

Annual Report for the year ended 30 June 2015

Presented to the House of Representatives pursuant
to section 44(1) of the Public Finance Act 1989 and
section 23 of the Environment Act 1986



Parliamentary Commissioner
for the **Environment**
Te Kaitiaki Taiao a Te Whare Pāremata

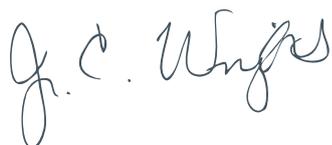
Parliamentary Commissioner for the Environment
Te Kaitiaki Taiao a Te Whare Pāremata

The Speaker of the House of Representatives
Parliament House
WELLINGTON

Mr Speaker

In accordance with section 23 of the Environment Act 1986, I am pleased to submit my
Annual Report for the year ended 30 June 2015.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. C. Wright', written in a cursive style.

Dr Jan Wright
Parliamentary Commissioner for the Environment

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Overview

It has been a busy year, with the release of several reports, including my first commentary under the new system of environmental reporting. The Environmental Reporting Act has added a new function to the role of the Commissioner – the preparation of commentaries on state of the environment reports compiled by the Ministry for the Environment and Statistics New Zealand.

The independence that is so valuable in my role allows me to choose which environmental issues to investigate. Environmental challenges range from the local, to the national, to the global, and many are widely debated and fiercely contested. Addressing these challenges often requires first grappling with complex science. This is why my staff and I work hard to provide decision makers with a clearer and deeper understanding of the relevant science.

Providing such an understanding was the sole purpose of the investigation this year that resulted in the report, *Changing climate and rising seas: Understanding the science*. Sea level rise is one of the most certain consequences of climate change. Indeed, the average level of the sea around the world has already risen about 20 centimetres. A second report on the impacts of rising seas on New Zealand is being written, and will include a critique of current policies.

Climate change remains the most significant environmental threat facing the world. In the lead-up to the United Nations conference in Paris at the end of 2015, the Government submitted its 'intended contribution'. Along with many others, I made a submission and called for the development of a plan for moving New Zealand toward a low-carbon economy.

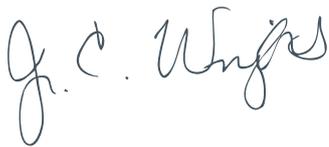
The Emissions Trading Scheme has been New Zealand's primary response in the global effort to curb greenhouse gas emissions. An investigation is currently underway into how to deal with the agricultural greenhouse gases – methane and nitrous oxide.

The quality of New Zealand's fresh water, and the efforts to protect it, continues to be the subject of high, and sometimes heated, public interest. This year I released two reports on water quality – one an update of an earlier report and the other an examination of the Government's fresh water policy.

This time last year my staff and I began work on a commentary on the Government's report on the state of air quality in New Zealand. At the end of the commentary I made two recommendations. In one of them I proposed seven areas for improvement in future state of the environment reports, and will have these in mind when evaluating the 'synthesis report' soon to be released.

This new role of providing commentaries on the wide range of topics that will be covered in state of the environment reports required an increase in staff. Parliament provided additional funding for this purpose and people with the right skills and knowledge were subsequently recruited. The expertise of my team is both wide-ranging and enormously valuable – without them I could scarcely begin to meet the challenges of my role.

Finally, work began this year to redevelop the Parliamentary Commissioner for the Environment website. It will make the work of my office more visible and easier to access, and, as I write, the launch date is not far off.



Dr Jan Wright
Parliamentary Commissioner for the Environment





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My role

The position of the Parliamentary Commissioner for the Environment was established by the Environment Act 1986 to provide Members of Parliament with independent, high quality advice about environmental matters. When the role was established, words such as “*watchdog*”, “*environmental auditor*”, “*Parliament’s person*”, and “*without fear or favour*” were used by Members of Parliament to describe the role of the Commissioner. These terms are still relevant today.

As an independent Officer of Parliament, I report to Parliament as a whole, not to a government minister. This is very different from other environmental agencies such as the Ministry for the Environment and the Environmental Protection Authority, who both report to, and have their budgets set by a government minister. I therefore have a unique opportunity to provide Parliament with independent advice on any matters that may have an impact on the quality of the environment. It is up to the Government of the day as to whether or not they adopt my recommendations.

Communicating that advice to the wider public is also important, which is why I endeavour to ensure that my work is clear and concise, and easy to read. Many environmental issues are not straightforward. A wide range of environmental issues, some more contentious than others, are traversed in this Annual Report.

2.1 About us

My office is based in Wellington over the road from Parliament and I have twenty two staff who make carrying out my role possible. Between us, we have a wide range of skills and knowledge.

I grew up in Christchurch and studied physics at the University of Canterbury. After moving to Auckland, I taught high school students in Otara for several years. After the energy crisis in the 1970s, I became interested in energy. This led to a Masters degree in Energy & Resources at the University of California at Berkeley, and to research into the economics of energy efficiency at Lawrence Berkeley Laboratory.

After some years at the Centre for Resource Management at the universities of Canterbury and Lincoln, I returned to the United States to study for a doctorate in public policy at Harvard University. Back in New Zealand in 1998, I began working as an independent policy and economic consultant for a variety of government agencies. I also served on the boards of a number of Crown Entities before being appointed to the role of Parliamentary Commissioner for the Environment.

The office is truly multi-disciplinary, which really helps us to see issues from different perspectives, and can lead to animated discussions. Staff are qualified in such varied subjects as chemistry, geography, physics, biology, forestry, economics, politics, geology, law, planning, and history. I am also fortunate to have excellent administrative staff who keep us well organised.

2.2 Legal functions

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The Environment Act 1986 lays out my functions and powers as Commissioner. These form the basis of my ability to investigate environmental issues, processes, and public agencies. The functions are wide-ranging and are set out in section 16(1) of the Environment Act 1986 as follows:

- a) **review** the system of agencies and processes established by the Government to manage the allocation, use, and preservation of natural and physical resources, and report to the House of Representatives
- b) **investigate** the effectiveness of environmental planning and environmental management carried out by public authorities, and advise them on remedial action
- c) **investigate** any matter where the environment may be or has been adversely affected, advise on preventive measures or remedial action, and report to the House of Representatives
- d) at the request of the House of Representatives or any select committee, **report** on any petition, bill, or other matter which may have a significant effect on the environment
- e) on the direction of the House of Representatives, **inquire** into any matter that has had or may have a substantial and damaging effect on the environment and report to the House
- f) **undertake** and encourage the collection and dissemination of information relating to the environment
- g) **encourage** preventive measures and remedial actions for the protection of the environment.

