

Annual Report for the year ended 30 June 2009



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

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# Annual Report for the year ended 30 June 2009

Presented to the House of Representatives pursuant to section 39 of the Public Finance Act 1989



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

Hon. Dr Lockwood Smith Speaker House of Representatives Parliament Buildings WELLINGTON

#### Mr Speaker

In accordance with section 23 of the Environment Act, I am pleased to submit my Annual Report for the year ended 30 June 2009.

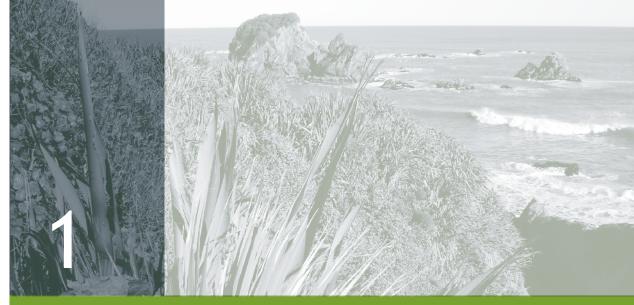
Yours faithfully

Dr Jan Wright

**Parliamentary Commissioner for the Environment** 

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### Commissioner's overview

This financial year has been both busy and productive. While last year was dominated by advice to Select Committees on bills and inquiries, this year has been marked by the publication of three reports on major investigations.

The first was the investigation into the clean-up of New Zealand's worst contaminated site at Mapua near Nelson. While the land has been remediated, there were some real lessons to be learned from the process. One such lesson was the inappropriateness of a policy agency taking on such an operational role, and this has been cited as a reason for the creation of an Environmental Protection Authority. I was pleased to see the thorough results from the Site Auditor, released in July. It gives me confidence that the site can now be used by local residents.

The second was the investigation into the significant changes in land use occurring in the high country of the South Island. These changes are partly driven by the 'tenure reviews' of the high country runs leased from the Crown. Since our report was published, it is pleasing to see the developing interest in Queen Elizabeth II covenants among the high country farmers. I remain concerned about the runaway spread of weeds including wilding pines, and the potential threat to water quality in some of our iconic high country lakes.

The third major investigation was into smart electricity meters, and attracted considerable media coverage. There are many environmental impacts associated with energy, and I have a long-standing interest in clever ways of reducing energy consumption in order to reduce the associated environmental impacts. Smart meters have real potential here, but leadership is required. My chief concern is that many thousands of new electronic meters are being installed that lack the capability to reduce electricity consumption, and thereby reduce the environmental impacts associated with electricity generation and transmission.

Investigations into mining, water quality and transport fuels are well underway, and I expect to report to Parliament on these issues in the coming months.

Climate change is the environmental challenge that dwarfs all others. In the last financial year, we became involved with the Emissions Trading Scheme in several ways, including advising on the bill and critiquing draft regulations on carbon storage in indigenous forests. The current Government is reviewing the scheme, and in January, I was invited to act as an independent adviser to the Emissions Trading Scheme Review Committee. This has required a significant investment of

staff time due to the complexity of the issues, but I anticipate ongoing work in the office related to this extremely important legislation.

This year has also seen the first round of amendments to the Resource Management Act. I anticipate taking a strong interest in the further rounds of amendments, since significant changes to environmental agencies have been broached, and my first function under the Environment Act 1986 is to "review ... the system of agencies and processes..." that manage the environment.

During this year, we have worked hard at increasing the value of reports and advice by both briefing MPs and communicating with a wider audience through opinion pieces in major newspapers. The level of interest and debate that has followed is rewarding. My staff are well aware of the pressure I put on them to ensure that my recommendations can lead to real change for the better, but we have no monopoly on wisdom or knowledge. As time allows, I continue to visit regions around the country, and there is no substitute for seeing problems 'on the ground'.

In the office, we actively practise a culture of continuing improvement. I sought no budget increase for this year or the coming year, and cost-effectiveness is a guiding principle. The conversion of the office to open plan has been very successful, and has clearly increased productivity by supporting a collegial style of working.

I am pleased to present this annual report and look forward with my hard-working and talented team to a productive 2009/10.

Dr Jan Wright

G.C. Wight

**Parliamentary Commissioner for the Environment** 



The Environment Act 1986 establishes the Parliamentary Commissioner for the Environment as an Officer of Parliament and lays out the Commissioner's functions

and powers. The Commissioner is appointed for a five-year term by the Governor-General on the recommendation of the House of Representatives.

As an Officer of Parliament, the Commissioner is independent of the Executive Government. The Commissioner has power to obtain information from any person, but must not release this information except for purposes connected with the administration of the Environment Act or the carrying out of the provisions of the Act. The Commissioner does not have the power to make any binding rulings and is unable to reverse decisions made by public authorities or the Courts. The Commissioner engages with Parliament, Ministers of the Crown, public authorities, and wider groups of decision-makers to encourage them to respond to her recommendations.

The independence, quality, timing, and dissemination of the Commissioner's advice are critical to its uptake and effectiveness.

### 2.1 Key roles of the Commissioner

The functions of the Commissioner are given in section 16 (1) of the Environment Act 1986. They are to:

- 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.

#### 2.2 Our mission

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

The goal of the Commissioner and her office is to contribute toward the maintenance and improvement of the natural and physical environment. Many agencies and individuals share this goal. It is the way in which the Commissioner seeks to achieve this goal that defines our mission; that is, through influencing decisions.

The Commissioner's role as an Officer of Parliament gives a unique opportunity to provide Members of Parliament with independent advice to assist in their consideration of matters that may impact on the quality of the environment.

#### **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.



## Reports and advice

#### 3.1 Work completed this year

## Investigation into the remediation of the contaminated site at Mapua

Following complaints of poor environmental management during the clean-up of a contaminated site at Mapua, near Nelson, an investigation was begun in late 2006. Large volumes of a wide range of agricultural chemicals had been manufactured and stored at the site over several decades. The treatment process used did successfully treat the soil but in doing so, may have released some dioxins. The main environmental concern of the complainants was the leaching of contaminants from the site into the groundwater and the estuary.

The report determined how well the remediation of the Mapua contaminated site had been managed by the Ministry for the Environment and Tasman District Council, and looked at lessons learnt that could be used in future clean-ups of contaminated land around New Zealand.

When the investigation was started following complaints in 2006, the previous Commissioner referred matters relating to human health and safety to the Ministry of Health and the Department of Labour.

Eight recommendations were made to the Minister for the Environment, the Ministry for the Environment, Tasman District Council and the Site Auditor, addressing various concerns including several recommendations for public agencies to implement, in order to improve management of other contaminated sites.

The report was presented to the House of Representatives in July 2008.

Of the eight recommendations made, six have been accepted and acted on. The Commissioner was especially pleased by the prompt response of the Tasman District Council in testing the soil for mercury residues. The Minister for the Environment has also proposed an amendment to the Resource Management Act, which would allow enforcement actions against the Crown for breaches of any resource consents it holds.

