



ANNUAL REPORT

for the year ended 30 June 2010

CONTENTS

1	: CHIEF EXECUTIVE'S OVERVIEW
3	: THE DEPARTMENT'S ROLE
4	: OUTCOMES
5	: STATEMENT OF ACCOUNTABILITY
6	: STATEMENT OF SERVICE PERFORMANCE
6	: Output Class 1: Policy advice and secretariat and coordination services
13	: Output Class 2: Support services to the Governor-General and maintenance of the two Government Houses
16	: Output Class 3: Intelligence assessments to support national security priorities
18	: Output Class 4: Science Advisory Committee
19	: SENIOR MANAGEMENT TEAM
20	: OUR DEMOGRAPHICS
21	: DEPARTMENTAL HEALTH AND CAPABILITY
23	: STATUTORY AND FORMAL RESPONSIBILITIES
24	: STATEMENT OF RESPONSIBILITY
25	: FINANCIAL STATEMENTS
55	: AUDIT REPORT

This document was printed on ECO 100. This is an environmentally friendly stock that is 100% recycled, made from waste paper in a chlorine-free process. The mill that produces ECO 100 strives to minimise environmental impacts through biosphere protection measures, sustainable use of natural resources, waste reduction and recycling initiatives, energy conservation, and ongoing programmes focused on environmental risk reduction. It holds both ISO14001 and ISO9001 (International Quality Management Standard) accreditation and a number of other environmental accreditations including Blue Angel, Austrian Environmental Label and Nordic Swan. The paper bleaching process is Elemental Chlorine Free, and Acid Free.

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





CHIEF EXECUTIVE'S OVERVIEW

Over the past year, staff from the Department of the Prime Minister and Cabinet have continued to be actively engaged in support of the Prime Minister, his Cabinet colleagues, and His Excellency the Governor-General across a wide range of activities and priorities.

On the policy front, the focus has remained squarely on assisting the Government to deal with the impact of the global financial crisis – both to mitigate the worst aspects of the recession on New Zealanders and their interests, and also to enhance the ability of business and communities to recover quickly and in a more competitive state. Numerous policy initiatives have been pursued by ministers within the framework of the Government's economic growth agenda and its six economic policy drivers: a better regulatory environment for business; higher skills; high-quality infrastructure; support for science, innovation and trade; improved public sector performance; and a fair and efficient tax system. DPMC staff have contributed to policy development processes in all these areas, in particular working closely with central agency colleagues to lift performance of the public sector.

A new Performance Improvement Framework (PIF) was developed for government agencies, drawing on similar work done by the United Kingdom's Cabinet Office in its Capability Reviews. The PIF methodology was tested and piloted in 2009, before being rolled out to the first four government agencies early in 2010. Results of the PIF assessments will be made public progressively, as the reviews are completed. The purpose of the framework is to provide an independent view of departmental capabilities and generate a plan of action for improving performance. As one of the three central agencies, DPMC is closely involved in this process and in supporting chief executives in their leadership of improvement initiatives.

In July the Prime Minister's newly appointed Chief Science Advisor, Professor Sir Peter Gluckman KNZM, delivered his first public address at Massey University. The position of Chief Science Advisor is independent and its operation is supported by DPMC; it was inaugurated by the Prime Minister last year

to pursue the government's goal of increasing support for science and innovation. Sir Peter's brief is to promote the role of, and contribution from, science in New Zealand and to enhance the use of science at the heart of national decision-making. Sir Peter has made a strong start in his first year in office.

DPMC also led a cross-agency project to draw up the Government Action Plan on Methamphetamine ("P") which was announced by the Prime Minister on 8 October. The New Zealand Customs, New Zealand Police, Ministry of Health, and Ministry of Justice were core members of the group. Initiatives included more active enforcement; interception and compliance; better treatment pathways; and restricting access to precursor drugs.

In addition to the ongoing provision of policy advice on matters of the day or urgent priorities, DPMC also facilitated a three-way agreement between Māori Television, TVNZ and TV3 over free-to-air broadcasts for the Rugby World Cup 2011 and led coordination of policy development on the Government's Whānau Ora initiative. The Officials' Committee for Domestic and External Security Coordination (ODESC), which is chaired by DPMC, played a policy coordination role in the development of the Government's Defence Review.

Following a review of the intelligence agencies conducted by Mr Simon Murdoch on behalf of the State Services Commissioner, the Government introduced some changes to strengthen governance and oversight of the intelligence community. Under DPMC's leadership a new position of Director Intelligence Coordination has been established within DPMC, a revised brief has been determined for the re-named National Assessments Bureau, and a whole-of-intelligence-community governance mechanism has been introduced. These changes are intended to ensure greater focus and better performance from these agencies in ensuring New Zealand's security. One consequence of the review is that DPMC's intelligence and security staff will relocate to the new building in Pipitea Street being built for the Government Communications Security Bureau (GCSB).

This past year has also seen good progress on the Government House Conservation Project. The project is on time and within budget. It is expected to be completed in 2011, allowing Their Excellencies the Rt Hon Sir Anand Satyanand and Lady Satyanand to resume occupancy of their Official Residence before their term concludes in August. During the interval provided by the project, the Official Secretary took the opportunity to review staffing and support arrangements for Their Excellencies. A new staffing structure was subsequently implemented at Government House, with a number of new staff appointments made.

Their Excellencies have had another busy year, welcoming a number of significant visitors and undertaking official travel overseas to represent New Zealand: the visits by Their Excellencies to Papua New Guinea, the Solomon Islands, Singapore and Timor-Leste were highlights of the year's programme. A further significant event in the year was the August 2009 ceremony held at Old St Paul's in Wellington when, following the Government's decision to reinstate titular honours, more than 60 New Zealanders were re-designated as knights or dames of the New Zealand Order of Merit.

The Cabinet Office worked closely with the Visits and Ceremonial Office over a period of months to ensure a successful visit by HRH Prince William in January to open the Supreme Court building on behalf of Her Majesty the Queen. This was Prince William's inaugural official overseas visit.

In April I had the privilege of hosting – together with Iain Rennie, the State Services Commissioner – colleagues from similar Westminster-based jurisdictions in the United Kingdom, Australia and Canada for our regular biennial gathering. The discussions allowed us to explore some of the common issues and challenges we face in supporting the elected governments of the day and particularly our respective prime ministers as leaders of those governments. The meeting reaffirmed not only the strength of our system of accountable, responsible and responsive parliamentary democracy but also the critical role of professional and impartial support from the public service in maintaining effective executive and democratic government. We all recognised we have much to learn from each other, and much to contribute, as we seek ever more professional and high-quality support.

I am gratified to report that the DPMC Climate Survey for 2010 – which was extended this year to measure staff engagement – was again able to attract a high level of staff response. Although there was some slight variation in the results across the survey questions compared with the previous report two years ago, in general staff remain very positive about working in the department and levels of satisfaction about their place of work are at the higher end of those achieved in the New Zealand public service. The Senior Management Group will continue to give the highest priority to ensuring our staff remain motivated, productive and well supported in their busy roles.

This year saw the retirement of Steve Long, Director of the Domestic and External Security Group (DESG). Steve came to DPMC following a very distinguished career at New Zealand Police. His contribution to DPMC over more than four years was a strong one, bringing DESG to a new level of performance in security-risk identification and the management of cross-government issues. I would also like to record my thanks to Andrew Kibblewhite, former Director of the Policy Advisory Group, for his five years of excellent service. Andrew has left us to take up the role of Deputy Chief Executive at the Treasury. In addition Rob Taylor, after delivering first-rate support to Their Excellencies as Official Secretary, Government House, has returned to the Ministry of Foreign Affairs and Trade. We have been pleased to welcome Helen Wyn and Niels Holm, as Andrew's and Rob's successors.

Once more I wish to place on record my deep appreciation for the hard work and professionalism of all the staff of the department over the past year. I could not do my job without their support and willingness to serve as they do. The privilege of working at the heart of New Zealand's vibrant democracy is one that all staff freely acknowledge. The roles they perform are responsible and require ongoing diligence, judgement and commitment. My particular thanks go to my senior management colleagues for their continuing support for me personally. They share a big load, willingly.



Maarten Wevers CNZM
Chief Executive



THE DEPARTMENT'S ROLE

The Department of the Prime Minister and Cabinet occupies a unique position at the centre of New Zealand's system of democratic government. It exists to support the effective conduct of executive government by the Prime Minister, the Governor-General and members of the Cabinet.

