

2011-12

ANNUAL REPORT
PŪRONGO Ā TAU

INTERNAL AFFAIRS



Te Tari Taiwhenua



OUR PURPOSE

Internal Affairs serves and connects people, communities and government to build a safe, prosperous and respected nation.

Tō tātou Whāinga: ko tā te Tari Taiwhenua he whakarato me te hono i ngā iwi, ngā hapori me te kāwanatanga ki te hanga motu haumaruru, tōnui, whai mana hoki.

OUR VALUES

- » We are agile and productive.
- » We are clear and open.
- » We act with courage and integrity.

THE WAY WE WORK

- » We make diversity a strength.
- » We are positive about our work, and those with whom we work.
- » We uphold our tradition of service.

Department of Internal Affairs
Te Tari Taiwhenua

Annual Report

Pūrongo ā Tau

2011–2012

Presented to the House of Representatives
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OVERVIEW OF THE YEAR

This section provides an introduction to the Department and an overview of the past year

NATURE AND SCOPE OF FUNCTIONS

We serve and connect people, communities and government to build a safe, prosperous and respected nation.

The Department of Internal Affairs has a historically wide scope of functions and responsibilities that:

- » provide services and support directly to people and communities
- » provide services and support to Government and public sector organisations.

Our responsibilities include:

- » providing **all-of-government information and communications technology**, supporting our Chief Executive as the **Government Chief Information Officer** and implementing the *Directions and Priorities for Government ICT*
- » recording and managing New Zealanders' **identity information**
- » managing **national civil defence emergency readiness, response and recovery**

- » supporting and connecting communities with **information, resources, advice and funding**
- » supporting the **effective operation of New Zealand's system of local government**
- » **regulating, encouraging compliance and enforcing the law** for gambling, censorship, government recordkeeping, spam, anti-money laundering, and private security
- » building and preserving **New Zealand's documentary heritage and public record**
- » supporting the **effective operation of government and the Executive**, including managing guest-of-government visits to New Zealand, supporting Royal Commissions of Inquiry and monitoring Crown entities.

We are also responsible for implementing the Government's Better Public Service Result 10: New Zealanders can complete their transactions with the government easily in a digital environment.

Ministerial portfolios

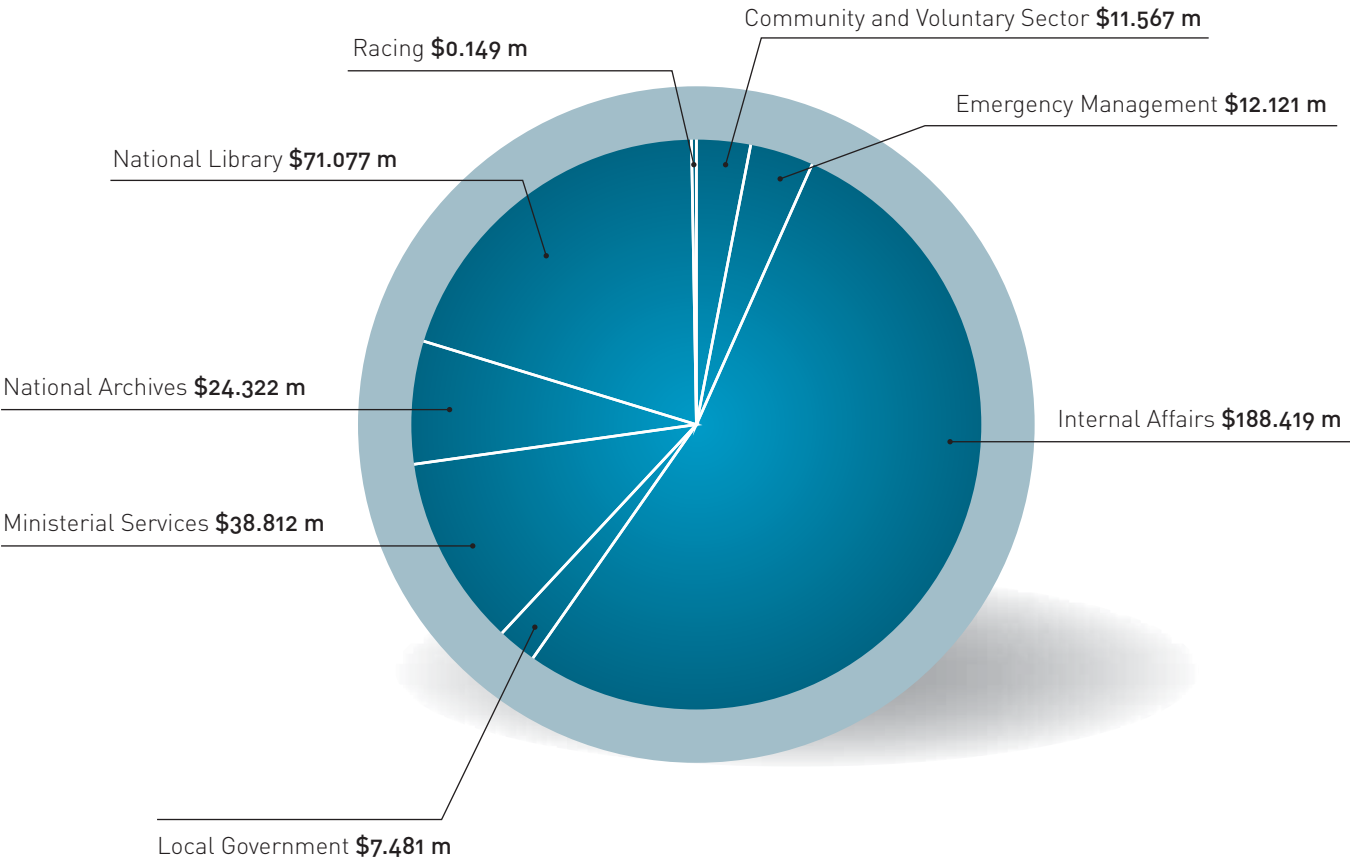
We provide services to Ministers in seven portfolio areas:

- » Internal Affairs (including responsibility for Archives New Zealand and the National Library of New Zealand)
- » Civil Defence
- » Ministerial Services
- » Ethnic Affairs
- » Local Government
- » Racing
- » Community and Voluntary Sector.

Summary of 2011/12 appropriations

We managed departmental appropriations totalling \$353.948 million in 2011/12, broken down by our eight Votes as follows:

Departmental appropriations by Vote





CHIEF EXECUTIVE'S OVERVIEW

This year has seen the Department play an increasingly pivotal role in the public sector with an expanded mandate in leading the government use of information and technology services and taking the lead for Result 10 of the Government's priorities for better public services. Against this backdrop the Department has continued to deliver excellent services to people and communities.

All of our teams have contributed throughout the year, and there are some particular achievements I would like to highlight.

Operation Laminar was initiated by the Department's Censorship Unit and was undertaken in conjunction with Interpol and other agencies, resulting in 55 arrests in 20 countries. Twelve children were removed from harm, including one in New Zealand.

Over 450,000 pages were added to the Papers Past website, including the first 50 years of Christchurch's *The Press* newspaper. Papers Past is one of the most popular digital resources provided by the Department, with up to 10,000 visits per day in the past year. It represents one of many initiatives that are providing access for people to our documentary heritage through online collections.

We maintained our commitment to supporting the recovery from the Canterbury earthquakes. During the year, the Ministry of Civil Defence and Emergency Management's response to the earthquakes was thoroughly reviewed, to provide insights into the civil defence framework for managing future emergencies. We also began to develop better ways to work with volunteering organisations and spontaneous volunteers in an emergency response.

The provision of authoritative identity information held by the Department is often crucial for people to efficiently and easily access other services and entitlement, and contribute to a competitive and productive society. A critical priority in this area is expanding the use of the igovt services. The signing of the partnering arrangement with New Zealand Post will use the Post network to

accelerate uptake of our shared identity services in the public and private sectors.

In March the Department became the lead agency for Result 10 of the Government's priorities for better public services. This work will be a priority over the next five years. Achieving the target of 70 per cent of New Zealanders' most common transactions with government being completed in a digital environment by 2017 will be challenging. The transfer of the Service Transformation Programme to the Department will enhance our understanding of how people want to interact with government, a crucial component in developing services that will meet people's needs.

