Statement of Financial Position

as at 30 June 2014

2013				2014	2014		2015
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000	
	<b>ASSETS</b>						
	<b>CURRENT ASSETS</b>						
4,227	Cash and cash equivalents	19	4,678	2,363	2,924	2,996	
1,901	Debtor Crown		6,624	1,020	1,020	1,020	
399	Debtors and other receivables	7, 19	724	40	399	40	
7	Prepayments		1	30	7	30	
100	Inventory	8	100	100	100	100	
6,634	<b>TOTAL CURRENT ASSETS</b>		<b>12,127</b>	<b>3,553</b>	<b>4,450</b>	<b>4,186</b>	
	<b>NON-CURRENT ASSETS</b>						
210	Inventory	8	199	300	210	300	
164	Intangible assets	10	235	1,950	2,164	2,080	
170	Property, plant and equipment	9	350	247	237	247	
544	<b>TOTAL NON-CURRENT ASSETS</b>		<b>784</b>	<b>2,497</b>	<b>2,611</b>	<b>2,627</b>	
7,178	<b>TOTAL ASSETS</b>		<b>12,911</b>	<b>6,050</b>	<b>7,061</b>	<b>6,813</b>	
	<b>LIABILITIES</b>						
	<b>CURRENT LIABILITIES</b>						
2,624	Creditors and other payables	12,19	3,947	1,650	1,463	1,590	
281	Provision for repayment of surplus	13	3,030	-	281	-	
-	Provisions	15	-	60	-	-	
892	Employee entitlements	14	1,556	1,020	871	886	
3,797	<b>TOTAL CURRENT LIABILITIES</b>		<b>8,533</b>	<b>2,730</b>	<b>2,615</b>	<b>2,476</b>	
	<b>NON-CURRENT LIABILITIES</b>						
381	Employee entitlements	14	313	300	381	274	
381	<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>313</b>	<b>300</b>	<b>381</b>	<b>274</b>	
4,178	<b>TOTAL LIABILITIES</b>		<b>8,846</b>	<b>3,030</b>	<b>2,996</b>	<b>2,750</b>	
3,000	<b>NET ASSETS</b>		<b>4,065</b>	<b>3,020</b>	<b>4,065</b>	<b>4,063</b>	
	<b>EQUITY</b>						
3,000	Taxpayers' funds		4,065	3,020	4,065	4,063	
3,000	<b>TOTAL EQUITY</b>		<b>4,065</b>	<b>3,020</b>	<b>4,065</b>	<b>4,063</b>	

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

## Statement of Cash Flows

for the year ended 30 June 2014

2013			2014		2014		2015
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000	
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
18,911	Receipts from the Crown		22,920	22,053	27,133	32,975	
676	Receipts from other revenue		430	30	792	260	
(7,868)	Payments to suppliers		(8,012)	(6,738)	(13,201)	(17,646)	
(11,657)	Payments to employees		(15,027)	(14,452)	(14,451)	(14,739)	
(26)	Payments for capital charge		(227)	(158)	(240)	(240)	
51	Goods and services tax (net)		(38)	-	-	-	
87	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	16	46	735	33	610	
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
(45)	Purchase of property, plant and equipment		(5)	(120)	(120)	(100)	
(164)	Purchase of intangible assets		(71)	(1,800)	(2,000)	(436)	
(209)	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		(76)	(1,920)	(2,120)	(536)	
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
(391)	Repayment of net surplus to the Crown		(281)	(555)	(281)	-	
2,600	Capital contribution		762	-	1,065	-	
2,209	<b>NET CASH FROM FINANCING ACTIVITIES</b>		481	(555)	784	-	
2,088	Net increase/(decrease) in cash and cash equivalent		451	(1,740)	(1,303)	74	
2,139	Cash and bank balances at the beginning of the year		4,227	4,103	4,227	2,922	
<b>4,227</b>	<b>CASH AND BANK BALANCES AT YEAR END</b>		<b>4,678</b>	<b>2,363</b>	<b>2,924</b>	<b>2,996</b>	

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

## Statement of Commitments

as at 30 June 2014

### Capital commitment

At 30 June 2014 the Department has no capital commitments (2013: nil).

### Non-cancellable operating lease commitments

The Department leases premises in Wellington, Auckland and Christchurch. In Wellington the Department leases the 17th floor of Bowen House and the second floor of Pipitea House. Two civil defence centres are also leased, one in Auckland and the other in Christchurch.

The annual lease payments are subject to 3-yearly or 10-yearly reviews and the lease for the civil defence centre in Christchurch expires in April 2016. 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.

2013		2014	
Actual \$000		Actual \$000	
	<b>OPERATING COMMITMENTS</b>		
	<b>NON-CANCELLABLE OPERATING LEASE COMMITMENTS</b>		
633	No later than 1 year	782	
2,233	Later than 1 year and not later than 5 years	3,033	
2,337	Later than 5 years	1,640	
5,203	<b>TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS</b>	5,455	
	<b>OTHER NON-CANCELLABLE COMMITMENTS</b>		
37	No later than 1 year	37	
37	<b>TOTAL OTHER NON-CANCELLABLE COMMITMENTS</b>	37	
<b>5,240</b>	<b>TOTAL COMMITMENTS</b>	<b>5,492</b>	

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

# Statement of Departmental Expenses and Capital Expenditure Against Appropriations

as at 30 June 2014

2013		2014	2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
	<i>Vote Prime Minister and Cabinet</i>				
	<b>DEPARTMENTAL OUTPUT CLASSES</b>				
20,490	<i>Policy Advice and Support Services Multi-class Output Expenses Appropriation (MCOA)</i>	21,637	22,083	23,834	-
7,799	National Security Priorities and Intelligence Coordination	7,672	8,768	8,391	-
3,496	Policy Advice – Prime Minister and Cabinet	5,706	4,179	5,748	-
446	Science Advisory Committee	435	525	525	-
4,125	Support Services to the Governor-General and Maintenance of the Official Residences	4,206	4,136	4,288	-
4,624	Support, Secretariat and Coordination Services	3,618	4,475	4,882	-
-	<i>Emergency Management Multi-class Output Expenses Appropriation (MCOA)</i>	3,096	-	3,966	-
-	Community Information and Advisory Services	572	-	331	-
-	Emergency Management Transition	784	-	1,133	-
-	Emergency Sector Support and Development	995	-	911	-
-	Management of National Emergency Management Readiness, Response and Recovery	682	-	1,354	-
-	Policy Advice and Ministerial Servicing – Emergency Management	63	-	237	-
-	<i>Policy Advice and Support Services Multi-category appropriation (MCA)</i>	-	-	-	22,133
-	National Security Priorities and Intelligence Coordination	-	-	-	8,860
-	Policy Advice – Prime Minister and Cabinet	-	-	-	4,131
-	Science Advisory Committee	-	-	-	525
-	Support Services to the Governor-General and Maintenance of the Official Residences	-	-	-	4,139
-	Support, Secretariat and Coordination Services	-	-	-	4,478