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

SUPPORTING THE PRIME MINISTER AND CABINET

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

Issues that are the direct responsibility of the Prime Minister

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

Issues that arise across the full range of government business

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

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

Administrative support to the Prime Minister

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

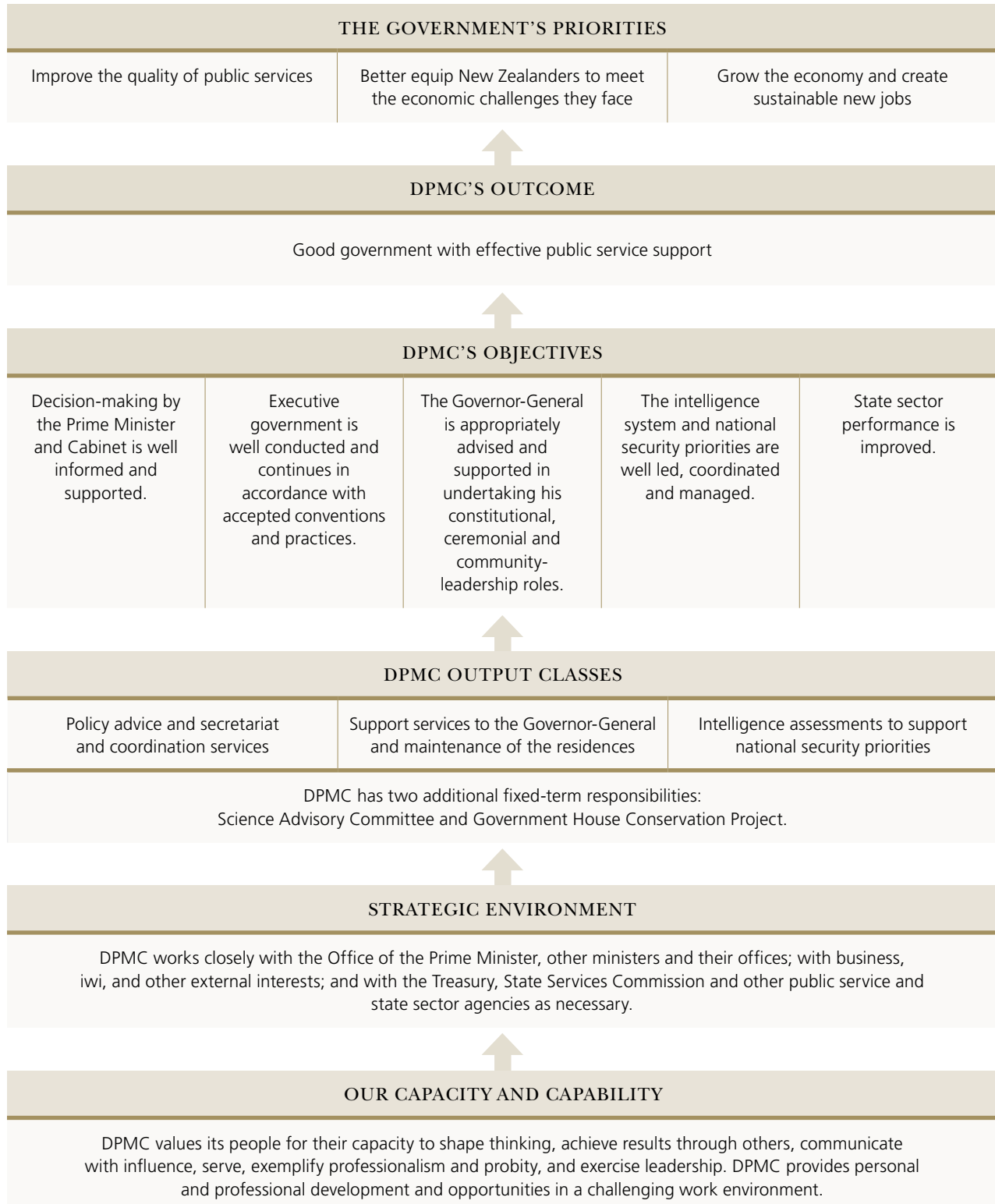
SUPPORTING THE GOVERNOR-GENERAL

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

BRINGING THE SYSTEM TOGETHER

DPMC strives to support a high standard of executive decision-making by providing quality advice that is timely, responds to the directions set by the Government, is forward-looking, is cognisant of changing circumstances and emerging issues, and gives assurance that policies are being delivered in an effective and coordinated manner. In addition we play a role in coordinating and leading the work of government departments and agencies, 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.

OUTCOMES





STATEMENT OF ACCOUNTABILITY

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

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

Maarten Wevers CNZM

CHIEF EXECUTIVE

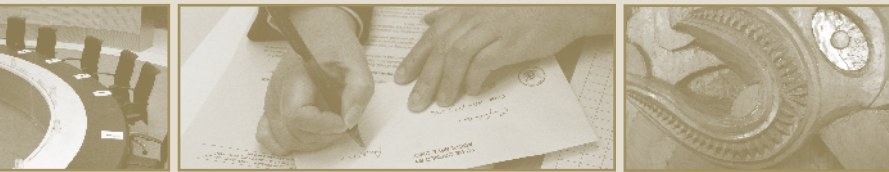
Date: 24 September 2010

COUNTERSIGNED BY

Brent Anderson

CORPORATE SERVICES MANAGER

Date: 24 September 2010



STATEMENT OF SERVICE PERFORMANCE

Output Class 1: Policy advice and secretariat and coordination services

DESCRIPTION

This class of outputs involves:

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

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

Output Class 1 Financial Performance

30.06.09		30.06.10		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
8,404	Revenue – Crown	8,369	8,454	8,369
3	Revenue – other	–	5	–
8,250	Expenditure	8,337	8,459	8,369
157	Surplus	32	–	–

Output Class 1 Service Performance

PERFORMANCE MEASURES	2009/10	
	ACTUAL STANDARD	BUDGET STANDARD
Advice provided meets the department's quality, quantity and timeliness standards.	Stakeholder feedback indicates high satisfaction.	Key stakeholders are satisfied.
Services provided meet quality, accuracy, impartiality and timeliness criteria.	Stakeholder feedback indicates high satisfaction.	Key stakeholders are satisfied.

OUTPUT CLASS 1 SERVICE PERFORMANCE: POLICY ADVISORY GROUP

Policy advice to the Prime Minister

Objective

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

Performance

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

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

The Policy Advisory Group led a number of inter-agency projects, such as the cross-government initiative on tackling methamphetamine which involved Customs, Health, Justice and Police. The resulting Action Plan was published in October 2009 and the first of what will be regular six-monthly updates on progress was provided to the Prime Minister in April this year.

The Policy Advisory Group also participated in a wide range of whole-of-government processes. DPMC worked closely with Treasury and SSC to provide ministers with a better sense of overall state sector performance and how to improve it. For example, under SSC leadership, the central agencies have almost completed the first tranche of four agency reviews (including earlier pilots) using the newly developed Performance Improvement Framework (PIF).

Together with the Cabinet Office, the Policy Advisory Group reviewed the level of ministerial satisfaction with the performance of the officials' committees established in support of Cabinet committees. Policy Advisory Group staff either convened or participated in all Cabinet officials' committees.

Objective

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

Performance

The Prime Minister gave regular oral and written feedback on the advice provided by the Policy Advisory Group.

Objective

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

Performance

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

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

In 2009/10, amongst a range of other activities, the central agencies focused on three crucial areas:

Better services to New Zealanders: supporting performance information

With SSC and Treasury, DPMC developed a "toolkit" to support dialogue between ministers and departmental chief executives on obtaining improved financial and performance information. Feedback from ministers suggests that the toolkit is a useful way of encouraging better performance information. The three central agencies have continued to work together to provide advice to ministers on ensuring the public sector is well placed for meeting future challenges.

A high level of state sector performance: implementing the Performance Improvement Framework (PIF)

The central agencies have been working closely to progress the SSC-led PIF and have reviewed the Department of Conservation, the Ministry of Foreign Affairs and Trade, Te Puni Kōkiri and Land Information New Zealand. The outcomes of the reviews will be published in September. The reviewed departments have produced action plans to address any issues identified, and the central agencies will monitor the progress made against these action plans. Early evidence suggests the PIF is likely to be an effective tool for lifting state sector performance.

Disciplined state sector expenditure: managing state sector industrial relations

The central agencies assisted the Government in setting the context for state sector pay negotiations and in monitoring the performance of those agencies holding significant talks during the year. Settlements have been subsequently reached with the Police, nurses (and significant proportions of the health sector workforce), border agencies and a number of smaller unions. These settlements have been consistent with Government's fiscal and economic strategy and its Expectations for Pay and Employment Conditions in the State Sector. The Expectations were updated in June 2010 to reflect continuing fiscal constraint for state sector agencies and also the requirement for all decisions about pay and employment conditions to support improving service delivery and fiscal responsibility.

There has been restraint in state sector wage settlements compared with recent years: public sector settlements are no longer ahead of private sector settlements and all settlements have been funded from within baselines.

The piloting and refining of the PIF was one of the department's key success indicators for 2009/10. Together with SSC and Treasury we will be monitoring closely the next stage of the process: the implementation of the PIF action plans.

The proposed independent stakeholder survey of state sector agency leaders, which was intended to measure the central agencies' contribution to state sector performance and the state sector's alignment with the Government's priorities, was not undertaken in 2009/10 because of changes in organisational priorities. The central agencies are also reconsidering the usefulness of this survey, given new and emerging performance measurement tools such as the PIF. The PIF in particular includes extensive stakeholder interviews and is likely to provide information about the dimensions of system performance that the central agencies need to address.

OUTPUT CLASS 1 SERVICE PERFORMANCE: CABINET OFFICE

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

Objective

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

Performance

The Cabinet Office provided secretariat services to 271 (2008/09 comparison: 203) Cabinet and Cabinet committee meetings, and 34 (42) Executive Council meetings during the year. See "Meeting statistics" table.

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

There were 2,121 (2,028) summary cover sheets prepared for submissions to Cabinet and Cabinet committees during the past year.

Our performance target for the delivery of submissions to ministers' offices is for all papers to be delivered by the close of business two days before the meeting. In the past year, 85 (85) per cent of submissions were received in the Cabinet Office within the Cabinet deadline for lodging papers and we achieved a delivery rate of 79 (77) per cent of all papers to ministers' offices within the period stated in our performance target.

There were 2,403 (2,299) Cabinet and committee minutes recorded over the year. Only 15 (16) of these required amendment by the Cabinet Office. (This excludes amendments to committee minutes made as a result of a Cabinet decision.)

All Cabinet committee minutes were issued within three days of the meeting, before the next meeting of Cabinet.

Ninety-five (91) per cent of all Cabinet minutes were issued within three days of the Cabinet meeting.

Meeting statistics for the year ended 30 June 2010

	Number of meetings	Number of agenda items	Average number of items per meeting
Executive Council	34	260	7
Cabinet	46	745	16
Cabinet Strategy Committee	18	18	1
Cabinet Committee on Treaty of Waitangi Negotiations	14	45	3
Cabinet Committee on Implementation of Auckland Governance Reforms	15	23	1
Cabinet Economic Growth and Infrastructure Committee	30	301	10
Cabinet Social Policy Committee	28	152	5
Cabinet External Relations and Defence Committee	12	78	6
Cabinet Legislation Committee	29	204	7
Cabinet Appointments and Honours Committee	21	276	13
Cabinet Expenditure Control Committee	20	50	2
Cabinet Committee on Domestic and External Security Coordination	1	2	2
Cabinet Business Committee	11	104	9
Cabinet Domestic Policy Committee	26	123	5
Subtotal of Cabinet committee meetings	225	1376	6
Total including Cabinet	271	2121	8

Objective

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

Performance

Six Cabinet Office circulars were prepared and issued in 2009/10 on a range of issues: the fees framework for members appointed to bodies in which the Crown has an interest; guidelines for changes to baselines; consultation and operating arrangements for the National-led administration; new guidance for regulatory impact analysis; the Statutes Amendment Bill (No 2) for 2010; and expectations for capital asset management.

The Cabinet Office provided 25 (2008/09: 19) briefing seminars to departments and interested parties on the Cabinet decision-making process. The Secretary of the Cabinet also gave briefings to a number of departmental chief executives and senior managers on ministers' expectations for Cabinet papers.

Feedback from the Prime Minister and other stakeholders was positive.

Objective

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

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

Performance

Advice and support was provided to the Prime Minister and the Governor-General on a range of matters relating to constitutional issues and the functioning of executive government. This included: contributing to the Law Commission's review of the provisions in the Civil List Act 1979 relating to the Governor-General and advising on the development of the subsequent Governor-General Bill; providing administrative support to effect changes in ministerial responsibilities and appointment of new ministers;

managing the processes around the appointment of the Queen's Representative in the Cook Islands; providing advice on matters relating to ministerial conduct, public duty and personal interests; advising on policy and legislative proposals – such as work around electoral matters – that have implications for executive government; and updating the Directory of Ministerial Responsibilities and the Register of Assigned Legislation.