When the report was released, a team from the office travelled to Mapua and hosted local residents for a presentation on the report's findings. There was high attendance at the meeting and many expressed their appreciation for the level of engagement by the office. There was considerable media interest following the

release of the report, which opened the debate about how contaminated sites in other parts of New Zealand are managed.

#### Levin landfill: Environmental management review

For many years, local residents near the Levin landfill in the Horowhenua District have been concerned about the management of the landfill and the potentially detrimental effects on surrounding land and waterways. The previous Commissioner received complaints as early as 2004 and began an investigation. Part way through the investigation, the Horowhenua District Council and Horizon Regional Council agreed to review the landfill's consent conditions in 2005. However, little progress had been made by 2007, and the Commissioner decided to complete the investigation.

The report focused on the management of the site since 2002, when resource consents were granted, and found that improvements were needed in several areas by both the local and district councils. The Commissioner made nine recommendations covering the remediation of the old landfill, the design and operational management of the new landfill, monitoring of effects, reviewing the landfill's consent conditions, community liaison, and assessment of district waste management options.

The report was presented to the House of Representatives in August 2008.

Three recommendations were made to Horizons Regional Council and six recommendations to Horowhenua District Council. Horizons promptly acted upon all three recommendations, describing the report as "a timely and welcome external check of Horizon's compliance activities. It has led to substantial checking of our compliance systems and has reinforced our resource management responsibilities organisation-wide."

Horowhenua District Council has agreed to act upon four of the recommendations following the consent review (which was notified in September 2008). The remaining two recommendations, regarding planning for long term waste management, received qualified support. For example, "it may be desirable to set up a working party to provide input [on waste disposal options] by 2012." A working party could explore the feasibility of expanding the current landfill footprint, but Horowhenua District Council officers continue to take the position that the present site is suitable for a landfill – and a larger one at that.

## Environmental performance review of the Electricity Commission 2006-07

Under section 172ZP of the Electricity Act 1992, the Commissioner is required to annually "examine the extent to which the [Electricity] Commission is meeting the Government Policy Statement objectives and outcomes concerning the environment."

Four recommendations were made to the Electricity Commission. The Commissioner commended the Electricity Commission on its electricity efficiency programmes and recommended that they continue to work with Energy Efficiency and Conservation Authority (EECA) on these initiatives. The other recommendations identified areas where the Commission could make some improvements. These were: to investigate hydro spill cases that happened while thermal generation was occurring, to conduct

an independent review of the modelling work about who pays for transmission lines and the consequent impact on investment in future renewable electricity generation.

The Commissioner also made two recommendations to the Minister of Energy to request lines companies to work with the Electricity Commission to test existing load control arrangements and to provide guidance on reconciling environmental and economic objectives when they conflict.

The report was presented to the House of Representatives in September 2008.

In December 2008, the Electricity Commission responded to our recommendations by saying: "The Commission has given consideration to the report and has specifically addressed the six [four to the Commission directly] recommendations. Where appropriate, the Commission is incorporating relevant actions into its work programme for 2009/10. Where possible, action will also be taken to address matters raised in the report during the current financial year."

No formal response has been received from the Minister of Energy regarding the recommendations. However, the work done on this report led to the inception of another investigation, resulting in the report *Smart electricity meters: How householders and the environment can benefit* released in June 2009.

Shortly after releasing the 2006/07 report, the Commissioner wrote to the Minister of Energy and Resources, stating that she planned no further reviews of the Electricity Commission unless otherwise directed by the Minister.

## Change in the high country: Environmental stewardship and tenure review

An investigation into 'tenure review' of high country leases began in mid 2006 after the previous Commissioner became aware of increasing concern among a range of interested parties about the nature of the tenure review process and its environmental outcomes.

The South Island high country is undergoing major changes in land ownership and land use, and incremental changes following from reviews of individual pastoral leasehold properties are having cumulative effects on both the environment and the economy of the high country.

Eight recommendations were made to Ministers and others covering several issues related to tenure review and its wider impact on the environment of the South Island high country.

One of the key recommendations made by the Commissioner was the establishment of a High Country Commission. The Commissioner also stressed that much could be achieved by adopting a wider range of land ownership and management models.

Environmental issues needing particular attention are risk to iconic lakes from nutrient discharges and the accelerating spread of wilding pines and other weeds. The Commissioner also recommended that the Minister of Conservation review the policies relating to the creation of high country conservation parks in the light of national conservation priorities.

The Commissioner launched the report at Lincoln University in Canterbury, speaking to a wide variety of interested people and groups. Lincoln has had a strong historical link to high country issues; it was once home to the Tussock Grasslands and Mountain Lands Institute.

The report was presented to the House of Representatives in April 2009.

Initial reactions to the report from Ministers and the Primary Production Select Committee were positive. The report was also supported by the High Country Accord (a group representing those who farm Crown pastoral land), the Green Party, the Māori Party and Environment Canterbury, though it was heavily criticised by the Royal Forest and Bird Protection Society of New Zealand.

It is still too early to clearly establish the impact of the report. The Minister for Agriculture stated in Parliament that the report was "sensible and constructive" and that the Government would be "carefully considering the recommendations" (press release, 7 April 2009). The Chief Executive of Environment Canterbury has publicly supported our concerns.

## Smart electricity meters: How households and the environment can benefit

This report followed concerns that the smart electricity meters being installed around New Zealand would deliver benefits to electricity retailers, but not to the environment or to householders. The majority of these meters are being installed without the ability to 'talk' to household appliances or tell the householder how much power they are using in real-time. So, although called 'smart', these new meters are not nearly as smart as they could be. In three years, more than half of the households in New Zealand will have these 'dumb' smart meters installed.

Retrofitting the functionality necessary to deliver the benefits to the environment and households will cost far more than installing the functionality during manufacture. The potential environmental benefits from 'really smart' meters are reduced emissions of the greenhouse gas carbon dioxide and fewer new power plants.

There were nine recommendations to Ministers in the report. One key recommendation was to ensure smart meters really are 'smart' by including a computer chip in the meter, which will allow the meter to talk to in-home displays and smart appliances. Another is concerned with the need for open access protocols to prevent barriers to switching retailers. The Commissioner also recommended that consumers be given the option of tariffs that will incentivise reducing electricity use at peak times.

The report was presented to the House of Representatives in June 2009.

Following its launch, issues surrounding the roll-out of smart meters gained prominence in the media and a wide-ranging public debate has emerged. This debate has involved electricity retailers, lines companies, metering companies, white-ware manufacturers, consumer and environmental groups.

In response to the report, the Minister of Energy and Resources acknowledged the merit in smart meters being fully enabled with chips and that they operate to a universal or open access protocol. "...the next generation in electricity innovation will revolve around smart meters, smart grids, and a new generation of smart

appliances." (press release, 25 June 2009). The Minister is awaiting the Electricity Commission's recommendations regarding what, if any, regulation is necessary. This is due in December 2009.