2.3 Our mission and values

In preparing, reporting and communicating advice to Parliament, my staff and I use the following shared mission and values to guide our work.

Our mission

To maintain or improve the quality of the New Zealand environment by providing robust independent advice that influences decisions

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Our values

Excellence	The questions we raise and the solutions we propose are based on sound science and reasoned argument. We are accountable to the people of New Zealand and deliver value for the funding we receive.
Determination	We bravely and constructively question the status quo. We persist in communicating the results of our work in different ways to maximise its usefulness.
Generosity of spirit	We work together in an open collegial way, sharing our expertise, listening carefully and not rushing to judgment. We actively acknowledge decisions and actions that benefit the environment.
Innovation	Our independence empowers us to think freely and creatively. We strive to get beyond describing problems to proposing solutions.
Effectiveness	Others trust and respond to our advice. Our work has a lasting and tangible impact on the New Zealand environment.





3

Reports, advice, and other activities

We New Zealanders take great pride in our environment, in its beauty, its bountiful natural resources, and the lifestyle opportunities of the 'great outdoors'. Our natural and physical environment is central to our way of life, identity, and economic prosperity. It is also precious in its own right.

Maintaining or improving the quality of New Zealand's environment is therefore an important goal. The core work of our office is undertaking investigations and providing advice on environmental matters.

Investigations arise in a variety of ways. For instance, they may be prompted by letters from the public, or may flow from issues uncovered in earlier investigations. The result of an investigation is in the form of a report tabled in Parliament. Reports usually contain recommendations to Ministers. My staff and I work hard to ensure reports are accurate and readable, and that recommendations are both practical and effective.

While formal reporting is fundamental, we also use a variety of other ways of communicating our work to Parliamentarians and the public, from presentations and speeches, to media comment and videos on our website. Two or three years after a report, a short update on the subject is usually prepared. These update reports canvass reactions and responses, and sometimes include new developments.

The provision of advice is generally done in two ways: either as advice on proposed law changes to select committees or on policy proposals to government agencies.

Opposite page: Bush trail in the Mokihinui Gorge

Source: Parliamentary Commissioner for the Environment archives

3.1 Investigations

This year I have released three major reports – one on water quality, one on air quality and ‘state of the environment’ reporting, and another on climate change and sea level rise – along with three update reports.

The three investigative reports tabled in Parliament this year were:

- *Managing water quality: Examining the 2014 National Policy Statement*
- *The state of air quality in New Zealand: Commentary by the Parliamentary Commissioner for the Environment on the 2014 Air Domain Report*
- *Changing climate and rising seas: Understanding the science*

In accordance with State Services guidelines, no reports were released during the three months prior to the September 2014 general election.

Managing water quality: Examining the 2014 National Policy Statement

This report was released in June 2015. New Zealand is richly endowed with rivers and streams, lakes and estuaries, aquifers and groundwater. The beauty of these water bodies is integral to our national identity. Images of clear water underpin the ‘clean green’ brand our tourism industry relies on, and water is the lifeblood of our agriculture. We value being able to swim, fish, and gather mahinga kai in many places across the country. For Māori, water is *taonga* – a treasure.

To its credit, the Government has invested heavily in developing policy to improve the management of fresh water. A National Policy Statement (NPS) was introduced in 2011 with an objective of maintaining or improving water quality. The NPS is a major step forward, but we are not out of the woods yet – in many places, water quality continues to decline.

I made six recommendations in the report. I recommended that regional councils prioritise the protection of vulnerable water bodies and catchments. Water bodies that are vulnerable or subject to particular pressure should be considered first. Otherwise, the difficulty and cost of restoring them will be that much greater.

I also made recommendations concerning the definition of the terms *maintain* and *improve* in the NPS, guidance in selecting Freshwater Management Units, clarification over exceptions to bottom lines, the inclusion of the Macroinvertebrate Community Index as a bio-indicator for ecosystem health, and the inclusion of estuaries in the policy.

The Government’s review of its water quality policy next year is an opportunity to ensure that it will actually lead to better water quality in our rivers and streams, our lakes and estuaries and groundwater.

The Government welcomed the report, with the Minister for the Environment noting its timeliness in feeding into the Government’s work with iwi leaders and the Land and Water Forum.

The state of air quality in New Zealand: Commentary by the Parliamentary Commissioner for the Environment on the 2014 Air Domain Report

This report, released in March 2015, is the first commentary I have prepared under the new system of Environmental Reporting, which has been recently established in the Environmental Reporting Act. Under the new system of environmental reporting, the Parliamentary Commissioner for the Environment can provide independent commentary on reports jointly prepared by the Ministry for the Environment and Statistics New Zealand.

The *2014 Air Domain Report* was the first of these reports to be released and in my commentary I assessed it with a view to identifying ways that future reports can be improved. There will never be a perfect state of the environment report – the task is too wide-ranging and the available data sets will always be inadequate in some way. The challenge therefore is one of incremental improvement and in my commentary I proposed seven areas for improvement.

The state of our air is generally good, as one would expect in a windswept maritime country with a small population and little heavy industry. Air quality is poorer in some towns and cities during cold calm days in winter, but, even in these places, air quality is good on most days.

In my report, I took a close look at the most significant air pollutant in New Zealand – particulate matter – and examined our national ambient air quality standard. I recommended that the Minister for the Environment initiate a review of the regulation governing the management of particulate matter, with a view to bringing it up-to-date with current scientific understanding.

The report received widespread media coverage, particularly in relation to air quality rules in Canterbury and Auckland. A Science Media Centre press release reiterated my comments that there is a strong case for an air quality rule aimed at long-term exposure to fine particles.

Changing climate and rising seas: Understanding the science

This report was released in November 2014. The investigation provided an opportunity to develop a deeper understanding of what is causing climate change and one of its major and most certain impacts – the rising level of the sea. This report did not contain recommendations. Rather, the aim of the report was to share that understanding with others to provide a basis for public engagement and policy development.

New Zealand is a coastal nation, so the impact of even a small rise in sea level will be significant and very costly for some landowners. Flooding will occur more frequently in some low-lying coastal areas, and coastal erosion will become an increasing problem in some areas. Some councils and communities have already started to face hard questions.