Feedback from the Prime Minister and the Governor-General was positive.

Objective

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

Performance

Advice and support was provided to the Leader of the House and the Cabinet Legislation Committee on the management of the Government's legislative programme, and on the preparation and management of the legislative programme for the 2010 calendar year.

Objective

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

Performance

The Honours Secretariat advised and assisted the Cabinet Appointments and Honours Committee on the compilation of the 2010 New Year Honours List (193 recipients) and the 2010 Queen's Birthday Honours List (172 recipients). See "New Zealand and other honours" table.

New Zealand and other honours granted by the Queen for the year ended 30 June 2010

The Order of New Zealand	
Ordinary Member (ONZ)	1
The New Zealand Order of Merit	
Knight/Dame Grand Companion (GNZM)	–
Dame Companion (DNZM)	2
Knight Companion (KNZM)	10
Honorary Knight Companion (KNZM)	1
Companion (CNZM)	20
Officer (ONZM)	44
Additional Officer (ONZM)	–
Honorary Officer (ONZM)	1
Member (MNZM)	94
Additional Member (MNZM)	2
Honorary Member (MNZM)	2
The Queen's Service Order	
Companion (QSO)	23
The Queen's Service Medal	
Medal (QSM)	148
The New Zealand Antarctic Medal	
Medal (NZAM)	4
The Distinguished Service Decoration	
Decoration (DSD)	13
TOTAL	365
Other honours and appointments	
Grant of the title "The Honourable" for life	1
GRAND TOTAL	366

Following the completion in June 2009 of the project to reinstate titular honours into the New Zealand Order of Merit, a special ceremony was held at Old St Paul's Church in Wellington on 14 August 2009 at which the Governor-General formally recognised 65 of the 72 new knights and dames, with new warrants of appointment and – in the case of the knights – the conferring of the accolade of knighthood. Of the 85 members of the Order eligible to accept a title, 72 elected to do so. See "New Zealand Order of Merit: titular honours and companionate status" table.

**New Zealand Order of Merit:
titular honours and companionate status**

Principal Companions (PCNZM)	7
Elected to accept a title	5
Elected to retain Principal Companion status	2
Distinguished Companions (DCNZM)	78
Elected to accept a title	67
Elected to retain Distinguished Companion status	11
Widows of Principal and Distinguished Companions	5
Elected to accept the courtesy title of "Lady".	3

The most significant activity undertaken this year has been the design, development and commissioning of a new business system that will manage the core business of the Honours Secretariat for the foreseeable future. The system was used for the first time to assist with the production of the 2010 Queen's Birthday Honours List and will eventually hold records of everyone who has been nominated for an honour.

During the reporting period, the Honours Secretariat dealt with requests from Commonwealth and foreign governments – including those of Australia, Canada, France, Papua New Guinea and the United States – for approval to confer their country's honours on New Zealand citizens. The Secretariat has continued to work with the New Zealand Defence Force on relevant policy matters. The Secretariat also responded to public enquiries about the honours system.

The department is now implementing initiatives to improve the quality of secretariat support provided to ministers in the context of the Cabinet Appointments and Honours Committee.

Objective

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

Performance

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

The Cabinet Office receives and redirects Official Information Act requests for Cabinet documents and handles substantive requests for information about the work of the Cabinet Office. In addition, on behalf of the Prime Minister, it consults with the Leader of the Opposition about the proposed release of official information dating from previous Opposition administrations.

In 2009/10 the Cabinet Office handled 162 (2008/09: 205) enquiries and requests from ministers' offices and departments about Cabinet papers and related information.

The Cabinet Office finished upgrading its computer network infrastructure, software, and electronic document and records management system (EDRMS). The project was formally completed on 30 June 2010. A working group has been engaged in preliminary thinking about the role and functionalities of a Cabinet support system enabled by communication and information technologies.

**OUTPUT CLASS 1 SERVICE PERFORMANCE:
DOMESTIC AND EXTERNAL
SECURITY GROUP**

Objective

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

Performance

The Domestic and External Security Group (DESG) provided advice to the Prime Minister as necessary on Cabinet and Cabinet committee papers and met the requirements for quality and timeliness.

DESG provided a wide range of briefing notes on security issues of interest to the Prime Minister, either in response to requests from the Prime Minister or on the Group's initiative. Feedback was received from the Prime Minister on advice tendered.

DESG provides leadership, support and coordination on a range of policies and plans designed to strengthen national security and stability and to help deal with various civil contingencies. In particular, DESG works with a number of government agencies and with local authorities to:

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

This work is part of an ongoing programme to ensure domestic and external security issues are managed effectively and to build resilience in government and communities.

In its coordination role, DESG provided policy advice and support for periodic meetings of departmental chief executives under ODESC (Officials' Committee for Domestic and External Security Coordination); chaired Watch Group (close situation monitoring) meetings of specialists to deal with detail; and conducted regular meetings with officials from central government and key people from industry, local government and other areas to advance policy and practical solution-finding.

In response to reviews of intelligence agencies undertaken recently, the Cabinet agreed to a series of decisions aimed at improving the efficiency and effectiveness of the way the intelligence sector operates. DESG has supported implementation of Cabinet's decisions, in particular by developing terms of reference for ODESC's membership and structure, and its governance of the intelligence sector.

DESG has been leading work on the development of a national security framework. This work will set out the foundations and organisational arrangements for managing national security issues, and will support the process of determining which security issues are of national significance.

Other issues covered include:

- assuring the security of New Zealanders at major events overseas (for example Gallipoli, the FIFA World Cup 2010, the Hockey World Cup)
- support for consular incidents overseas and disasters in the South Pacific (such as the Samoa tsunami and tropical cyclones)

- management of security planning and coordination for the 2011 Rugby World Cup, including national exercises and preparedness
- assisting the Ministry of Health in whole-of-government management of responses to the influenza pandemic in New Zealand
- oversight of the further development of the Parliamentary contingency plan, including relocation to Auckland in the event of a major disaster in Wellington
- supporting the process of designating a number of entities as terrorist organisations.

Objective

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

Performance

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

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

DPMC has reviewed the intelligence coordination function in light of the Review of the Intelligence Agencies. A Director Intelligence Coordination has been appointed to:

- support ODESC in its intelligence coordination and governance roles in relation to the New Zealand Intelligence Community (NZIC), including the setting of objective and priorities, allocation of resources and monitoring of performance
- lead collaboration within the NZIC to ensure that agencies provide coordinated, high-value products
- offer a strategic view across the NZIC
- support the community in being well placed for future service delivery.



STATEMENT OF SERVICE PERFORMANCE

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

DESCRIPTION

This class of outputs involves:

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

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

Output Class 2 Financial Performance

30.06.09		30.06.10		30.06.10	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
3,512	Revenue – Crown	3,491	3,561	3,491	
52	Revenue – other	45	59	40	
3,491	Expenditure	3,484	3,595	3,521	
73	Surplus	52	25	10	

Output Class 2 Service Performance

PERFORMANCE MEASURES	2009/10	
	ACTUAL STANDARD	BUDGET STANDARD
Support to the Governor-General is efficient and effective.	Positive feedback has been received.	Feedback from the Governor-General is positive.
Events at Government Houses are well organised.	Stakeholder feedback indicates high satisfaction.	Feedback from key stakeholders on the quality of events is positive.
Maintenance of Governor-General's programme is appropriate and well-balanced.	Feedback has been predominantly positive.	Feedback from the Governor-General and other key stakeholders is positive.
The usefulness and heritage value of the two Government Houses is maintained or increased.	Feedback has been positive.	Feedback from key stakeholders is positive.

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

Support services to the Governor-General

Objective

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

Performance

The strategic programme framework developed in the previous year to enhance the Governor-General's ceremonial and community roles was fully implemented. A full domestic and international programme was maintained by Their Excellencies including visits in support of New Zealand's foreign-policy objectives to Papua New Guinea, the Solomon Islands, Singapore and Timor-Leste. Regional visits within New Zealand were made to the Nelson-Tasman, Otago, Canterbury and Taranaki regions. Close liaison in support of these visits was maintained with other government agencies such as the Cabinet Office, Ministry of Foreign Affairs and Trade, Veterans' Affairs, Culture and Heritage, Defence, and Police. Full briefing as well as travel and administrative support was provided. In addition to these activities, the Governor-General hosted or supported a range of community and patronage-related events.

The Governor-General's ceremonial programme included Waitangi Day activities at Waitangi in Northland and at Akaroa in the South Island; 23 investiture ceremonies for the recipients of the 2009 Queen's Birthday Honours and 2010 New Year Honours awards in Dunedin, Christchurch, Wellington and Auckland as well as special ceremonies for the Rt Hon Helen Clark ONZ, and the Hon Sir Bruce Robertson KNZM. Seven credentials ceremonies for newly accredited heads of diplomatic missions were also held as was a state welcome for the President of Hungary in September 2009. In addition, Government House supported the visit to New Zealand by the Vice-President of the People's Republic of China in June 2010. A highlight of the year was the ceremony

held at Old St Paul's in Wellington in August 2009 when more than 60 New Zealanders were redesignated as knights or dames of the New Zealand Order of Merit. In addition, the biennial dinner for members of the Order of New Zealand was held at Government House Auckland in October 2009. Their Excellencies' participation in these events was warmly received, and was well covered by the media.

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

Objective

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

Performance

With the temporary closure of Government House Wellington, support was provided to Their Excellencies at Government House Auckland, at Government House Vogel in Lower Hutt, and at the Islington Office in the grounds of Government House Wellington. The Prime Minister also made Premier House in Thorndon available for some vice-regal ceremonies.

A diverse range of functions was delivered and supported throughout the year to the standard required by the Governor-General. This included 164 official engagements throughout New Zealand and the hosting of 122 functions at Government House Vogel, Premier House, and Government House Auckland, with an estimated 8,098 persons participating as guests. A highlight of the year was the visit, in January 2010, of HRH Prince William. The Governor-General hosted a hangi dinner at Government House Auckland on the evening before Prince William officially opened the new Supreme Court building in Wellington.

Feedback from Their Excellencies and guests confirm that these events were well organised and maintained the dignity and standard expected of the Office of the Governor-General.

The review of Government House operations and its management and staffing structure was implemented during the year. Following the completion of the review, an overall management team was established at Government House to support the Official Secretary. The four sub-teams within this – Programme, Household, Operations and Public Affairs – were also designed to provide enhanced services to Their Excellencies and to better equip staff for the reopening of Government House Wellington in 2011.

All correspondence including Royal Prerogative of Mercy applications and commemorative cards and letters were dealt with in a timely and appropriate manner. A new online brochure and form for Royal Prerogative of Mercy applications was launched in December 2009 in collaboration with the Ministry of Justice. The brochure and form are written in plain language and are available for download from the Government House website.