Government has also strengthened my role as Government Chief Information Officer to accelerate the development and uptake of shared capabilities and common ICT tools that will support more citizen-centric services. This builds on the Department's responsibility for leading and implementing the *Directions and Priorities for Government ICT* and advising Government on maximising the use of all-of-government ICT. The uptake of shared capability systems is potentially worth over \$300 million in savings to government over the next ten years.

As the year began we focused on consolidating our new Departmental structure by cascading the principles of integration throughout the organisation. We undertook a number of reviews to reduce duplication and deliver functions more efficiently and effectively. As a result we have positioned ourselves to achieve an efficiency savings target of \$9.8 million for 2012/13 and \$8.9 million in outyears.

We also prepared for the transition of the functions of the Charities Commission to the Department on 1 July 2012. This will secure the viability of these functions in challenging financial times, while improving services to the charitable sector by leveraging the Department's experience in regulation and running registry systems.

Over the past year we have demonstrated our ability to adapt to the challenges of rapidly advancing technology and the increased expectations of people and Government. I am confident that we are establishing the structures and capability that will allow us to continue responding to future challenges in more innovative, coherent and effective ways. We had notable successes across all parts of the Department and I thank all my staff for their hard work and commitment.



Colin MacDonald

Chief Executive

September 2012

PART A – CONTRIBUTION TO OUTCOMES AND OBJECTIVES

This section outlines how our work over the past year has contributed to the Department's outcomes, objectives and intended results.

OUR OUTCOMES AND OBJECTIVES

The long-term outcomes and objectives¹ we are seeking to achieve for New Zealanders are:

Outcomes

- » New Zealand's diverse people and communities/hapū/iwi are resilient and prosperous
- » New Zealand is recognised for creating, sharing and using knowledge for social, cultural and economic wellbeing
- » The people of New Zealand have a strong and valued national identity, culture and heritage

Objective

- » To enhance trust in government and confidence in the performance of public sector organisations

Our full outcomes framework is provided in Appendix I, including the links between:

- » outcomes, intermediate outcomes and impacts
- » objectives, lead objectives and supporting objectives.

In this Annual Report our contribution to outcomes and objectives, and our progress as measured against the indicators in our Statement of Intent, is reported under each of our **impact** and **lead objective** areas.

Measuring progress towards outcomes and objectives

During 2011/12 we began reviewing and improving performance measurement across the Department, to better reflect the changing nature and scope of our work and drive continuous improvement. This builds on the establishment of a new outcomes framework for the integrated Department from 1 February 2011.

This work is ongoing and includes improving impact, outcome and objective indicators. For the purposes of transparency, we have reported on both the indicators included in our 2011–14 Statement of Intent and the updated indicators developed during the year.

The most direct measure of our performance is how successfully we are delivering our outputs. Our output measures will also be reviewed as part of the performance measurement project.

Performance data for 2011/12 output measures is provided in Part B (Statements of Service Performance). Our financial performance is reported in Part C.

¹ Outcomes relate to areas in which we provide immediate services to the wider public and consequently affect their quality of life. Objectives describe how we seek to support public sector and other organisations to deliver better, smarter services to, and with, the people of New Zealand.

CONTRIBUTING TO OUTCOMES

The following section reports on our contribution to achieving outcomes and our progress on the priorities, initiatives and indicators outlined in our Statement of Intent.

We contributed to our outcomes through the following impacts:	Page
» People and communities understand and manage hazards and risks	17
» Participants in regulated activities behave responsibly and with integrity	20
» People have the capability to participate in their communities and across communities	22
» People are able to access and use information important to their lives	25
» New Zealand's documentary record is protected and available for current and future generations	29
» New Zealand's personal identity information has integrity	31

Outcome indicators

We used the indicators below to track progress towards our outcomes.