It is not just private property that will be affected. Councils and central government will need to prepare for increased costs because some public infrastructure such as roads, waste water systems, and buildings will be affected by rising seas.

The report attracted widespread public interest and media coverage. For example, Local Government New Zealand noted that the report “*sends strong signals to both central and local government that this is a big issue for New Zealand*”.

A second report – focussed on sea level rise in New Zealand – is due to be released later this year. It will include recommendations for changes in policy.

3.1.1 Update Reports

Update reports follow up on previous investigations by summarising reactions to the original report, considering new developments, and assessing responses to recommendations.

This year, three update reports have been released – one on water quality, one on the conservation land known as stewardship land, and one on the longfin eel – the largest and longest-lived freshwater eel in the world:

Update report - Water quality in New Zealand: Land use and nutrient pollution

This report covered developments since my 2013 report *Water quality in New Zealand: Land use and nutrient pollution*. That report followed an investigation into the relationship between land use and two nutrient pollutants – nitrogen and phosphorus.

This update report covered reactions to the 2013 report and included new information on land use change. Recent changes in farm productivity and mitigation were described, and trends in nutrient concentrations and water quality were presented.

A large change in land use has been taking place in New Zealand over the last two decades. Many sheep/beef farms and some forests have been converted to dairy farms. The modelling undertaken for the original report predicted that this trend would continue between 2008 and 2020.

Data included in the update report showed that the conversion of sheep/beef farms to dairy farms has continued. However, the predicted increase in forested land has not begun to occur. The modelling in the 2013 report is likely to have under predicted the nutrients that will be lost from land into water. This is not good news for water quality.

At the time of writing global dairy prices have fallen dramatically, which will almost certainly slow the rate of land use conversion to dairy. Commodity prices will vary over time, but the correlation between changing land use and water quality remains a fundamental reality that cannot be ignored.

Update report - Investigating the future of conservation: The case of stewardship land

This report covered developments since my August 2013 report *Investigating the future of conservation: The case of stewardship land*, in which I examined the origin of stewardship land, its current status, and the policies and regulations that guide its management. I found that, compared with other categories of conservation land, the legal protection of stewardship land is weak.

It is pleasing to see the Government acting on the recommendations from my 2013 report and I was heartened to see the creation of the Aotea Conservation Park on Great Barrier Island. However, I called on the Department of Conservation to pick up the pace in reviewing stewardship land.

A number of areas have already been identified for review including the Mokihinui area in the Buller District, the St James-Poplars area in North Canterbury, and the Te Wahipounamu World Heritage Area. But I have called for the review strategy, including criteria and timelines, to be put on the Department's website so it is clear and accessible to the public.

Areas of stewardship land can be swapped for areas of private land. I reiterated the need to ensure such land swaps benefit conservation and that the public can have confidence in them. Further work to address this recommendation has only just begun.

Update report - On a pathway to extinction? An investigation into the status and management of the longfin eel

This report covered developments since my April 2013 report *On a pathway to extinction? An investigation into the status and management of the longfin eel*.

In my original investigation, I found that the longfin eel population is currently in decline, and recommended that commercial fishing be suspended until the population has recovered. Longfin eels are very vulnerable because of their extraordinary lifecycle. Overall, the Government's response has been heartening, moving quickly to implement two of my three recommendations, but these efforts will need to be followed through.

Ministers accepted my recommendation to convene a panel of international experts to look into the longfin eel population. The panel met in December 2013 and concluded that the population of longfin eels is much lower than it was. The panel also criticised the limited set of information being used to guide management decisions, and recommended a more comprehensive approach be taken.

Last year the Minister for Primary Industries announced a package of measures to set targets, broaden and improve scientific evidence, revise catch limits, and implement other practical measures to rebuild the longfin eel population. Such action is welcome. It remains my view that reducing commercial catch limits will be crucial to the survival of this extraordinary creature.

Although the Minister for Primary Industries has not suspended commercial fishing of longfin eels, catch limits are being reviewed next year. I will be closely following the changes that the Government is making.

3.1.2 Other responses to previous investigations

Among the most widely read of my reports has been *Evaluating the use of 1080: Pests poisons and silent forests*, and it is pleasing to note that this work continues to resonate; most recently with the Department of Conservation's 'Battle for our Birds' response to the explosion of pest numbers in our forests this year. Without the aerial drops of 1080 during the past year, native bird species would have been decimated in many areas.

The use of 1080 remains a good example of the importance of basing policy decisions on sound scientific evidence. While there are other methods of killing pests, none can do the job 1080 can. It is still my view that we should be using more of it.

In June 2014 I released a report titled *Drilling for oil and gas in New Zealand: Environmental oversight and regulation*. In that report I made eight recommendations, including a recommendation to Government that a working group be formed to resolve the situation with livestock on landfarmed sites in Taranaki.

I welcomed the recent release of guidelines on this practice. The new guidelines have been developed by the Ministry for Primary Industries and are based on good advice from Landcare Research.

3.2 Advice

My advice this year was focused on one major and far-reaching environmental concern – that of climate change.

Submission on New Zealand's contribution to the new international climate change agreement

In December 2015, a climate change conference is being held in Paris with the intent of establishing a new international agreement on reducing emissions of greenhouse gases. This is the next climate change conference in a sequence that began with the creation of the United Nations Framework Convention on Climate Change (UNFCCC) at the Earth Summit held in Rio de Janeiro in 1992.

As part of the process leading up to Paris, each country has submitted an Intended Nationally Determined Contribution (INDC) to the United Nations. An INDC outlines the way each country intends to tackle climate change. This includes setting a target for reducing emissions after 2020. New Zealand is expected to table a contribution that is "*fair and ambitious, in light of its national circumstances*" ahead of the Paris conference.

In my submission on New Zealand's INDC, I made two recommendations. The first is that New Zealand should establish a collaborative forum to develop a plan for meeting emission reduction targets, as the Land and Water Forum has done for water quality. The second is that New Zealand must ensure any carbon units purchased offshore represent real emissions reductions and are not just 'hot air'.

3.3 Other activities

Undertaking investigations and preparing advice take up most of my time and that of my staff. However, it is important to take opportunities to visit different regions of the country, learn about environmental issues from those on the ground, and communicate our work, although time prevents me from accepting many invitations that come into the office.