More than 250 draft speeches were also prepared for Their Excellencies on a wide range of topics. These speeches were favourably commented on by Their Excellencies for their content and informative style and were well received by audiences. Significant speeches were loaded to the Government House website, as were many photographs and features focusing on Their Excellencies' work.

Maintenance of the two Government Houses

Objective

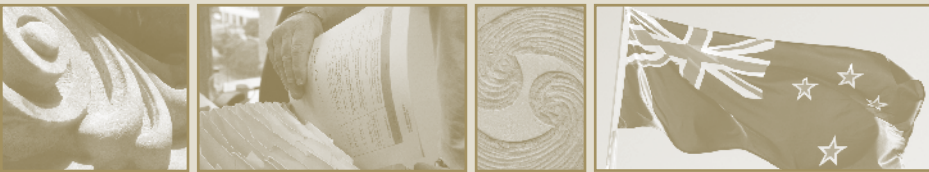
To preserve, secure and enhance the buildings and grounds of both Government Houses as appropriate residences for the head of state and as historic places.

Performance

The Government House Conservation Project continued apace in 2010 and is proceeding in accordance with its planned completion date of mid 2011. The project is designed to meet the uses and requirements of Governors-General both now and in the future, to address regulatory and statutory requirements, to incorporate environmentally sustainable design features, and to maintain the heritage values of Government House Wellington. A working party was established to plan a series of events to mark the centenary of the building in October 2010 and its reopening in mid 2011.

At Government House Auckland, a maintenance plan and schedule was prepared. As a result, three bathrooms in the VIP suites were upgraded and general maintenance of the selected areas of the exterior was also undertaken. A meeting of the Garden Advisory Committee was also convened to provide input into ongoing maintenance development of the Auckland grounds.

The views of Their Excellencies on the maintenance and development programmes for both Government Houses were sought regularly and taken into account.



STATEMENT OF SERVICE PERFORMANCE

Output Class 3: Intelligence assessments to support national security priorities

DESCRIPTION

This class of outputs involves:

- producing intelligence assessments on political, economic, scientific, environmental, strategic, and biographic subjects overseas affecting New Zealand's interests
- collecting, collating, evaluating, and analysing information that is used in the production of these assessments.

The use of effective planning and coordination processes in government can manage the risks of certain adverse events occurring, and can lessen their effect if they do occur.

The department is responsible for assessing, monitoring and responding to threats of any kind in a timely and structured way.

Output Class 3 Financial Performance

30.06.09		30.06.10		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
3,482	Revenue – Crown	3,463	3,482	3,463
2	Revenue – other	–	2	–
3,378	Expenditure	3,457	3,484	3,463
106	Surplus	6	–	–

Output Class 3 Service Performance

PERFORMANCE MEASURES	2009/10	
	ACTUAL STANDARD	BUDGET STANDARD
The assessments of developments overseas are high-quality, accurate and succinct.	99% of assessments were factually correct.	100% of assessments are factually correct.
	At least 90% assessments required no more than minor revision.	90% of assessments require no more than minor revision.
	Stakeholder feedback indicates high satisfaction.	Feedback from key stakeholders is positive.
The assessments are of policy relevance to New Zealand.	Stakeholder feedback indicates high satisfaction.	Feedback from key stakeholders is positive.

OUTPUT CLASS 3 SERVICE PERFORMANCE: NATIONAL ASSESSMENTS BUREAU (NAB)

Objective

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

On 1 March 2010, the External Assessments Bureau was renamed the National Assessments Bureau (NAB). This was one of several changes agreed by the Cabinet as part of a review of intelligence agencies. NAB was given a new mandate to develop a national assessments programme which draws on the resources of the whole of the New Zealand Intelligence Community (NZIC) and which is relevant to national security interests and priorities. NAB was also mandated to develop common quality standards for intelligence assessment and analysis.

The implementation of this mandate is now underway, under the oversight of the National Assessments Committee (NAC). The NAC has evolved in order to effect these new priorities and has assumed a strengthened role in oversight, tasking, coordination, and quality assurance.

The new national assessments programme is in place, working in a different way to meet the assessment needs of NAB's multiple audiences. Several partner agencies within the NZIC have begun to contribute to the programme, and reporting is being explicitly oriented towards national security interests and priorities. This implementation will continue into 2010/11, with emphasis on identifying national security priorities for the programme in a more comprehensive and robust way, and on broadening the programme's coverage across the entire NZIC.

The development of common assessment practices and techniques, relevant training, and formal education in intelligence is also underway.

Performance

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

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

In developing new reporting vehicles, NAB has introduced greater variation than formerly in the length and format of papers in order to tailor them more closely to the preferences of the audience(s). NAB plans to undertake consultations to clarify those preferences.

During the reporting period:

- ▶ The NAC approved 41 (2008/09: 61) papers. This fall in number resulted from a shift of emphasis to quality assurance, and also from a decision in the final quarter of the period to put the reporting programme on hold (or to issue papers through other vehicles) in order to allow time for the NAC's terms of reference to be redefined and new operating practices to be determined and introduced.
- ▶ NAB prepared 718 (622) biographical reports.
- ▶ There were 194 (201) other assessments and reports prepared, including 87 (90) executive intelligence summaries.

Biographic reports were delivered to primary customers before the visits and conferences to which the reports related. See "NAB assessments" table.

NAB assessments and reports

	2010	2009	2008	2007
National Assessments Committee reports	41*	61	74	71
Biographical reports	718	622	575	536
Other reports and assessments	107	111	108	99
Executive intelligence summaries	87	90	93	92

* The new emphasis on quality assurance has meant fewer reports but greater quality assurance in those that have been produced. This trend is likely to continue.

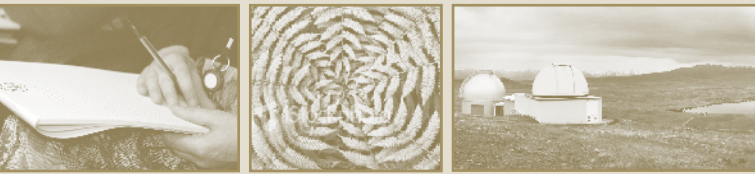
Objective

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

Performance

As noted above, the Government's guidance on its expectations was significantly updated during the period and NAB is underway with implementation of responses. The Prime Minister and stakeholders have been more active in requesting reports on priority matters.

At least 90 per cent of assessments submitted to the NAC required no more than minor revision. (This performance indicator remains unchanged from last year.) NAB maintains a file record of the outcome of every NAC meeting so that its performance against this criterion is documented. From time to time the Intelligence Coordinator takes the NAC chair to provide independent oversight of the performance of both NAB and the NAC itself.



STATEMENT OF SERVICE PERFORMANCE

Output Class 4: Science Advisory Committee

DESCRIPTION

This class of outputs involves:

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

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

Output Class 4 Financial Performance

30.06.09		30.06.10		30.06.10	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
-	Revenue – Crown	335	-	335	
-	Revenue – other	-	-	-	
-	Expenditure	328	-	335	
-	Surplus	7	-	-	

Output Class 4 Service Performance

PERFORMANCE MEASURES	2009/10	
	ACTUAL STANDARD	BUDGET STANDARD
Advice provided meets the department's quality, quantity and timeliness standards.	Stakeholder feedback indicates high satisfaction.	Key stakeholders are satisfied.

Objective

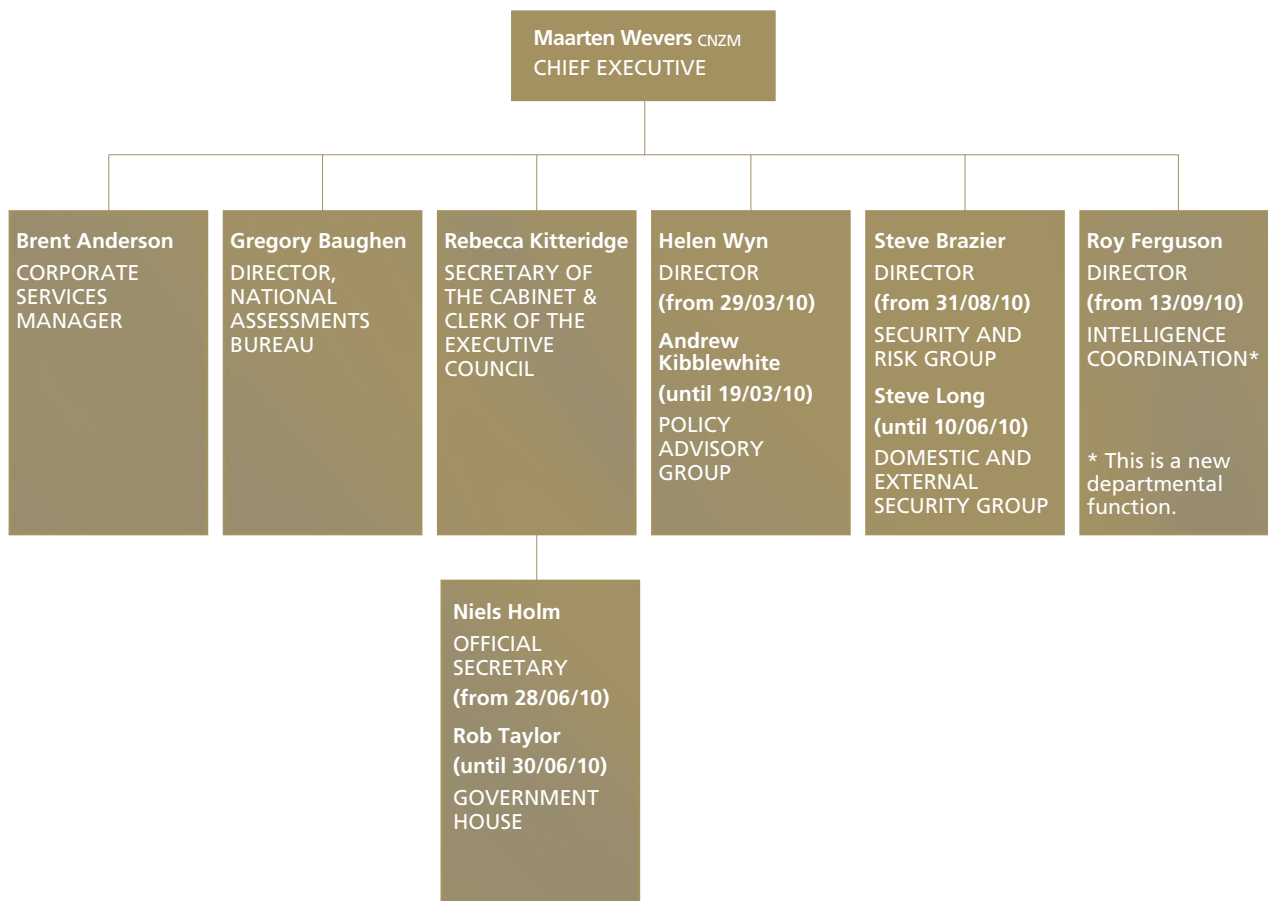
To provide independent advice to the Prime Minister and his Government on such matters as are from time to time included in an agreed work programme determined by the Prime Minister.