Outcomes	Indicators	Trend	Data source
New Zealand's diverse people and communities/hapū/iwi are resilient and prosperous	Increasing the proportion of people who feel a strong sense of community:		
	» People who feel a sense of community in their local neighbourhood	2010: 60% 2008: 58.4% 2006: 59%	<i>Quality of Life Survey</i> ²
	» People who feel isolated from others (some or most of the time)	2010: 15% 2008: 16%	<i>General Social Survey (Statistics New Zealand)</i>
	Increasing the proportion of people participating in civic society:		
	» The number of candidates standing for local authority elections	2010: 3,917 2007: 4,123 2004: 4,092	<i>Local Authority Election Statistics</i>
	» Voter turnout at local authority elections	2010: 49% 2007: 44% 2004: 46%	<i>Local Authority Election Statistics</i>
	» The percentage of people who would like to have more of a say in what their council does	2010: 46% 2008: 48% 2006: 52%	<i>Quality of Life Survey</i> ³
New Zealand is recognised for creating, sharing and using knowledge for social, cultural and economic wellbeing	Increasing New Zealand's readiness to use and leverage ICT to increase wellbeing	Network Readiness Index ranking: 2012: 14 (of 142 countries) 2011: 18 (of 138) 2010: 19 (of 133) 2009: 22 (of 134)	<i>Global Information Technology Report (World Economic Forum and European Institute of Administration)</i>
The people of New Zealand have a strong and valued national identity, culture and heritage	Maintaining a high proportion of people who say they belong to New Zealand	2010: 94.5% 2008: 93.9%	<i>General Social Survey (Statistics New Zealand)</i>
	Maintaining a high proportion of people who say it is easy to express their own culture	Easy/very easy: 2010: 83.7% 2008: 82.3% Sometimes easy, sometimes difficult: 2010: 13.4% 2008: 13.9%	<i>General Social Survey (Statistics New Zealand)</i>
	Maintaining the number of countries allowing visa-free access to New Zealand passport holders	2010/11: 50+ 2009/10: 50+	<i>Henley Visa Restrictions Index Global Ranking 2011</i>

Although our work makes an important contribution to outcomes, indicators are influenced by environmental factors beyond the impact of the Department's activities and services. Due to the high-level and long-term nature of outcome indicators, some data sources are not conducted on an annual basis. We have reported on the most up-to-date data available.

² Latest results (2010) do not include responses from Auckland residents due to the recent establishment of the Auckland Council.

³ As above.

Impact: People and communities understand and manage hazards and risks

We improved New Zealand's resilience by increasing the capability to manage civil defence emergencies and protecting people from harm in social activities. This work contributed to our outcome for resilient and prosperous communities.

We contributed to Ministerial priorities in the following portfolios:

- » Civil Defence
- » Internal Affairs
- » Local Government
- » Community and Voluntary Sector

Contributing to the recovery from the Canterbury earthquakes

Maintaining services to the people of Canterbury in the aftermath of the earthquakes, and supporting our staff during the recovery, remained a priority during 2011/12. We continued to deliver a range of services from locations in Christchurch, including identity, regulatory, archives, library, and community and ethnic advisory services.

We responded to challenges and ongoing disruption to systems and accommodation by developing new ways of working to both continue and improve services.

This included developing shared service delivery initiatives and co-locating services with other agencies within Christchurch, to better coordinate our responses to the needs of communities in the area. For example, we based identity services staff with Inland Revenue in the city, making it easier for customers to access often complementary services and better share information between the two agencies.

Our Community Operations office minimised the effects of disruptions to infrastructure by moving all community funding applications and assessments in the region online, maintaining access to this funding to assist the recovery. We co-located our staff with Family and Community Services and Child, Youth and Family to better coordinate funding options and advice to people in Canterbury.

We worked with the Canterbury Earthquake Recovery Authority (CERA) and other agencies to support the recovery of local councils in the region. This included streamlining planning, reporting and rating processes to

recognise the impact of ongoing uncertainty on meeting statutory deadlines, and assessing over \$160 million in claims to reimburse the Christchurch City Council's costs in responding to the earthquakes.⁴ These were the largest and most complex civil defence claims the Department has ever processed.

During the year we supported the Christchurch Earthquake Appeal Trust to distribute funds to support communities in Canterbury. By 30 June 2012 the Trust had assessed and processed over \$38 million of more than \$74 million pledged to support earthquake recovery initiatives, community infrastructure and services.

We also continued to support the Royal Commission of Inquiry into Building Failure caused by the Canterbury Earthquakes.