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

2013		2014	2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
-	<i>Emergency Management Multi-category appropriation (MCA)</i>	-	-	-	11,102
-	Community Awareness and Readiness	-	-	-	1,713
-	Emergency Sector and Support and Development	-	-	-	4,272
-	Management of Civil Defence Emergencies	-	-	-	4,183
-	Policy Advice – Emergency Management	-	-	-	934
<b>20,490</b>	<b>TOTAL DEPARTMENTAL OUTPUT EXPENSES</b>	<b>24,733</b>	<b>22,083</b>	<b>27,800</b>	<b>33,235</b>
	APPROPRIATIONS FOR CAPITAL EXPENDITURE				
209	Total Departmental Capital Expenditure (Permanent Legislative Authority)	106	120	120	100
<b>209</b>	<b>TOTAL CAPITAL EXPENDITURE</b>	<b>106</b>	<b>120</b>	<b>120</b>	<b>100</b>

Explanations for major variance against the budget are provided in note 21.

## Statement of Unappropriated Departmental Expenditure and Capital Expenditure

*for the year ended 30 June 2014*

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

Nil (2013: Nil).

### **Expenses and capital expenditure incurred in excess of appropriation**

Nil (2013: Nil).

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

Nil (2013: Nil).

### **Breaches of projected departmental net asset schedule**

Nil (2013: Nil).

## Statement of Contingent Liabilities and Contingent Assets

*for the year ended 30 June 2014*

### **Contingent liabilities**

At 30 June 2014 the Department has no contingent liabilities (2013: Nil).

### **Contingent assets**

At 30 June 2014 the Department has no contingent assets (2013: Nil).

# Notes to the Departmental Financial Statements

for the year ended 30 June 2014

## 1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014

### Reporting entity

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

The primary objective of the Department is to provide services to the public rather than making a financial return. Accordingly, the Department of the Prime Minister and Cabinet is a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Department are for the year ended 30 June 2014. The unaudited Forecast Financial Statements were prepared on 14 April 2014 (BEFU). The financial statements were authorised for issue by the Chief Executive of the Department on 30 September 2014.

### Statement of compliance

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

### Basis of preparation

#### Measurement base

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

#### Functional and presentation currency

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

#### Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other

factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are referred to below.

#### Retirement and long-service leave

Note 14 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long-service leave liabilities.

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

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

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this

Accounting Standards Framework, the Department is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Department expects to transition to the new standards in preparing its 30 June 2015 financial statements.

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

### Significant accounting policies

The following significant accounting policies, which materially affect the measurement of financial results and financial position, have been applied consistently to all periods presented in these financial statements.

#### Revenue

Revenue is measured at the fair value of consideration received.

Revenue earned from the supply of outputs to the Crown is recognised at budgeted level as recognition of revenue earned.

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

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

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

The Department recovers costs it incurs on behalf of other agencies by invoicing for the service provided.

#### Capital charge

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

#### Debtors and other receivables

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

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

#### Financial instruments

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

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

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

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

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

Gains and losses on revaluation are recognised when they are known, in the Asset Revaluation Reserve. This is part of Taxpayers' funds in the Statement of Financial Position. All assets are revalued periodically to ensure the values as stated are reasonable.

#### *Subsequent costs*

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

#### **Depreciation**

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

Asset	Useful life	Depreciation rate
Furniture and fittings	5–10 years	10–20%
IT equipment	3–5 years	20–33.3%
Motor vehicles	4 years	25%
Plant and equipment	5–10 years	10–20%

#### **Intangible assets**

##### *Software acquisition and development*

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

##### *Amortisation*

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

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when an asset is available for use and ceases at the date that an asset is de-recognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income.

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

Asset	Useful life	Amortisation rate
Acquired computer software	3–4 years	20–33.3%

#### **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 (ie, that the carrying amount may not be recoverable). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and value-in-use.

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

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

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

#### **Employee entitlements**

##### *Short-term employee entitlements*

Short-term employee entitlements expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages, annual leave and sick leave and are recognised in the Statement of Comprehensive Income when they accrue to employees. Employee entitlements to be settled within 12 months are reported at the amount expected to be paid.

Termination benefits are recognised in the Statement of Comprehensive Income only when there is a demonstrable commitment, without realistic possibility of withdrawal, either to terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy.

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

#### *Long-term employee entitlements*

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

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

#### *Defined-contribution plans*

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

#### *Creditors and other payables*

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

#### *Leases*

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

#### *Superannuation schemes*

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

#### *Provisions*

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

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

#### *Equity*

Equity funds are the Crown's investment in the Department and are measured as the difference between total assets and total liabilities.

#### *Commitments*

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

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

#### *Contingent liabilities and contingent assets*

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

### **Goods and services tax (GST)**

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

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

The net GST paid to or received from 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 2014, 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.

### **Forecast figures**

#### *Basis of preparation*

These forecast financial statements have been prepared in accordance with New Zealand Public Benefit Entity (NZ PBE) International Public Sector Accounting Standards (IPSAS). While a detailed impact assessment has yet to be completed, no significant impact is expected on transition from NZ IFRS to IPSAS.

This is the first set of prospective financial statements presented by the Department under NZ PBE IPSAS. The prospective financial statements are compliant with PBE FRS-42 Prospective Financial Statements and are consistent with Generally Accepted Accounting Practice. The purpose of the forecast financial statements is to facilitate Parliament's consideration of the appropriations for, and planned performance of, the Department. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the forecast information presented and that the variations may be material.

These financial forecasts are based on *Budget Economic Forecast Update* (BEFU) and have been prepared on the basis of assumptions as to future events that the Department reasonably expects to occur, associated with the actions it reasonably expects to take. They have been compiled on the basis of existing government policies and ministerial expectations at the date that the information was prepared.

The actual results will remain substantially the same as the previous year except for:

- the inclusion of a full year of Emergency functions compared to 2013/14 which only reflects inclusion from 1 April 2014, and
- a post-balance date event regarding the transition of CERA as a Departmental Agency within the Department from 1 February 2015 (note 18).