Performance

The Prime Minister was consulted on the Chief Science Advisor's work programme; and the programme – involving activities aimed at promoting the role of science in, and its contribution to, society – has been well executed. In 2009/10 the Chief Science Advisor gave more than 30 public lectures and many informal addresses. He has met with – amongst others – the United Kingdom's chief scientist (twice), the Australian chief scientist (twice), senior officials in the United States (including President's science advisor), senior Chinese officials and vice-ministers, and senior officials in Singapore; local diplomatic representatives have also sought meetings with him. The Chief Science Advisor has provided requested reports to the Prime Minister on subjects such as methamphetamine, adolescence issues, and the commercialisation of research.

Feedback from the Prime Minister on the performance of the Chief Science Advisor has been positive.

SENIOR MANAGEMENT TEAM



OUR DEMOGRAPHICS

as at 30 June 2010

	2010 ¹		2009	2008	2007	2006
	Full time	Part time				
Office of the Chief Executive	2	0	2	2	2	2
Corporate Services	15	1	15	15	15	15
Government House Project	2	0	2	2	1	–
Policy Advisory Group	14	3	17	16	16	14
Domestic and External Security Group	5	2	8	6	8	7
National Assessments Bureau	25	2	30	27	28	29
Cabinet Office	20	6	26	25	27	27
Government House	28	1	19	27	28	29
Sub-total	111	15				
TOTAL	126 ²		119 ³	120 ⁴	125 ⁵	123 ⁶

GENDER DISTRIBUTION	2010	2009	2008	2007	2006
Female	52%	52%	55%	55%	47%
Male	48%	48%	45%	45%	53%

ETHNICITY	2010	2009	2008	2007	2006
NZ European	83%	79%	81%	82%	90%
NZ Māori	4%	7%	7%	8%	10%
Pacific peoples	1%	1%	2.5%	2%	– ⁷
Asian	2%	3%	2.5%	2%	– ⁷
Other	10%	12%	7%	6%	– ⁷

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

² Includes 12 staff seconded from other departments and organisations.

³ Includes 13 part-time staff and 14 staff seconded from other departments and organisations.

⁴ Total includes 13 part-time staff and 12 seconded from other departments and organisations.

⁵ Total includes 11 staff seconded from other departments and organisations. Casual staff are not included.

⁶ Total includes 16 part-time staff and 11 seconded from other departments and organisations.

⁷ Data not reported in 2006.

DEPARTMENTAL HEALTH AND CAPABILITY

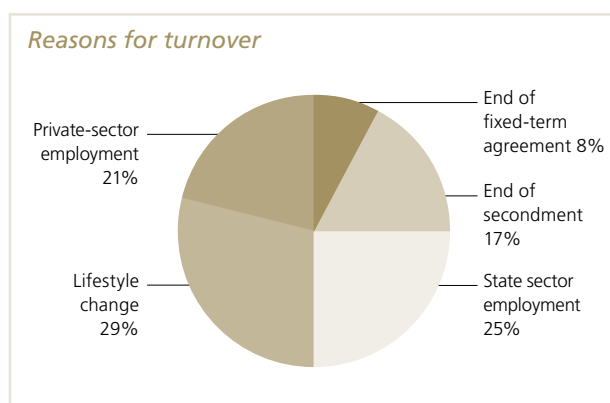
Creating a supportive and focused workplace is central to the department's ability to maintain high performance.

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

Our people

One-third of our staff have been with us for five years or more and just over half of our staff have been with DPMC three years or more. DPMC continues to balance the retention of existing staff – and their good organisational knowledge – with the recruitment of new talent and skills.

Planned turnover (defined as retirement and secondment) and unplanned turnover has remained stable for the last five years, at close to 19 per cent. DPMC's solid practice of secondment of staff continues to be reflected in this 19 percent: staff are attracted to the department because they wish to broaden their policy coordination experience in a whole-of-government environment or to work on specialist projects or taskforces with the intention of using this experience upon their return to a line agency. Almost a third of staff who left in the last 12 months did so for lifestyle reasons, and one quarter moved to other positions within the state sector.



Organisational health

In 2010 the department commissioned an assessment of staff perceptions of organisational climate and their degree of engagement with the organisation. This is the fourth such survey undertaken by DPMC, with the measurement of

engagement being a new feature. The Climate Survey provides invaluable insight into the way staff think about working at the department, and their areas of concern and satisfaction. The response rate to the survey was 86.4 per cent (2008: 83 per cent), which is very positive compared with industry standards. The department was again considered by staff as achieving ratings that ranged from "good practice" to "outstanding". See "Snapshot of 2010 Climate Survey results" table.

Snapshot of 2010 Climate Survey results

ELEMENTS OF AN EFFECTIVE ORGANISATIONAL CULTURE	2009/10	
	DPMC's RATING	EXPLANATION
Clarity	Outstanding	Purpose, values and roles are clear to all and widely understood. People know what they have to do to be successful.
Drive	Good Practice	The organisation has the building blocks of a performance culture. Rewards extend beyond financial. Innovation is seen as important.
Alignment	Good Practice	Structures are creating organisational flexibility, underpinned by good communication. Cooperation across the business is occurring.
Confidence	Good Practice	Staff believe the organisation can succeed and their unit is effective. Morale is positive. Improvement in the other factors will improve this result further.

Key results show that:

- DPMC continues to be seen as a high-performing organisation. Compared with two years ago, scores have trended upwards. Government House scores in particular have risen significantly.
- The most important motivators for all staff are meaningful work and challenging work.
- DPMC staff show as "engaged" in four important areas of the employee-engagement scale: pride in their organisation; satisfaction with leadership; opportunities to

perform well at work; and performance being recognised and acknowledged. In two areas, staff show as being only “somewhat engaged” (neutral): prospects for future personal and professional growth; and a positive work and team environment.

- Women are slightly more engaged than men. In the climate-factor ratings, however, there is little practical gender difference.
- The biggest opportunity to enhance DPMC’s effectiveness and staff engagement will be achieved by improving “drive” and “alignment”. Specific areas for attention within these elements are workload, particularly in NAB and DESG, and the creation of opportunities for stretch and advancement within the organisation.

Our health

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

Absence due to illness remains low. Average sick-leave usage is 5.4 days per annum (2008: 5.7); average accrued sick leave is 37.5 days (2008: 41.8). We continue to monitor sick leave and actively encourage staff to stay home when they are sick. The department remains vigilant in its response to potential influenza outbreaks by supplying all employees with a personal pack of hand antiseptic, providing travel packs for those travelling for work purposes, arranging extra cleaning services of commonly used services, and advising staff and managers to stay home if they have any flu symptoms.

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

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

The Health and Safety Committee met four times during 2009/10 and facilitated occupational health and safety discussions between management and staff. In addition, a self-audit was undertaken by DPMC and validated by an external resource: this audit highlighted good practices and low risk to staff, and showed the department’s responsiveness to workplace health concerns.

Our learning and development framework

A learning and development matrix was constructed from staff feedback through the performance management process, and a framework was implemented to reflect the development needs identified.

We are working with others on a management skills programme intended to develop the department’s leadership capabilities and to function as a “bridge” into further development opportunities such as the Leadership Development Centre (LDC) and Australia New Zealand School of Government (ANZSOG) offerings.

The department has also collaborated with Learning State in facilitating opportunities for administrative staff to pursue nationally recognised qualifications in business administration. This initiative has seen a good level of interest from the target group, with a small cohort of staff currently working through their qualifications.

DPMC continues to build strong collaborative relationships with the other central agencies, Treasury and SSC, in the sphere of learning and development. The central agencies’ induction programme – which provides good opportunity for new staff from DPMC, Treasury and SSC to understand the role and function of each agency – continues to be well supported and well attended.

Risk-assurance processes

DPMC continues to update its strategic risk profile. After further efforts from a DPMC-wide working group, the review of each of our high-level risks and associated mitigation strategies has been established as a formal agenda item for the department’s Senior Management Group. This review process is expected to continue into the 2010/11 financial year.

The Audit and Risk Committee has continued to meet regularly to review and assess a range of DPMC capabilities and areas of potential risk, and to report on these to the Chief Executive. The current committee consists of two external members (Souella Cumming, who is also the Chair; and from May 2010 Shenagh Gleisner) and one DPMC representative (Steve Long in 2009 and Michael Webster in 2010). Michael Wintringham was an external member, and also the Chair, until March 2010.

Information management

Systems development focused on the delivery of a highly resilient and available network, and the server environment has been “virtualised” to support this. Work continues on the establishment of a disaster recovery site in Auckland. A new business process application for the Honours Secretariat was implemented, offering a more efficient and effective process for honours nominations and awards. Work has commenced on revamping the department’s intranet and its websites. Challenges for network management, security and the protection of data integrity are ever-present as viruses, spam and cyber threats increase and evolve.

STATUTORY AND FORMAL RESPONSIBILITIES

Chief Executive

The Chief Executive has the following responsibilities:

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

Secretary of the Cabinet and Clerk of the Executive Council

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

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

- to administer the Civil List Act 1979
- to certificate subordinate legislation approved in Executive Council in terms of Section 32 of the Evidence Act 1908
- to certificate other instruments executed by the Governor-General in terms of the Official Appointments and Documents Act 1919
- to administer the Oath of Allegiance and the Executive Councillors' Oath in terms of Section 23 of the Oaths and Declarations Act 1957
- to administer the Statutes of The Queen's Service Order (2007), The Order of New Zealand (1987), and The New Zealand Order of Merit (1996)
- to administer the Royal Warrants of the New Zealand Gallantry Awards and the New Zealand Bravery Awards (1999)
- to administer the Seal of New Zealand Act 1977
- to administer the Royal Titles Act 1978.



STATEMENT OF RESPONSIBILITY

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

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

In my opinion, these financial statements and this Statement of Service Performance fairly reflect the financial position and operations of the department for the year ended 30 June 2009.