## Advice to the Emissions Trading Scheme Review Committee

As part of the confidence and supply agreement with the ACT party, the new National-led government set up a select committee to review New Zealand's Emissions Trading Scheme (ETS). The Committee asked the Commissioner to be an independent adviser.

The committee has heard from many submitters and experts since convening in March 2009. At the end of the financial year the officials' departmental report and the specialist advisers' report was before the Committee.

In response to a request from the committee, a report titled *Impact of the ETS on indigenous land cover* was prepared. The Commissioner spoke to the committee outlining her main concerns and made a number of significant recommendations in July 2009.

Once the select committee has reported to Parliament on its findings, the Commissioner will publically release all her advice. The timing for this is currently unknown.

#### 3.2 Work in progress

#### Stockton mine

In 2005, the second Parliamentary Commissioner for the Environment, Dr Morgan Williams, undertook a scoping study on Solid Energy's environmental management systems and performance. In the resulting report he made a commitment to investigate the environmental management of the coal mine at Stockton on the West Coast of the South Island. In 2008, the current Commissioner decided to follow through on that commitment.

It is anticipated that the report will be released in October 2009.

#### Lignite

Lignite, a low-grade coal, is New Zealand's largest fossil fuel energy resource. Solid Energy has already spent many millions of dollars on buying land in Southland, and on exploratory drilling and pre-feasibility studies, with the intent of mining the lignite and turning it into transport fuel. However, questions remain regarding the environmental impact of developing this potential fuel, in particular the carbon footprint.

It is anticipated that the report will be released in November 2009.

#### Water quality

The management of freshwater is one of New Zealand's greatest environmental challenges. The office is investigating the monitoring of, and reporting on, water quality. The project includes a consideration of wider issues associated with national state of the environment reporting.

It is anticipated that the report will be published in December 2009.

#### An Environmental Protection Authority

The Resource Management (Simplify and Streamline) Amendment Bill contains a proposal for the establishment of an Environmental Protection Authority (EPA) to administer 'call ins' for consents of national significance. More broadly, the Government is also looking at other functions an EPA might perform.

The Commissioner's first function under the Environment Act 1986 is to "review … the system of agencies and processes…that manage… natural and physical resources", and has initiated a project on the potential roles and responsibilities of an EPA.

#### **Biofuels**

Following on from the submission on the Biofuel Bill in 2008, a research project is underway to assess the potential for the New Zealand agriculture and forestry sectors to produce transport fuels.

Additionally, the Commissioner is planning to make a submission on the Sustainable Biofuel Bill (2009).

#### Aquaculture

Work is being undertaken in the office on aquaculture and its environmental impacts following a complaint from a member of the public. Developments in policy and legislation are being monitored.

#### 3.3 Public concerns and inquiries

The Commissioner's 'Environmental Ombudsman' role has decreased over the years, as other avenues for addressing environmental concerns have become available. However, it remains an important part of the office's work and can often alert the Commissioner to new or persistent environmental issues.

In 2008/09, the office received a total of 118 concerns and inquiries (Table 1). The majority (90) of these related to a variety of environmental issues. The remaining 28 inquiries were in relation to topics such as office functions, expenses and reports.

Table 1 Number of public concerns and inquiries received

	2007/08		200	8/09
Type of public contact	Number	Percentage	Number	Percentage
Information provided by members of the public	46	55%	73	62%
Public concerns	38	45%	45	38%
Total	84	100%	118	100%

Overall, public concerns covered a wide variety of subjects (Figure 1). Key themes this year were waste management, land use (rural and social/cultural) and water.

The increase in concerns regarding waste management is at least partly due to the release of the Commissioner's reports on the clean-up of a contaminated site at Mapua and the environmental management of the Levin landfill. Five of the concerns and inquiries received related to Mapua. Other concerns and inquiries were received about five other contaminated sites, two sewage treatment plants, one landfill, and some effluent discharge. Several of these, while classified as 'waste management' here, involve pollution of lakes, rivers or coastal areas. Other concerns and inquiries received regarding water were water quality in Canterbury and Hawkes Bay, water allocation mechanisms and irrigation.

Number of concerns and inquiries received 20 15 10 5 Energy Waste nodification Hazardous Noise Transport Water **Biodiversity** Biosecurity Coasts Community **participation** Genetic substances Land use: Land use: Social/cultural management Air pollution Land use: Types of public concerns 2007/08 2008/09

Figure 1 Areas of focus for public concerns

#### 3.4 Other activities

The delivery of an investigation to the House of Representatives is only part of the interaction with Members of Parliament. Once a report is tabled in Parliament it is usual for the Commissioner to brief the relevant select committee regarding her reasoning and recommendations. The Local Government and Environment Select Committee is the initial recipient, but may refer the report elsewhere if its content is more relevant to the work of another select committee. Advice may also be provided directly to a select committee on an issue at its request.

When a report is released it is also made available for downloading from the website, and copies are available to the general public. Opinion pieces submitted to newspapers are an excellent way of providing some keys points in a brief and easily digestible format. The aim of these pieces may be to start or contribute to current debate around an issue.

The Commissioner has a programme of regional visits planned each year to keep informed on events outside Wellington. In 2008/09, the Commissioner visited the Bay of Plenty, Taranaki and Hawkes Bay regions. During these visits the Commissioner often meets with staff of regional and local councils to look at local environmental challenges and solutions. These regional visits have proven valuable as a two-way exchange between the Commissioner and the councils and offer 'on the ground' insight into New Zealand's environmental problems.

Presentations on environmental issues are also given to different groups around the country. One particularly significant speech the Commissioner gave in the 2008/09 year was the annual *State of the Environment* address at Lincoln University.

During 2008/09, a 'refresh' of the office brand was undertaken to reflect the mission, values and role of the office. Strong emphasis was placed on the logo being identifiable with both Parliament and the environment and for reports to be easy to read. It is intended that the website will be updated to reflect these changes, as well as provide easy access to the work of the office early in the new financial year.



A culture of continuous improvement has resulted in changes in the office over the last year. Our approach to change is focused on ensuring systems are straightforward and fit-for-purpose, and that value-for-money is an ever-present consideration.

All staff are employed on individual employment agreements. The Parliamentary Commissioner for the Environment's remuneration policy closely aligns with those already operating across the state sector. The *Human Resources Manual* and a *Code of Conduct* guide staff with regard to employment matters.

As at 30 June 2009 17 staff (15.9 FTEs) were employed within the office (see Table 2 for further breakdown).