The ways organisations in Christchurch have worked together to find innovative means of meeting new needs provides an insight into how public services can be transformed through better collaboration. We are identifying ways to replicate these examples elsewhere in our work, such as extending co-location arrangements and expanding the paperless office approach.

Learning from our response to the Canterbury earthquakes

Within the Department, the Ministry of Civil Defence and Emergency Management (MCDEM) coordinates the response to national civil defence emergencies and was the lead agency in responding to the Canterbury earthquakes. We commissioned an independent review into this response to identify any improvements needed in New Zealand's civil defence emergency management framework. The review was completed in June 2012.

Recommendations will be assessed and incorporated into the national guidance we provide to regional Civil Defence Emergency Management Groups across the country. During the year we began updating our guidance with

⁴ The assessment of the response claims will be completed in early 2012/13. In March 2012 the responsibility for processing recovery claims was transferred to CERA.

lessons learned from the Canterbury experience, including reviewing the provision of welfare services in emergencies, developing guidance for the rapid evaluation of dangerous buildings and enhancing business continuity planning.

The results of the review and the experience of our response will also inform the update of the National Civil Defence Emergency Management Plan⁵ and a review of the Civil Defence Emergency Management Act 2002. This includes looking at whether legislative change is needed to strengthen the statutory framework for recovery from major civil defence events.

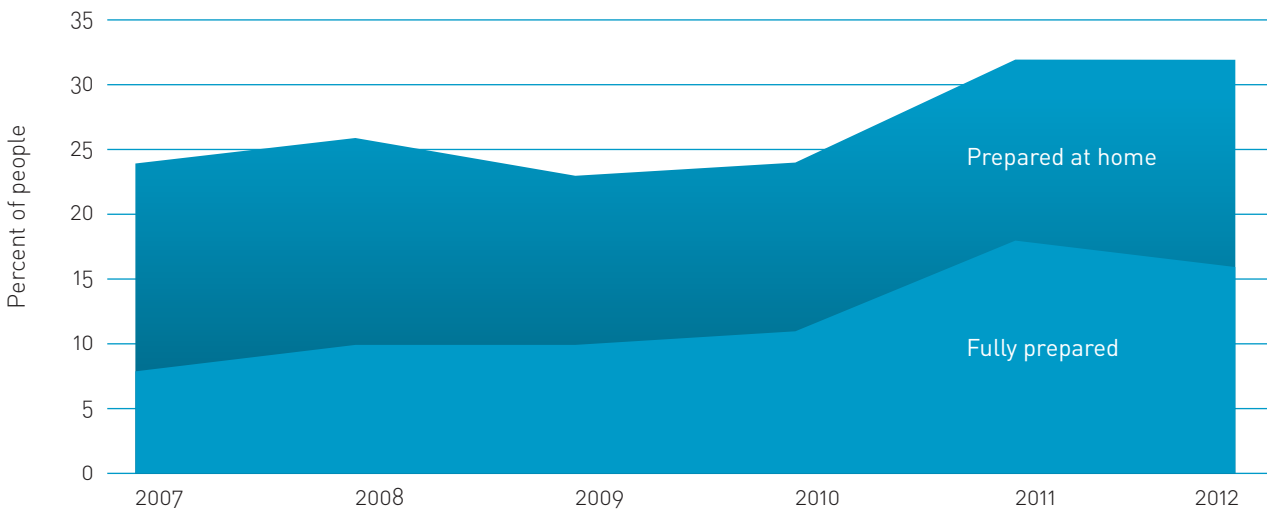
Volunteers were a crucial part of the response in Canterbury. We began developing ways to better harness and work with volunteering organisations and spontaneous volunteers in emergency response. MCDEM hosted a forum for volunteers to discuss their experience directly with central agencies and local government. The forum was attended by both the Minister of Civil Defence and Minister for the Community and Voluntary Sector.

Building awareness of risks and preparedness for emergencies

Through MCDEM we engage directly with New Zealanders to build community resilience and capability to manage through emergencies. We updated our school education programme (*What's the Plan, Stan?*) and our media campaigns to build on the increasing awareness of the effects of hazards following the Canterbury earthquakes. During the year MCDEM began preparations for *New Zealand ShakeOut*, which will be the largest earthquake drill ever undertaken in New Zealand. By 30 June 2012 approximately 200,000 people had registered to take part in the exercise.