Maarten Wevers CNZM
CHIEF EXECUTIVE

Date: 24 September 2010

COUNTERSIGNED BY

Brent Anderson
CORPORATE SERVICES MANAGER

Date: 24 September 2010

Financial Statements

for the year ended 30 June 2010

DEPARTMENTAL FINANCIAL STATEMENTS

- 26 : Statement of Comprehensive Income
- 27 : Statement of Financial Position
- 28 : Statement of Changes in Taxpayers' Funds
- 29 : Statement of Cash Flows
- 30 : Reconciliation of Net Surplus/(Deficit) to Net Cash Flow from Operating Activities
- 31 : Statement of Commitments
- 32 : Statement of Contingent Liabilities and Contingent Assets
- 32 : Statement of Unappropriated Expenditure
- 33 : Statement of Departmental Expenses and Capital Expenditure Against Appropriations
- 34 : Notes to the Departmental Financial Statements

NON-DEPARTMENTAL FINANCIAL STATEMENTS

- 47 : Statement of Non-Departmental Expenses and Capital Expenditure Against Appropriations
- 48 : Schedule of Non-Departmental Expenses
- 49 : Schedule of Non-Departmental Non-Tax Revenue
- 49 : Schedule of Non-Departmental Assets and Liabilities
- 50 : Schedule of Non-Departmental Commitments
- 50 : Schedule of Non-Departmental Contingent Liabilities and Contingent Assets
- 50 : Schedule of Non-Departmental Unappropriated Expenditure
- 51 : Notes to the Non-Departmental Financial Statements
- 55 : AUDIT REPORT



DEPARTMENTAL FINANCIAL STATEMENTS

for the year ended 30 June 2010

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

30.6.09			30.6.10		30.6.10	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	INCOME					
15,398	Revenue – Crown		15,658	15,497	15,658	
57	Revenue – other	3	31	66	40	
–	Gains		14	–	–	
15,455	TOTAL INCOME		15,703	15,563	15,698	
	EXPENSES					
10,854	Personnel costs	4	11,133	11,024	11,180	
308	Depreciation and amortisation expense	7, 8	383	370	550	
53	Capital charge	5	53	53	53	
3,904	Other operating expenses	6	4,037	4,091	3,905	
15,119	TOTAL EXPENDITURE		15,606	15,538	15,688	
336	NET SURPLUS		97	25	10	

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

30.6.09			30.6.10		30.6.10	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	CURRENT ASSETS					
2,080	Cash and cash equivalents		2,017	1,916	1,256	
–	Other receivables		53	–	–	
102	Prepayments		56	12	50	
100	Inventory		100	100	100	
2,282	TOTAL CURRENT ASSETS		2,226	2,028	1,406	
	NON-CURRENT ASSETS					
325	Inventory		318	328	325	
716	Property, plant and equipment	7	815	516	1,066	
122	Intangible assets	8	317	156	322	
1,163	TOTAL NON-CURRENT ASSETS		1,450	1,000	1,713	
3,445	TOTAL ASSETS		3,676	3,028	3,119	
	CURRENT LIABILITIES					
1,145	Creditors and other payables	9	1,621	1,080	1,145	
336	Provision for repayment of surplus	10	97	25	10	
663	Employee entitlements	11	626	624	570	
–	Provisions	12	258	–	241	
2,144	TOTAL CURRENT LIABILITIES		2,602	1,729	1,966	
	NON-CURRENT LIABILITIES					
241	Provisions	12	–	120	–	
357	Employee entitlements	11	371	476	450	
598	TOTAL NON-CURRENT LIABILITIES		371	596	450	
2,742	TOTAL LIABILITIES		2,973	2,325	2,416	
703	NET ASSETS		703	703	703	
	TAXPAYERS' FUNDS					
703	General funds	13	703	703	703	
703	TOTAL TAXPAYERS' FUNDS		703	703	703	

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN TAXPAYERS' FUNDS

for the year ended 30 June 2010

30.6.09			30.6.10	30.6.10	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
703	Balance at 1 July		703	703	703
336	Total comprehensive income		97	25	10
(336)	Return of operating surplus to the Crown	10	(97)	(25)	(10)
-	MOVEMENTS IN TAXPAYERS' FUNDS FOR THE YEAR		-	-	-
703	TAXPAYERS' FUNDS AS AT 30 JUNE		703	703	703

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2010

30.6.09		30.6.10		30.6.10	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	CASH FLOW – OPERATING ACTIVITIES				
15,398	Receipts from the Crown	15,658	15,497	15,658	
57	Receipts from other revenue	45	66	40	
(4,338)	Payments to suppliers	(3,466)	(3,882)	(3,804)	
(10,740)	Payments to employees	(11,160)	(11,233)	(11,134)	
(53)	Payments for capital charge	(53)	(53)	(53)	
12	Goods and services tax (net)	(27)	–	–	
336	NET CASH FLOW FROM OPERATING ACTIVITIES	997	395	707	
	CASH FLOW – INVESTING ACTIVITIES				
(264)	Purchase of property, plant and equipment	(448)	(200)	(895)	
(108)	Purchase of intangible assets	(276)	(50)	(300)	
(372)	NET CASH FLOW FROM INVESTING ACTIVITIES	(724)	(250)	(1,195)	
	CASH FLOW – FINANCING ACTIVITIES				
(47)	Repayment of net surplus to the Crown	(336)	(270)	(336)	
(47)	NET CASH FLOW FROM FINANCING ACTIVITIES	(336)	(270)	(336)	
(83)	Net increase/(decrease) in cash and cash equivalents	(63)	(125)	(824)	
2,163	Cash and cash equivalents at the beginning of the year	2,080	2,041	2,080	
2,080	CASH AND CASH EQUIVALENTS AT END OF YEAR	2,017	1,916	1,256	

The accompanying notes form part of these financial statements.

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

for the year ended 30 June 2010

30.6.09		30.6.10		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
336	NET SURPLUS	97	25	10
	ADD/(LESS) NON-CASH ITEMS			
308	Depreciation	383	370	550
(93)	Increase/(decrease) in non-current employee entitlements	14	–	–
–	Increase/(decrease) in non-current provisions	(241)	–	–
215	TOTAL NON-CASH ITEMS	156	370	550
	ADD/(LESS) WORKING CAPITAL MOVEMENTS			
89	(Increase)/decrease in receivables and prepayments	(7)	–	52
3	(Increase)/decrease in inventory	7	–	–
(125)	Increase/(decrease) in creditors and other payables	523	–	95
13	Increase/(decrease) in current employee entitlements	(37)	–	–
(195)	Increase/(decrease) in current provisions	258	–	–
(215)	WORKING CAPITAL MOVEMENTS – NET	744	–	147
336	NET CASH FLOW FROM OPERATING ACTIVITIES	997	395	707

The accompanying notes form part of these financial statements.

STATEMENT OF COMMITMENTS

as at 30 June 2010

Non-cancellable operating lease commitments

The department leases premises on the third and fifth floors of the Reserve Bank Building, and at 108 The Terrace in Wellington (see note 6).

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

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

30.6.09		30.6.10
Actual \$000		Actual \$000
	OPERATING COMMITMENTS	
637	Accommodation leases	295
106	Other operating commitments	108
743	TOTAL COMMITMENTS	403
	TERM CLASSIFICATION FOR OPERATING COMMITMENTS	
503	Less than one year	403
240	One to five years	–
743	TOTAL COMMITMENTS	403

The accompanying notes form part of these financial statements.

STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

as at 30 June 2010

Contingent liabilities

At 30 June 2010 the department has no contingent liabilities. (2009: nil)

Contingent assets

At 30 June 2010 the department has no contingent assets. (2009: nil)

STATEMENT OF UNAPPROPRIATED EXPENDITURE

for the year ended 30 June 2010

The department has no unappropriated expenditure for the year ended 30 June 2010. (2009: nil)

The accompanying notes form part of these financial statements.

STATEMENT OF DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

for the year ended 30 June 2010

30.6.09			30.6.10	30.6.10	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	<i>Vote: Prime Minister and Cabinet</i>				
	APPROPRIATIONS FOR OUTPUT EXPENSES				
8,250	D1 – Policy advice and secretariat and coordination services	18	8,337	8,459	8,369
3,491	D2 – Support services to the Governor-General and maintenance of the two Government Houses	18	3,484	3,595	3,521
3,378	D3 – Intelligence assessments on developments overseas		3,457	3,484	3,463
–	D4 – Science Advisory Committee		328	–	335
15,119	TOTAL OUTPUT EXPENSES		15,606	15,538	15,688
	APPROPRIATIONS FOR CAPITAL EXPENDITURE				
467	Property, plant and equipment	18	674	300	1,100
467	TOTAL CAPITAL EXPENDITURE		674	300	1,100

The accompanying notes form part of these financial statements.

NOTES TO THE DEPARTMENTAL FINANCIAL STATEMENTS

for the year ended 30 June 2010

1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2010

Reporting entity

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

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

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

The financial statements of the department are for the year ended 30 June 2010. The financial statements were authorised for issue by the Chief Executive of the department on 24 September 2010.

Basis of preparation

Statement of compliance

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

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

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

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

Functional and presentation currency

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

Judgements and estimations

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

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

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

Retirement and long-service leave

Note 11 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long-service leave liabilities.

Changes in accounting policies

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

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

The department has adopted one revision to its accounting standards. This revision has had only a presentational (disclosure) effect. It is:

- *NZ IAS 1 Presentation of Financial Statements (Revised 2007)* replaces *NZ IAS 1 Presentation of Financial Statements (Issued 2004)*. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics. It introduces a Statement of Comprehensive Income which will enable readers to identify changes in equity separately from transactions with owners. The department has decided to prepare a single Statement of Comprehensive Income for the year ended 30 June 2010 under the revised standard. Financial statement information for the year ended

30 June 2009 has been restated accordingly. Items of other comprehensive income presented in the Statement of Comprehensive Income were previously recognised directly in the Statement of Changes in Taxpayers' Funds.

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

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

- *NZ IAS 24 Related Party Disclosures (Revised 2009)* replaces *NZ IAS 24 Related Party Disclosures (Issued 2004)* and is effective for reporting periods commencing on or after 1 January 2011. The revised standard:
 - i) Removes the previous disclosure concessions applied by the department in relation to arms-length transactions between the department and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between the department and entities controlled or significantly influenced by the Crown.
 - ii) Provides clarity on the disclosure of related-party transactions with ministers of the Crown. The clarification could result in additional disclosures should there be any related-party transactions with ministers of the Crown, although the department will be exempted from certain disclosure requirements relating to transactions with ministers (other than the responsible minister).
 - iii) Clarifies that related-party transactions include commitments with related parties.

The department expects it will undertake early adoption of *NZ IAS 24 Related Party Disclosures (Revised 2009)* for the year ended 30 June 2011.
- *NZ IFRS 9 Financial Instruments* will eventually replace *NZ IAS 39 Financial Instruments: Recognition and measurement*. NZ IFRS 9 is being introduced in three phases (Classification and Measurement, Impairment Methodology and Hedge Accounting) and is required to be adopted for the year ended 30 June 2014. The department has not yet assessed the effect of NZ IFRS 9 and is unlikely to adopt it early.

Significant accounting policies

Revenue

Revenue is measured at the fair value of consideration received.