Presentations this year included:

- The Resource Management Law Association's Salmon Lecture, in Auckland.
- A public lecture on the subject of air quality at Lincoln University. This event also gave me the opportunity to visit two of the university's research farms to inform my investigation on water quality.
- An address to the joint Maori Land Court and Environment Court Conference in Wellington.
- A presentation to a group of senior BNZ managers at their Auckland head office.

In accordance with State Services guidance, no public appearances were made during the three months prior to the September 2014 general election.

3.4 Current and future work

My functions are broad and there are numerous environmental issues worthy of investigation. However, time and resources are limited. It is therefore important our future work is carefully prioritised and planned, to ensure it is pertinent and 'adds value' for Members of Parliament and the public.

The first criterion for adding value is to avoid duplicating the work of others. Instead, I seek out areas where my independence can enable progress on difficult or contested topics, and where I am likely to be able to make practical, effective recommendations.

I receive many complaints, information, and suggestions from members of the public. While all the issues raised cannot be investigated, all are considered. Some have led to investigations.

However, while it is my job to worry about New Zealand's environment, not everything is of great importance. We strive to get beyond the reactionary and fashionable, and focus attention on what matters most.

I pay particular attention to environmental problems that are **irreversible**, **cumulative**, and/or **accelerating**. I also consider their **scale** and **pervasiveness**, and whether they threaten to **tip a system into another state**. Climate change ticks all these boxes and is therefore, in my view, the greatest environmental challenge the world faces.

Four investigations are currently under way, on the topics of sea level rise, marine protected areas, the emissions trading scheme, and New Zealand's native birds.

- The Emissions Trading Scheme (ETS) is New Zealand's main response to climate change and the goal of reducing greenhouse gas emissions. The ETS has been law since 2008, and is to be reviewed for the second time at the end of this year. **Agricultural greenhouse gases** (methane and nitrous oxide) make up half of New Zealand's emissions, but remain in a 'transitional phase' under the ETS. Ahead of the ETS review, I am investigating how agricultural greenhouse gases should be treated as part of New Zealand's climate change policy.
- The kiwi is New Zealand's most iconic species, yet along with many of our other **native birds** it continues to decline in the wild. Threats to native birds include introduced predators and reduced habitat. Following on from my previous work on pest control and conservation land management, I have initiated an investigation into what the future might hold for our native birds.
- **Marine protected areas** are another topic being investigated. Identifying and protecting certain areas is one approach to conserving and sustainably managing New Zealand's very diverse, precious, and economically valuable marine environment. This investigation is on hold while the Government considers reform in this area.
- An investigation into the implications of **sea level rise** for New Zealand continues with a second report on the topic due to be released later this year.

The next area of work is yet to be chosen. The following general topics are regularly under consideration for future work:

- **Energy** is a vast topic, ranging from electricity through to transport and mining. The use of electricity for transport (electric cars) is of particular interest, since it holds potential for significantly reducing the country's greenhouse gas emissions and improving the management of peak electricity demand.
- **Conservation** (including biodiversity) has become a recurring theme in the office as recent reports have uncovered a number of issues worthy of exploration. For instance the control of wilding pines and other pest plants, and the protection of native plants and animals outside of conservation land.
- **Water and land** management remains one of New Zealand's greatest environmental challenges. In particular, there is potential to look more closely at the relationship between sedimentation of waterways and soil losses from land use. The loss of elite soils is also of particular interest. Others include the potential benefit of DCD – a fertiliser additive that can reduce nutrient pollution of waterways – and the growing problem of cadmium accumulation in soil.
- **Environmental agencies** and decision-making systems and processes form a significant area of work, and are analysed to some extent in most reports and advice provided by the Commissioner.

At the time of writing, it is anticipated that the Ministry for the Environment and Statistics New Zealand's 'synthesis report' will be released in October 2015. Work will then begin work on a commentary report.

I will also continue to provide advice to select committees on environmental bills, such as amendments to the Resource Management Act, and from time to time make submissions on proposed environmental policies and regulations.

My office will continue to respond to letters from members of the public expressing particular environmental concerns and requesting information.

A number of past reports remain topical and continue to provide opportunities to follow up on findings and recommendations.



4

The office

The capability and productivity of my staff is fundamental for the effectiveness of the office. The aim is to provide a supportive and rewarding environment where excellence is valued. We have a culture of continuous improvement, and continually look for ways to do things better by questioning the *status quo*.

4.1 Training and development

Staff are encouraged, with the support of their managers, to plan for their own professional and personal development. In 2014/15, 2% of the total salary budget was spent on training and development. This included management courses, ongoing professional development, writing skills, attendance at conferences and seminars, and communications training.

4.2 Organisational health

My staff must have the right skills and experience in order to deliver high quality work. This means retaining top performing staff and attracting high calibre applicants. It also means ensuring that the office is recognised as a challenging workplace in which results are expected and delivered. Systems and process that support this work include:

- Regular meetings of the management team.
- Regular financial and operational reporting.
- Ongoing corporate systems development.

Measures to promote a healthy workplace include:

- Flexible work arrangements to accommodate family needs.
- Ability to use remote access to facilitate working from home in special circumstances.
- Negotiable part-time working arrangements, where appropriate.

No health and safety incidents were recorded during the year.

As at 30 June 2015, there were 22 staff (21.3 FTEs) employed within the office (Table 1).

Table 1 Number and diversity of staff as at 30 June 2015

	2013/14 staff	2013/14 FTEs	2014/15 staff	2014/15 FTEs
Number of men employed	7	7.0	10	10
Number of women employed	8	7.3	12	11.3
Total employees	15	14.3	22	21.3
New Zealand European	11		15	
New Zealand Māori	0		1	
New Zealand Polynesian	1		0	
Other nationalities	3		6	

The office remuneration policy is aligned with those already operating across the state sector. Our *Human Resources Manual* and *Code of Conduct* guide staff on employment related matters.



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Financial statements and statement of service performance

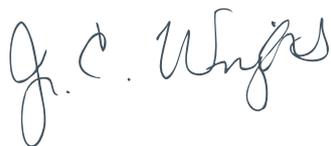
5.1 Statement of responsibility

I am responsible as the Chief Executive of Parliamentary Commissioner for the Environment, for:

- the preparation of the financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them;
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting;
- ensuring that end-of-year performance information is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in the annual report;
- the accuracy of any end-of-year performance information, whether or not that information is included in the annual report.

In my opinion:

- the financial statements fairly reflect the financial position of the Parliamentary Commissioner for the Environment as at 30 June 2015 and its operations for the year ended on that date; and
- the forecast financial statements fairly reflect the forecast financial position of the Parliamentary Commissioner for the Environment as at 30 June 2016 and its operations for the year ending on that date.



