



ANNUAL REPORT

for the year ended 2013



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CHIEF EXECUTIVE'S OVERVIEW

My first year as Chief Executive has been a busy and challenging one for the Department of the Prime Minister and Cabinet (DPMC) in our support and service of the Governor General, the Prime Minister and Cabinet.

On 2 June this year New Zealand celebrated the 60th anniversary of the coronation of our head of state, The Queen of New Zealand, HM Queen Elizabeth II. The highlight of the Diamond Jubilee celebrations in New Zealand (to mark Her Majesty's accession to the throne in 1952) was the visit of Their Royal Highnesses The Prince of Wales and The Duchess of Cornwall in November 2012. Among the special events organised for the visit were the opening of the Government House Visitor Centre (New Zealand's Jubilee gift to HM The Queen) and an event to mark the shared birthdays of the Prince of Wales and the Governor-General. The visitor centre has been popular, offering tours to schools, community groups and other organisations and providing a source of national understanding and pride.

The Governor-General Sir Jerry Mateparae, and Lady Janine Mateparae, undertook a comprehensive and diverse international and domestic programme. International visits included the United Arab Emirates, Afghanistan, Jordan, Kuwait, and Oman. In Afghanistan, Their Excellencies attended a number of events to mark the contribution of the Provincial Reconstruction Team in Bamyán province, during which the Governor-General paid tribute to the efforts of the New Zealand Defence Force, NZ Police, Ministry of Foreign Affairs and Trade and other agencies and civilian contractors who have served there in the course of New Zealand's lengthy engagement and honoured those who had lost their lives. Domestically, with 2013 marking 120 years since New Zealand became the first nation to grant women the right to vote in national elections, Their Excellencies have focused their community and regional programme on the contribution of women to New Zealand.

A critical part of DPMC's role is providing policy advice to the Prime Minister and ministers. This year we have paid particular attention to advising ministers on progress being made against the priority results set out in the Better Public Services programme. The approach of setting clear priorities and identifying how progress will be measured has had a galvanising effect on the public service and has helped us make real traction on some of the most difficult problems facing New Zealand. The Prime Minister's Youth Mental Health Project, launched during 2012, has been building

momentum with its focus on mental health issues for young people. New initiatives continue to be established in the four areas targeted by the programme – schools, online, in families and communities and in the health system.

This past year has been a difficult one for the intelligence community and in particular for the Government Communications Security Bureau (GCSB). DPMC played a lead role in preparing policy and legislative proposals to strengthen the oversight regime for the intelligence agencies and to clarify the law in relation to the functions of the GCSB. As part of this process I seconded Rebecca Kitteridge, Secretary to the Cabinet, to the GCSB to undertake a compliance review of that agency. I want to acknowledge the sturdy platform Rebecca's work provided for the policy effort that followed, and also the Cabinet Office staff who collectively maintained their high standards of excellence over the seven months Rebecca was away.

In July 2012 the National Cyber Policy Office (NCPO) was established with the primary purpose of leading the development of cyber security policy advice across the public sector. A highlight of the year was the NCPO's leadership of the second National Cyber Security Awareness Week (held 27-31 May). The key aim of the awareness programme was to improve cyber security in New Zealand by building awareness of the risks and promoting good computer "hygiene".

In terms of national security, the current system is well placed to manage a single national emergency. This was demonstrated by the collective emergency response to the Canterbury earthquakes. That said, my judgement is we need to be more proactive in preparing for challenges which come our way and in ensuring we have sufficient organisational resilience to respond to multiple national emergencies or crises either in New Zealand or offshore. The National Assessments Bureau (NAB) has continued to provide high quality assessments of the key risks and opportunities affecting New Zealand's national security interests, and this year has taken steps to ensure its assessments are better connected to the needs of decision-makers.

From a departmental perspective, two significant pieces of work provided me with useful diagnostics: the Performance Improvement Framework (PIF) review; and a qualitative stakeholder survey conducted by UMR Research. The PIF review programme looks at the current state of government agencies and reports on how well placed they are to deal with

the issues likely to confront them in the medium-term future. DPMC's PIF report (available on the State Services Commission [SSC] website) acknowledged that, overall, DPMC operates effectively and is highly regarded by its key stakeholders. But it also noted that the department faces a number of challenges and risks in continuing to meet the high standard of service expected. The UMR survey found that DPMC is operating well. Stakeholders attributed this success to DPMC's having good staff, effective communication, strong relationships, and strong and effective leadership. As in the PIF review, areas noted for further development by the UMR survey included exploring ways to be more proactive ("ahead of the curve") on key issues and working closely with central agencies to provide a coherent and coordinated approach to whole-of-government projects.

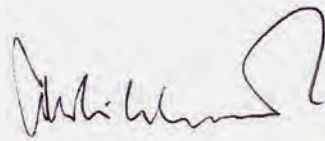
One of the very clear messages in the PIF report is the importance of DPMC maintaining organisational resilience and effectiveness. Over a number of years, the department's core administrative infrastructure and systems gradually deteriorated as resources were reprioritised for front-line activities. The PIF report concluded that this state of affairs had led to a loss of resilience, which was covered to a significant degree by the capability and performance of our staff. I agree with this assessment – and a key area of focus for me and the Senior Leadership Team has been to place DPMC on a more robust and resilient footing. To that end, the bedding-in of the Central Agencies Shared Services (CASS) since its establishment in March 2012 has put DPMC in much better shape. CASS is a critical partner for DPMC in addressing the resilience issues highlighted in the PIF report.

DPMC works alongside SSC and the Treasury to help lift the performance of the state services and implement the Government's Better Public Services programme. Our particular focus has been on facilitating closer coordination

and collaboration between agencies (especially in pursuit of the Government's Better Public Services priorities), working with the functional leaders to enhance our collective impact in key business functions (ICT, property and procurement), assessing risk at the system-wide level and piloting a longer-term foresight approach to policy development.

DPMC is a small department, reliant on the active support and goodwill of other agencies. We are grateful for the generosity of those many departments who have helped us by providing information and advice, seconding staff, sometimes funding projects, and helping in many other ways.

In closing, I would like to record formally my appreciation for the hard work and commitment of DPMC staff throughout the year. Notwithstanding the very different functions of the department and its business units, all staff share a strong set of values based on public service and commitment to serving the most senior leaders of our country to the very best of their ability. I am most grateful for their ongoing diligence, professionalism and commitment.



Andrew Kibblewhite

Chief Executive

STRATEGIC AND OPERATIONAL PERFORMANCE

SUPPORTING THE GOVERNMENT'S GOALS

DPMC works to support the Government of the day and does so by advising, leading, supporting and coordinating activities across the public sector, as well as providing specific advice and support to the Governor-General and the Prime Minister.

The Government has set goals of "greater prosperity, security and opportunities for all New Zealanders through building a more productive and competitive economy, returning to surplus and reducing debt, driving better results from public services and supporting the rebuilding of Christchurch".

DPMC contributes to these government goals by providing continuity in the constitutional and administrative services that support New Zealand's parliamentary democracy. It plays a role as both the "constitutional and institutional glue" that holds the system together and the "oil" that facilitates the free flow of information and advice for government policy and decision-making.

DPMC is the point of intersection where ministers, agencies and advice streams come together at the Cabinet table – working to ensure that the final decisions of the Government are well informed and that these decisions are given effective public service support in implementation.

Underpinning all the Government's priorities is the need for effective national security. DPMC leads policy advice in this area as well as ensuring that all the government agencies with responsibilities for national security are well coordinated and able to respond to national security crises as they arise.

STRATEGIC DIRECTION, OBJECTIVES AND IMPACTS

DMPC's strategic focus is to "advance a confident, well-governed and secure New Zealand". Each of its objectives aims to have an impact that will maintain and improve the functions of government and the public service. Through DPMC's achievement of this leadership and coordination role, the state services as a whole will be more effective in achieving the Government's goals.

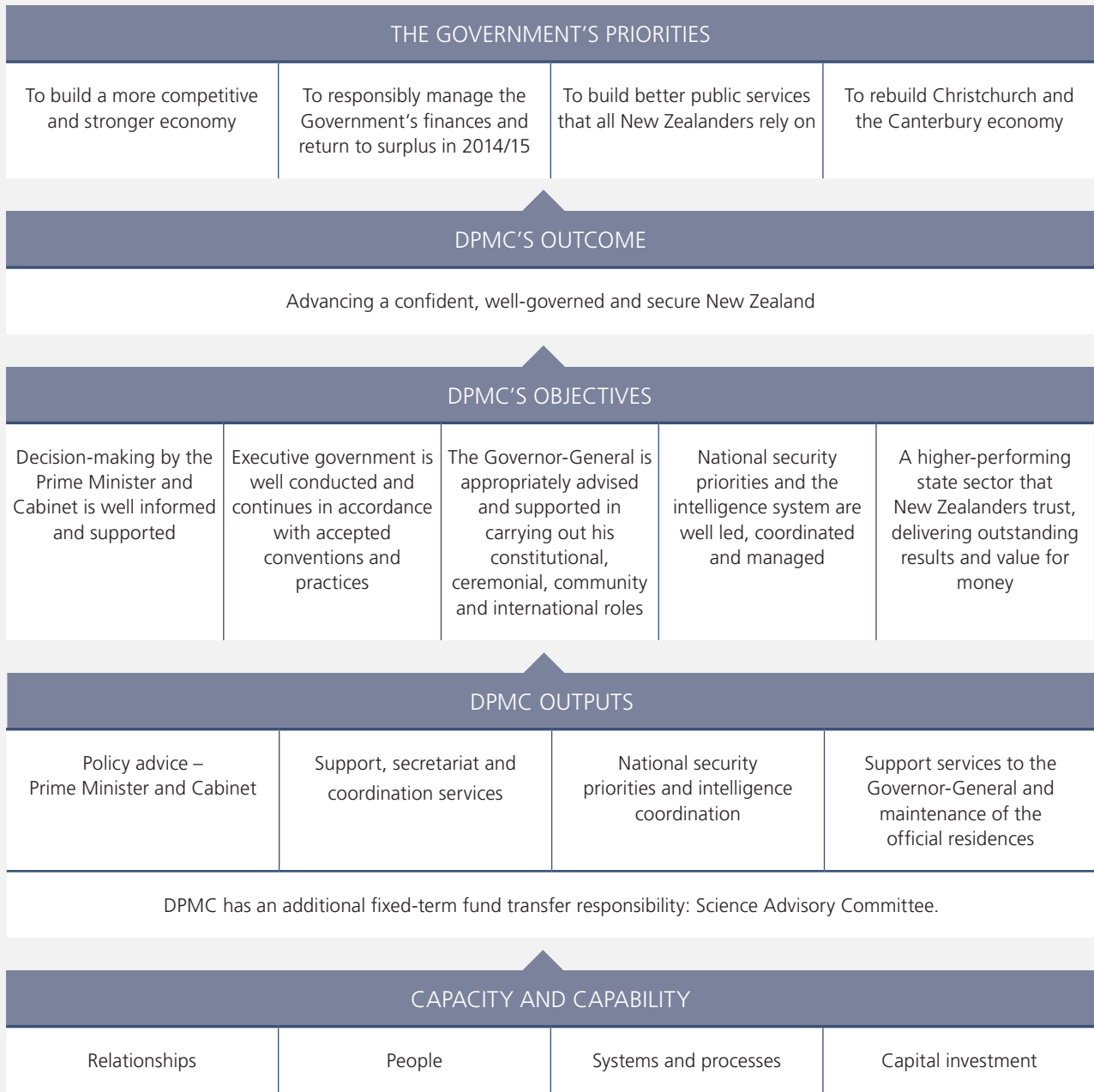
Measuring DPMC's impact

In 2008, qualitative research was completed among DPMC's key stakeholders to evaluate its effectiveness in providing services. This study was repeated in 2012, using qualitative interviews with key stakeholders' chief executives (or their nominated representatives). The primary objectives of the study were to:

- develop an understanding of perceptions held by stakeholders about DMPC's services
- develop an understanding of performance of key services
- explore in-depth any service issues that have arisen and identify where service improvements could be made.