Revenue from the Crown is earned in exchange for the provision of outputs and is recognised as revenue when

earned. The department receives its revenue through the Crown's appropriation process.

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

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

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

Capital charge

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

Debtors and other receivables

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

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

Financial instruments

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

Cash and cash equivalents

Cash includes cash on hand and bank accounts.

Inventory

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

Property, plant and equipment

Overview

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

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

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

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

Subsequent costs

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

Depreciation

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

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

Intangible assets

Software acquisition and development

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

Amortisation

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

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

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

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

Impairment of non-financial assets

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

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

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

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

Employee entitlements

Short-term employee entitlements

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

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

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

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

Long-term employee entitlements

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

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

Defined-contribution plans

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

Creditors and other payables

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

Leases

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

Superannuation schemes

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

Provisions

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

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

Taxpayers' funds

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

Commitments

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

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

Contingent liabilities and contingent assets

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

Goods and services tax (GST)

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

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

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

Commitment and contingencies are disclosed exclusive of GST.

Income tax

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

Budget figures

The budget figures are those included in the department's Budget Estimates for the year ended 30 June 2009, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates.

Statement of cost accounting policies

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

- Direct costs are expenses incurred from activities in producing outputs. These costs are charged directly to the related output classes.
- Indirect costs are expenses incurred by Corporate Services and by the Office of the Chief Executive. Indirect costs are allocated to each output class based on cost drivers, related activity, and usage information.

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. BUDGET COMPOSITION

	30.6.10		30.6.10
	Budget Forecast \$000	Supplementary Estimates Changes \$000	Final Budget Total \$000
REVENUE			
Crown	15,497	161	15,658
Other	66	(26)	40
TOTAL REVENUE	15,563	135	15,698
EXPENDITURE			
Personnel	11,024	156	11,180
Operating	4,091	(186)	3,905
Depreciation	370	180	550
Capital charge	53	0	53
TOTAL EXPENSES	15,538	150	15,688
NET SURPLUS	25	(15)	10

3. REVENUE – OTHER

30.6.09		30.6.10
Actual \$000		Actual \$000
51	Rental income	31
6	KiwiSaver credit	–
57	TOTAL REVENUE – OTHER	31

4. PERSONNEL COSTS

30.6.09		30.6.10	
Actual \$000		Actual \$000	
10,207	Salaries and wages	10,443	
369	Employer contributions to defined-contribution plans	390	
(80)	Increase/(decrease) in employee entitlements	(23)	
358	Other ¹	323	
10,854	TOTAL PERSONNEL COSTS	11,133	

¹ 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 2010 was 7.5 per cent. (2008/09: 7.5 per cent)

6. OTHER OPERATING EXPENSES

Other operating expenses include:

30.6.09		30.6.10	
Actual \$000		Actual \$000	
46	Audit fees for audit of financial statements	50	
417	Premises rental ¹	401	
139	Contract for photocopying services	149	
74	Inventories consumed	89	

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

7. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings	Furniture	Office equipment	Motor vehicles	Plant and equipment	IT equipment	Kitchen equipment	Ground improvement	Total
COST									
Balance at 1 July 2008	900	303	322	153	654	2,245	139	33	4,749
Additions	80	4	3	65	–	206	1	–	359
Disposals	(254)	(91)	(94)	–	(161)	(1,264)	(42)	–	(1,906)
Balance at 30 June 2009	726	216	231	218	493	1,187	98	33	3,202
Balance at 1 July 2009	726	216	231	218	493	1,187	98	33	3,202
Additions	16	–	2	10	–	370	–	–	398
Disposals	–	–	(89)	(54)	–	(306)	–	–	(449)
Other movement	–	–	–	–	–	11	–	–	11
Balance at 30 June 2010	742	216	144	174	493	1,262	98	33	3,162
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES									
Balance at 1 July 2008	574	250	277	81	566	2,129	121	25	4,023
Depreciation expense	78	20	18	29	51	73	5	2	276
Eliminate on disposal	(163)	(88)	(94)	–	(171)	(1,256)	(41)	–	(1,813)
Balance at 30 June 2009	489	182	201	110	446	946	85	27	2,486
Balance at 1 July 2009	489	182	201	110	446	946	85	27	2,486
Depreciation expense	72	17	16	39	35	115	5	3	302
Eliminate on disposal	–	–	(89)	(54)	–	(306)	–	–	(449)
Other movement	–	–	–	–	–	8	–	–	8
Balance at 30 June 2010	561	199	128	95	481	763	90	30	2,347
CARRYING VALUE									
At 30 June and 1 July 2009	237	34	30	108	47	241	13	6	716
AT 30 JUNE 2010	181	17	16	79	12	499	8	3	815

8. INTANGIBLE ASSETS

30.6.09		30.6.10
Actual \$000		Actual \$000
	ACQUIRED SOFTWARE	
	COST	
52	Opening balance 1 July	160
108	Additions	276
160	Closing balance 30 June	436
	ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	
6	Opening balance 1 July	38
32	Amortisation expenses	81
38	Closing balance 30 June	119
	CARRYING VALUE	
122	AT 30 JUNE	317

9. CREDITORS AND OTHER PAYABLES

30.6.09		30.6.10
Actual \$000		Actual \$000
492	Trade creditors	881
95	Creditors relating to capital expenditure	46
465	Accrued expenses	628
93	GST payable	66
1,145	TOTAL CREDITORS AND OTHER PAYABLES	1,621

10. PROVISION FOR REPAYMENT OF SURPLUS TO THE CROWN

30.6.09		30.6.10	
Actual \$000		Actual \$000	
336	Current year net surplus	97	
336	TOTAL PROVISION FOR REPAYMENT OF SURPLUS	97	

11. EMPLOYEE ENTITLEMENTS

30.6.09		30.6.10	
Actual \$000		Actual \$000	
	CURRENT EMPLOYEE ENTITLEMENTS		
447	Annual leave	441	
44	Long-service leave	32	
163	Retirement leave	103	
9	Sick leave	50	
663	TOTAL CURRENT LIABILITIES	626	
	NON-CURRENT EMPLOYEE ENTITLEMENTS		
50	Long-service leave	37	
307	Retirement leave	334	
357	TOTAL NON-CURRENT LIABILITIES	371	
1,020	TOTAL EMPLOYEE ENTITLEMENTS	997	

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

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

If the discount rate were to differ by 1 per cent from the department's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$20,000 higher/lower.

If the inflation factor were to differ by 1 per cent from the department's estimates, with all other factors held constant, the carrying amount would be an estimated \$21,000 higher/lower.

12. PROVISIONS

30.6.09		30.6.10
Actual \$000		Actual \$000
	LEASE MAKE-GOOD	
120	Opening balance 1 July	120
–	Additional provision made	–
120	Closing balance 30 June	120
	ASSETS WRITE-OFF	
314	Opening balance 1 July	121
–	Additional provision made	17
(193)	Provision used	–
121	Closing balance 30 June	138
241	TOTAL PROVISIONS	258

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

It is the department's intention not to renew its current lease beyond 2011 and hence provision for asset write-off has been made.

13. TAXPAYERS' FUNDS

30.6.09		30.6.10
Actual \$000		Actual \$000
	GENERAL FUNDS	
703	Balance at 1 July	703
336	Net surplus	97
(336)	Provision for repayment of surplus to the Crown	(97)
703	GENERAL FUNDS AT 30 JUNE	703

14. RELATED-PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

Related-party transactions

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

The department undertakes transactions with other departments, Crown entities and state-owned enterprises. These transactions are carried out at an arm's length basis and are not considered to be related-party transactions. Apart from those transactions described above, the department has not entered into any related-party transactions.

Key management personnel compensation

30.6.09		30.6.10	
Actual		Actual	
\$000		\$000	
1,893	Salaries and other short-term employee benefits	2,018	
1,893	TOTAL KEY MANAGEMENT PERSONNEL¹ COMPENSATION	2,018	

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

15. FINANCIAL-INSTRUMENT RISKS

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

Credit risk

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

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

The department's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and 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 the NZDMO. The department maintains a target level of available cash to meet liquidity requirements.

All of the department's financial liabilities (i.e. creditors and other payables – see note 9) are expected to be settled within 12 months. The contractual undiscounted cash flows equal the carrying values disclosed in note 9.

16. CATEGORIES OF FINANCIAL INSTRUMENTS

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

30.6.09		30.6.10
Actual \$000		Actual \$000
	LOANS AND RECEIVABLES	
2,080	Cash and cash equivalent	2,017
102	Other receivables	109
2,182	TOTAL LOANS AND RECEIVABLES	2,126
	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	
1,145	CREDITORS AND OTHER PAYABLES (SEE NOTE 9)	1,621

17. 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.

18. EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

D1 – Policy advice and secretariat and coordination services

The appropriation for this output class decreased by \$90,000 in the Supplementary Estimates. The change is largely a result of fiscally neutral transfers to D2 – Support services to the Governor-General and maintenance of the two Government Houses (\$80,000).

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

The appropriation for this output class decreased by \$74,000 in the Supplementary Estimates. The change is largely a result of a decrease in Crown Revenue (\$150,000), which has been transferred to Crown Capital, combined with a fiscally neutral transfer from D1 – Policy advice and secretariat and coordination services (\$80,000).

Appropriations for capital expenditure

The appropriation for capital expenditure increased by \$800,000 in the Supplementary Estimates; this is a result of a carry-forward from 2008/09. The variance between actual and budgeted capital expenditure for 2009/10 was due to delay in the implementation of planned IT upgrades.



NON-DEPARTMENTAL FINANCIAL STATEMENTS

for the year ended 30 June 2010

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 2010

30.6.09		Note	30.6.10	30.6.10	
			Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	APPROPRIATIONS FOR OTHER EXPENSES TO BE INCURRED BY THE CROWN (PERMANENT LEGISLATIVE AUTHORITY)				
4,160	Depreciation expenses on Crown assets	5	1,559	765	1,710
47	Commissioner of Security Warrants (NZSIS Amendment (No 2) Act 1999)		51	49	49
907	Government House – other payments (Civil Act 1979)	5	856	1,219	1,219
–	Ex-gratia payment to the University of Auckland	5	149	–	168
5,114	SUB-TOTAL		2,615	2,033	3,146
	APPROPRIATION FOR PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS BY THE CROWN				
6,076	Government House – capital investment	5	19,131	15,150	20,107
6,076	SUB-TOTAL		19,131	15,150	20,107
11,190	TOTAL		21,746	17,183	23,253

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 2010.

The accompanying notes form part of these financial statements.