Dr Jan Wright
**Parliamentary Commissioner for
the Environment**



Craig Le Vaillant
Chief Financial Officer

30 September 2015

5.2 Independent Auditor's Report

**To the readers of
 Parliamentary Commissioner for the Environment's
 annual report
 for the year ended 30 June 2015**

The Auditor-General is the auditor of the Parliamentary Commissioner for the Environment (the Commissioner). The Auditor-General has appointed me, Chrissie Murray, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf of:

- the financial statements of the Commissioner on pages 27 to 46 that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2015, the statement of comprehensive revenue and expense, statement of changes in equity, 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 performance information prepared by the Commissioner for the year ended 30 June 2015 on pages 9 to 17, and 25 and 26 that comprise the information about reports, advice, and other activities, and the statement of objectives and service performance; and
- the statements of expenses and capital expenditure of the Commissioner for the year ended 30 June 2015 on pages 45 and 46 that comprise the appropriation statements.

Opinion

In our opinion:

- the financial statements of the Commissioner:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year ended on that date;
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards with reduced disclosure requirements;
- the performance information of the Commissioner:
 - presents fairly, in all material respects, for the year ended 30 June 2015:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure;

- complies with generally accepted accounting practice in New Zealand; and
- the statements of expenses and capital expenditure of the Commissioner are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

Our audit was completed on 30 September 2015. 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 Commissioner 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 information we audited is 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 information we audited. 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 information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Commissioner's preparation of the information we audited 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 the Commissioner'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 Commissioner;
- the appropriateness of the reported performance information within the Commissioner's framework for reporting performance;
- the adequacy of the disclosures in the information we audited; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited. Also, we did not evaluate the security and controls over the electronic publication of the information we audited.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Commissioner

The Commissioner is responsible for preparing:

- financial statements that present fairly the Commissioner’s financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- statements of expenses and capital expenditure of the Commissioner, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.

The Commissioner’s responsibilities arise from the Public Finance Act 1989.

The Commissioner is responsible for such internal control as is determined is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Commissioner is also responsible for the publication of the annual report, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

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 the Commissioner.



Chrissie Murray

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

5.3 Statement of objectives and service performance

The primary impact that the Parliamentary Commissioner for the Environment seeks is to influence decisions in order to maintain and improve the quality of the New Zealand environment. The performance measures below directly and indirectly indicate whether we have achieved our mission.

Output: Reports and advice

Reports and advice are the sole output class appropriated through Vote: Parliamentary Commissioner for the Environment, although there are a variety of other activities that result from our work. Outputs include:

- Reports of investigations.
- Presentations to select committees on investigations and other matters.
- Provision of advice and/or briefings to Members of Parliament (MPs) on investigations and other matters.
- Advice and submissions on Bills and Inquiries to select committees.
- Submissions on proposed regulations.
- Update reports on responses to recommendations made by the Commissioner.
- Support for inter-Parliamentary delegations.
- Presentations on environmental issues to a wide variety of groups.
- Responses to concerns and enquiries from members of the public.
- A regular email newsletter informing MPs of the work of the office.

Budgeted and actual expenditure relating to the above output is detailed in section 5.11

Performance

One of the main functions of the Commissioner is to provide advice to Members of Parliament. The key indicator of the effectiveness of the Commissioner's work is the proportion of recommendations made that are adopted by Governments over the period of the Commissioner's tenure. This year, this indicator measured 58% (2014: 60%) against a target of 65%. The drop in the proportion of recommendations adopted is primarily due to two recommendations regarding the proposed Environmental Reporting Bill that were not adopted by the Government.

There is no 'right' answer for this indicator. A high percentage of recommendations adopted could indicate too many 'easy' recommendations. A low percentage could indicate a lack of pragmatism.

Raising levels of awareness and public debate is a priority for the Commissioner so ensuring work is accessible and accurate is important. Gaining coverage in the media also allows topics to be more widely discussed.

Table 2 shows performance measures and targets set by the Commissioner.

Table 2 Impact and output performance measures and targets

Measure	Target	Performance
Proportion of recommendations that are adopted or partially adopted during the tenure of the current Commissioner	65%	58%
Number of reports and commentaries published during the year	4-6	6
Other advice to parliament	4-8	1 ¹
Reports and commentaries externally peer reviewed and 'content checked'	100%	100%
Response to public concerns and information requests within required timeframes	100%	74%
Capital expenditure is in accordance with capital asset management plan	Achieved	Achieved

Quality assurance

It is extremely important that the work produced by the office is researched well, argued well, and written well. All work is internally reviewed. For major projects, reports and commentaries are externally peer reviewed for technical accuracy.

Response to public concerns and requests

The office receives a range of correspondence from the public about environmental matters. The Commissioner has set three timeframes for responding to public concerns and information requests:

- all correspondence is to be acknowledged within 10 working days;
- all public concerns and requests for investigations are to receive a response within 9 months; and
- all requests for official information are to be responded to within the statutory timeframe of 20 working days.

In 2014/15, 74% of correspondence was acknowledged and 100% of public concerns were responded to within required timeframes. One official information requests was received which was responded to within 22 working days. Performance dropped due to an increase in the volume and complexity of correspondence received. Changes have since been made to improve office processes and performance.

¹ This fluctuates with time based on when environmental legislation is before select committee or other advice is requested by Parliament.

5.4 Statement of comprehensive revenue and expense for the year ended 30 June 2015

Actual 2014 \$ (000)	Note	Actual 2015 \$ (000)	Unaudited Budget 2015 \$ (000)	Unaudited Forecast 2016 \$ (000)
Revenue				
2,773	Revenue Crown	3,195	3,183	3,196
0	Revenue Other	0	3	3
2,773	Total Revenue	3,195	3,186	3,199
Expenses				
1,760	Personnel costs (2)	2,079	1,887	2,120
123	Depreciation and amortisation (7),(8)	36	60	60
3	Loss on sale of property, plant and equipment (3)	0	0	0
49	Capital charge (4)	49	49	49
777	Other operating expenses (5)	1,033	1,190	970
2,712	Total Expenses	3,197	3,186	3,199
21	Net Surplus/ (Deficit)	(2)	0	0
0	Other Comprehensive Revenue and Expenses	0	0	0
21	Total Comprehensive Revenue and Expenses for the year	(2)	0	0

The accompanying notes form part of these financial statements.