Additional factors that could lead to material differences between the forecast financial statements and the 2013/14 actual financial statements include changes to the baseline budget through new initiatives, transfer of funding across financial years or technical adjustments.

#### *Comment on PBE IPSAS accounting policies*

Prospective financial statements have been prepared in accordance with the accounting policies expected to be used in the future for reporting historical general purpose financial statements. This is the first set of prospective financial statements prepared under PBE IPSAS accounting policies. While a detailed impact assessment has yet to be completed, no significant impact is expected on transition from NZ IFRS to IPSAS.

#### *Authorisation statement*

These forecast financial statements were authorised for issue by the Chief Executive of the Department on 14 April 2014. The Chief Executive is responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material.

*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. Indirect costs include those costs incurred by Central Agencies Shared Services (since March 2012) and then recovered from the Department.

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

*Comparatives*

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

*Related parties*

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

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

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

**2. REVENUE CROWN**

Revenue earned from the supply of outputs to the Crown is recognised as revenue when earned.

**3. OTHER REVENUE AND GAINS**

2013		2014		2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000	
34	Rental income	74	30	30	30	
938	Revenue Department – secondment recovery	660	-	671	230	
7	Revenue Department – other	21	-	91	-	
<b>979</b>	<b>TOTAL OTHER REVENUE AND GAINS</b>	<b>755</b>	<b>30</b>	<b>792</b>	<b>260</b>	

## 4. PERSONNEL COSTS

2013		2014		2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000	
12,014	Salaries and wages	13,908	13,757	13,793	14,084	
512	Employer contributions to defined-contribution plans	548	517	584	572	
(8)	Increase/(decrease) in employee entitlements	312	-	-	-	
-	Restructuring	113	-	-	-	
134	Other <sup>1</sup>	69	200	97	105	
<b>12,652</b>	<b>TOTAL PERSONNEL COSTS</b>	<b>14,950</b>	<b>14,474</b>	<b>14,474</b>	<b>14,761</b>	

<sup>1</sup> Other includes recruitment, staff training and attendance at conferences and seminars.

## 5. 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 2014 was 8% (2013: 8%).

## 6. OTHER OPERATING COSTS

2013		2014		2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000	
54	Audit fees for audit of financial statements	54	54	54	54	
684	Premises rental	613	675	667	864	
481	Facilities costs	552	581	593	473	
110	Inventories consumed	125	86	110	110	
1,704	Consultancy	1,215	300	1,707	688	
469	Travel costs	668	645	805	1,093	
607	Building and ground maintenance costs	675	621	655	864	
162	Promotion and publicity costs	390	28	213	1,006	
158	Photocopying and printing costs	174	203	208	284	
95	Cellphone and telephone	156	101	144	181	
36	IT-related costs	415	397	401	179	
2,705	Central Agencies Shared Services (CASS)	3,705	2,855	5,009	6,949	
469	Other operating expenses	706	665	2,467	3,379	
<b>7,734</b>	<b>TOTAL OTHER OPERATING COSTS</b>	<b>9,448</b>	<b>6,711</b>	<b>13,033</b>	<b>17,624</b>	

## 7. DEBTORS AND OTHER RECEIVABLES

2013		2014	2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
399	Debtors	724	-	399	40
-	Less provision for impairment	-	-	-	-
399	Net debtors	724	-	399	40
-	Other receivables	-	40	-	-
<b>399</b>	<b>TOTAL DEBTORS AND OTHER RECEIVABLES</b>	<b>724</b>	<b>40</b>	<b>399</b>	<b>40</b>

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

2013		2014	2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
303	Current	696	40	399	40
80	Past due 31–60 days	28	-	-	-
16	Past due 61–90 days	-	-	-	-
<b>399</b>	<b>TOTAL</b>	<b>724</b>	<b>40</b>	<b>399</b>	<b>40</b>

## 8. INVENTORY

2013		2014	2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
100	Current	100	100	100	100
210	Non-current	199	300	210	300
<b>310</b>	<b>TOTAL INVENTORY</b>	<b>299</b>	<b>400</b>	<b>310</b>	<b>400</b>

Inventory includes honours insignia, medals and ribbons. The carrying amount of inventory held for distribution at cost is \$299,000 as at 30 June 2014 (2013: \$310,000). The write-down of inventory held for distribution amounted to \$Nil as at 30 June 2014 (2013: Nil). There have been no reversals of write-downs. The loss in service potential of inventory held for distribution is determined on the basis of obsolescence. No inventory has been pledged as security for liabilities (2013: Nil).

## 9. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings \$000	Motor vehicles \$000	Plant and equipment \$000	Total \$000
<b>COST</b>				
Balance at 1 July 2012	366	117	888	1,371
Additions	24	-	21	45
Disposals	(211)	-	(99)	(310)
Balance at 30 June 2013	179	117	810	1,106
Balance at 1 July 2013	179	117	810	1,106
Additions	80	195	13	288
Disposals	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>259</b>	<b>312</b>	<b>823</b>	<b>1,394</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>				
Balance at 1 July 2012	333	102	719	1,154
Depreciation expense	20	15	43	78
Disposal	(183)	-	(113)	(296)
Balance at 30 June 2013	170	117	649	936
Balance at 1 July 2013	170	117	649	936
Depreciation expense	13	44	51	108
<b>Balance at 30 June 2014</b>	<b>183</b>	<b>161</b>	<b>700</b>	<b>1,044</b>
<b>CARRYING VALUE</b>				
At 1 July 2012	33	15	169	217
At 30 June and 1 July 2013	9	-	161	170
<b>At 30 June 2014</b>	<b>76</b>	<b>151</b>	<b>123</b>	<b>350</b>

Additions for 2013/14 include \$283,000 transferred from DIA with the transition of MCDEM. All IT assets were transferred to the Treasury as the Department purchase IT service delivery through the Treasury, CASS.

## 10. INTANGIBLE ASSETS

2013		2014	2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
	<b>INTERNALLY GENERATED SOFTWARE</b>				
	<b>COST</b>				
-	Opening balance 1 July	164	2,600	500	2,164
164	Additions	71	-	1,664	436
164	<b>CLOSING BALANCE 30 JUNE</b>	<b>235</b>	<b>2,600</b>	<b>2,164</b>	<b>2,600</b>
	<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES</b>				
-	Opening balance 1 July	-	-	-	-
-	Amortisation expenses	-	(650)	-	(520)
-	Disposal	-	-	-	-
-	<b>CLOSING BALANCE 30 JUNE</b>	<b>-</b>	<b>(650)</b>	<b>-</b>	<b>(520)</b>
<b>164</b>	<b>CARRYING VALUE AT 30 JUNE</b>	<b>235</b>	<b>1,950</b>	<b>2,164</b>	<b>2,080</b>

The balance represents work in progress for CabNet.