Table 2 Number and diversity of staff as at 30 June 2009

	2007/08 staff	2007/08 FTEs	2008/09 staff	2008/09 FTEs
Total number of men employed	4	3.0	6	6.0
Total number of women employed	11	10.4	11	9.9
Total employees	15	13.4	17	15.9
New Zealand Pakeha	9		11	
New Zealand Māori	0		0	
Other nationalities	6		6	

### 4.1 Capability, training and development

The capability and productivity of the Commissioner's staff is a core component of the effectiveness as an office. The relationship between the organisation and employee is a reciprocal one, and the intention is to provide a supportive and rewarding environment where excellence is valued. In turn, staff provide their knowledge and commitment. As a result productivity should continue to rise and mutual high expectations be met.

Staff are encouraged, with the support of their managers, to plan for their own professional and personal development. In 2008/09, around \$77,000 (6%) of the total salary budget was spent on training and development. This includes increasing technical knowledge, team building, communications and media training and attendance at conferences and seminars. An active social club also funds staff activities

#### 4.2 Organisational health performance and wellness

The Commissioner is committed to ensuring her office has the capability required to perform its functions and conduct its operations effectively and efficiently. Systems and structures have been refined to support this work. For example:

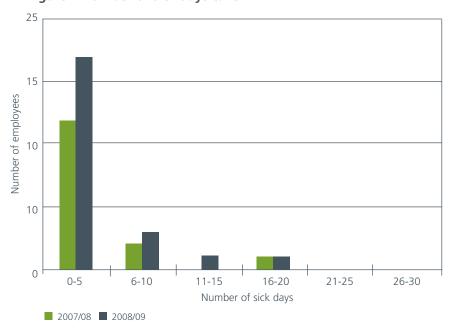
- Regular meetings of the senior management team
- Regular staff meetings
- Regular financial and operational reporting
- Ongoing corporate systems development.

Proactive measures to promote a healthy workplace include:

- Flexible work time 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 significant health and safety incidents were recorded for 2008/09. Staff sick leave for the last two years is presented in Figure 2.

Figure 2 Number of sick days taken



#### 4.3 Office environmental report

This section outlines the environmental impacts of office activities and operations during the year, with the type and amount of resources that the office consumes monitored on an ongoing basis. The office uses paper that is of high recycled content and publications are printed on paper from sustainable forestry. We continue to minimise the amount of waste produced from the office by recycling paper, glass, plastic, metal, and food waste.

#### Carbon footprint

The carbon emissions that the business activities generate contribute to climate change and are measured by our carbon footprint (Table 3). The office's carbon dioxide  $(CO_2)$  emissions decreased slightly compared with the previous two years and we continue to make savings wherever possible. There was however an increase in the actual use of electricity, domestic air travel and vehicle use. This is due to an increase in the number of staff using the office, office renovations and more regional visits by the Commissioner and her staff, especially to launch reports with affected parties and interest groups.

Table 3 Office carbon footprint<sup>1</sup>

	2007/08	2008/09	2007/08	2008/09	
Energy type	Uni	ts	Tonnes CO <sub>2</sub>	emitted <sup>2</sup>	% CO <sub>2</sub> difference
Electricity use <sup>3</sup>	49,000 kWh	52,000 kWh	10.15	8.63	-15%
Domestic air travel	32,000 km	34,000 km	5.14	5.98	16%
International air travel	0 km	0 km	0	0	0%
Rental car use	1,500 km	3,000 km	0.36	0.73	103%
Taxi use	1,000 km	1,500 km	0.32	0.48	50%
Total tonnes of CO <sub>2</sub>			15.97	15.82	-0.15%

<sup>&</sup>lt;sup>1</sup> Figures are subject to rounding.

<sup>&</sup>lt;sup>2</sup> Figures were calculated using the conversion rates provided in the *Guidance for Voluntary*, *Corporate Greenhouse Gas Reporting (2008)* provided by the Ministry for the Environment.

<sup>&</sup>lt;sup>3</sup> The conversion tables provided by the Minister for the Environment above were changed since 2007, accounting for the decrease in the amount of CO<sub>2</sub> emitted although there was an increase in actual electricity use.



## 5.1 Statement of responsibility

In my opinion, the financial information presented in these statements and notes fairly reflects the position and operations of the Parliamentary Commissioner for the Environment, for the year ended 30 June 2009.

A system of internal control has been established which provides reasonable assurance that public money and assets entrusted to the Commissioner are being efficiently and economically managed.

In terms of the Public Finance Act 1989, I accept responsibility, as Parliamentary Commissioner for the Environment, for the preparation of the financial statements and the associated judgements.

Dr Jan Wright

G.C. Wings

**Parliamentary Commissioner for the Environment** 



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#### 5.2 Auditors' report

To the readers of the Office of the Parliamentary Commissioner for the Environment's financial statements and statement of service performance for the year ended 30 June 2009.

We have audited the financial statements on pages 25 to 43. The financial statements provide information about the past financial performance and cash flows of the Office of the Parliamentary Commissioner for the Environment ("the Office") for the year ended 30 June 2009 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 29 to 35.

We have also audited the statement of service performance on pages 22 to 24. The statement of service performance measures achievements against the performance targets adopted for the year ended 30 June 2009.

#### Responsibilities of the Parliamentary Commissioner for the Environment

The Parliamentary Commissioner for the Environment ("PCE") is responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Office as at 30 June 2009 and its financial performance and cash flows for the year ended on that date. The PCE is also responsible for the preparation and presentation of the statement of service performance which fairly reflects the achievements measured against the performance targets adopted for the year ended 30 June 2009.

#### **Auditors' Responsibilities**

We are responsible for expressing an independent opinion on the financial statements presented by the PCE and reporting our opinion to you.

#### **Basis of Opinion**

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

- (a) the significant estimates and judgements made by the PCE in the preparation of the financial statements;
- (b) whether the accounting policies are appropriate to the circumstances of the Office, consistently applied and adequately disclosed; and

(c) whether the statement of service performance fairly reflects the achievements measured against the performance targets adopted for the year ended 30 June 2009.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Office other than in our capacity as auditors.

#### **Unqualified Opinion**

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

In our opinion:

- (a) proper accounting records have been kept by the Office as far as appears from our examination of those records; and
- (b) the financial statements on pages 25 to 43:
  - (i) comply with generally accepted accounting practice in New Zealand; and
  - (ii) give a true and fair view of the financial position of the Office as at 30 June 2009 and its financial performance and cash flows for the year ended on that date.
- (c) the statement of service performance on pages 22 to 24 fairly reflects the service performance achievements of the Office measured against the performance targets adopted for the year ended 30 June 2009.

Our audit was completed on 24 August 2009 and our unqualified opinion is expressed as at that date.



**Chartered Accountants** 

Wellington

#### 5.3 Statement of objectives and service performance

The Commissioner is required to deliver one outcome, Reports and advice. The primary impact that the Parliamentary Commissioner for the Environment seeks through this output is to influence decisions in order to contribute toward the maintenance and improvement of the natural and physical environment of New Zealand. Three sets of performance measures are used to assess achievement of this mission.