SCHEDULE OF NON-DEPARTMENTAL EXPENSES

for the year ended 30 June 2010

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

30.6.09		30.6.10	30.6.10	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	<i>Vote: Prime Minister and Cabinet</i>			
907	Governor-General remuneration and travel	856	1,219	1,219
4,160	Depreciation on Crown assets	1,559	765	1,710
–	Ex-gratia payment to the University of Auckland	149	–	168
47	Fees for Commissioner of Security Warrants	51	49	49
5,114	TOTAL NON-DEPARTMENTAL EXPENSES	2,615	2,033	3,146

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 2010.

The accompanying notes form part of these financial statements.

SCHEDULE OF NON-DEPARTMENTAL NON-TAX REVENUE

as at 30 June 2010

There is non-tax revenue of \$4,600 for year ended 30 June 2010. (2009: \$1,500)

This relates to the return of the Governor-General's salary increase.

SCHEDULE OF NON-DEPARTMENTAL ASSETS AND LIABILITIES

as at 30 June 2010

30.6.09			30.6.10		30.6.10	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	<i>Vote: Prime Minister and Cabinet</i>					
	CURRENT ASSETS					
3,612	Cash in bank	5	5,282	2,670	2,732	
3,612	TOTAL CURRENT ASSETS		5,282	2,670	2,732	
	NON-CURRENT ASSETS					
46,809	Land, property, plant and equipment	2	45,400	53,037	45,199	
6,339	Construction in progress		25,320	22,846	26,346	
53,148	TOTAL NON-CURRENT ASSETS		70,720	75,883	71,545	
56,760	TOTAL NON-DEPARTMENTAL ASSETS		76,002	78,553	74,277	
	CURRENT LIABILITIES					
1,135	Creditors and other payables	3	2,519	300	1,600	
1,135	TOTAL CURRENT LIABILITIES		2,159	300	1,600	
1,135	TOTAL NON-DEPARTMENTAL LIABILITIES		2,519	300	1,600	

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 2010.

The accompanying notes form part of these financial statements.

SCHEDULE OF NON-DEPARTMENTAL COMMITMENTS

as at 30 June 2010

There is a capital commitment of \$13.31 million as at 30 June 2010. (30 June 2009: \$21.78 million)

There are no operating commitments as at 30 June 2010. (30 June 2009: nil)

SCHEDULE OF NON-DEPARTMENTAL CONTINGENT LIABILITIES AND CONTINGENT ASSETS

as at 30 June 2010

There are no contingent liabilities as at 30 June 2010. (30 June 2009: nil)

There are no contingent assets as at 30 June 2010. (30 June 2009: nil)

SCHEDULE OF NON-DEPARTMENTAL UNAPPROPRIATED EXPENDITURE

for the year ended 30 June 2010

There was no unappropriated non-departmental expenditure for the year ended 30 June 2010 (2009: \$3.395 million).

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 2010.

The accompanying notes form part of these financial statements.

NOTES TO THE NON-DEPARTMENTAL FINANCIAL STATEMENTS

for the year ended 30 June 2010

1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2010

Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by the department on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should also be made to the Financial Statements of the Government of New Zealand.

Accounting policies

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

Measurement and recognition rules applied in the preparation of these non-departmental financial statements and schedules are consistent with New Zealand Generally Accepted Accounting Practice (New Zealand GAAP) as appropriate for public benefit entities.

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

Budget figures

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

Goods and services tax (GST)

All statements are GST exclusive, with the exception of the Schedule of Non-Departmental Assets and Liabilities where the entries for creditors and payables are GST inclusive. In accordance with Treasury instructions, input-tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense in the financial statements.

Valuation of property, plant and equipment

Land and buildings are recorded at fair value, as determined by an independent registered valuer. QV Valuations revalued land and buildings in Auckland as at 30 June 2009. Fair value is determined using market-based evidence unless insufficient market-based evidence exists, in which case the land and buildings are valued at optimised depreciated replacement cost.

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

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

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

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

Depreciation

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

Buildings	2%–33%
Fixtures and fittings	10%
Furniture	20%
Motor vehicles	25%
Plant and equipment	20%
Other assets	2%–20%

The useful life of Government House Wellington's building components has been revised during the year.

Commitments

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

Financial assets and liabilities

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

2. PROPERTY, PLANT AND EQUIPMENT

	Land ¹	Building ¹	Plant and equipment	Furniture and fittings	Motor vehicles	Other assets	Total
COST							
Balance at 1 July 2008	33,850	17,289	238	2,054	160	2,850	56,441
Additions	–	692	–	411	–	–	1,103
Disposals	–	(3,999)	(211)	(292)	–	(517)	(5,019)
Revaluation increase/(decrease)	(3,630)	86	–	–	–	–	(3,544)
Balance at 30 June 2009	30,220	14,068	27	2,173	160	2,333	48,981
Balance at 1 July 2009	30,220	14,068	27	2,173	160	2,333	48,981
Additions	–	150	–	–	–	–	150
Revaluation increase/(decrease)	–	–	–	–	–	–	–
Disposals	–	(578)	–	–	–	–	(578)
Balance at 30 June 2010	30,220	13,640	27	2,173	160	2,333	48,553
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
Balance at 1 July 2008	–	703	238	1,000	160	891	2,992
Depreciation expense	–	3,775	–	275	–	110	4,160
Eliminate on disposal	–	(3,999)	(211)	(290)	–	(480)	(4,980)
Eliminate on revaluation	–	–	–	–	–	–	–
Balance at 30 June 2009	–	479	27	985	160	521	2,172
Balance at 1 July 2009	–	479	27	985	160	521	2,172
Depreciation expense	–	1,099	–	354	–	106	1,559
Eliminate on disposal	–	(578)	–	–	–	–	(578)
Impairment losses	–	–	–	–	–	–	–
Balance at 30 June 2010	–	1,000	27	1,339	160	627	3,153
CARRYING VALUE							
At 30 June and 1 July 2009	30,220	13,589	–	1,188	–	1,812	46,809
AT 30 JUNE 2010	30,220	12,640	–	834	–	1,706	45,400

¹ Land and buildings in Auckland have been revalued to fair value as at 30 June 2009 by an independently contracted registered valuer, QV Valuations.

3. CREDITORS AND OTHER PAYABLES

30.6.09		30.6.10	
Actual \$000		Actual \$000	
22	Trade creditors	126	
1,045	Creditors relating to capital expenditure	2,245	
–	Accrued expenses	65	
68	Other payables	83	
1,135	TOTAL CREDITORS AND OTHER PAYABLES	2,519	

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:

30.6.09		30.6.10	
Actual \$000		Actual \$000	
	LOANS AND RECEIVABLES		
3,612	Cash and cash equivalent	5,282	
3,612	TOTAL LOANS AND RECEIVABLES	5,282	
	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
1,135	CREDITORS AND OTHER PAYABLES	2,519	

5. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Statement of Non-Departmental Expenses and Capital Expenditure against Appropriations

The appropriation for depreciation expenses on Crown assets increased by \$945,000 in the Supplementary Estimates, because of the write-down of assets resulting from demolition and construction work in the Government House Conservation Project.

At 30 June 2010, expenditure under permanent legislative authority (the Civil List Act 1979) was \$363,000 below Supplementary Estimates because of changed or rescheduled travel intentions.

The appropriation for the ex-gratia payment to the University of Auckland is new. It relates to the Science Advisory Committee, which is one of the department's two fixed-term responsibilities.

The Government House capital investment (the Government House Conservation Project) increased by \$4.957 million in the Supplementary Estimates. This is a result of a carry-forward from 2008/09 (\$1.307 million), a transfer from 2010/11 baseline to cover the increased costs because the project is progressing ahead of schedule (\$4.957 million), and a fiscally neutral transfer from the operating budget (\$150,000). The Government House Conservation Project is the department's second fixed-term responsibility.

Schedule of Non-Departmental Assets and Liabilities

At 30 June 2010, the department's bank balance was higher than shown in the Supplementary Estimates because of underspending in non-departmental expenses, and higher-than-expected creditor balances.

Creditors and other payables are greater than shown in the Supplementary Estimates because of unpaid invoices at year end relating mainly to the Government House Conservation Project.

AUDIT REPORT

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of the Department of the Prime Minister and Cabinet's financial statements and statement of service performance for the year ended 30 June 2010

The Auditor-General is the auditor of the Department of the Prime Minister and Cabinet (the Department). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements, the schedules of non-departmental activities and statement of service performance included in the annual report of the Department, for the year ended 30 June 2010.

UNQUALIFIED OPINION

In our opinion:

- The financial statements of the Department on pages 26 to 46:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Department's financial position as at 30 June 2010;
 - the results of its operations and cash flows for the year ended on that date;
 - its expenses and capital expenditure incurred against each appropriation administered by the Department and each class of outputs included in each output expense appropriation for the year ended 30 June 2010; and
 - its unappropriated expenses and capital expenditure for the year ended 30 June 2010.
- The schedules of non-departmental activities on pages 47 to 54 fairly reflect the assets, liabilities, revenues, expenses, contingencies and commitments managed by the Department on behalf of the Crown for the year ended 30 June 2010.
- The statement of service performance of the Department on pages 6 to 18:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards included in the statement of forecast service performance adopted at the start of the financial year; and

- its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses included in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 24 September 2010, and is the date at which our opinion is expressed.

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

BASIS OF OPINION

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

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

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

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

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and

- determining whether all financial statement and statement of service performance disclosures are adequate.

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

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

RESPONSIBILITIES OF THE CHIEF EXECUTIVE AND THE AUDITOR

The Chief Executive is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Department as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date.

The financial statements must also fairly reflect the expenses and capital expenditure incurred against each appropriation administered by the Department and each class of outputs included in each output expense appropriation for the year ended 30 June 2010. The financial statements must also fairly reflect the Department's unappropriated expenses and capital expenditure for the year ended on that date.

In addition, the Chief Executive is responsible for preparing schedules of non-departmental activities, in accordance with the Treasury Instructions 2009 that must fairly reflect the assets, liabilities, revenues, expenses, contingencies and commitments managed by the Department on behalf of the Crown for the year ended 30 June 2010.

The statement of service performance must fairly reflect, for each class of outputs, the Department's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year.

The Chief Executive's responsibilities arise from sections 45A and 45B of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of the Public Finance Act 1989.

INDEPENDENCE

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

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



S B Lucy
AUDIT NEW ZEALAND

On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of the Department of the Prime Minister and Cabinet for the year ended 30 June 2010 included on Department of the Prime Minister and Cabinet's web site. The Department of the Prime Minister and Cabinet's Chief Executive is responsible for the maintenance and integrity of the Department of the Prime Minister and Cabinet's web site. We have not been engaged to report on the integrity of the Department of the Prime Minister and Cabinet's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 24 September 2010 to confirm the information included in the audited financial statements presented on this web site.

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

DEPARTMENT OF THE
PRIME MINISTER AND CABINET

Executive Wing
Parliament Buildings
Wellington 6011

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