There are no restrictions over the title of the Department's intangible assets. No intangible assets are pledged as security for liabilities.

## 11. DEPRECIATION AND AMORTISATION

2013		2014	2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
248	Property, plant and equipment	458	337	290	337
164	Intangibles	235	2,600	2,164	2,600
412	<b>CARRYING VALUE AT 30 JUNE 2013</b>	<b>693</b>	<b>2,937</b>	<b>2,454</b>	<b>2,937</b>
78	Depreciation	108	90	53	90
-	Amortisation	-	650	-	520
78	<b>DEPRECIATION AND AMORTISATION EXPENSE</b>	<b>108</b>	<b>740</b>	<b>53</b>	<b>610</b>
170	Property, plant and equipment	350	247	237	247
164	Intangibles	235	1,950	2,164	2,080
<b>334</b>	<b>CARRYING VALUE AT 30 JUNE 2014</b>	<b>585</b>	<b>2,197</b>	<b>2,401</b>	<b>2,327</b>

## 12. CREDITORS AND OTHER PAYABLES

2013		2014		2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000	
226	Trade creditors	1,156	571	506		502
2,210	Accrued expenses	2,028	942	769		848
188	GST payable	763	137	188		100
<b>2,624</b>	<b>TOTAL CREDITORS AND OTHER PAYABLES</b>	<b>3,947</b>	<b>1,650</b>	<b>1,463</b>		<b>1,450</b>

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

## 13. PROVISION FOR REPAYMENT OF SURPLUS TO THE CROWN

2013		2014		2014	
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	
281	Current year net surplus	3,030	-	281	
<b>281</b>	<b>TOTAL PROVISION FOR REPAYMENT OF SURPLUS TO THE CROWN</b>	<b>3,030</b>	<b>-</b>	<b>281</b>	

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

## 14. PROVISION FOR EMPLOYEE ENTITLEMENTS

2013		2014		2014		2015	
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000		
	<b>CURRENT EMPLOYEE ENTITLEMENTS</b>						
260	Salary accrual	431	270	239	237		
-	Termination benefit	113	-	-	-		
534	Annual leave	898	467	475	489		
10	Long-service leave	48	20	7	7		
65	Retirement leave	44	219	120	123		
23	Sick leave	22	44	30	31		
<b>892</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>1,556</b>	<b>1,020</b>	<b>871</b>	<b>887</b>		
	<b>NON-CURRENT EMPLOYEE ENTITLEMENTS</b>						
65	Long-service leave	76	47	56	40		
316	Retirement leave	237	253	325	234		
<b>381</b>	<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>313</b>	<b>300</b>	<b>381</b>	<b>274</b>		
<b>1,273</b>	<b>TOTAL EMPLOYEE ENTITLEMENTS</b>	<b>1,869</b>	<b>2,070</b>	<b>1,884</b>	<b>1,811</b>		

The present value of the retirement and long-service leave obligations depends on a number of factors that are determined on an actuarial basis using some assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary-inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability. In determining the appropriate discount rate, the Department adopts the central table of risk-free discount rates and Consumer Price Index (CPI) assumptions provided by the Treasury.

## 15. PROVISIONS

2013		2014		2015	
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
	<b>LEASE MAKE-GOOD</b>				
60	Opening balance 1 July 2013	-	140	60	-
-	Additional provision made	-	-	-	-
(60)	Unused amounts reversed	-	(80)	(60)	-
-	Closing balance 30 June 2014	-	60	-	-
	<b>ASSETS WRITE-OFF</b>				
-	Opening balance 1 July 2013	-	-	-	-
-	Unused amounts reversed	-	-	-	-
-	Closing balance 30 June 2014	-	60	-	-
-	<b>TOTAL PROVISIONS</b>	-	<b>60</b>	-	-

## 16. RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

2013		2014		2015	
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
281	NET SURPLUS (DEFICIT)	3,030	-	-	-
	ADD/(LESS) NON-CASH ITEMS				
78	Depreciation and amortisation	108	740	53	610
78	TOTAL NON-CASH ITEMS	108	740	53	610
	ADD/(LESS) NON-CASH ITEMS CLASSIFIED AS INVESTING OR FINANCIAL ACTIVITIES				
13	Net (gains)/losses on disposal of property, plant and equipment	-	-	-	-
	ADD/(LESS) WORKING CAPITAL MOVEMENT				
(1,114)	(Increase)/decrease in receivables and pre-payments	(5,019)	-	-	-
23	(Increase)/decrease in inventories	11	-	-	-
815	Increase/(decrease) in creditors and other payables	745	(5)	(20)	-
-	Increase/(decrease) in GST	575	-	-	-
(60)	Increase/(decrease) in provisions	-	-	-	-
51	Increase/(decrease) in employee entitlements	596	-	-	-
(285)	TOTAL NET MOVEMENT IN WORKING CAPITAL ITEMS	(3,092)	(5)	(20)	-
87	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>46</b>	<b>735</b>	<b>33</b>	<b>610</b>

## 17. RELATED-PARTY TRANSACTIONS AND KEY MANAGEMENT

### Related-party transactions

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

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

### Significant transactions with government-related entities

The Department has received funding from the Crown of \$27.008 million (2013: \$19.792 million) to provide services to the Prime Minister, the Cabinet and the Governor-General for the year ended 30 June 2014.

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

In conducting its activities, the Department is required to pay various taxes (such as PAYE, GST and ACC levies) to the Crown

and entities related to the Crown: the payment of these taxes and levies is based on the standard terms and conditions that apply to all payers of taxes and levies. The Department is exempt from paying income tax.

The Department also purchases goods and services from entities controlled, significantly influenced or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2014 totalled \$7.262 million (2013: \$5.215 million). These purchases include purchase of electricity from Genesis and Mercury, air travel from Air New Zealand, legal services from the Crown Law Office, administrative support from CASS, postal services from New Zealand Post, payment of ACC levies and various services from other agencies. They exclude taxes and capital charge payments. Balance owed at year end totalled \$1.704 million (2013: \$1.662 million). Sales to government-related entities for the year ended 30 June 2014 totalled \$688,000 (2013: \$945,000). Balance owing at year end totalled \$152,000 (2013: \$355,000).