#### Output: Reports and advice

Reports and advice are provided on the capability of the systems of government for managing the environment. This includes independent advice on the performance of central and local government agencies that have statutory and administrative responsibilities for maintaining and improving environmental quality.

This output includes the following activities:

- Environmental investigations and response to public concerns and inquiries.
- Advice to Select Committee and inquiries for the House of Representatives.
- Informing decision-makers and others of our work and encouraging people to improve environmental quality.

Table 4 Resources Employed in 2008/09

30/06/2008 Actual \$		Actual	30/06/2009 Main Est \$	Supp Est
2,286,000	Revenue Crown	2,738,111	2,736,000	2,738,000
752	Other revenue	119	3,000	3,000
622	Gain / (Loss)	(7,917)	0	0
2,287,374	Total revenue	2,730,313	2,739,000	2,741,000
2,295,460	Total expenses	2,473,469	2,739,000	2,741,000
(8,086)	Net surplus/(Deficit)	256,844	0	0

#### We are influential

Throughout the year, the Parliamentary Commissioner for the Environment has sought to ensure that:

- reports on investigations and inquiries clearly stated their purpose, and addressed the requirements of Part I of the Environment Act 1986
- reasoning in investigations and inquiries was logical and supported by facts
- assumptions behind the findings of investigations and inquiries, and advice on remedial action were explicit
- all known material facts relevant to findings and advice were included in reports and accurately presented
- reports provided evidence of adequate consultation with interested parties, and that public authorities that were the subject of inquiries were given the opportunity to examine and comment on reports before the reports were released

- material presented in reports was summarised concisely, written in plain language, and free of spelling or grammatical errors
- reports were subject to both internal and external peer review.

#### **Table 5 Evaluation of impact**

Measure	Target	Performance
Evaluate outcomes from projects	100% for major projects	Achieved: see Chapter 3
Proportion of recommendations adopted <sup>1</sup>	60% rising to 70% over next two years	Achieved: 65%
Advice to Parliament delivered within the agreed timeframes	100%	Achieved: 100%
Two yearly survey of MPs on the quality of the Commissioner's advice	70% positive response on returned surveys	Not applicable (survey reported in last year's annual report)
Internal peer review	100% of all reports, briefings and letters	Achieved: 100%
External peer review	100% for major projects	Achieved: 100%
All types of queries given an initial response within 10 working days	100%	Not achieved: 95% <sup>2</sup>
Capability and Internal Processes Plans in place	December 2008	Achieved
Capability Plan externally reviewed and improved	June 2009	Not achieved: Delayed <sup>3</sup>

<sup>&</sup>lt;sup>1</sup> One of the key performance measures for the impact of the Commissioner's work is to monitor responses to the recommendations made. As the responses of the relevant Ministers or agencies do not coincide with the annual reporting cycle, this figure reflects the responses made to the current Commissioner.

<sup>&</sup>lt;sup>2</sup> Of the 118 public concerns and inquiries received, 6 were not responded to within 10 working days. In June 2009, a new policy was implemented to ensure that all concerns and inquiries are sent a standard acknowledgement letter within 5 days of receipt.

<sup>&</sup>lt;sup>3</sup> In light of the changing economic environment, aspects of our capability plan are being revised. It is anticipated that the plan will be reviewed externally later in the year.

#### We deliver value for money

Over the last two years there have been many changes in the office aimed at achieving value for money. The direct operational cost savings total about 6% of our operating expenditure. Examples include:

- Implementing a simpler and cheaper financial system
- Re-tendering information technology service provision
- Embedding a cost saving culture, for example, systematically reviewing subscriptions to journals and databases and cancelling those with low usage.

Table 6 shows other performance measures regarding value for money.

**Table 6 Performance measures for value for money** 

Measure	Target	Performance
Percentage of supplier contracts consistent with procurement policy	100%	Achieved: 100%
'Uptime' for IT systems	99%	Achieved: 99%
Benchmark of outputs to overheads and then increase ratio over next two years	2008/09 benchmark then increase each year for two years.	Removed <sup>1</sup>

<sup>&</sup>lt;sup>1</sup>The office has not undertaken this benchmarking as we have since developed other methods for reviewing expenditure on an ongoing basis.

#### We value our staff

The Commissioner's staff must have the right skills in order for the office to deliver high quality reports and advice to Parliament. That means retaining top performing staff and attracting high calibre applicants. It also means the office is recognised as a workplace in which achievement, challenge and results are expected and delivered.

Table 7 Performance measures for valuing our staff

Measure	Target	Performance
Annual unplanned staff turnover	Equal or less than 15% <sup>1</sup>	Achieved: 14% <sup>2</sup>
Performance management plans in place and annual performance reviews undertaken	100%	Achieved: 100%
Personal development plans in place and uptake of budgeted training and development activities	100%	Achieved: 100%

<sup>&</sup>lt;sup>1</sup> Average core unplanned turnover for the public sector as reported by the State Services in their Human Resource Capability Survey of Public Service Departments, 2008.

<sup>&</sup>lt;sup>2</sup> Two staff chose not to return following parental leave. Including these employees, the annual staff turnover would be 24%.

### 5.4 Statement of financial performance

Actual 2008 \$		Note	Actual 2009 \$	Main Estimates 2009 \$	Supp Estimates 2009 \$
	Income				
2,286,000	Revenue Crown		2,738,111	2,736,000	2,738,000
752	Revenue Other	(2)	119	3,000	3,000
622	Gain/ (Loss)	(3)	(7,917)	0	0
2,287,374	Total Revenue		2,730,313	2,739,000	2,741,000
	Expenditure				
1,054,667	Personnel costs	(4)	1,384,051	1,434,000	1,423,000
73,973	Depreciation and amortisation		112,981	38,000	35,000
12,183	Capital charge	(5)	46,050	47,000	47,000
1,154,637	Other operating expenses	(6)	930,387	1,220,000	1,236,000
2,295,460	Total Expenditure		2,473,469	2,739,000	2,741,000
(8,086)	Net Surplus/(Deficit)		256,844	0	0

The accompanying notes form part of these financial statements.