Explanations of major variances against the original 2014/15 budget are detailed in note 18.

5.5 Statement of financial position as at 30 June 2015

Actual 2014 \$ (000)	Note	Actual 2015 \$ (000)	Unaudited Budget 2015 \$ (000)	Unaudited Forecast 2016 \$ (000)
Assets				
Current Assets				
745		284	692	705
13	(6)	581	0	0
758	Total Current Assets	865	692	705
Non-Current Assets				
0	(8)	35	0	0
107	(7)	116	148	135
1	(8)	1	0	0
108	Total Non-Current Assets	152	148	135
866	Total Assets	1,017	840	840
Liabilities				
Current Liabilities				
160	(9)	297	151	151
21	(10)	0	0	0
72	(11)	109	76	76
253	Total Current Liabilities	406	227	227
253	Total Liabilities	406	227	227
613	Net Assets	611	613	613
Equity				
613	(12)	611	613	613
613	Total Equity	611	613	613

5.6 Statement of changes in equity for the year ended 30 June 2015

Actual 2014 \$ (000)	Actual 2015 \$ (000)	Unaudited Budget 2015 \$ (000)	Unaudited Forecast 2016 \$ (000)
613	613	613	613
21	(2)	0	0
(21)	0	0	0
613	Balance at 30 June	611	613

The accompanying notes form part of these financial statements.
Explanations of major variances against the original 2014/15 budget are detailed in note 18.

5.7 Statement of cash flows for the year ended 30 June 2015

Actual 2014 \$ (000)		Actual 2015 \$ (000)	Unaudited Budget 2015 \$ (000)	Unaudited Forecast 2016 \$ (000)
Cash flows from operating activities				
2,733	Receipts from Crown	2,642	3,183	3,196
0	Receipts from revenue other	0	3	3
(771)	Payments to suppliers	(898)	(960)	(970)
(1,782)	Payments to employees	(2,042)	(2,118)	(2,120)
(49)	Payments for capital charge	(49)	(49)	(49)
8	Goods and services tax (net)	(13)	0	8
139	Net cash from operating activities	(360)	59	60
Cash flows from investing activities				
0	Receipts from sale of property, plant and equipment	0	0	0
0	Capital work in progress	(35)	0	0
(29)	Purchase of property, plant and equipment	(45)	(72)	(72)
(29)	Net cash from investing activities	(80)	(72)	(72)
Cash flows from financing activities				
0	Payment of surplus to Crown	(21)	0	0
0	Net cash from financing activities	(21)	0	0
110	Net (decrease)/increase in cash	(461)	(13)	(12)
635	Cash at the beginning of the year	745	705	717
745	Cash at the end of the year	284	692	705

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Explanations of major variances against the original 2014/15 budget are detailed in note 18.

The accompanying notes form part of these financial statements.

5.8 Statement of commitments

As at 30 June 2015, the Parliamentary Commissioner for the Environment has capital commitments amounting to \$15,000 (2014: nil).

Non-cancellable operating lease commitments

The Parliamentary Commissioner for the Environment renewed its office lease in March 2015 at an annual cost of \$233,000 per annum. The lease term expires in April 2017. At the expiry of the lease there is a right of renewal for a further three years if the Commissioner decides to exercise this option.

Other non-cancellable commitments

The Parliamentary Commissioner for the Environment has entered into a non-cancellable 5 year contract for a photocopier under the government's All of Government contracts.

Actual 2014 \$ (000)		Actual 2015 \$ (000)
Non-cancellable operating lease commitments		
0	No later than one year	233
0	Later than one year and no later than five years	194
0	Total operating lease commitments	427
Other non-cancellable commitments		
2	No later than one year	2
7	Later than one year and no later than five years	5
9	Total other commitments	7

There are no restrictions placed on the Parliamentary Commissioner for the Environment by any of its leasing arrangements.

The accompanying notes form part of these financial statements.

5.9 Statement of contingent liabilities and contingent assets

The Parliamentary Commissioner for the Environment had no known quantifiable or unquantifiable contingent liabilities as at 30 June 2015 (2014: nil).

The Parliamentary Commissioner for the Environment had no contingent assets as at 30 June 2015 (2014: nil).

The accompanying notes form part of these financial statements.

5.10 Notes to the financial statements

1. Statement of accounting policies

Reporting Entity

The Parliamentary Commissioner for the Environment was established under the Environmental Act 1986 and is designated as an Officer of Parliament by the Public Finance Act 1989.

As the Commissioner's primary objective is to investigate environmental concerns independent of government, the Parliamentary Commissioner for the Environment has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements for the Parliamentary Commissioner for the Environment are for the year ended 30 June 2015 and were authorised for issue on 30 September 2015.

Basis of Preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP), and Treasury Instructions.

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards. The Parliamentary Commissioner for the Environment qualifies for the reduced disclosure regime as a Tier 2 entity as its expenses are less than \$30 million.

These financial statements comply with PBE accounting standards reduced disclosure regime.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. There are no material adjustments arising on transitioning to the new PBE accounting standards.

Presentation currency and rounding

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

Summary of Significant Accounting Policies

Revenue

The specific accounting policies for significant revenue items are explained below:

Revenue Crown

Revenue from the Crown is measured based on the Parliamentary Commissioner for the Environment's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any

amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

There are no conditions attached to the funding from the Crown. However, the Parliamentary Commissioner for the Environment can only incur expenses within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

Capital charge

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

Operation leases

An operating lease is a lease that does not transfer substantially all risks and rewards incidental to ownership of an asset to the lessee.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expenses over the lease term.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, and deposits held with banks.

The Parliamentary Commissioner for the Environment is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations..

Receivables

Short-term receivables are recorded at their face value, less any provision for impairment.

A receivable is considered impaired when there is evidence that the Parliamentary Commissioner for the Environment will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be received.

Property, plant and equipment

Property, plant and equipment consist of the following asset classes: furniture, fittings and fixtures, computer hardware, other office equipment, and leasehold improvements.

Assets are shown at cost less any accumulated depreciation and impairment losses.

Individual assets, or groups of assets, are capitalised if their cost is greater than \$1,000.

Additions

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 Parliamentary Commissioner for the Environment and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

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 Parliamentary Commissioner for the Environment and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment is recognised in the surplus of deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of property, plant and equipment have been estimated as follows:

Furniture, fittings and fixtures	10 years	10%
Computer hardware	4 years	25%
Other office equipment	3-5 years	20-33%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful life of the improvements, whichever is the shorter.