The summary of feedback from this research provides for a proxy measure of how the business units have contributed to and impacted upon DPMC's strategic direction and objectives. The findings are summarised under each applicable impact statement.

STRATEGIC FRAMEWORK



ORGANISATIONAL STRUCTURE

CHIEF EXECUTIVE						
OFFICIAL SECRETARY GOVERNMENT HOUSE	SECRETARY OF THE CABINET/CLERK OF THE EXECUTIVE COUNCIL	POLICY ADVISORY GROUP	THE OFFICE OF THE CHIEF EXECUTIVE	NATIONAL ASSESSMENTS BUREAU	INTELLIGENCE COORDINATION GROUP AND NATIONAL CYBER POLICY OFFICE	SECURITY AND RISK GROUP
<ul style="list-style-type: none"> Manages the overall running of Government House to ensure effective support of the Governor-General, including planning and organising all official engagements and functions to ensure that the Governor-General is well supported in all settings. Overall responsibility for the management, control and maintenance of the buildings, grounds and assets of Government Houses in Wellington and Auckland. 	<ul style="list-style-type: none"> Provides impartial secretariat services to the Executive Council, Cabinet and Cabinet committees. Provides impartial advice to the Governor-General, Prime Minister and other Ministers on constitutional, policy and procedural issues, especially those contained in the Cabinet Manual. Assists in the coordination of the Government's legislative programme. Administers the New Zealand Royal Honours system, including Honours lists. Acts as a channel of communication between the Governor-General and the Government, and has overall responsibility for policy and administration of Government House. 	<ul style="list-style-type: none"> Provides coherent and impartial advice on issues of the day directly to the Prime Minister and, on occasion, to other Ministers. Leads ad hoc special projects of high priority for the Prime Minister. Contributes to policy development across the full range of government business, including coordinating the provision of advice across agencies. Leads DPMC's involvement on State sector performance, with the Treasury and SSC, operating as the Corporate Centre. 	<ul style="list-style-type: none"> Provides accountability, compliance and assurance reporting. Leads risk management and is responsible for departmental security. Manages DPMC's relationship with CASS. Overall responsibility for new project management. 	<ul style="list-style-type: none"> Makes objective assessments of events and developments that are relevant to New Zealand's national security and international environment. Exercises a coordination and leadership role in relation to certain parts of the New Zealand Intelligence Community (NZIC). Assures quality standards for assessment and produces reports to inform the members of inter-departmental watch groups that coordinate New Zealand's responses to external crises and threats to New Zealand. 	<ul style="list-style-type: none"> Provides impartial advice to the Prime Minister on intelligence matters. Leads and coordinates the agencies of NZIC in terms of requirements, priority setting, risk management and performance reporting. Coordinates NZIC's overall relationships with foreign partners. Leads the National Cyber Policy Office. Oversees, coordinates the development of, implements and reviews the national cyber security strategy and policies. 	<ul style="list-style-type: none"> Provides impartial advice to the Prime Minister on risk and security matters. Coordinates the National Security System, including preparing for and responding to security crises, emergencies and natural disasters. Deals with national security threats that affect New Zealand and its interests, both onshore and offshore.



OBJECTIVE ONE

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

IMPACT TO BE ACHIEVED

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

Why is this important?

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

What we have achieved

Through the Policy Advisory Group (PAG)

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

In addition, PAG provided timely advice **on issues of interest to the Prime Minister**, either in response to requests from the Prime Minister or on its own initiative. The introduction of a policy analyst intern programme in the previous reporting period enabled PAG advisors to extend their reach through analytic support of interns.

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

on Canterbury earthquake recovery, the Government's Better Public Services results, policy issues associated with the Pike River disaster, state sector reform, Crown/Māori matters, significant natural resources issues and asset sales. In addition, the PAG continues to support the Canterbury rebuild through having a staff member seconded to the Canterbury Earthquake Recovery Agency.

PAG continued to coordinate the multi-agency reporting on progress on the Prime Minister's **"Tackling Methamphetamine" Action Plan**. This report has been revamped to make the information more accessible and the reporting more streamlined.

The Prime Minister's **Youth Mental Health Project**, which PAG was instrumental in leading during its development phase, was launched this year. The project aims to fill a gap in service delivery for mild-to-moderate mental health services for youth and continues to be implemented throughout the country. An evaluation plan is being finalised to gather systematic evidence on the impact of the initiative. As the project moved into implementation, leadership transferred to the Ministry of Health but PAG remains closely involved through membership on oversight groups.

Through the Cabinet Office

The Cabinet Office continued to provide consistent and high-quality secretariat services to Cabinet and Cabinet committees, thereby ensuring the efficiency of New Zealand's governmental decision-making. The Prime Minister, the chairs of Cabinet committees, and ministers' offices were consulted as required on the compilation of agendas and the acceptance of submissions for meetings. The quantum of Cabinet and Cabinet committee meetings managed in 2012/13 increased 20 percent to 235 (compared with 196 meetings in 2011/12). This had a flow-on effect, as the overall workload placed pressure on existing resources.

	Actual 2013	Actual 2012	Actual 2011*
MEETINGS			
Executive Council	38	39	45
Cabinet	43	41	46
Cabinet committee	192	155	239
SUBMISSIONS			
Summary cover sheets to Cabinet papers	1,998	1,666	2,139
Submissions received from departments within the Cabinet Office deadline for lodging papers	80%	85%	83%
Papers to be delivered to ministers' offices by the close of business two days before the meeting	77%	75%	76%
CABINET AND CABINET COMMITTEE MINUTES			
Cabinet and Cabinet committee minutes	2,259	1,884	2,407
Cabinet and Cabinet committee minutes requiring an amendment by the Cabinet Office**	6	10	11
Cabinet minutes issued within three days of the Cabinet meeting	92%	94%	95%
Cabinet committee minutes prepared in time for the next meeting of Cabinet	100%	100%	100%
OTHER SERVICES			
Cabinet Office circulars	6	12	6
Briefing seminars to departments, ministers' offices, and other interested parties on the Cabinet decision-making process	22	37	32
Enquiries and requests from ministers' offices and departments about Cabinet papers and related information	226	140	127

* Increased activity in 2011 was a result of Government responding to decisions required following the Canterbury earthquakes and Rugby World Cup.

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

Through the Security and Risk Group (SRG)

SRG worked with departments to ensure that decisions made by ministers on national security issues were implemented as intended and took into account wider government objectives; and that inter-agency arrangements were in place to ensure that problems could be managed on a whole-of-government basis when required.

The impact we made

Stakeholders understood that the main function of PAG is to support the Prime Minister and occasionally other ministers by providing "free and frank" advice on issues of the day. PAG is seen as a small unit of highly capable individuals who have good relationships with their stakeholders. Its impact was evidenced in the Prime Minister being well briefed about issues, and in its ability to bring many parties together to ensure a coordinated approach to policy development. The Prime Minister provided positive feedback and expressed his high level of confidence in the advice he had received. Stakeholders also expressed their great confidence in the work PAG had done.

Overall stakeholder feedback of the Cabinet Office was extremely positive. It was described as very helpful, proactively providing great advice and timely information, and having a willingness to find a solution in difficult situations – all of which was supported by strong relationships and communication. Its "no surprises" approach was greatly appreciated and its constructive attitude was highly valued. This way of working has allowed the Prime Minister, Cabinet and Cabinet committees to have confidence that the high workload was and will be managed through effective systems and processes; and this confidence was clearly observed by stakeholders.

IMPACT TO BE ACHIEVED

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

Why is this important?

NAB prepares assessments (as distinct from policy advice) for the Prime Minister, certain other ministers and senior officials on developments relating to national security and foreign affairs that could significantly affect New Zealand's interests. It ensures that its reporting is closely tailored to the decision-making needs of ministers and senior officials and it implements systems which reflect international best practice for assuring the quality of assessment reporting. The work of the NAB also contributes to Objective Four on page 12.

What we have achieved

The prioritised reporting programme agreed by the **National Assessments Committee** (NAC) identified the reporting requirements of the Prime Minister, senior ministers and other key stakeholders and was strongly linked to New Zealand's national security interests in relation to anticipated international events and developments. NAB (which also coordinates and chairs NAC) provided the majority of assessments within the programme and has worked alongside key stakeholders to ensure the required reporting was timed to be of most use, was strategically forward looking, and considered the implications for New Zealand. The NAC reviewed all assessments provided through this programme: more than 95 percent of final assessments were factually correct, requiring no more than minor revision.

NAB provided an extensive number of **"other" reports**, which were developed through strong engagement with stakeholder agencies. The audience for these reports varied from ministers who required assessment of information in order to understand the impacts on New Zealand's interests to assist in making informed policy decisions in their portfolio areas, to agencies which required assessment of issues in order to drive robust policy development. These "other" reports were often developed in response to emerging issues, events or information that were not anticipated at the beginning of the reporting period.

The assessment coverage from NAB was **aligned with the Government's needs**, thereby ensuring that assessments were relevant to ministerial priorities. The small analytic base available meant that global coverage, and the number of events or issues that could be covered, was limited. Accordingly stringent prioritisation of coverage was required.

In addition to the core services provided, NAB **reviewed its own systems and processes** by trialling new report formats, reporting streams, styles and production methods to make information more readily accessible as well as useful and informative for its customers. Considerable effort was put into increasing engagement with ministers to improve their awareness of the assessment capability that is available and how this can benefit ministers in managing their portfolios.

The impact we made

The qualitative stakeholder survey noted that the information and reports produced by NAB were clear, well written and of high quality and that consequently they were greatly valued. It was acknowledged that DPMC revalidated the importance of NAB's research function when the unit was reorganised in 2010. Stakeholders could see where the focus of the NAB's assessment information had shifted to a broader and global focus. NAB has long held a reputation for high-quality assessment reporting, and this survey report confirms that its reputation has been retained. In addition, there has been a positive effect from work undertaken this past year on improving the relevance and demonstrable value of NAB's services. This positive feedback reaffirms that NAB's assessments are allowing ministers to make informed decisions to improve outcomes for New Zealanders.

IMPACT TO BE ACHIEVED

Cyber security policy is well-led, coordinated and managed.

Why is this important?

For New Zealand to capture fully the economic and social benefits of enhanced connectivity, it will need to manage the associated risks. New Zealand's cyberspace must be equipped to effectively respond to threats. This requires New Zealanders, in both the public and private sectors, to understand their contribution to improved cyber security. A secure infrastructure will impact positively on economic activity and mitigate national security risks to New Zealand. A coordinated approach to cyber security policy, led from the centre of government, is critical to achieving this.