### 5.5 Statement of financial position

Actual 2008 \$		Note	Actual 2009 \$	Main Estimates 2009 \$	Supp Estimates 2009 \$
	Assets Current Assets				
791,657	Cash and cash equivalents		547,437	186,000	153,000
105,945	Debtors and other receivables	(7)	14,882	0	0
897,602	Total Current Assets		562,319	186,000	153,000
	Non-Current Assets				
75,424	Property, plant and equipment	(8)	473,076	561,000	495,000
65,054	Intangible assets	(9)	76,893	0	43,000
140,478	Total Non-Current Assets		549,969	561,000	538,000
1,038,080	Total Assets		1,112,288	747,000	691,000
	Liabilities Current Liabilities				
376,547	Creditors and other payables	(10)	181,325	69,000	30,000
0	Repayment of surplus	(11)	256,844	0	0
47,128	Employee entitlements	(12)	59,714	56,000	47,000
423,675	Total Current Liabilities		497,883	125,000	77,000
0	Provision for Employee Entitlements		0	0	0
0	Total non-current liabilities		0	0	0
423,675	Total Liabilities		497,883	125,000	77,000
614,405	Net Assets		614,405	622,000	614,000
	Taxpayers' Funds				
622,491	General funds		614,405	622,000	614,000
(8,086)	Operating Deficit		0	0	0
614,405	Total Taxpayers' Funds		614,405	622,000	614,000

The accompanying notes form part of these financial statements.

## 5.6 Statement of changes in taxpayers' funds

Actual 2008 \$		Actual 2009 \$	Main Estimates 2009 \$	Supp Estimates 2009 \$
172,491	Balance at 1 July	614,405	622,000	614,000
(8,086)	Surplus/(Deficit) for the year	256,844	0	0
(8,086)	Total recognised income and expense	256,844	0	0
0	Repayment of surplus to Crown	(256,844)	0	0
450,000	Capital contribution	0	0	0
614,405	Balance at 30 June	614,405	622,000	614,000

### 5.7 Statement of cash flows

Actual 2008 \$		Actual 2009 \$	Main Estimates 2009 \$	Supp Estimates 2009 \$	
	Cash flows from operating activities				
2,562,111	Receipts from Crown	2,738,111	2,723,000	2,738,000	
752	Receipts from revenue other	119	3,000	3,000	
(1,235,471)	Payments to suppliers	(1,111,211)	(1,472,000)	(1,466,000)	
(1,170,464)	Payments to employees	(1,371,465)	(1,105,000)	(1,111,000)	
(12,183)	Payments for capital charge	(46,050)	(47,000)	(47,000)	
(89,008)	Goods and services tax (net)	76,666	0	(241,000)	
55,737	Net cash from operating activities	286,170	102,000	(124,000)	
	Cash flows from investing activities				
622	Receipts from sale of property, plant and equipment	7,210	0	0	
(55,778)	Purchase of fixed assets	(537,600)	(515,000)	(515,000)	
(55,156)	Net cash from investing activities	(530,390)	(515,000)	(515,000)	
	Cash flows from financing activ	ities			
450,000	Capital contribution	0	0	0	
(118,754)	Repayment of surplus	0	0	0	
331,246	Net cash from financing activities	0	0	0	
331,827	Net (decrease)/increase in cash	(244,220)	(413,000)	(639,000)	
459,830	Cash at the beginning of the year	791,657	599,000	792,000	
791,657	Cash at the end of the year	547,437	186,000	153,000	

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.

#### 5.8 Statement of commitments

As at 30 June 2009, the Parliamentary Commissioner for the Environment had no capital commitments relating to project management services for refurbishment of the premises (2008: \$34,800).

#### Non-cancellable operating lease commitments

In 2009, the Parliamentary Commissioner for the Environment re-negotiated a twoyear lease of its Wellington premises, with a right of renewal for a further three years. The annual lease payments are subject to review at the end of the renewal period. The amounts disclosed below as future commitments are based on the current rental rate.

#### Other non-cancellable commitments

The Parliamentary Commissioner for the Environment has entered into noncancellable contracts for computer maintenance, cleaning and other services.

Actual 2008 \$		Actual 2009 \$
	Non-cancellable operating lease commitments	
126,313	Less than one year	204,450
0	One to two years	170,375
0	Two to five years	0
0	Over five years	0
126,313	Total operating lease commitments	374,825
	Other non-cancellable commitments	
29,355	Less than one year	23,360
44,033	One to two years	6,480
0	Two to five years	0
0	Over five years	0
73,388	Total other commitments	29,840

## 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 2009 (2008: nil).

The Parliamentary Commissioner for the Environment had no contingent assets as at 30 June 2009 (2008: nil).

## 5.10 Statement of departmental expenses and capital expenditure against appropriations

Expenditure after remeasurement 2008		Expenditure before remeasurement 2009	Remeasurement 2009	Expenditure after remeasurement 2009	Appropriation Voted 2009 <sup>1</sup>
\$		\$	\$	\$	\$
	Vote Parliamentary Appropriation for C		for the Environ	ment	
	Annual and other a	ppropriations			
2,051,460	D1 – Reports and advice	2,230,000	0	2,230,000	2,230,000
2,051,460	Sub-total	2,230,000		2,230,000	2,230,000
	Appropriation for o	apital distribut	ion		
55,778	Capital investment	0	0	0	0
55,778	Sub-total	0	0	0	0
	Appropriation for o	ther expenses			
244,000	Permanent legislative authority	251,000	0	251,000	251,000
244,000	Sub-total	251,000	0	251,000	251,000
2,351,238	Total	2,481,000	0	2,481,000	2,481,000

<sup>&</sup>lt;sup>1</sup>This includes adjustments made in the Supplementary Estimates.

#### 5.11 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 the government of the day, the Parliamentary Commissioner for the Environment has designated itself as a public benefit entity for financial reporting under New Zealand equivalents to International Financing Reporting Standards (NZ IFRS).

The financial statements for the Parliamentary Commissioner for the Environment are prepared pursuant to the Public Finance Act 1989 and are for the year ended 30 June 2009. The financial statements were authorised for issue by the Parliamentary Commissioner for the Environment on 24 August 2009.

#### Basis of preparation

#### **Statement of compliance**

The financial statements comply with NZ IFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

#### Measurement base

The financial statements have been prepared on an historical cost basis.

#### **Functional presentation currency**

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Parliamentary Commissioner for the Environment is New Zealand dollars.

The Parliamentary Commissioner for the Environment enters into foreign exchange transactions from time to time. At these times the practice is to purchase the required foreign exchange currency without forward contracts. This practice exposes the Parliamentary Commissioner for the Environment to foreign currency risk, however, this is limited as the number of foreign currency transactions entered into is very small.

Standards, amendments, and interpretation that are not yet effective and have not been early adopted:

NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in equity resulting from transactions with the Crown in its capacity as "owner" separately from "non-owner" changes. The revised standard gives the Parliamentary Commissioner for the Environment the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Parliamentary Commissioner for the Environment expects it will apply the revised standard for the first time for the year ended 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.

#### **Budget figures**

The budget figures are those presented in the Budget Night Estimates (Main Estimates) and those amended by the Supplementary Estimates.

#### Revenue

Revenue is measured at the fair value of consideration received.

#### **Revenue from the Crown**

The Parliamentary Commissioner for the Environment is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the Parliamentary Commissioner for the Environment meeting its objectives as specified in the Statement of Intent. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

#### Sale of publications

Sales of publications are recognised when the product is sold to a customer.