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

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs of software updates or upgrades are only capitalised when they increase the usefulness or value of the software.

Costs associated with maintenance of the Parliamentary Commissioner for the Environment's website are recognised as an expense when incurred.

Costs associated with the development of the Parliamentary Commissioner for the Environment's new website are capitalised due to the service delivery function of the website.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line bases over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of each major class of intangible assets have been estimated as follows:

Acquired computer software	3 years	33%
Developed computer software	4 years	25%

Impairment of plant, property and equipment and intangible assets

The Parliamentary Commissioner for the Environment does not hold any cash generating assets. Assets are considered cash generating where their primary objective is to generate a commercial return.

Non-cash generating assets

Property, plant and equipment and intangible assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate 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 service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the present value of the asset's remaining service potential. Value in use is determined by using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service unit approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

Payables

Short-term payables are recorded at their face value which is equivalent to fair value.

Employee entitlements

Short-term employee entitlements

Employee entitlements that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date.

Presentation of employee entitlements

Accrued salaries and wages, and accrued annual leave are classified as current liabilities.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Equity

Equity is the Crown's investment in the Parliamentary Commissioner for the Environment and is measured as the difference between total assets and total liabilities. Equity has been classified as taxpayer funds.

Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at balance date. Information on non-cancellable capital and lease commitments are reported in the statement of commitments.

Cancellable commitments that have a penalty or exit costs explicit in the agreement on exercising that option to cancel are reported in the statement of commitments at the lower of the remaining contractual commitment and the value of those penalty or exit costs (i.e. the minimum future payments).

Goods and Services Tax (GST)

All items in the financial statements and appropriation statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part

cost of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid, 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.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The Parliamentary Commissioner for the Environment is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision for income tax has been made.

Statement of cost accounting policies

The Parliamentary Commissioner for the Environment only has one output. All costs are allocated directly to that output.

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

Critical accounting estimates and assumptions

In preparing these financial statements, the Parliamentary Commissioner for the Environment has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Estimates useful lives and residual values of property, plant and equipment

At each balance date, the useful lives and residual values of property, plant and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit, and carry amount of the asset in the statement of financial position. The Parliamentary Commissioner for the Environment minimises the risk of this estimation uncertainty by:

- physical inspection of assets; and
- asset replacement programs.

The Parliamentary Commissioner for the Environment has not made significant changes to past assumptions concerning useful lives and residual values.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

Lease classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Parliamentary Commissioner for the Environment.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas with an operating lease, no such asset is recognised.

The Parliamentary Commissioner for the Environment has exercised its judgement on the appropriate classification of equipment leases, and has determined that no lease arrangements are finance leases.

Budget and forecast figures

Basis of the budget and forecast figures

The 2015 Budget figures are for the year ended 30 June 2015 and were published in the 2013/14 annual report. They are consistent with the Parliamentary Commissioner for the Environment's best estimate financial forecast information submitted to Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 2014/15.

The 2016 forecast figures are for the year ending 30 June 2016, which are consistent with the best estimate financial forecast information submitted to Treasury for the BEFU for the year ending 2015/16.

The forecast financial statements have been prepared as required by the Public Finance Act to communicate forecast financial information for accountability purposes.

The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

The 30 June 2016 forecast figures have been prepared in accordance with PBE FRS 42 *Prospective Financial Statements* and comply with PBE FRS 42.

The forecast financial statements were approved for issue by the Chief Executive on 25 March 2015. The Chief Executive is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

While the Parliamentary Commissioner for the Environment regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2016 will not be published.

Significant assumptions used in preparing the forecast financials

The forecast figures contained in these financial statements reflect the Parliamentary Commissioner for the Environment's purpose and activities and are based on a number of assumptions on what may occur during the 2015/16 year.

The main assumptions, which were adopted as at 25 March 2015, were as follows:

- The Parliamentary Commissioner for the Environment's activities and output expectations will remain substantially the same as the previous year.
- Personnel costs are based on 21.3 full-time equivalent positions.
- Operating costs are based on historical experience and other factors that are believed to be reasonable in the circumstances. Remuneration rates are based on current wage and salary costs, adjusted for anticipated remuneration changes.
- Estimated year end information for 2014/15 was used as the opening position for the 2015/16 forecasts.

The actual financial results achieved for 30 June 2016 are likely to vary from the forecast information presented, and the variations may be material.

2. Personnel costs

Actual 2014 \$ (000)		Actual 2015 \$ (000)
1,660	Salaries and wages	1,981
70	Redundancies	0
52	Employer contributions to defined contribution plans	61
(22)	Increase/(decrease) in employee entitlements	(37)
1,760	Total personnel costs	2,079

3. Gain/(Loss)

Actual 2014 \$ (000)		Actual 2015 \$ (000)
3	Net gain/(loss) on disposal of property, plant and equipment	0
3	Total gain/(loss)	0

4. Capital charge

The Parliamentary Commissioner for the Environment pays a capital charge to the Crown on its equity as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2015 was 8.0% (2014: 8.0%).

5. Other operating costs

Included within other operating costs are:

Actual 2014 \$ (000)		Actual 2015 \$ (000)	Unaudited Forecast 2016 \$ (000)
22	Audit fees for the financial statement audit	22	22
215	Operating lease payments	239	236
0	Advertising and publicity	0	0
172	Consultancy	416	392
22	Restructuring costs – other	0	0
51	Maintenance	56	48
37	Accommodation	40	38
25	Communication	25	30
31	Travel	51	50
10	Consumables	14	10
52	Professional fees and development	57	59
44	Library acquisitions	45	40
96	General expenses	68	45
777	Total	1,033	970

6. Debtors and other receivables

Actual 2014 \$ (000)	Actual 2015 \$ (000)
0 Debtor Crown	553
13 Prepayments	28
13 Total Debtors and other receivables	581

The Parliamentary Commissioner for the Environment has no other debtors or receivables.