What we have achieved

The National Cyber Policy Office (NCPO) was established in July 2012 to lead the development and coordination of cyber security policy advice, and to advise the Government on where best to allocate resources. In its first year of operations, the NCPO focused on four principal tasks:

PRINCIPAL TASKS	PROGRESS IN 2012/13
Implement New Zealand's Cyber Security Strategy and develop the basis for a new strategy.	Significant progress has been made across all three priorities of the existing strategy. Preparatory work to develop a new strategy is underway.
Work with the Ministry of Business, Innovation and Employment (MBIE) to substantially advance a network-security legislative framework.	NCPO contributed advice and coordination to the Telecommunications (Interception Capability and Security) Bill. It also contributed advice on cyber security policy to the policy and legislative review team developing the GCSB and Related Legislation Bill.
Develop, test and implement the national Cyber Security Incident Response Plan.	Cabinet approved the Cyber Security Incident Response Plan in January 2013. A national exercise programme has been established and regular testing of the plan commenced. NCPO led the development of a national cyber security exercise programme, and organised and ran cyber security exercises involving a range of government agencies.
Review the impact of the national cyber security awareness week, and report to Cabinet with recommendations for future development.	After reviewing the impact of the first week, NCPO funded and oversaw the delivery of a second successful cyber security awareness week. NCPO led outreach on cyber security issues, including through presentations to most of the main information security interest groups, and to related conferences.
ADDITIONAL TASKS	
Engage internationally.	NCPO led New Zealand's participation in two Australia–NZ cyber dialogues. It also worked with the Ministry of Foreign Affairs and Trade, MBIE and other agencies to deliver engagement in other international cyber policy forums.
Advise ministers.	NCPO provided regular advice on topics related to cyber-security, developments related to sensitive or breaking cyber issues, and international engagements with cyber-related elements that have relevance to New Zealand.

The impact we made

Although only recently established, NCPO has achieved a level of meaningful engagement across departments, ministers and the private sector, raising awareness among decision makers of the importance of cyber security for New Zealand's economy and national security.

OBJECTIVE TWO

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

IMPACT TO BE ACHIEVED

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

Why is this important?

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

What we have achieved

The Cabinet Office provided **advice and support** on a range of matters relating to constitutional issues and the functioning of executive government. Key achievements in 2012/13 included advice on matters relating to ministerial conduct, public duty and personal interests; advancement of projects relating to the changes to the laws of succession and to the remuneration of Members of Parliament (the Members of Parliament [Remuneration and Services] Bill); and advice to the Government Administration Committee in its consideration of the Lobbying Disclosure Bill.

Following the January 2013 ministerial changes, the Cabinet Office facilitated the **appointment of new ministers**. It also supported the Governor-General's role in the process of list MP replacements and the issuing of the writ for the Ikaroa-Rāwhiti by-election.



The Cabinet Office provided the Leader of the House with advice and support on the preparation and management of the **Government's legislation programme** for the 2013 calendar year. In addition, primary support was provided on the annual Subordinate Legislation (Confirmation and Validation) Bill, which was introduced and progressed within the required timeframes.

The Honours Unit advised and assisted the Prime Minister and the Cabinet Appointments and Honours Committee on the compilation of **honours lists**: the New Year Honours List 2013 (191 recipients), The Queen's Birthday Honours List 2013 (179 recipients), and a special honours list of New Zealand Gallantry Awards announced on 20 April 2013 (three recipients). In addition, four individuals were granted use of the title 'The Honourable' for life.

A full list of honours can be seen at www.gg.govt.nz.

The impact we made

Stakeholders commented that the performance of the Cabinet Office was highly valued, and its contribution to the Executive Council was mentioned as one area where staff really stood out. Staff were seen as having a good understanding of issues facing stakeholders and as having a pivotal part in informing and educating people about what was required and when. Overall this feedback reaffirms the strong positive impact the Cabinet Office has made through its actions and effective relationships in maintaining confidence in the integrity and effectiveness of New Zealand's system of government.

The Governor-General provided his feedback to the Clerk of the Executive Council at regular six-weekly meetings and through formal surveys undertaken twice during the year. The Prime Minister's satisfaction was also assessed through discussion at regular meetings, as well as through the Office of the Prime Minister's input into formal performance reviews. Again, feedback has been positive.

OBJECTIVE THREE

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

IMPACT TO BE ACHIEVED

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

Why is this important?

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

What we have achieved

In consultation with the Governor-General, Government House staff implemented a **new strategic framework** for Sir Jerry's ceremonial and community leadership roles that reflected his personal goals for his term. While the 2012 calendar year focused on the Diamond Jubilee, the focus for 2013 turned to the contribution of women – marking 120 years since New Zealand became the first nation to grant women the right to vote in national elections. There has also been a continuing focus on supporting the redevelopment of Christchurch.

The Official Secretary and Government House staff provided **advisory, administrative and household support** for Their Excellencies' overseas and domestic programmes as well as at Government House Auckland and Government House Wellington:

- The highlight of the year was the **hosting of Their Royal Highnesses The Prince of Wales and The Duchess of Cornwall** at Government House in Auckland and Wellington in November 2012 to mark the Diamond Jubilee of HM Queen Elizabeth II, The Queen of New Zealand. The Official Secretary advised the Governor-General and the Prime Minister on the visit, and Government House staff contributed to the planning and coordination of all aspects of the project. Eight events were held at Government House Wellington: these included a full ceremonial welcome ceremony, the opening of the Government House Visitor Centre, and an event to mark the 64th birthday of the Prince of Wales and the birthday of the Governor-General.
- Their Excellencies undertook a varied **international programme** that included visits to the United Arab Emirates, Afghanistan, Jordan, Kuwait and Oman. In Afghanistan, Their Excellencies attended a number of events to mark the contribution of the Provincial Reconstruction Team in Bamyán province and to honour the New Zealand Defence Force personnel who lost their lives there. In addition, Their Excellencies attended and supported the New Zealand team at the London Olympics in July 2012.
- A full **domestic programme** was maintained, with 148 official engagements throughout New Zealand. These included dedicated weeks in Auckland and regional visits to Southland, North Otago and South Canterbury – all of which were well received and well covered by the local media. In addition, 149 functions were held at Government House Auckland and Government House Wellington with an estimated 16,400 people participating as guests.
- The Governor-General's **ceremonial programme** included Waitangi Day activities in both Waitangi and Auckland, ANZAC Day activities in Wellington, and 18 investiture ceremonies for the recipients of the 2012 Queen's Birthday Honours and the 2013 New Year Honours.
- Their Excellencies **officially welcomed** heads of state and other foreign dignitaries, with five state welcome ceremonies at the two Government Houses.

- Several new **patronages** were accepted during the year, bringing the total number to 165.

This year also saw the opening of the **Government House Visitor Centre** in Wellington. In February 2013 a coordinator was appointed to operate the centre and to lead tours for schools, community groups and members of the public. An online booking system was also established, allowing members of the public to book a tour of Government House.

More detail on Government House achievements and activities for the year can be found at www.gg.govt.nz.

The impact we made

Through an extensive and varied travel programme, the Governor-General has expanded his reach to everyday New Zealanders at home and abroad. He has been able to raise awareness of his Office and the role it plays in New Zealand governance. The opening of the Government House Visitor Centre has allowed the public improved access to the history of Government House and our governors-general, thereby providing a source of national understanding and pride.

Stakeholders were positive about how Government House carried out its services, and about the way it maintained its strong links with key stakeholders to ensure visits and ceremonies involving foreign dignitaries ran smoothly and that any potential issues were raised at an early stage. They reported that Government House was well-run, collaborated with key agencies, and managed constitutional issues and ceremonies well.

Their Excellencies were kept well informed on and fully engaged in all programme-planning activities through the development of the strategic framework, weekly programme-planning meetings, and debriefings after overseas and regional visits. Formal surveys of the Governor-General were undertaken twice during the year to assess his level of satisfaction on the range of services provided in support of his ceremonial and community roles. This feedback has been positive. In addition, the Governor-General and the Prime Minister both commented positively on the management of the Royal Visit. Feedback from Their Excellencies and guests confirm that all events were well organised and that they maintained the dignity and standard expected of the Office of the Governor-General. Overall the feedback from the Governor-General affirmed his confidence in those who manage the functions of Government House. This confidence was also clearly recognised by key stakeholders.

OBJECTIVE FOUR

National security priorities and the intelligence system are well led, coordinated and managed

IMPACT TO BE ACHIEVED

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

Why is this important?

DPMC's work is focused on building national preparedness and resilience, and on assessing the key risks and opportunities affecting New Zealand's national security interests. In achieving this, it actively contributes to the national security outcomes of:

Preserving sovereignty and territorial integrity and strengthening international order.

Sustaining economic prosperity and protecting the natural environment.

Maintaining democratic institutions and national values and ensuring public safety.

DPMC's role in **national security** is to ensure that: potential risks to New Zealand's wellbeing are assessed; an adequate level of preparedness for security is tested and maintained; and responses to incidents (and the consequent information provided to the Government) is timely and coordinated, so that national resilience is further strengthened.

DPMC also provides assessments to inform ministers and senior officials about risks and opportunities relating to New Zealand's **foreign affairs** interests.

What we have achieved

During the year the Security and Risk Group maintained a broad watching brief to identify potential **national security risks** and emerging issues at the earliest possible moment, and worked with the departments responsible to ensure that arrangements were in place for quick and effective management when required.

In addition, SRG worked routinely with departments and the emergency services to encourage close monitoring of all **significant hazards and threats** that could escalate to challenges for society at any level, and to ensure that suitable mitigation was in place and other preparations made.

The committee of **Officials for Domestic and External Security Coordination** (ODESC), the inter-agency

mechanism used to deal with issues which arise and which require whole-of-government management, is administered by SRG. In 2012/13 ODESC met at least monthly to deal with 6-10 security items at each meeting. More specialised meetings were held as required to deal with urgent matters, and a number of sub-committees or "watch groups" were formed to deal with issues as they arose.

SRG also **coordinated work on a wide range of national issues**. These included interagency clusters to address national security objectives set by Cabinet, corrective action plans to build on lessons from recent major disasters (Christchurch earthquakes, Rena, Pike River Mine), planning for mass arrivals of illegal immigrants, professional training in national security, and counter-terrorism arrangements (in conjunction with Australia).

The impact we made

Over the past two years SRG has drawn together a widening range of national security issues in order to meet a directive from Cabinet for joint inter-agency planning towards to national security outcomes.

The aim has been to foster a more comprehensive approach to national security in parallel with departmental processes, by framing issues within the intended national outcomes and testing that appropriate arrangements are in place to achieve them. This is a means of monitoring future impacts against the desired national security outcomes.

Through its close contacts with overseas counterparts, SRG has been able to benchmark its processes against those of other countries so that the Prime Minister can be confident that New Zealand's arrangements are based on the best of international processes. ODESC also reviewed the corrective action plans of agencies after events or exercises in order to ensure that all lessons learned were incorporated into future planning.

Feedback from stakeholders noted that SRG's main added value was its strong collaborative relationships, which it has developed over many years. Stakeholders recognised that SRG is a small unit and as such relies on and encourages contributions from other agencies, viewing these engagements as positive opportunities rather than a burden. They felt SRG had a good understanding of how agencies worked and this had been a critical attribute in reaching a positive outcome at a time of emergency or crisis. Stakeholders also appreciated SRG's outside view and observations, and that these came from its whole-of-systems approach. The stakeholders' views confirm SRG's impact

across the state sector in building national resilience, through having strong processes in place to deal with national security events and emergencies.

IMPACT TO BE ACHIEVED

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

Why is this important?