#### Capital charge

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

#### Leases

The Parliamentary Commissioner for the Environment leases office premises. As substantially all the risks and benefits of ownership are retained by the lessor, this lease is classified as an operating lease. Lease payments are recognised as an expense on a straight-line basis over the lease term.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand.

#### **Debtors and 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.

#### Property, plant and equipment

Property, plant and equipment asset classes consist of Furniture, fittings and fixtures, Computer hardware, and other office equipment. Assets are shown at cost less any accumulated depreciation and impairment losses.

All fixed assets with a unit cost of more than \$1,000, or if the unit cost is \$1,000 or less but the aggregate cost of the purchase exceeds \$3,000, are capitalised.

#### **Additions**

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

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

#### **Disposals**

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the statement of financial performance. When revalued assets are sold, the amounts included in property, plant and equipment revaluation reserves in respect of those assets are transferred to general funds.

#### **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 Office and the cost of the item can be measured reliably.

#### 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 assets have been estimated as follows:

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

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

The residual value and useful life of an asset are reviewed and adjusted if applicable at each financial year-end.

#### Intangible assets

#### Software acquisition

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 the software for internal use are recognised as an intangible asset. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with the development and maintenance of the office's website are recognised as an expense when incurred.

#### **Amortisation**

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 the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of financial performance.

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

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

#### Impairment of non-financial assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for indicators at impairment at each financial reporting date and 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 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 based on depreciated replacement cost.

If an asset is impaired, its carrying amount is written down to the recoverable amount.

For non-financial assets carried at historical cost, the total impairment loss and any subsequent reversals of impairment are recognised in the statement of financial performance.

# 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.

### **Employee entitlements**

### **Current employee entitlements**

Employee entitlements that the Parliamentary Commissioner for the Environment expects to be settled within 12 months of balance date are measured at undiscounted nominal values 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.

The Parliamentary Commissioner for the Environment recognises an expense for bonuses in the statement of financial performance as incurred.

### Non-current employee entitlements

The Parliamentary Commissioner for the Environment does not provide any employee entitlements that may be payable beyond 12 months of balance date.

### Superannuation schemes

#### **Defined contribution schemes**

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation scheme and are recognised as an expense in the statement of financial performance as incurred.

#### **Provisions**

The Parliamentary Commissioner for the Environment recognises that a provision for future expenditure of uncertain amount or time when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at present value of the expenditures expected to settle the obligation using a pre-tax discount 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.

### Goods and Services Tax (GST)

All items in the financial statements are presented exclusive of Goods and Services Tax (GST), except receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable, it is recognised as part of the related asset or expense.

Net GST receivable or payable at balance date is included in receivables or payables in the statement of financial position as appropriate. Commitments and contingencies are disclosed exclusive of GST.

The net GST paid, or received, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

#### Income tax

The Parliamentary Commissioner for the Environment is not liable for the payment of income tax in terms of the Income Tax Act 2004. Accordingly, no charge for income tax has been provided for.

### Cost allocation policy

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

#### **Commitments**

Future expenses and liabilities to be incurred or contracts that have been entered into at balance date are disclosed as commitments to the extent that they are equally unperformed obligations.

# Contingent liabilities

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

### Taxpayers' funds

This is the Crown's net investment in the Parliamentary Commissioner for the Environment and is measured as the difference between total assets and total liabilities. Taxpayers' funds are disaggregated and classified as general funds and capital contributions.

# Critical judgements in applying the Parliamentary Commissioner for the Environment's accounting policies

Management has exercised the following critical judgements in applying the Parliamentary Commissioner for the Environment's accounting policies for the period ended 30 June 2009:

#### **Finance lease**

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 her judgement on the appropriate classification of equipment leases and property and has determined none are finance leases.

### 2. Revenue other

Actual 2008 \$		Actual 2009 \$
	Sale of publications Interest received	24 95
752	Total revenue other	119

# 3. Gain/(Loss)

Actual 2008 \$		Actual 2009
622	Net gain/(loss) on disposal of property, plant and equipment	(7,917)
622	Total gain/(loss)	(7,917)

During the period, the Parliamentary Commissioner for the Environment disposed of computers and furniture identified as obsolete and surplus to requirements.

# 4. Personnel costs

Actual 2008 \$		Actual 2009 \$
1,061,272	Salaries and wages	1,341,075
26,682	Employer contributions to defined contribution plans	30,390
(33,287)	(Decrease) in employee entitlements	12,586
1,054,667	Total personnel costs	1,384,051

# 5. Capital charge

The Parliamentary Commissioner for the Environment pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2009 was 7.5% (2008: 7.5%).

# 6. Other operating costs

Included within other operating costs are:

Actual 2008 \$		Actual 2009 \$
	Fees to Auditor:	
20,500	Audit fees for the financial statement audit	19,000
2,000	Audit fees for NZ IFRS transition	0
154,695	Operating lease payments	164,725
25,163	Advertising and publicity	4,446
672,074	Consultancy	359,380
40,952	Maintenance	93,077
24,975	Accommodation	24,048
29,431	Communication	37,207
29,352	Travel	36,090
13,494	Consumables	11,652
27,520	Professional fees and development	59,596
56,759	Library acquisitions	41,481
57,721	General expenses	79,685
1,154,636	Total	930,387

# 7. Debtors and other receivables

Actual 2008 \$		Actual 2009 \$
51,835	Prepayments GST receivable Other receivables	14,111 0 771
105,945	Total Debtors and other receivables	14,882

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

# 8. Property, plant and equipment

	Furniture, fittings & fixtures	hardware	Other office equipment	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Cost or valuation					
Balance at 1 July 2007	149,883	206,313	47,744	0	403,940
Additions	300	17,735	342	0	18,377
Disposals	0	0	0	0	0
Balance at 30 June 2008	150,183	224,048	48,086	0	422,317
Additions	88,906	28,715	6,413	363,194	487,228
Disposals	(10,510)	(59,903)	0	0	(70,413)
Balance at 30 June 2009	228,579	192,860	54,499	363,194	839,132
Accumulated depreciation	and impai	rment costs	5		
Balance at 1 July 2007	90,025	166,653	32,454	0	289,132
Depreciation expense	33,109	20,326	4,326	0	57,761
Disposal	0	0	0	0	0
Balance at 30 June 2008	123,134	186,979	36,780	0	346,893
Depreciation expense	11,546	14,982	4,484	54,479	85,491
Disposal	(6,604)	(59,724)	0	0	(66,328)
Balance at 30 June 2009	128,076	142,237	41,264	54,479	366,056
Carrying amounts					
At 30 June 2008	27,049	37,069	11,306	0	75,424
At 30 June 2009	100,503	50,623	13,235	308,715	473,076

# 9. Intangible assets

	Acquired software	Internally generated software	Total
	\$	\$	\$
Cost			
Balance at 1 July 2007	136,503	0	136,503
Additions	18,987	18,414	37,401
Disposals	0	0	0
Balance at 30 June 2008	155,490	18,414	173,904
Additions	50,372	0	50,372
Disposals	(21,025)	(6,221)	(27,246)
Balance at 30 June 2009	184,837	12,193	197,030
Accumulated amortisation and	impairment losses		
Balance at 30 July 2007	92,638	0	92,638
Amortisation expense	15,926	286	16,212
Disposals	0	0	0
Balance at 30 June 2008	108,564	286	108,850
Amortisation expense	24,442	3,048	27,490
Disposals	(16,203)	0	(16,203)
Balance at 30 June 2009	116,803	3,334	120,137
Carrying amounts			
At 30 June 2008	46,926	18,128	65,054
At 30 June 2009	68,034	8,859	76,893

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.