### Key management personnel compensation

2013		2014	
Actual \$000		Actual \$000	
2,671	Salaries and other short-term employee benefits	1,987	
54	Termination payments	-	
96	Post-employment benefits	81	
<b>2,821</b>	<b>TOTAL KEY MANAGEMENT PERSONNEL<sup>1</sup> COMPENSATION</b>	<b>2,068</b>	

<sup>1</sup> Key management personnel are the Chief Executive and the four senior managers. From 1 July 2014, the reporting structure was amended for three of the senior managers to report through the Deputy Chief Executive, Security and Intelligence.

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

## 18. EVENTS AFTER BALANCE DATE

On 1 February 2015, Canterbury Earthquake Recovery Agency (CERA) will become New Zealand's first Departmental Agency, housed within the Department. Departmental Agencies are a new type of Public Service organisation delivering a specific operation or regulatory function from within a host department. As a Departmental Agency, CERA will be attached to the Department, but will function autonomously with its own support systems. There will continue to be a separate Chief Executive for CERA who will continue to lead CERA and the

staff working for CERA. The Department will pick up more explicit responsibility for providing assurance on the overall direction and governance of the recovery and for the transition of CERA's role and functions. The financial information for CERA will be consolidated with the Department for the period from 1 February 2015.

The unaudited 2014/15 financial statements for the Department do not include the prospective financial performance or position for CERA.

## 19. 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, pre-payments, 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.

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

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

### Categories of financial instruments

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

2013		2014	2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
	<b>LOANS AND RECEIVABLES</b>				
4,227	Cash and cash equivalents	4,678	2,363	2,924	2,996
399	Debtors and other receivables	724	40	399	40
<b>4,626</b>	<b>TOTAL LOANS AND RECEIVABLES</b>	<b>5,402</b>	<b>2,403</b>	<b>3,323</b>	<b>3,036</b>
	<b>FINANCIAL LIABILITIES MEASURED AT AMORTISED COST</b>				
<b>2,624</b>	<b>CREDITORS AND OTHER PAYABLES (SEE NOTE 12)</b>	<b>3,947</b>	<b>1,650</b>	<b>1,463</b>	<b>1,450</b>

## 20. 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.

During 2013/14, the Department received capital contribution of \$1.065 million. The majority of this related to the transfer of assets from DIA to the Department when MCDEM transferred from 1 April 2014.

## 21. EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

### Variance between the Main Estimates and the Supplementary Estimates

In April 2014 the emergency management function transferred from DIA into the Department. The total departmental budget transferred for April to June 2014 was \$3.966 million and is within the Emergency Management multi-class output appropriation (MCOA). The Policy Advice – Prime Minister and Cabinet output class increased owing to revenue recoveries for secondments, a fiscally neutral transfer from Vote Canterbury Earthquake Recovery Authority and a fiscally neutral transfer within the Policy Advice and Support Services MCOA to reflect the estimated cost of providing policy advice.

### Variance between Actuals and the Supplementary Estimates

The Department is leading the CabNet project which aims to develop a secure, shared electronic environment in which the Cabinet Office, Ministers' offices and departments will be able

to collaborate on the consultation, management and communication of Cabinet information. This project was delayed while a second business case was prepared which resulted in a \$1.264 million under spend in Support, Secretariat and Coordination Services appropriation.

Cabinet agreed operating funding of \$1.354 million in 2013/14 to facilitate the expense of transferring the emergency management function to the Department. The transition roadmap will extend into the 2014/15 financial year which resulted in Emergency Management Transition output class being under spent by \$672,000.

The intelligence sector of the Department received new investment in 2013/14 to enhance the Department's leadership and coordination of the national security sector. The intelligence teams have enhanced their capability over the course of the year but the recruitment pathway was slower than originally envisaged, resulting in a \$719,000 underspend in National Security Priorities and Intelligence Coordination output class.

## Non-Departmental Financial Statements

for the year ended 30 June 2014

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 2014

2013		2014	2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
	<b>NON-DEPARTMENTAL OTHER EXPENSES</b>				
1,204	Depreciation on Crown assets	1,116	2,762	1,292	3,662
149	Ex-gratia payment to the University of Auckland	150	150	150	150
-	Loss on sale of Crown assets	36	-	170	-
-	Emergency expenses	627	-	2,822	2,000
-	Emergency Management Preparedness Grants	818	-	875	889
-	February 2011 Christchurch Earthquake National Controller costs	2	-	219	-
1,353	<b>TOTAL NON-DEPARTMENTAL OTHER EXPENSES</b>	2,749	2,912	5,528	6,701
	<b>NON-DEPARTMENTAL OTHER EXPENSES (PERMANENT LEGISLATIVE AUTHORITY)</b>				
373	Governor-General – salary and allowance	309	366	320	350
806	Governor-General's programme	1,045	839	969	839
143	Governor-General's travel outside New Zealand	387	307	465	307
74	Fees for the Commissioner of Security Warrants	64	74	74	74
1,396	<b>TOTAL NON-DEPARTMENTAL OTHER EXPENSES (PERMANENT LEGISLATIVE AUTHORITY)</b>	1,805	1,586	1,828	1,570
<b>2,749</b>	<b>TOTAL APPROPRIATION FOR OTHER EXPENSES TO BE INCURRED BY THE CROWN</b>	<b>4,554</b>	<b>4,498</b>	<b>7,356</b>	<b>8,271</b>
	<b>APPROPRIATION FOR PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS BY THE CROWN</b>				
572	Government House – capital investment	286	150	630	150
<b>572</b>	<b>TOTAL APPROPRIATION FOR PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS BY THE CROWN</b>	<b>286</b>	<b>150</b>	<b>630</b>	<b>150</b>

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 2014.

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

## Schedule of Non-Departmental Expenses Unappropriated Expenditure and Capital Expenditure

for the year ended 30 June 2014

There was no unappropriated expenditure in relation to the activities that the Department administers on behalf of the Crown for the year ended 30 June 2014 (2013: 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 2014.

## Schedule of Non-Departmental Expenses

for the year ended 30 June 2014

2013		2014		2014		2015	
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000		
	<i>Vote Prime Minister and Cabinet</i>						
373	Governor-General – salary and allowance	309	366	320	350		
806	Governor-General's programme	1,045	839	969	839		
143	Governor-General's travel outside New Zealand	387	307	465	307		
149	Ex-gratia payment to the University of Auckland	150	150	150	150		
74	Fees for the Commissioner of Security Warrants	64	74	74	74		
1,204	Depreciation expense on Crown assets	1,116	2,762	1,292	3,662		
-	Emergency expenses	627	-	2,822	2,000		
-	Emergency Management Preparedness Grants	818	-	875	889		
-	February 2011 Christchurch Earthquake National Controller costs	2	-	219	-		
-	Loss on sale of Crown assets	36	-	170	-		
<b>2,749</b>	<b>TOTAL NON-DEPARTMENTAL EXPENSES</b>	<b>4,554</b>	<b>4,498</b>	<b>7,356</b>	<b>8,271</b>		

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 2014.