The core New Zealand Intelligence Community (NZIC) is made up of the GCSB, New Zealand Security Intelligence Service (NZSIS) and NAB. DPMC's leadership of the NZIC, in collaboration with its agencies, results in a sector being seen to work seamlessly as a whole – sharing resources, collaborating, and eliminating duplication – to provide significantly improved results. DPMC coordinates the NZIC, which involves:

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

What we have achieved

Intelligence Coordination Group (ICG)

The Intelligence Coordination Group led a **policy and legislative review** of the Government Communications Security Bureau Act and oversight arrangements in the intelligence community, in part as a response to the findings of the compliance review into the GCSB (the Kitteridge Report). This resulted in the Government introducing the Government Communications Security Bureau and Related Legislation Amendment Bill to Parliament in May 2013 and involved ICG's resourcing a policy team, as well as managing consultation and the development of the legislation.

ICG continued to ensure that the **NZIC was performing as a sector**, in that NZIC's work was well-coordinated and collaborative and reflected the Government's vision for Better Public Services; and for the third year ICG coordinated the preparation of the NZIC's joint Four Year Plan and Statement of Intent (SOI). This combined planning has assisted the NZIC in recognising common goals and in jointly budgeting to achieve priorities.

Through regular meetings of agency heads and senior management as well as "working level" forums, ICG has continued to **advance a coordinated NZIC approach** to issues of importance to New Zealand. It also provided a coordinated and coherent "voice" for the NZIC when dealing with its international counterparts, to ensure that New Zealand's national interests were served.

National Assessments Bureau (NAB)

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

NAB also engaged with international partner agencies to ensure that its processes and approach to the development of assessments reflected **international best practice**.

The impact we made

Stakeholders strongly supported the development of the ICG in universally confirming that it had added value and strength to the intelligence community. Positive feedback from stakeholders both within and outside the intelligence community focused on ICG's ability to:

- facilitate cooperation and coordination of the NZIC
- have staff that are highly competent and credible, genuinely supportive and willing to help
- maintain a coordination framework but being flexible and responsive within it.

The PIF Review noted some areas for further development, including whether greater collaboration between the intelligence and national security communities would provide for better decision-making. DPMC will continue to prioritise its work in response to the PIF review's findings, as articulated in the agency response section of the PIF report.

With regard to the NAB, stakeholders understood that the first response for NAB was to meet the needs of the Prime Minister and other key ministers, which because of NAB's small size could impact on its ability to provide analysis on longer-term base information. But, given this, it was recognised that NAB has:

- produced assessment reporting which is consistently of high quality and has been so for many years
- helped NZIC stakeholders to be more strategic and less focused on operational issues

- worked hard to develop intellectual capital in the wider assessments community by training staff and maintaining a stewardship role.

Responding to the PIF review, NAB will continue its work on refining its business model to ensure that its reporting meets the needs of the recipients and is delivered with a timeliness that maximises its relevance and impact.

OBJECTIVE FIVE

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

IMPACT TO BE ACHIEVED

The Corporate Centre is providing collective leadership to achieve outstanding results for New Zealanders.

Why is this important?

New Zealand's state sector faces a range of challenges – from the difficult international economic environment to changing public expectations of service design and delivery. The Government's goal has been to achieve a fundamental shift in the way the New Zealand state sector operates in order to meet these challenges. In response, the state sector has identified and started to implement new ways of working in terms of business design, culture and how agencies act with each other on a day-to-day basis. This is being achieved within a constrained budget in order to return the government's fiscal position to surplus by 2014/15.

DPMC's response, collectively with the Treasury and SSC, has been to form the Corporate Centre: this will lead the state sector in understanding how well the system as a whole can serve the needs of New Zealanders. The Corporate Centre is committed to shifting state services so that they work much more cohesively, and it takes responsibility for enabling performance improvements in the sector – albeit with each agency having distinct roles and perspectives. Its focus is on actively assisting state sector agencies in meeting New Zealanders' expectations of better services that will be delivered in more immediate and flexible ways, gaining better traction on the results that matter most, and increasing the efficiency and effectiveness with which the state sector delivers more with less.

What we have achieved

DPMC has applied its close understanding of the Government's collective ambitions, preferences and priorities to add **significant value to the Corporate Centre** as it works to deliver the Prime Minister's Better Public Service results for New Zealand.

The PIF review noted further areas for development, and these are being actively progressed, in liaison with DPMC's Corporate Centre partners.

To enable the Corporate Centre to play a stronger and more cohesive leadership role, the **State Sector Policy and Performance Hub** (the Performance Hub) was established in February 2013. It undertakes performance monitoring of the system and provides advice on improving its performance.

The impact we made

With our partners in the Corporate Centre

The Director of PAG is the Corporate Centre sponsor for functional leadership, which is aimed at achieving improved collective impact in key business functions: ICT, property and procurement. In particular, functional leadership has been charged with securing economies and efficiencies across departments and agencies, improving services and service delivery, developing expertise and capability, and providing assurance that business transformation through ICT is managed appropriately. Supported by the Performance Hub, this sponsorship has driven a joint Corporate Centre functional leadership approach to implementing the mandate given to functional leaders.

The Corporate Centre supported the passage of the State Sector and Public Finance Reform Bill (passed in July 2013), which will enable greater collaboration around results and system leadership.

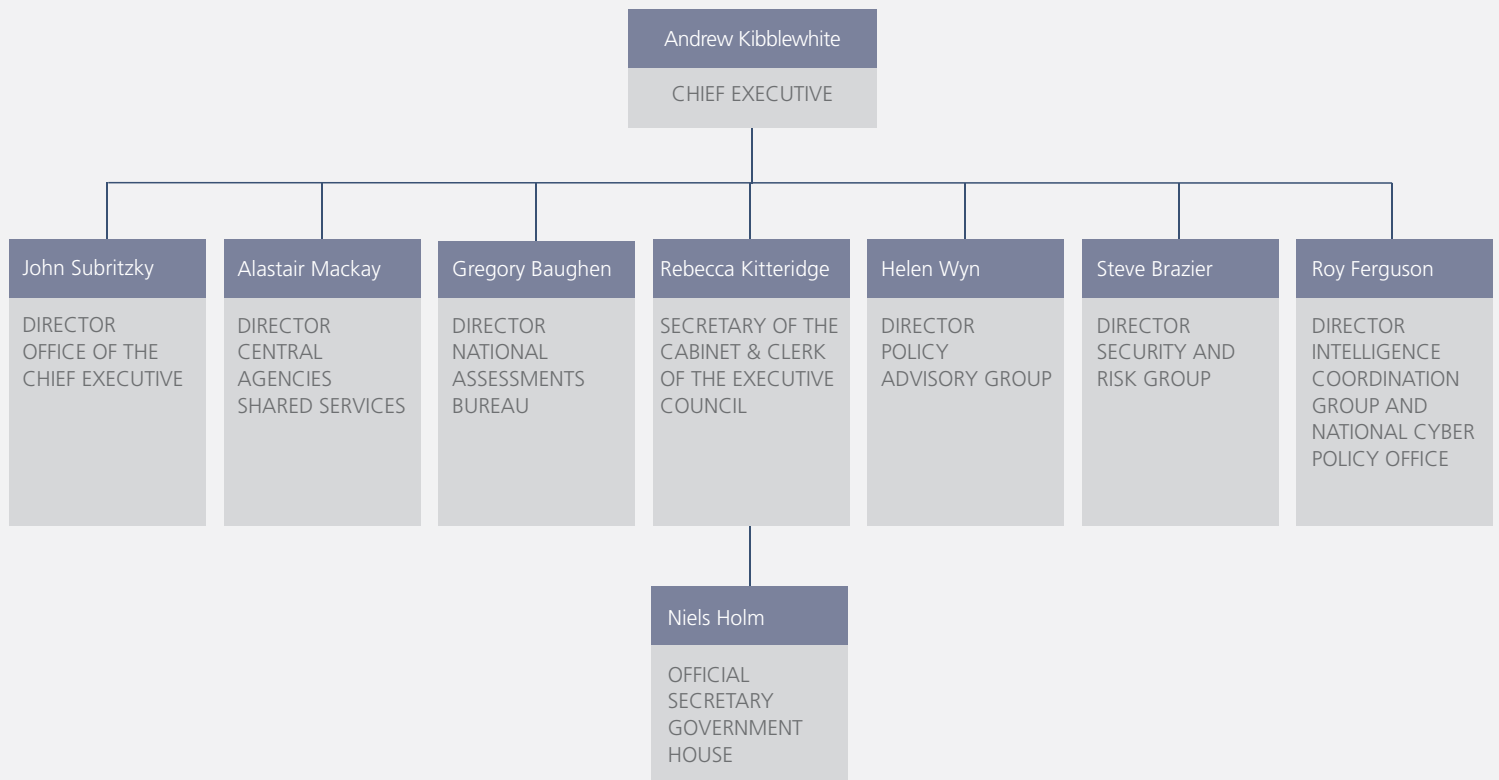
Through the Policy Advisory Group (PAG)

PAG has continued to support the Government's state sector reform programme by working jointly with the Treasury and SSC to provide assurance on the ten priority result areas set out in the Better Public Services programme. It has paid particular attention to advising ministers on the progress being made against these results – an approach which ministers value.

In addition PAG has worked closely with the Treasury and SSC on agency performance and policy issues and it has collaborated on the programme of PIF reviews as well as on other significant agency reviews such as that of Te Puni Kōkiri.



SENIOR LEADERSHIP TEAM



DEPARTMENTAL HEALTH AND CAPABILITY

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

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

To measure our performance and identify areas for focus in future years, we commenced work on establishing a wider set of metrics to align to the Human Rights Commission's "7 Key Elements of Being a Good Employer". The PIF review reconfirmed our strengths; but more importantly it identified areas for further growth and improvement. Our response to the PIF, along with our work on the key metrics, will enable us to set a clear strategic action plan to mitigate identified risk and further build the organisation's capability and resilience.

A key achievement this year has been the bedding-in of the administrative support provided by CASS since its establishment in March 2012. CASS has delivered a number of system improvements across finance, people management and IT infrastructure – and these improvements have added resilience, reduced risk, lifted DPMC's performance, and already identified a reduction to DPMC's share of CASS's running costs in 2013/14.

Our people

Our people are our most important asset. We take pride in the high calibre of our workforce, and continue to aim to be an employer of choice in recruiting staff and being a good employer for our current staff. We aim to continue to attract talented staff (including secondees from across the public service and the private sector) who see DPMC as an employer of choice. Stakeholder feedback has recognised that overall DPMC staff are very competent, have high emotional intelligence, are bright, focused and driven, and have strong relationship-building skills.

Leadership

As DPMC is a small organisation with a flat management structure, our staff are "close to the action". They are a highly skilled and responsive team of managers, advisors and analysts who necessarily must focus their efforts tightly on the task at hand. This year our Chief Executive changed the focus of the senior management team, to create a Strategic Leadership Team (SLT) where members share expertise and assist each other across business units. The major goal of the SLT is to promote a culture where the whole is greater than the sum of its parts, and to build on this vision to make more of our collective resources. The PIF review reinforced the importance of such a joined-up approach in lifting performance further. It noted that staff are proud of their workplace and roles and have a clear understanding of the importance of their roles in government, but that further work was required to develop fully a whole-of-department approach to strategic planning and financial management. The SLT has begun work on this with staff, through specific workshops confirming the shared vision and purpose, identifying the key challenges going forward, and developing plans for action.

Staff recruitment, performance and development

Our selection process recognises the need to find highly experienced staff who can adapt quickly to the changing nature of our workload and be able to lead by example across the state sector. We maintained our in-depth induction programme which ensures that staff understand quickly the expectations of their role and the wider DPMC working culture. CASS Human Resources has provided support in the recruitment of 21 new staff this year.