# 10. Creditors and other payables

Actual 2008 \$		Actual 2009 \$
52,331	Creditors	75,497
276,111	Crown debtor overpayment	0
48,105	Accrued expenses	80,997
0	GST payable	24,831
376,547	Total creditors and other payables	181,325

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.

# 11. Repayment of surplus

Actual 2008 \$		Actual 2009 \$
0	Net surplus	256,844
0	Total repayment of surplus	256,844

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

# 12. Employee entitlements

Actual 2008 \$		Actual 2009 \$
47,128	Annual leave	59,714
47,128	Total employee entitlements	59,714

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

# 13. Taxpayers' funds

Actual 2008 \$		Actual 2009 \$
172,491	General funds	614,405
450,000	Capital distribution from the Crown	0
(8,086)	Operating (deficit) / surplus	256,844
0	Provision for repayment of surplus	(256,844)
614,405	General funds at 30 June	614,405

# 14. Reconciliation of net surplus to net cash from operating activities

Actual 2008 \$		Actual 2009 \$
(8,086)	Net surplus/(deficit) Add/(less) non-cash items:	256,844
73,973	Depreciation and amortisation expense	112,981
73,973	Total non-cash items	369,825
	Add/(less) items classified as investing or financial activities:	
(622)	(Gains)/losses on disposal of property, plant and equipment	7,917
	Add/(less) movements in working capital items:	
(50,946)	(Inc)/dec in debtors	51,064
(37,726)	(Inc)/dec in prepayments	39,999
159,141	Inc/(dec) in creditors and other payables	(195,221)
(46,710)	Inc/(dec) in provisions	0
(33,287)	Inc/(dec) in employee entitlements	12,586
(10,150)	Net movements in working capital items	(83,655)
55,737	Net cash from operating activities	286,170

# 15. Related party transactions and key management personnel

### **Related party transactions**

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

The Parliamentary Commissioner for the Environment enters into transactions with other government departments, Crown entities and state-owned enterprises on an arm's length basis. Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Parliamentary Commissioner for the Environment would have adopted if dealing with that entity at arm's length in the same circumstances are not disclosed.

There were no transactions carried out with related parties.

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

# Key management personnel compensation

Actual 2008 \$		Actual 2009 \$
475,449	Salaries and other short-term employee benefits	552,271
475,449	Total key management personnel compensation	552,271

Key management personnel are the Senior Management team, comprising the Commissioner, the Research Manager, the Corporate Services Manager, and the Office Manager.

### 16. Events after the balance date

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

#### 17. Financial instrument risks

The Parliamentary Commissioner for the Environment's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Parliamentary Commissioner for the Environment seeks to minimise exposure from financial instruments and does not allow any transactions that are speculative in nature to be entered into.

#### Market risk

### **Currency 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.

The Parliamentary Commissioner for the Environment contracted with an overseas university and international database providers; on these occasions the Parliamentary Commissioner for the Environment is exposed to currency risk arising from currency exposures, specifically with respect to the US dollar and British pound.

The number of foreign currency transactions entered into by the Parliamentary Commissioner for the Environment is very small and current practice for foreign exchange is to purchase the exact foreign currency amount at the time it is required.

At balance date there are no foreign currency transactions outstanding.

#### Interest rate risk

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, due to changes in market interest areas.

The Parliamentary Commissioner for the Environment has no interest bearing financial instruments and, accordingly, has no exposure to interest rate risk.

#### **Credit risk**

Credit risk is the risk that a third party will default on its obligation to the Parliamentary Commissioner for the Environment, causing them to incur a loss.

In the normal course of its business, credit risk arises from debtors, deposits with banks and derivative financial instrument assets.

The Parliamentary Commissioner for the Environment has no receivables from debtors outstanding and therefore no credit rate risk from this source.

The Parliamentary Commissioner for the Environment is only permitted to deposit funds with Westpac, a registered bank. This entity has high credit ratings.

The Parliamentary Commissioner for the Environment's maximum credit exposure for each class of financial instrument is represented by the total carrying amount. There is no collateral held as security against these financial instruments.

# **Liquidity risk**

Liquidity risk is the risk that the Parliamentary Commissioner for the Environment will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the Parliamentary Commissioner for the Environment closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The Parliamentary Commissioner for the Environment maintains a target level of available cash to meet liquidity requirements.

The table below analyses the Parliamentary Commissioner for the Environment's financial liabilities that will be settled based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 6 months	Between 6 months and 1 year \$	Between 1 year and 5 years \$	Over 5 years \$
2008				
Creditors and other payables	376,547	0	0	0
2009				
Creditors and other payables	181,325	0	0	0

### 18. Categories of financial instruments

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

Actual 2008 \$		Actual 2009 \$		
	Loans and receivables			
791,657	Cash and cash equivalents	547,438		
51,835	Debtors and other receivables	771		
843,492	Total loans and receivables	548,209		
Financial liabilities measured at amortised cost				
376,547	Creditors and other payables (note 10)	181,325		

# 19. Capital management

The Parliamentary Commissioner for the Environment's capital is its equity (or taxpayers' funds), which comprise general funds and capital contribution. Equity is represented by net assets.

The Parliamentary Commissioner for the Environment manages its revenues, expenses, assets, liabilities, and general financial dealings prudently. The Parliamentary Commissioner for the Environment's equity is largely managed as a by-product of managing income, expenses, assets, liabilities, and compliance with the Government Budget processes and with Treasury instructions.

The objective of managing the Parliamentary Commissioner for the Environment's equity is to ensure the Commissioner effectively achieves the goals and objectives for which it has been established, whilst remaining a going concern.

# 20. Explanation of major variances against budget

Explanations for major variances from the Parliamentary Commissioner for the Environment's estimated figures in the Supplementary Estimates are as follows:

# Statement of financial performance

#### **Personnel costs**

Personnel costs were less than budgeted due to low staff turnover and parental leave.

# **Operating costs**

Operating costs were less than budgeted due to reduced expenditure on travel, library services, professional fees and development and consultants. The nature of the reviews undertaken was able to be done in-house rather than requiring extensive external expertise.

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

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