On 11 November 2013, Cabinet approved the transfer of MCDEM from DIA to the Department from 1 April 2014. The figures reported by the Department are for the period 1 April 2014 to 30 June 2014.

The combined cost incurred for both DIA and the Department for these output classes is tabled below.

2013		2014		2014		2015	
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000		Unaudited Forecast (as per BEFU 2014) \$000	
	<i>Vote Prime Minister and Cabinet</i>						
9,840	Emergency expenses	2,432	2,000	4,627		2,000	
792	Emergency Management Preparedness Grants	877	889	934		889	
41	February 2011 Christchurch Earthquake National Controller costs	23	-	240		-	
(5,415)	Release of funds previously applied to Canterbury Earthquake – Payments in respect of Indemnity for Response and Recovery costs	(64)	-	-		-	
<b>5,258</b>	<b>TOTAL NON-DEPARTMENTAL EXPENSES</b>	<b>3,268</b>	<b>2,889</b>	<b>5,801</b>		<b>2,889</b>	

## Schedule of Non-Departmental Revenue and Receipts

for the year ended 30 June 2014

2013		2014		2014		2015	
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000		Unaudited Forecast (as per BEFU 2014) \$000	
4	Cost recoveries	1	-	-		-	
41	Other revenue	2,050	-	-		-	
45	<b>TOTAL NON-DEPARTMENTAL REVENUE AND RECEIPTS</b>	<b>2,051</b>	<b>-</b>	<b>-</b>		<b>-</b>	

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 2014.

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

## Schedule of Non-Departmental Assets and Liabilities

as at 30 June 2014

2013			2014		2014		2015
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supp. Estimates \$000		Unaudited Forecast (as per BEFU 2014) \$000
	<i>Vote Prime Minister and Cabinet</i>						
	<b>ASSETS</b>						
	CURRENT ASSETS						
4,534	Cash in bank	4	5,397	3,538	588		3,575
217	Debtors and other receivables	4	157	-	-		-
4,751	<b>TOTAL CURRENT ASSETS</b>		5,554	3,538	588		3,575
	NON-CURRENT ASSETS						
79,730	Land, property, plant and equipment	2	91,758	73,699	79,068		75,556
79,730	<b>TOTAL NON-CURRENT ASSETS</b>		91,758	73,699	79,068		75,556
<b>84,481</b>	<b>TOTAL NON-DEPARTMENTAL ASSETS</b>		<b>97,312</b>	<b>77,237</b>	<b>79,656</b>		<b>79,131</b>
	<b>LIABILITIES</b>						
	CURRENT LIABILITIES						
52	Creditors and other payables	3,4	1,073	50	50		50
52	<b>TOTAL CURRENT LIABILITIES</b>		1,073	50	50		50
<b>52</b>	<b>TOTAL NON-DEPARTMENTAL LIABILITIES</b>		<b>1,073</b>	<b>50</b>	<b>50</b>		<b>50</b>
	REVALUATION RESERVES						
11,932	Revaluation reserves	2	23,002	8,442	11,931		11,931
<b>11,932</b>	<b>TOTAL REVALUATION RESERVES</b>		<b>23,002</b>	<b>8,442</b>	<b>11,931</b>		<b>11,931</b>

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 2014.

## Schedule of Non-Departmental Commitments

as at 30 June 2014

As at 30 June 2014, there are no capital commitments (2013: Nil).

There are no operating commitments as at 30 June 2014 (30 June 2013: 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 2014.*

## Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

as at 30 June 2014

Party indemnified	Instrument of indemnification	Actions indemnified
New Zealand Local Authorities	Section 9 of the Civil Defence Emergency Management Act 2002.  Civil Defence Emergency Management Plan.	The Guide to the National Civil Defence Emergency Management Plan ("the Guide") states that, with the approval of the Minister, the Government will reimburse local authorities, in whole or in part, for certain types of response and recovery costs incurred as a result of a local or national emergency. The Guide is approved and issued by the Director of Civil Defence Emergency Management.

There are no contingent assets as at 30 June 2014 (2013: 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 2014.*

# Notes to the Non-Departmental Financial Statements

for the year ended 30 June 2014

## 1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014

### 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 for the year ended 30 June 2014. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, refer to the Financial Statements of the Government.

### Basis of preparation

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

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

### Significant accounting policies

#### *Changes in accounting policies*

The Department previously depreciated fine arts and antique furniture, fixture and fittings but from July 2013 fine arts and antique furniture, fixture and fittings are no longer depreciated. Depreciation of fine arts and antique furniture, fixture and fittings recognised in prior years has been reversed and recognised as revenue.

#### *Goods and services tax*

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

#### *Debtors and other receivables*

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

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

#### *Valuation of property, plant and equipment*

Land and buildings are recorded at fair value, as determined by an independent registered valuer. QV Valuations revalued land and buildings at Government Houses in Wellington and Auckland as at 30 June 2014.

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

Artwork and antique furniture, fixture 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.

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

Other items of property, plant and equipment are recorded at cost, less accumulated depreciation and impairment losses. All individual assets are capitalised if their purchase cost is \$5,000 or greater.

### Depreciation

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

Asset	Useful life	Depreciation rate
Land	Indefinite	0%
Buildings	3–100 years	1–33%
Plant and equipment	5 years	20%
Furniture and fittings	5–10 years	10–20%
Motor vehicles	4 years	25%
Other assets	5–50 years	2–20%
Artwork and antiques	Indefinite	0%

### Commitments

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

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

### Budget figures

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

### Forecast figures

#### Basis of preparation

These forecast financial statements have been prepared in accordance with New Zealand Public Benefit Entity (NZ PBE) International Public Sector Accounting Standards (IPSAS). While a detailed impact assessment has yet to be completed, no significant impact is expected on transition from NZ IFRS to IPSAS.

This is the first set of prospective financial statements presented by the Department under NZ PBE IPSAS. The prospective financial statements are compliant with PBE FRS-42 Prospective Financial Statements and are consistent with Generally Accepted Accounting Practice. The purpose of the forecast financial statements is to facilitate Parliament's consideration of the appropriations for, and planned performance of, the Department. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the forecast information presented and that the variations may be material.