CASS Human Resources also provided support in introducing a more effective performance management framework. Remuneration levels were reviewed and benchmarked against market data. Individual salary changes were derived from both market information and performance assessments against individual objectives and achievements.

Through CASS Human Resource's Learning and Development Team, DPMC managers used the individual development plans generated through the performance management process to create a matrix of core development needs that will form the foundation for our learning and development programme over the next 12 months. Through this process, staff articulated where their work linked to the wider objectives of DPMC and what training is required to ensure achievement. Staff development was further supported with an extensive secondment programme to other agencies, with four staff participating. We in turn provided development opportunities for state sector staff through 13 secondments into DPMC. In addition, we placed high value on the development of leadership and management capabilities and continued to utilise the Leadership Development Centre (LDC) and the Australia and New Zealand School of Government (ANZSOG).

Our working environment

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

Our systems and processes

Our aim is to ensure that our systems and processes are efficient and effective, support our culture of collaboration, and meet the high expectations of the Governor-General, the Prime Minister and ministers. We have also recognised that in order to gain effective collaboration within the Corporate Centre, we need to have systems and processes that are compatible or identical to those of the Treasury and SSC.

This was the first full year of CASS providing finance, human resources and information technology functions to DPMC. Significant work was achieved across all three functions: internal systems were reviewed and (where appropriate) updated, including new policies in human resources and financial management. Specifically, DPMC's payroll was put onto a more robust platform and numerous network- and system-infrastructure resilience improvements were made in preparation for a full roll-out in July 2013 of new IT equipment and an email and calendar system shared with the Treasury and SSC.

The resilience issues highlighted in the PIF report have begun to be addressed by CASS.

Risk-assurance processes

The Audit and Risk Committee (ARC) met regularly to review and assess areas of potential risk, DPMC's range of capabilities, and mitigation strategies; and it reported to the Chief Executive on the management of these risks. The current committee consists of two external members (Souella Cumming, who is also the Chair; and Shenagh Gleisner) and one DPMC representative (Michael Webster).

Official Information

In the 2012 calendar year we completed 341 Official Information Act and Privacy Act requests, a significant increase from 226 requests in 2011 and 298 in 2010.

STATUTORY AND FORMAL RESPONSIBILITIES

Chief Executive

The Chief Executive has the following responsibilities:

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

Secretary of the Cabinet and Clerk of the Executive Council

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

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

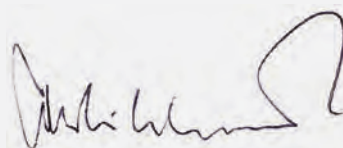
- to administer the Governor-General Act 2010
- to certify subordinate legislation approved in Executive Council in terms of Section 32 of the Evidence Act 1908
- to certify other instruments executed by the Governor-General in terms of the Official Appointments and Documents Act 1919
- to administer 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
- to administer the Civil List Act 1979.

STATEMENT OF RESPONSIBILITY

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

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

In my opinion, the financial statements and Statement of Service Performance fairly reflect the financial position and operations of the Department of the Prime Minister and Cabinet for the year ending 30 June 2013.



Andrew Kibblewhite

CHIEF EXECUTIVE

Date: 24 September 2013

COUNTERSIGNED BY



Sara Brownlie

CHIEF FINANCIAL OFFICER and FINANCE MANAGER (CASS)

Date: 24 September 2013



STATEMENT OF SERVICE PERFORMANCE

Vote Prime Minister and Cabinet

Output expense: Policy advice and support services – Multi class output appropriation (MCOA)

All output expenses contribute to the effective delivery of policy advice and support services to the Governor-General, the Prime Minister, Cabinet and its committees, and the Executive Council – and in 2012/13 they were grouped under one appropriation. This met the new criteria for the definition of policy advice following a Treasury review in 2011.

Scope of appropriation

Policy Advice – Prime Minister and Cabinet

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

Support, secretariat and coordination services

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

Intelligence coordination and national security priorities

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

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

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

Science Advisory Committee

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

Performance standards and measures

Policy Advice – Prime Minister and Cabinet

The Policy Advisory Group (PAG) provided coherent and impartial advice on issues of the day directly to the Prime Minister and, on occasion, to other ministers; led ad hoc special projects of high priority for the Prime Minister; contributed to policy development across the full range of government business, including coordinating the provision of advice across agencies; and, operating as the Corporate Centre together with the Treasury and SSC, led DPMC's involvement on state sector performance. The Security and Risk Group (SRG) provided impartial advice to the Prime Minister on risk and security matters.

Actual Standard 2012	Performance Measure	Budget Standard	Actual Standard 2013
Stakeholders satisfied	Advice provided meets the department's quality, quantity and timeliness standards	Key stakeholders are satisfied	Stakeholders satisfied

Comment: Feedback on performance was highly positive. For more detail see page 7.

Support, secretariat and coordination services

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

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

Actual Standard 2012	Performance Measure	Budget Standard	Actual Standard 2013
Positive feedback received	Coordination services provided meet quality, accuracy, impartiality and timeliness criteria	Feedback from key stakeholders is positive	Positive feedback received
Positive feedback received	Services provided meet quality, accuracy, impartiality and timeliness criteria	Feedback from key stakeholders is positive	Positive feedback received

Comment: Overall feedback on performance was extremely positive. For more detail see pages 7 and 10.

Intelligence coordination and national security priorities

The Intelligence Coordination Group (ICG) provided impartial advice to the Prime Minister on intelligence matters; led and coordinated the agencies of the New Zealand Intelligence Community (NZIC) in terms of requirements, priority setting, risk management and performance reporting; and coordinated NZIC's overall relationships with foreign partners.

NAB made objective assessments of events and developments relevant to New Zealand's national security and international environment; exercised a coordination and leadership role in relation to certain parts of the New Zealand Intelligence Community; assured quality standards for assessment; and produced reports to inform members of the inter-departmental watch groups that coordinate New Zealand's responses to external crises and threats.

The Security and Risk Group (SRG) coordinated the National Security System (NSS). This includes preparing for and responding to security crises, emergencies, and natural disasters; and dealing with national security threats that affect New Zealand and its interests, both onshore and offshore.

Actual Standard 2012	Performance Measure	Budget Standard	Actual Standard 2013
More than 95% were factually correct	The assessments produced are of policy relevance to New Zealand and are high-quality, accurate and succinct	95% of the assessments are factually correct	95% were factually correct
More than 95% required only minor revision		95% of assessments require no more than minor revision	95% required only minor revision
Positive feedback received		Feedback from key stakeholders is positive	Positive feedback received
Positive feedback received	Advice and readiness for emergencies and events meets a high standard of quality	Feedback from key stakeholders is positive	Positive feedback received

Comment: Feedback on performance was strong and positive. For more detail see pages 8 and 12 to 14.

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

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

Actual Standard 2012	Performance Measure	Budget Standard	Actual Standard 2013
Governor-General feedback positive	Support to the Governor-General is efficient and effective	Feedback from the Governor-General about the services is positive	Governor-General feedback positive
Governor-General feedback positive	Management of the Governor-General's programme is appropriate and well balanced	Feedback from the Governor-General about the services is positive	Governor-General feedback positive
Governor-General feedback positive	Events at Government House are well organised	Feedback from the Governor-General about the services is positive	Governor-General feedback positive
All standards for the two Government Houses were met	The Governor-General's official residences are well maintained	Maintenance, heritage and gardening plans are adhered to	Plans were adhered to

Comment: Feedback on performance was strongly positive. For more detail see page 11.

Science Advisory Committee

DPMC has a fixed-term fund transfer responsibility for the Science Advisory Committee, which was established in 2009 to provide the Prime Minister with strategic and operational advice on science and science policy issues.

The committee's work is further explained on its website www.pmtsa.org.nz.

In addition, the Chief Science Advisor (CSA) has the role of promoting public understanding of, and engagement with, science and developing relationships with similar offices overseas. The key outputs provided by the CSA over the year included:

- *Promoting understanding of science:* The CSA gave a number of public speeches and released several discussion papers and essays on aspects of the science and innovation system, the interface between science and society, and a number of contemporary scientific issues.
- *Advising on improving the use of evidence in policy formation:* The CSA completed a survey of government agencies on their use of objective evidence and data.
- *Promoting New Zealand's international interests through science:* The CSA was the chair of the first APEC meeting of CSAs and their equivalents in Medan, Indonesia. The CSA is co-facilitator of the Small Advanced Nations Initiative, which is led from New Zealand and is developing understandings of science, innovation and enterprise-related matters across Singapore, Israel, Denmark, Finland, Ireland, and New Zealand.
- *Undertaking specific projects as requested:* The CSA coordinated, with his Australian counterpart, the proposal for the development of a rheumatic fever vaccine; chaired the international scientific panel for the Grand Challenges competition for the Global Research Alliance of Greenhouse Gas Funds, which was funded from New Zealand; chaired the National Science Challenges Panel; and organised the independent review of the Growing Up in New Zealand study.

FINANCIAL PERFORMANCE

2012		2013		2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	POLICY ADVICE AND SUPPORT SERVICE MCOA				
	REVENUE CROWN				
-	National Security Priorities and Intelligence Coordination	7,095	6,990	7,095	
-	Policy Advice – Prime Minister and Cabinet	3,960	3,427	3,960	
-	Science Advisory Committee	496	407	496	
-	Support Services to the Governor-General and Maintenance of the Official Residences	4,028	3,828	4,028	
-	Support, Secretariat and Coordination Services	4,213	4,000	4,213	
	REVENUE OTHER				
-	National Security Priorities and Intelligence Coordination	333	-	630	
-	Policy Advice – Prime Minister and Cabinet	465	-	150	
-	Science Advisory Committee	-	-	-	
-	Support Services to the Governor-General and Maintenance of the Official Residences	34	30	30	
-	Support, Secretariat and Coordination Services	147	-	175	
-	TOTAL REVENUE	20,771	18,682	20,777	
	EXPENDITURE				
-	National Security Priorities and Intelligence Coordination	7,799	6,990	7,725	
-	Policy Advice – Prime Minister and Cabinet	3,496	3,427	4,110	
-	Science Advisory Committee	446	407	496	
-	Support Services to the Governor-General and Maintenance of the Official Residences	4,125	3,858	4,058	
-	Support, Secretariat and Coordination Services	4,624	4,000	4,388	
-	TOTAL EXPENDITURE	20,490	18,682	20,777	
-	SURPLUS/(DEFICIT)	281	-	-	

From 2012/13 the appropriation structure was changed transferring funding from four separate output expenses into a single multi-class output appropriation and therefore no comparatives are provided by appropriation. Total expenditure in 2011/12 was \$17.175 million. The appropriation received an additional \$2.095 million for the purchase of functions from CASS, establishment cost for the NCPO, staff costs which were recovered through secondment agreements and minor costs for the Science Advisory Committee.

Further explanation on variance is provided in note 21 on page 48.

The revenue received from others reflects the agreed recovery value received from other government agencies for staff that were seconded.