7. Property, plant and equipment

	Furniture, fittings & fixtures \$ (000)	Computer hardware \$ (000)	Other office equipment \$ (000)	Leasehold improvements \$ (000)	Total \$ (000)
Cost					
Balance at 1 July 2014	208	134	46	416	804
Additions	33	9	3	0	45
Disposals	0	(13)	0	0	(13)
Balance at 30 June 2015	241	130	49	416	836
Accumulated Depreciation					
Balance at 1 July 2014	160	94	27	416	697
Depreciation expense	11	19	6	0	36
Disposal	(0)	(13)	0	0	(13)
Balance at 30 June 2015	171	100	33	416	720
Carrying amounts					
At 30 June 2014	48	40	19	0	107
At 30 June 2015	70	30	16	0	116

8. Intangible assets

	Acquired software \$ (000)	Internally generated software \$ (000)	Total \$ (000)
Cost			
Balance at 1 July 2014	94	12	106
Additions	0	0	0
Disposals	0	0	0
Balance at 30 June 2015	94	12	106
Accumulated amortisation and impairment losses			
Balance at 1 July 2014	93	12	105
Amortisation expense	0	0	0
Disposals	0	0	0
Balance at 30 June 2015	93	12	105
Carrying amounts			
At 30 June 2014	1	0	1
At 30 June 2015	1	0	1

Work in progress of \$35,000 relates to development costs associated with the new website for the Parliamentary Commissioner for the Environment. The total cost of the project is expected to be \$50,000, with completion due in November 2015.

There are no restrictions over the title of the Parliamentary Commissioner for the Environment's intangible assets, nor are any intangible assets pledged as security for liabilities.

9. Creditors and other payables

	Actual 2014 \$ (000)	Actual 2015 \$ (000)
41 Creditors		177
79 Accrued expenses		93
40 GST payable		27
160 Total creditors and other payables		297

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.

10. Repayment of surplus

Actual 2014 \$ (000)	Actual 2015 \$ (000)
21 Net surplus	0
21 Total repayment of surplus	0

The repayment of surplus is required to be paid by 31 October of each year.

11. Employee entitlements

Actual 2014 \$ (000)	Actual 2015 \$ (000)
72 Annual leave	109
72 Total employee entitlements	109

The Parliamentary Commissioner for the Environment has no retirement leave or long service leave obligations. Annual leave obligations are calculated on the actual to be paid.

12. Equity

Actual 2014 \$ (000)	Actual 2015 \$ (000)
613 General funds	613
21 Operating (deficit)/surplus	(2)
(21) Provision for repayment of surplus	0
613 General funds at 30 June	611

13. Related party transactions and key management personnel

Related party transactions

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

The Parliamentary Commissioner for the Environment is a wholly owned entity of the Crown. Parliament significantly influences the work of the Parliamentary Commissioner for the Environment as well as being its major source of revenue.

Significant transactions with government-related entities

The Parliamentary Commissioner for the Environment has received funding from the Crown of \$3.195m (2014: \$2.733m) to provide reports and advice to the public for the year ended 30 June 2015.

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

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

The Parliamentary Commissioner for the Environment 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 2015 totalled \$407,000 (2014 \$271,000). These purchases included the purchase of electricity from Genesis Energy, air travel from Air New Zealand, and postal services from New Zealand Post.

There is a balance of \$54,000 outstanding at year end (2014 \$13,000).

There were no transactions carried out with other related parties.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Key management personnel compensation

Actual 2014 \$ (000)		Actual 2015 \$ (000)
Leadership team, including Chief Executive		
897	Remuneration	719
6.0	Full-time equivalent staff	4.0

Key management personnel are the senior management team, which comprises the Commissioner and three Executive Managers (2014: Commissioner and five Managers).

14. Events after the balance date

There have been no significant events after the balance sheet date.

15. Categories of financial instruments

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

Actual 2014 \$ (000)		Actual 2015 \$ (000)
Loans and receivables		
745	Cash and cash equivalents	284
13	Receivables	581
758	Total loans and receivables	865
Financial liabilities measured at amortised cost		
160	Creditors and other payables (note 9)	297

16. Explanations of major variances against budget

Explanations of major variances from the Parliamentary Commissioner for the Environments budget figures are as follows:

Statement of comprehensive revenue and expense

Personnel costs were higher than budget due to higher than anticipated staff numbers during the year due. The budget was set when staff numbers were particularly low and it was uncertain how many additional staff would be recruited and when that recruitment would take place.

Statement of financial position

Cash on hand is lower than budget due to the office not drawing all of its funding from the Crown during the year. This also resulted in a corresponding increase in debtors at year end.

Statement of cash flows

Receipts from the Crown are lower than budget due to the office not drawing all of its funding from the Crown during the year.

5.11 Appropriation Statements

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by the Parliamentary Commissioner for the Environment for the year ended 30 June 2015.

Statement of budgeted and actual expenses and capital expenditure incurred against appropriations for the year ended 30 June 2015

Annual and permanent appropriations for by the Parliamentary Commissioner for the Environment.

Expenditure 2014 \$ (000)		Expenditure 2015 \$ (000)	Approved Appropriation 2015* \$ (000)
Output Expense			
2,416	Parliamentary Commissioner for the Environment - Reports and Advice	2,888	2,890
2,416	Total output expenses	2,888	2,890
Appropriation for other expenses			
296	Remuneration of the Parliamentary Commissioner for the Environment (Permanent Legislative Authority)	309	309
296	Total other expenses	309	309
Capital Expenditure			
29	Parliamentary Commissioner for the Environment - Capital Expenditure (Permanent Legislative Authority)	80	72
29	Total capital expenditure	80	72
2,741	Total annual and permanent appropriations	3,277	3,271

* This includes adjustments made in the Supplementary Estimates.

End-of-year output performance information has been reported in section 5.3 of this annual report.

The Parliamentary Commissioner for the Environment leads the performance of the office. The performance of the Commissioner is reflected in the output performance measures of the office as detailed in section 5.3.

Capital expenditure is based on the replacement of assets required in order for the office of the Parliamentary Commissioner to operate effectively. Performance measures for capital expenditure are reflected in the output performance measures of the office as detailed in section 5.3.

Statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority

The Parliamentary Commissioner for the Environment has not incurred any expenses or capital expenditure without, or in excess of, appropriation or other authority (2013/14: nil).

Capital expenditure in excess of the budgeted amount is permitted by the permanent legislative authority.

Statement of capital injections for the year ended 30 June 2015

The Parliamentary Commissioner for the Environment has not received any capital injections during the year (2013/14: nil).

Statement of capital injections without, or in excess of, authority for the year ended 30 June 2015

The Parliamentary Commissioner for the Environment has not received any capital injections during the year without, or in excess of, authority (2013/14: nil).