These financial forecasts are based on *Budget Economic Forecast Update* (BEFU) and have been prepared on the basis of assumptions as to future events that the Department reasonably expects to occur, associated with the actions it reasonably expects to take. They have been compiled on the basis of existing government policies and ministerial expectations at the date that the information was prepared.

The actual results will remain substantially the same as the previous year except for:

- the inclusion of a full year of Emergency functions compared to 2013/14 which only reflects inclusion from 1 April 2014, and
- a post-balance date event regarding the transition of CERA as a Departmental Agency within the Department from 1 February 2015 (note 18).

Additional factors that could lead to material differences between the forecast financial statements and the 2013/14 actual financial statements include changes to the baseline budget through new initiatives, transfer of funding across financial years or technical adjustments.

#### Comment on PBE IPSAS accounting policies

Prospective financial statements have been prepared in accordance with the accounting policies expected to be used in the future for reporting historical general purpose financial statements. This is the first set of prospective financial statements prepared under PBE IPSAS accounting policies. While a detailed impact assessment has yet to be completed, no significant impact is expected on transition from NZ IFRS to IPSAS.

*Authorisation statement*

These forecast financial statements were authorised for issue by the Chief Executive of the Department on 14 April 2014.

The Chief Executive is responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material.

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

## 2. PROPERTY, PLANT AND EQUIPMENT

	Land \$000	Buildings \$000	Plant and equipment \$000	Furniture and fittings \$000	Motor vehicles \$000	Artwork and antiques \$000	Other assets \$000	Total \$000
<b>COST</b>								
Balance at 1 July 2012	28,848	47,367	39	1,934	154	-	2,326	80,668
Additions	-	529	-	43	-	-	-	572
Revaluation increase/ (decrease)	3,462	(227)	-	-	-	-	-	3,235
Balance at 30 June 2013	32,310	47,669	39	1,977	154	-	2,326	84,475
Balance at 1 July 2013	32,310	47,669	39	1,977	154	-	2,326	84,475
Reclassifications	-	-	-	(1,257)	-	3,072	(1,815)	-
Additions	-	38	6	381	-	-	596	1,021
Net revaluation increase/ (decrease)	6,700	858	-	-	-	260	-	7,818
Work in progress	-	121	-	-	-	-	-	121
Disposals	-	-	-	(208)	-	(105)	(365)	(678)
<b>Balance at 30 June 2014</b>	<b>39,010</b>	<b>48,686</b>	<b>45</b>	<b>893</b>	<b>154</b>	<b>3,227</b>	<b>742</b>	<b>92,757</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>								
Balance at 1 July 2012	-	1,398	17	1,523	28	-	830	3,796
Depreciation expense	-	1,034	5	100	31	-	34	1,204
Eliminate on revaluation	-	(255)	-	-	-	-	-	(255)
Balance at 30 June 2013	-	2,177	22	1,623	59	-	864	4,745
Balance at 1 July 2013	-	2,177	22	1,623	59	-	864	4,745
Reclassifications	-	-	-	(1,031)	-	1,513	(482)	-
Depreciation expense	-	1,075	6	3	31	-	1	1,116
Disposal	-	-	-	(88)	-	-	(9)	(97)
Reversal of accumulated expense	-	(3,252)	-	-	-	(1,513)	-	(4,765)
<b>Balance at 30 June 2014</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>507</b>	<b>90</b>	<b>-</b>	<b>374</b>	<b>999</b>
<b>CARRYING VALUE</b>								
At 30 June 2012	28,848	45,969	22	411	126	-	1,496	76,872
At 30 June and 1 July 2013	32,310	45,492	17	354	95	-	1,462	79,730
At 30 June 2014	39,010	48,686	17	386	64	3,227	368	91,758
Revaluation opening balance	3,462	8,469	-	-	-	-	-	11,931
Revaluation 2013/14	6,700	4,110	-	-	-	260	-	11,070
<b>Total</b>	<b>10,162</b>	<b>12,579</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>260</b>	<b>-</b>	<b>23,001</b>

Land and buildings have been revalued to fair value as at 30 June 2014 by independently registered valuers, William Liew, ANZIV, MPINZ and Kerry Buckeridge, BAgSc, MBA, ANZIV, SPINZ of QV Valuations.

The revaluation movement in 2013/14 relates to Government House in Wellington and Auckland and includes artwork and antiques.

### 3. CREDITORS AND OTHER PAYABLES

2013		2014	2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
23	Trade creditors	464	50	50	50
29	Accrued expenses	609	-	-	-
<b>52</b>	<b>TOTAL CREDITORS AND OTHER PAYABLES</b>	<b>1,073</b>	<b>50</b>	<b>50</b>	<b>50</b>

### 4. CATEGORIES OF FINANCIAL INSTRUMENTS

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

2013		2014	2014		2015
Actual \$000		Actual \$000	Main Estimates \$000	Supp. Estimates \$000	Unaudited Forecast (as per BEFU 2014) \$000
	<b>LOANS AND RECEIVABLES</b>				
4,534	Cash and cash equivalents	5,397	3,538	588	3,575
195	GST receivable	118	-	-	-
22	Sundry receivables	39	-	-	-
<b>4,751</b>	<b>TOTAL LOANS AND RECEIVABLES</b>	<b>5,554</b>	<b>3,538</b>	<b>588</b>	<b>3,575</b>
	<b>FINANCIAL LIABILITIES MEASURED AT AMORTISED COST</b>				
<b>52</b>	<b>CREDITORS AND OTHER PAYABLES</b>	<b>1,073</b>	<b>50</b>	<b>50</b>	<b>50</b>

### 5. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

#### Variance between the Main Estimates and the Supplementary Estimates

In April 2014 the emergency management function transferred from DIA into the Department. The total non-departmental budget transferred for April to June 2014 was \$3.966 million.

A revision to the useful life calculation and a slightly lower cost of renovation of the Government House main building has resulted in lower depreciation expense in 2013/14. The savings of \$1.470 million made in depreciation in 2013/14 have been transferred forward to 2014/15 to assist in funding the component renewal programme in out years once the programme is confirmed.

#### Variance between Actual 2013/14 and the Supplementary Estimates

The non-departmental Emergency Expenses appropriation had \$2.822 million of funding to reimburse local authorities for any expenditure incurred in responding to a civil defence emergency as per the National Civil Defence Emergency Management Plan. Between April and June 2014 no expense claims were lodged by local authorities resulting in no expenditure being incurred.