DEPARTMENTAL FINANCIAL STATEMENTS

for the year ended 30 June 2013

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2013

2012			2013		2013	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	INCOME					
17,517	Revenue Crown		19,792	18,652	19,792	
22	Other Revenue	3	979	30	985	
27	Gains	3	-	-	-	
17,566	TOTAL INCOME		20,771	18,682	20,777	
	EXPENSES					
11,800	Personnel costs	4	12,652	12,782	12,782	
382	Depreciation and amortisation expense	9, 10	78	90	100	
56	Capital charge	5	26	158	26	
4,937	Other operating expenses	6	7,734	5,652	7,869	
17,175	TOTAL EXPENDITURE		20,490	18,682	20,777	
391	NET SURPLUS/(DEFICIT)		281	-	-	

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

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2013

2012			2013	2013	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
703	BALANCE AT 1 JULY 2012		400	400	400
	COMPREHENSIVE INCOME/(EXPENSE)				
391	Surplus for the year		281	-	-
1,020	Capital contribution	20	2,600	2,600	2,600
(1,323)	Transfer to the Treasury	20	-	-	-
(391)	Return of operating surplus to the Crown	13	(281)	-	-
400	BALANCE AT 30 JUNE 2013		3,000	3,000	3,000

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

2012				2013		2013	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000		
	ASSETS						
	CURRENT ASSETS						
2,139	Cash and cash equivalents	19	4,227	1,098	3,848		
1,020	Debtor Crown		1,901	1,020	1,020		
152	Debtors and other receivables	7, 19	399	40	152		
21	Prepayments		7	30	21		
100	Inventory	8	100	100	100		
3,432	TOTAL CURRENT ASSETS		6,634	2,288	5,141		
	NON-CURRENT ASSETS						
233	Inventory	8	210	300	233		
217	Property, plant and equipment	9	170	276	217		
-	Intangible assets	10	164	2,600	500		
450	TOTAL NON-CURRENT ASSETS		544	3,176	950		
3,882	TOTAL ASSETS		7,178	5,464	6,091		
	LIABILITIES						
	CURRENT LIABILITIES						
2,010	Creditors and other payables	12, 19	2,884	1,400	2,010		
391	Provision for repayment of surplus	13	281	-	-		
728	Employee entitlements	14	632	650	728		
60	Provisions	15	-	140	60		
3,189	TOTAL CURRENT LIABILITIES		3,797	2,190	2,798		
	NON-CURRENT LIABILITIES						
293	Employee entitlements	14	381	274	293		
293	TOTAL NON-CURRENT LIABILITIES		381	274	293		
3,482	TOTAL LIABILITIES		4,178	2,464	3,091		
400	NET ASSETS		3,000	3,000	3,000		
	EQUITY						
400	Taxpayers' funds		3,000	3,000	3,000		
400	TOTAL EQUITY		3,000	3,000	3,000		

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

STATEMENT OF CASH FLOWS

for the year ended 30 June 2013

2012			2013	2013	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	CASH FLOWS FROM OPERATING ACTIVITIES				
17,517	Receipts from the Crown		18,911	18,652	19,792
22	Receipts from other revenue		676	30	985
(5,053)	Payments to suppliers		(7,868)	(5,675)	(7,892)
(11,405)	Payments to employees		(11,657)	(12,759)	(12,759)
(56)	Payments for capital charge		(26)	(158)	(26)
20	Goods and services tax (net)		51	-	-
1,045	NET CASH FLOWS FROM OPERATING ACTIVITIES	16	87	90	100
	CASH FLOWS FROM INVESTING ACTIVITIES				
27	Receipts from sale of property, plant and equipment		-	-	-
(303)	Purchase of property, plant and equipment		(45)	(100)	(100)
(192)	Purchase of intangible assets		(164)	(2,600)	(500)
(468)	NET CASH FLOWS FROM INVESTING ACTIVITIES		(209)	(2,700)	(600)
	CASH FLOWS FROM FINANCING ACTIVITIES				
(44)	Repayment of net surplus to the Crown		(391)	-	(391)
-	Capital contribution		2,600	2,600	2,600
(200)	Capital withdrawals		-	-	-
(244)	NET CASH FLOWS FROM FINANCING ACTIVITIES		2,209	2,600	2,209
333	Net increase/(decrease) in cash and cash equivalent		2,088	(10)	1,709
1,806	Cash and bank balances at the beginning of the year		2,139	1,108	2,139
2,139	CASH AND BANK BALANCES AT YEAR END		4,227	1,098	3,848

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

STATEMENT OF COMMITMENTS

as at 30 June 2013

Capital commitment

At 30 June 2013 the department has no capital commitments (2012: nil).

Non-cancellable operating lease commitments

The department leases premises on the 17th floor of Bowen House and on the second floor of Pipitea House, both in Wellington (see note 6).

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

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

2012		2013	
Actual \$000		Actual \$000	
	OPERATING COMMITMENTS		
	NON-CANCELLABLE OPERATING LEASE COMMITMENTS		
628	No later than one year	633	
2,055	Later than one year and not later than five years	2,233	
2,585	Later than five years	2,337	
5,268	TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS	5,203	
	OTHER NON-CANCELLABLE COMMITMENTS		
36	No later than one year	37	
36	TOTAL OTHER NON-CANCELLABLE COMMITMENTS	37	
5,304	TOTAL COMMITMENTS	5,240	

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

STATEMENT OF DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

as at 30 June 2013

2012			2013		
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	<i>Vote: Prime Minister and Cabinet</i>				
	DEPARTMENTAL OUTPUT CLASSES				
7,325	Policy Advice and Secretariat and Coordination Services		-	-	-
669	Support Services to the Governor-General and Maintenance of the Residences		-	-	-
3,155	Support Services to the Governor-General and Maintenance of the Official Residences		-	-	-
5,640	Intelligence Coordination and National Security Priorities		-	-	-
386	Science Advisory Committee		-	-	-
	<i>Policy Advice and Support Services MCOA</i>				
-	National Security Priorities and Intelligence Coordination		7,799	6,990	7,725
-	Policy Advice – Prime Minister and Cabinet		3,496	3,427	4,110
-	Science Advisory Committee		446	407	496
-	Support Services to the Governor-General and Maintenance of the Official Residences		4,125	3,858	4,058
-	Support, Secretariat and Coordination Services		4,624	4,000	4,388
17,175	TOTAL DEPARTMENTAL OUTPUT EXPENSES	21	20,490	18,682	20,777
	APPROPRIATIONS FOR CAPITAL EXPENDITURE				
478	Total departmental capital expenditure (Permanent Legislative Authority)		209	2,700	2,700
478	TOTAL CAPITAL EXPENDITURE		209	2,700	2,700

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

STATEMENT OF UNAPPROPRIATED DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE

for the year ended 30 June 2013

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

Nil. (2012: \$84,000)

Expenses and capital expenditure incurred in excess of appropriation

Nil. (2012: Nil)

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

Nil. (2012: Nil)

Breaches of projected departmental net asset schedule

Nil. (2012: Nil)

STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

for the year ended 30 June 2013

Contingent liabilities

At 30 June 2013 the department has no contingent liabilities (2012: Nil).

Contingent assets

At 30 June 2013 the department has no contingent assets (2012: Nil).

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

NOTES TO THE DEPARTMENTAL FINANCIAL STATEMENTS

for the year ended 30 June 2013

1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

Reporting entity

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

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

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

The financial statements of the department are for the year ended 30 June 2013. The financial statements were authorised for issue by the Chief Executive of the department on 24 September 2013.

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

Basis of preparation

Statement of compliance

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

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

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

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

Functional and presentation currency

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

Judgements and estimations

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

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

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

Retirement and long-service leave

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

Changes in accounting policies

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

The Department adopted the following revisions to accounting standards during the previous financial year, which have had only a presentational or disclosure effect:

- Amendments to NZ IAS 1 Presentation of Financial Statements. The amendments introduce a requirement to present, either in the statement of changes in equity or

the notes, for each component of equity, an analysis of Other Comprehensive Income by item. The Department has no other comprehensive income.

- Amendments to NZ IFRS 7 Financial Instruments: Disclosures - The amendment reduces the disclosure requirements relating to credit risk. Note 17 has been updated for the amendments.

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

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

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

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

Statements. As the PAS are still under development, the Department is unable to assess the implications of the new Accounting Standards Framework at this time.

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

Significant accounting policies

Revenue

Revenue is measured at the fair value of consideration received.

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

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

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

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

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

Capital charge

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

Debtors and other receivables

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

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

Financial instruments

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

Cash and cash equivalents

Cash includes cash on hand and bank accounts.

Inventory

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

Property, plant and equipment

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

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

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

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

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

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

Subsequent costs

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

Depreciation

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

ASSET	USEFUL LIFE	DEPRECIATION RATE
Furniture and fittings	5-10 years	10-20%
IT equipment	3-5 years	20-33.3%
Motor vehicles	4 years	25%
Plant and equipment	5-10 years	10-20%

Intangible assets

Software acquisition and development

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

Amortisation

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

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

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

ASSET	USEFUL LIFE	AMORTISATION RATE
Internally generated software	3-4 years	20-33%

Impairment of non-financial assets

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

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

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

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

Employee entitlements

Short-term employee entitlements

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

These include salaries and wages, annual leave, and sick leave and are recognised in the Statement of Comprehensive Income when they accrue to employees. Employee

entitlements to be settled within 12 months are reported at the amount expected to be paid.

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

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

Long-term employee entitlements

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

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

Defined-contribution plans

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

Creditors and other payables

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

Leases

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

Superannuation schemes

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

Provisions

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

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

Equity

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

Commitments

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

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

Contingent liabilities and contingent assets

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

Goods and services tax (GST)

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

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

The net GST paid to or received from 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 2013, 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. Indirect costs includes those costs incurred by Central Agencies Shared Services (since March 2012) and then recovered from DPMC.

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

Comparatives

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

Related parties

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

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

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

2. REVENUE CROWN

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

3. OTHER REVENUE AND GAINS

2012		2013		2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
22	Rental income	34	30	30	
-	Revenue Department – secondment recovery	938	-	-	
-	Revenue Department – other	7	-	955	
27	Gain on sale of fixed assets ¹	-	-	-	
49	TOTAL OTHER REVENUE AND GAINS	979	30	985	

¹ During the 2011/12 year, the department disposed of a motor vehicle that reached a pre-determined mileage; the net gain on that motor vehicle disposal was \$27,000.

4. PERSONNEL COSTS

2012		2013		2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
10,973	Salaries and wages	12,014	12,075	12,075	
572	Employer contributions to defined-contribution plans	512	507	507	
48	Increase/(decrease) in employee entitlements	(8)	-	-	
207	Other ¹	134	200	200	
11,800	TOTAL PERSONNEL COSTS	12,652	12,782	12,782	

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 2013 was 8%. (2012: 8%).

6. OTHER OPERATING COSTS

2012		2013		2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
49	Audit fees for audit of financial statements	54	-	-	
641	Premises rental	684	641	641	
502	Facilities costs	481	561	576	
134	Inventories consumed	110	86	134	
281	Consultancy	1,704	300	300	
418	Travel costs	469	483	539	
368	IT maintenance costs ¹	-	-	-	
573	Building and ground maintenance costs	607	581	603	
1,197	Central Agencies Shared Services (CASS)	2,705	2,935	2,935	
774	Other operating expenses	920	65	2,141	
4,937	TOTAL OTHER OPERATING COSTS	7,734	5,652	7,869	

¹ IT maintenance costs were for eight months only in 2012. From March 2012 all IT expenses have been included in CASS costs since that date.

7. DEBTORS AND OTHER RECEIVABLES

2012		2013	2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
96	Debtors	399	-	96
-	Less provision for impairment	-	-	-
96	Net debtors	399	-	96
56	Other receivables	-	40	56
152	TOTAL DEBTORS AND OTHER RECEIVABLES	399	40	152

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

2012		2013	2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
119	Current	303	40	152
10	Past due 31-60 days	80	-	-
23	Past due 61-90 days	16	-	-
152	TOTAL	399	40	152

8. INVENTORY

2012		2013	2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
100	Current	100	100	100
233	Non-current	210	300	233
333	TOTAL INVENTORY	310	400	333

Inventory includes honours insignia, medals and ribbons. The carrying amount of inventory held for distribution at costs is \$310,000 as at 30 June 2013 (2012: \$333,000). The write-down of inventory held for distribution amounted to \$nil as at 30 June 2013 (2012: \$34,000). There have been no reversals of write-downs. The loss in service potential of inventory held for distribution is determined on the basis of obsolescence. No inventory has been pledged as security for liabilities (2012: nil).

9. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings \$000	Motor vehicles \$000	Plant and equipment \$000	IT equipment \$000	Total \$000
COST					
Balance at 1 July 2011	366	174	691	1,388	2,619
Additions	-	-	197	89	286
Disposals	-	(57)	-	(1,477)	(1,534)
Balance at 30 June 2012	366	117	888	-	1,371
Balance at 1 July 2012	366	117	888	-	1,371
Additions	24	-	21	-	45
Disposals	(211)	-	(99)	-	(310)
Balance at 30 June 2013	179	117	810	-	1,106
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Balance at 1 July 2011	269	138	672	773	1,852
Depreciation expense	64	21	47	154	286
Disposal	-	(57)	-	(927)	(984)
Balance at 30 June 2012	333	102	719	-	1,154
Balance at 1 July 2012	333	102	719	-	1,154
Depreciation expense	20	15	43	-	78
Disposal	(183)	-	(113)	-	(296)
Balance at 30 June 2013	170	117	649	-	936
CARRYING VALUE					
At 1 July 2011	97	36	19	615	767
At 30 June and 1 July 2012	33	15	169	-	217
At 30 June 2013	9	-	161	-	170

There is no restriction on any asset. All IT equipment was transferred to the Treasury as assets of CASS in March 2012.

10. INTANGIBLE ASSETS

2012		2013		2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
INTERNALLY GENERATED SOFTWARE					
COST					
700	Opening balance 1 July	-	-	-	-
192	Additions	164	2,600	500	
(892)	Disposal	-	-	-	
-	CLOSING BALANCE 30 JUNE	164	2,600	500	
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
224	Opening balance 1 July	-	-	-	-
96	Amortisation expenses	-	-	-	-
(320)	Disposal	-	-	-	-
-	CLOSING BALANCE 30 JUNE	-	-	-	-
-	CARRYING VALUE AT 30 JUNE	164	2,600	500	

All intangibles were transferred to the Treasury as assets of CASS in March 2012.

11. DEPARTMENTAL CAPITAL EXPENDITURE

2012		2013		2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
-	Furniture and Fittings	24	50	50	
89	Computer Hardware	-	-	-	
197	Office Machinery	21	50	50	
286	TOTAL PROPERTY, PLANT AND EQUIPMENT	45	100	100	
192	Other Software	164	2,600	2,600	
192	Total Intangibles	164	2,600	2,600	
478	TOTAL CAPITAL EXPENDITURE	209	2,700	2,700	

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

12. CREDITORS AND OTHER PAYABLES

2012		2013		2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
469	Trade creditors	226	-	-	
995	Accrued expenses	2,210	1,300	1,873	
409	Salary and Redundancy	260	-	-	
137	GST payable	188	100	137	
2,010	TOTAL CREDITORS AND OTHER PAYABLES	2,884	1,400	2,010	

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

13. PROVISION FOR REPAYMENT OF SURPLUS TO THE CROWN

2012		2013		2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
391	Current year net surplus	281	-	-	
391	TOTAL PROVISION FOR REPAYMENT OF SURPLUS TO THE CROWN	281	-	-	

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

14. PROVISION FOR EMPLOYEE ENTITLEMENTS

2012		2013		2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	CURRENT EMPLOYEE ENTITLEMENTS				
547	Annual leave	534	405	547	
8	Long-service leave	10	17	8	
138	Retirement leave	65	190	138	
35	Sick leave	23	38	35	
728	TOTAL CURRENT LIABILITIES	632	650	728	
	NON-CURRENT EMPLOYEE ENTITLEMENTS				
43	Long-service leave	65	43	43	
250	Retirement leave	316	231	250	
293	TOTAL NON-CURRENT LIABILITIES	381	274	293	
1,021	TOTAL EMPLOYEE ENTITLEMENTS	1,013	924	1,021	

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.

15. PROVISIONS

2012		2013		2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	LEASE MAKE-GOOD				
60	Opening balance 1 July 2012	60	60	60	60
-	Additional provision made	-	80	-	-
-	Unused amounts reversed	(60)	-	-	-
60	Closing balance 30 June 2013	-	140	60	60
	ASSETS WRITE-OFF				
80	Opening balance 1 July 2012	-	-	-	-
(80)	Unused amounts reversed	-	-	-	-
-	Closing balance 30 June 2013	-	-	-	-
60	TOTAL PROVISIONS	-	140	60	60

In respect of its leased premises, the department previously had a provision to make good any damages and to remove fixtures and fittings as required by the lessor at the expiry of the lease term. The premises have now been exited and the provision has been reversed.

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

2012		2013		2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
391	NET SURPLUS (DEFICIT)	281	-	-	
	ADD/(LESS) NON-CASH ITEMS				
382	Depreciation	78	90	100	
382	TOTAL NON-CASH ITEMS	78	90	100	
	ADD/(LESS) NON-CASH ITEMS CLASSIFIED AS INVESTING OR FINANCIAL ACTIVITIES				
(27)	Net (gains)/losses on disposal of property, plant and equipment	13	-	-	
	ADD/(LESS) WORKING CAPITAL MOVEMENT				
(123)	(Increase)/decrease in receivables and prepayments	(1,114)	-	-	
51	(Increase)/decrease in inventories	23	-	-	
403	Increase/(decrease) in creditors and other payables	815	-	-	
(80)	Increase/(decrease) in provisions	(60)	-	-	
48	Increase/(decrease) in employee entitlements	51	-	-	
299	TOTAL NET MOVEMENT IN WORKING CAPITAL ITEMS	(285)	-	-	
1,045	NET CASH FLOWS FROM OPERATING ACTIVITIES	87	90	100	

17. RELATED-PARTY TRANSACTIONS AND KEY MANAGEMENT

Related-party transactions

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

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

Significant transactions with government-related entities

The department has received funding from the Crown of \$19.792 million (2012: \$17.517 million) to provide services to the Prime Minister, the Cabinet and the Governor General for the year ended 30 June 2013.

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

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

The department also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2013 totalled to \$5.215 million (2012: \$3.206 million). These purchases include purchase of electricity from Genesis and Mercury, air travel from Air New Zealand, legal services from the Crown Law Office, administrative support from CASS, postal services from New Zealand Post, payment of ACC levies and various services from other agencies. They exclude taxes and capital charge payments. Balance owed at year end \$7,000 (2012: \$95,000). Sales to government-related entities for the year ended 30 June 2013 totalled to \$945,000 (2012: \$nil). Balance owing at year end \$85,000 (2012: \$91,000).

Key management personnel compensation

2012		2013	
Actual \$000		Actual \$000	
2,244	Salaries and other short-term employee benefits	2,671	
-	Termination payments	54	
209	Post-employment benefits	96	
2,453	TOTAL KEY MANAGEMENT PERSONNEL¹ COMPENSATION	2,821	

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

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

18. EVENTS AFTER BALANCE DATE

There have been no significant events subsequent to balance date that require adjustments to the financial statements or disclosure (2012: \$ nil).

19. FINANCIAL-INSTRUMENT RISKS

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

Credit risk

Credit risk is the risk that a third party will default on its obligations to the department, causing the department to incur a loss. In the normal course of its operations, the department incurs credit risk from sundry debtors, 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) are expected to be settled within 12 months. The contractual undiscounted cash flows equal the carrying values disclosed in the note.

Categories of financial instruments

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

2012		2013		2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	LOANS AND RECEIVABLES				
2,139	Cash and cash equivalent	4,227	1,098	3,848	
152	Debtors and other receivables	399	40	152	
2,291	TOTAL LOANS AND RECEIVABLES	4,626	1,138	4,000	
	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST				
2,010	CREDITORS AND OTHER PAYABLES (SEE NOTE 12)	2,884	1,400	2,010	

20. CAPITAL MANAGEMENT

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

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

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

In March 2012, the delivery of Information Technology, Information Management, Finance and Human Resources support services were transferred from DPMC to the CASS, hosted by the Treasury. All IT assets and intangibles were transferred to the Treasury.

21. EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

Departmental output expenses – Policy Advice and Support Services – Multi-class output appropriation

Vote Prime Minister and Cabinet moved to a multi-class output appropriation (MCOA) from 2012/13 and the existing output class for Policy Advice was split into two output classes (Support, Secretariat and Coordination Services and Policy Advice – Prime Minister and Cabinet). An estimate was made of the cost of providing policy advice but external events during the latter part of the year meant there was increased resource used in the Intelligence Coordination and National Security and Support, Secretariat and Coordination Services output classes. This resulted in the Policy Advice – Prime Minister and Cabinet output expense being underspent by \$614,000 at 30 June 2013.

Budget variations from Mains 2012/13 and the 2012/13 Supplementary Estimates

Supplementary estimates budgets increased from mains estimates to reflect final transfers from 2011/12, revenue recoveries for secondments and transfer of funding for shared services.

Departmental capital expenditure

In 2012/13 a capital budget of \$2.6 million was approved for CabNet. When the bids from interested parties (to develop CabNet) were received, they were considerably more than the budget. This delayed the work, while the project team thought of an alternate approach that would deliver the envisaged benefits at a viable cost and consequently capital expenditure for the year was only \$209,000.



NON-DEPARTMENTAL FINANCIAL STATEMENTS

for the year ended 30 June 2013

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 2013

2012		2013		2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	NON-DEPARTMENTAL OTHER EXPENSES				
1,434	Depreciation Expenses on Crown Assets	1,204	1,962	1,662	
149	Ex-gratia payment to the University of Auckland	149	218	150	
213	Loss on sale of Crown assets	-	-	-	
1,796	TOTAL NON-DEPARTMENTAL OTHER EXPENSES	1,353	2,180	1,812	
	NON-DEPARTMENTAL OTHER EXPENSES (PERMANENT LEGISLATIVE AUTHORITY)				
242	Governor-General – Remuneration and Travel	-	-	-	
319	Governor-General – Salary and Allowance	373	366	366	
602	Governor-General's Programme	806	839	839	
140	Governor-General's travel outside New Zealand	143	307	307	
48	Fees for the Commissioner of Security Warrants	74	74	74	
1,351	TOTAL NON-DEPARTMENTAL OTHER EXPENSES (PERMANENT LEGISLATIVE AUTHORITY)	1,396	1,586	1,586	
3,147	TOTAL APPROPRIATION FOR OTHER EXPENSES TO BE INCURRED BY THE CROWN	2,749	3,766	3,398	
	APPROPRIATION FOR PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS BY THE CROWN				
686	Government House – Capital Investment	572	650	1,052	
686	TOTAL APPROPRIATION FOR PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS BY THE CROWN	572	650	1,052	

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 2013.

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

STATEMENT OF UNAPPROPRIATED NON-DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE

for the year ended 30 June 2013

There was no unappropriated expenditure in relation to the activities that the department administers on behalf of the Crown for the year ended 30 June 2013 (2012: nil).