# Independent Auditor's Report

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

## To the readers of the Department of the Prime Minister and Cabinet's financial statements, non-financial performance information and schedules and statements of non-departmental activities for the year ended 30 June 2014

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

We have audited:

- the financial statements of DPMC on pages 32 to 57, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2014, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the non-financial performance information of DPMC that comprises the statement of service performance on pages 20 to 26 and the report on progress towards objectives and impacts on pages 7 to 15; and
- the schedules and statements of non-departmental activities of DPMC on pages 58 to 67 that comprise the schedule of non-departmental assets and liabilities, schedule of non-departmental commitments and schedule of non-departmental contingent liabilities and contingent assets as at 30 June 2014, the schedule of non-departmental expenses, and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure, schedule of non-departmental revenue and receipts, for the year ended on that date and the notes to the schedules that include accounting policies and other explanatory information.

## OPINION

In our opinion:

- the financial statements of DPMC on pages 32 to 57:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect DPMC's:
    - financial position as at 30 June 2014;
    - financial performance and cash flows for the year ended on that date;
    - expenses and capital expenditure incurred against each appropriation administered by DPMC and each class of outputs included in each output expense appropriation for the year ended 30 June 2014; and
    - unappropriated expenses and capital expenditure for the year ended 30 June 2014;
- the non-financial performance information of DPMC on pages 7 to 15 and 20 to 26:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects DPMC's service performance and outcomes for the year ended 30 June 2014, including for each class of outputs:
    - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
    - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
- the schedules and statements of non-departmental activities of DPMC on pages 58 to 67 fairly reflect, in accordance with the Treasury Instructions:
  - the assets, liabilities, commitments and contingencies as at 30 June 2014 managed by DPMC on behalf of the Crown; and
  - the expenditure and capital expenditure against appropriations, unappropriated expenditure and capital expenditure, expenses and revenue and receipts for the year ended on that date managed by DPMC on behalf of the Crown.

## EVENTS AFTER BALANCE DATE – CHANGES TO ORGANISATIONAL FORM

Without modifying our opinion, we draw your attention to note 18 on page 55 of the financial statements. This note describes changes to DPMC's organisational form that are expected to occur when the Canterbury Earthquake Recovery Agency (CERA) becomes a Departmental Agency on 1 February 2015, with the Department of the Prime Minister and Cabinet being the host Department. With effect from 1 February 2015 DPMC will report its financial results on a consolidated basis, including CERA. We consider the disclosures to be adequate.

Our audit was completed on 30 September 2014. This is the date at which our opinion is expressed.

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

## BASIS OF OPINION

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, the non-financial performance information and the schedules and statements of non-departmental activities. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, the non-financial performance information and the schedules and statements of non-departmental activities, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to DPMC's preparation of the financial statements,

the non-financial performance information and the schedules and statements of non-departmental activities that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of DPMC's internal control.

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, the non-financial performance information and the schedules and statements of non-departmental activities. Also we did not evaluate the security and controls over the electronic publication of the financial statements, the non-financial performance information and the schedules and statements of non-departmental activities.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

## RESPONSIBILITIES OF THE CHIEF EXECUTIVE

The Chief Executive is responsible for preparing:

- financial statements and non-financial performance information that:
  - comply with generally accepted accounting practice in New Zealand;
  - fairly reflect DPMC's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and

- fairly reflect its service performance and outcomes; and
- schedules and statements of non-departmental activities, in accordance with the Treasury Instructions, that fairly reflect those activities managed by DPMC on behalf of the Crown.

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

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

## RESPONSIBILITIES OF THE AUDITOR

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

## INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

*Karen Young*

**Karen Young**  
AUDIT NEW ZEALAND

On behalf of the Auditor-General  
Wellington, New Zealand

## Appendix – Cabinet Office Statistics

### Summary table

	2014 Actual	2013 Actual	2012 Actual
<b>Meetings</b>			
Executive Council	38	38	39
Cabinet	44	43	41
Cabinet committee	184	192	155
<b>Submissions</b>			
Summary cover sheets to Cabinet and Cabinet committee papers	2,060	1,998	1,666
Submissions received from departments within the Cabinet Office deadline for lodging papers	84%	80%	85%
Papers to be delivered to Ministers' offices by the close of business two days before the meeting	79%	77%	75%
<b>Cabinet and Cabinet committee minutes</b>			
Cabinet and Cabinet committee minutes	2,316	2,259	1,884
Cabinet and Cabinet committee minutes requiring an amendment by the Cabinet Office*	7	6	10
Cabinet minutes issued within three days of the Cabinet meeting	94%	92%	94%
Cabinet committee minutes prepared in time for the next meeting of Cabinet	100%	100%	100%
<b>Other services</b>			
Cabinet Office circulars	6	6	12
Briefing seminars to departments, Ministers' offices and other interested parties on the Cabinet decision-making process	13	22	37
Enquiries and requests from Ministers' offices and departments about Cabinet papers and related information	165	226	140

\* Excludes amendments to Cabinet and Cabinet committee minutes made as a result of a Cabinet decision.

### Meeting statistics for the year ended 30 June 2014

	Number of meetings	Number of agenda items	Average number of items per meeting
Executive Council	38	377	10
Cabinet	44	774	17
TOTAL CABINET COMMITTEE MEETINGS	184	1,286	7
<b>Cabinet committee meetings</b>			
Cabinet Strategy Committee	8	9	1
Cabinet Committee on Treaty of Waitangi Negotiations	10	42	4
Cabinet Economic Growth and Infrastructure Committee	29	318	11
Cabinet Social Policy Committee	29	187	6
Cabinet External Relations and Defence Committee	11	44	4
Cabinet Legislation Committee	30	227	7
Cabinet Appointments and Honours Committee	30	324	11
Cabinet Committee on Domestic and External Security	3	5	1
Cabinet Business Committee	5	36	7
Cabinet Committee on Canterbury Earthquake Recovery	5	15	3
Cabinet Committee on State Sector Reform and Expenditure Control	24	79	3

*New Zealand honours for the year ended 30 June 2014*

The Order of New Zealand	
Ordinary Member	1
The New Zealand Order of Merit	
Dame Companion	5
Knight Companion	8
Companion	22
Officer	54
Member	93
Honorary Companion	1
Honorary Member	1
The Queen's Service Order	
Companion	15
The Queen's Service Medal	152
Honorary Queen's Service Medal	1
New Zealand Bravery Awards	
The New Zealand Bravery Decoration	4
The New Zealand Bravery Medal	40
The New Zealand Distinguished Service Decoration	
The New Zealand Distinguished Service Decoration	5
TOTAL	402
Other honours and appointments	
Grant of the title "The Honourable" for life	6
GRAND TOTAL	408