SCHEDULE OF NON-DEPARTMENTAL EXPENSES

for the year ended 30 June 2013

2012		2013		2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	<i>Vote: Prime Minister and Cabinet</i>				
1,303	Governor-General's salary, allowances, travel and programme costs	1,322	1,512	1,512	
149	Ex-gratia payment to the University of Auckland	149	218	150	
48	Fees for the Commissioner of Security Warrants	74	74	74	
1,434	Depreciation expense on Crown assets	1,204	1,962	1,662	
213	Loss on sale of Crown assets	-	-	-	
3,147	TOTAL NON-DEPARTMENTAL EXPENSES	2,749	3,766	3,398	

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 2013.

SCHEDULE OF NON-DEPARTMENTAL REVENUE AND RECEIPTS

for the year ended 30 June 2013

2012		2013		2013	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
-	Cost recoveries	4	-	-	
-	Other revenue	41	-	-	
-	TOTAL NON-DEPARTMENTAL REVENUE AND RECEIPTS	45	-	-	

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 2013.

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

SCHEDULE OF NON-DEPARTMENTAL ASSETS AND LIABILITIES

as at 30 June 2013

2012				2013	2013	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
	<i>Vote: Prime Minister and Cabinet</i>					
	ASSETS					
	CURRENT ASSETS					
4,157	Cash in bank	4	4,534	1,895		3,022
203	Debtors and other receivables	4	217	-		-
4,360	TOTAL CURRENT ASSETS		4,751	1,895		3,022
	NON-CURRENT ASSETS					
76,872	Land, property, plant and equipment	2	79,730	76,056		76,263
76,872	TOTAL NON-CURRENT ASSETS		79,730	76,056		76,263
81,232	TOTAL NON-DEPARTMENTAL ASSETS		84,481	77,951		79,285
	LIABILITIES					
	CURRENT LIABILITIES					
207	Creditors and other payables	3,4	52	50		50
207	TOTAL CURRENT LIABILITIES		52	50		50
207	TOTAL NON-DEPARTMENTAL LIABILITIES		52	50		50
	REVALUATION RESERVES					
8,442	Property revaluation reserves	2	11,932	8,442		8,442
8,442	TOTAL REVALUATION RESERVES		11,936	8,442		8,442

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 2013.

SCHEDULE OF NON-DEPARTMENTAL COMMITMENTS

as at 30 June 2013

As at 30 June 2013, there are no capital commitments (2012: \$500,000) – relating to the building of the Visitors Centre at Government House.

There are no operating commitments as at 30 June 2013 (2012: nil).

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the Financial Statements of the Government of New Zealand for the year ended 30 June 2013.

SCHEDULE OF NON-DEPARTMENTAL CONTINGENT LIABILITIES AND CONTINGENT ASSETS

as at 30 June 2013

There are no contingent liabilities as at 30 June 2013 (2012: nil).

There are no contingent assets as at 30 June 2013 (2012: nil).

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the Financial Statements of the Government of New Zealand for the year ended 30 June 2013.

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

NOTES TO THE NON-DEPARTMENTAL FINANCIAL SCHEDULES AND STATEMENTS

for the year ended 30 June 2013

1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by the Ministry on behalf of the Crown. These non-departmental balances are consolidated into the Financial Statements of the Government for the year ended 30 June 2013. For a full understanding of the Crown's financial position, results of operations, and cash flows for the year, refer to the Financial Statements of the Government.

Basis of preparation

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

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

Changes in accounting policies

There has been one change in accounting policies during the financial year and that is artwork is no longer being depreciated.

Significant accounting policies

Goods and services tax (GST)

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

Debtors and other receivables

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

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

Valuation of property, plant and equipment

Land and buildings are recorded at fair value, as determined by an independent registered valuer. QV Valuations revalued land and buildings at Government House in Auckland as at 30 June 2013. Government House in Wellington was not revalued, as the 30 June 2011 values are still considered to be a fair reflection of its fair value at 30 June 2013. 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.

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

and Capital Expenditure against Appropriations in the period in which it arises.

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

Depreciation

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

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

Commitments

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

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

Budget figures

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

2. PROPERTY, PLANT AND EQUIPMENT

	Land \$000	Buildings \$000	Plant and equipment \$000	Furniture and fittings \$000	Motor vehicles \$000	Other assets \$000	Total \$000
COST							
Balance at 1 July 2011	28,848	47,255	19	1,915	160	2,326	80,523
Additions	-	463	20	19	154	-	656
Work in progress	-	30	-	-	-	-	30
Disposals	-	(381)	-	-	(160)	-	(541)
Balance at 30 June 2012	28,848	47,367	39	1,934	154	2,326	80,668
Balance at 1 July 2012	28,848	47,367	39	1,934	154	2,326	80,668
Additions	-	529	-	43	-	-	572
Revaluation increase/ (decrease)	3,462	(227)	-	-	-	-	3,235
Balance at 30 June 2013	32,310	47,669	39	1,977	154	2,326	84,475
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
Balance at 1 July 2012	-	449	13	1,255	160	728	2,605
Depreciation expense	-	1,033	4	268	28	102	1,434
Disposals	-	(84)	-	-	(160)	-	(244)
Balance at 30 June 2012	-	1,398	17	1,523	28	830	3,796
Balance at 1 July 2012	-	1,398	17	1,523	28	830	3,796
Depreciation expense	-	1,034	5	100	31	34	1,204
Eliminate on revaluation	-	(255)	-	-	-	-	(255)
Balance at 30 June 2013	-	2,177	22	1,623	59	864	4,745
CARRYING VALUE							
At 30 June 2011	28,848	46,806	6	660	-	1,598	77,918
At 30 June and 1 July 2012	28,848	45,969	22	411	126	1,496	76,872
At 30 June 2013	32,310	45,492	17	354	95	1,462	79,730

Land and buildings have been revalued to fair value as at 30 June 2013 by an independently registered valuer, William Liew, ANZIV, MPINZ, of QV Valuations.

The revaluation movement in 2012/13 is for Government House in Auckland.

3. CREDITORS AND OTHER PAYABLES

2012		2013		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
61	Trade creditors	23	50	50
146	Accrued expenses	29	-	-
207	TOTAL CREDITORS AND OTHER PAYABLES	52	50	50

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:

2012		2013		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	LOANS AND RECEIVABLES			
4,157	Cash and cash equivalent	4,534	1,895	3,022
203	GST receivable	195	-	-
-	Sundry receivables	22	-	-
4,360	TOTAL LOANS AND RECEIVABLES	4,751	1,895	3,022
	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST			
207	CREDITORS AND OTHER PAYABLES	52	50	50

5. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Statement of Non-Departmental Expenses and Capital Expenditure against Appropriations

Depreciation expenses on Crown Assets

A revision to the useful life calculation and a slightly lower cost of renovation of the Government House main building has resulted in lower depreciation expense in 2012/13. The capital savings made during the renovation will be applied to ongoing capital component renewals and these will have a shorter useful life than the Government House main building. In addition, it was signalled in DPMC's four year plan that savings in depreciation may be requested to assist in funding the component renewal programme in out years once the programme has been confirmed.

Schedule of Non-Departmental Assets and Liabilities

Government House – capital investment

In 2009 a decision was made to invest in the upgrade of Government House Wellington. The renovation project was underspent by \$402,000 and transferred from 2011/12 into 2012/13. DPMC is developing an ongoing component renewal programme for Government House following the renovation for which this funding is expected to be applied.



INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of the Department of the Prime Minister and Cabinet's financial statements, non-financial performance information and schedules of non-departmental activities for the year ended 30 June 2013.

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

We have audited:

- the financial statements of DPMC on pages 25 to 48, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2013, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
 - the non-financial performance information of DPMC that comprises the statement of service performance on pages 20 to 24 and the report about objectives on pages 6 to 14; and
 - the schedules of non-departmental activities of DPMC on pages 49 to 56 that comprise the schedule of assets, schedule of liabilities and revaluation reserves, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2013, the schedule of expenses, schedule of expenditure and capital expenditure against appropriations, schedule of unappropriated expenditure and capital expenditure and schedule of income for the year ended on that date and the notes to the schedules that include accounting policies and other explanatory information.
- comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect DPMC's:
 - financial position as at 30 June 2013;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by DPMC and each class of outputs included in each output expense appropriation for the year ended 30 June 2013; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2013.
- the non-financial performance information of DPMC on pages 6 to 14 and 20 to 24:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects DPMC's service performance and outcomes for the year ended 30 June 2013, including for each class of outputs:
 - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.
 - the schedules of non-departmental activities of DPMC on pages 49 to 56 fairly reflect, in accordance with the Treasury Instructions:
 - the assets, liabilities, contingencies and commitments as at 30 June 2013 managed by DPMC on behalf of the Crown; and
 - the revenues, expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure and capital expenditure for the year ended on that date managed by DPMC on behalf of the Crown

OPINION

In our opinion:

- the financial statements of DPMC on pages 25 to 48:

Our audit was completed on 24 September 2013. This is the date at which our opinion is expressed.

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

BASIS OF OPINION

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

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

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

An audit also involves evaluating:

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

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

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

RESPONSIBILITIES OF THE CHIEF EXECUTIVE

The Chief Executive is responsible for preparing:

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

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

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

RESPONSIBILITIES OF THE AUDITOR

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

INDEPENDENCE

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

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

Karen Young

Karen Young
AUDIT NEW ZEALAND

On behalf of the Auditor-General
Wellington, New Zealand

APPENDIX 1 ADDITIONAL INFORMATION

Meeting statistics and New Zealand honours statistics for the year ended 30 June 2013

Meeting statistics for the year ended 30 June 2013

	Number of meetings	Number of agenda items	Average number of items per meeting
Executive Council	38	457	12
Cabinet	43	741	17
TOTAL CABINET COMMITTEE MEETINGS	192	1,257	6
Cabinet Committee meetings			
Cabinet Strategy Committee	9	10	1
Cabinet Committee on Treaty of Waitangi Negotiations	9	10	1
Cabinet Economic Growth and Infrastructure Committee	31	281	9
Cabinet Social Policy Committee	29	185	6
Cabinet External Relations and Defence Committee	11	46	
Cabinet Legislation Committee	28	198	7
Cabinet Appointments and Honours Committee	28	291	10
Cabinet Committee on Domestic and External Security Coordination	6	16	3
Cabinet Business Committee	8	78	10
Cabinet Committee on Canterbury Earthquake Recovery	13	36	3
Cabinet Committee on Canterbury Earthquake Recovery	4	11	3
Cabinet Committee on State Sector Reform and Expenditure Control	20	79	4

New Zealand honours for the year ended 30 June 2013

The Order of New Zealand	
Ordinary Member	1
The New Zealand Order of Merit	
Dame Companion	3
Knight Companion	11
Companion	25
Officer	43
Member	104
Honorary Member	6
The Queen's Service Order	
Companion	12
Honorary Companion	1
The Queen's Service Medal	148
Honorary Queen's Service Medal	3
New Zealand Gallantry Awards	
The New Zealand Gallantry Decoration	1
The New Zealand Gallantry Medal	2
New Zealand Antarctic Medal	
New Zealand Antarctic Medal	2
The New Zealand Distinguished Service Decoration	
The New Zealand Distinguished Service Decoration	11
TOTAL	373
Other honours and appointments	
Grant of the title "The Honourable" for life	4
GRAND TOTAL	377