Awareness of advice on how to prepare for emergencies has increased significantly. The proportion of people taking steps to prepare has continued to steadily improve, with 75% of people who have seen Get Ready Get Thru advertising taking some action to be better prepared.⁶ While overall preparedness measures were static over the last year, there has been a steady improvement since the start of the Get Ready Get Thru campaign, with over 30% of New Zealanders now prepared at home for emergencies, while the percentage of people who are fully prepared has more than doubled from the 2006 benchmark of 7%.⁷

New Zealanders prepared for emergencies



Source: Ministry of Civil Defence and Emergency Management Campaign Monitoring Research 2012

5 The update of the National CDEM Plan was underway and on track for completion during 2011/12 before being put on hold as a result of the response to the February 2011 earthquake.

6 Ministry of Civil Defence and Emergency Management Campaign Monitoring Research 2012. 49% of New Zealand residents are aware of the Get Thru website (up from 40% in 2011). The website provides advice on how to prepare to get through emergencies. Awareness of the Get Ready Get Thru tagline has increased to 59% (from 41% in 2009).

7 Prepared at home means having an emergency survival plan, survival items and water. Being fully prepared means also being prepared when away from home.

Preventing social harm through regulating activities

We regulate a range of activities including gambling, censorship, anti-money laundering, unsolicited electronic messages (spam), and private security work.

Our Regulatory Services group worked with the public, local authorities and national and international agencies to protect communities by minimising harmful social, economic and criminal behaviours.

We continued to reduce the negative impacts of gambling on communities and families by expanding the multi-venue exclusion programme (MVE). The MVE enables problem gamblers to exclude themselves in one process from multiple gambling venues in defined areas. Led by the Department and involving a number of other agencies, problem gambling services and health providers, the MVE now operates in 10 regions across the country. This is one of a number of mechanisms being used, and people have reported that it has given them information to make decisions to help minimise gambling.

With the increasing reach and accessibility of the Internet, it is an ongoing priority to develop new, collaborative ways to reduce risks and restrict illegal and harmful activity online.

Our Anti-Spam team improved connections with the ICT industry at national and international levels to improve cyber security, share information and develop advice for people and organisations to reduce the burden of spam. During the year we launched an innovative mobi⁸ tool to

make it easier for people to complain and take action against spam sent to mobile phones, and enabling anti-spam investigators to track text spam more efficiently.

A particular focus for the Department is reducing the online exploitation of children. We developed and implemented software to improve our detection of objectionable material, allowing us to work more closely with international agencies to prevent harm and prosecute offences.

Collaboration between our Censorship Unit and national and international law enforcement agencies resulted in arrests of individuals in a number of jurisdictions on charges related to child exploitation. Operation Laminar, initiated by the Department and undertaken in conjunction with Interpol and other agencies, resulted in 55 arrests in 20 countries for the production, possession and distribution of child sexual abuse and exploitation material on social networking sites. Twelve children were removed from harm, including one in New Zealand.

The Unit runs the Digital Child Exploitation Filter, which blocks New Zealanders from accessing unlawful websites known to offer objectionable content involving children. During the year we added eight Internet Service Providers (ISPs) to the programme, meaning most New Zealand ISPs, including all mobile phone data providers, are now involved.

The filter has been successful in reducing access to images of child sexual abuse over the Internet and blocking the worst sites from being accessed in New Zealand. Results of an independent survey by InternetNZ shows wide support for the use of the filter to reduce the harm associated with accessing images of abuse.⁹

Measuring progress

Indicators	Progress	Data source
Increasing the number of people prepared at home, work or both for civil defence emergencies: <ul style="list-style-type: none"> » People prepared at home » People prepared both at home and at work 	2011/12: 32% 2010/11: 32% 2009/10: 24% 2008/09: 23% 2011/12: 16% 2010/11: 18% 2009/10: 11% 2008/09: 10%	<i>Ministry of Civil Defence and Emergency Management Campaign Monitoring Research (Colmar Brunton) 2012¹⁰</i>
Increasing the number of people who are aware of ways to avoid gambling too much	2010: 69.8% 2012 data will be available in late 2012	<i>Health and Lifestyles Survey (Health Sponsorship Council)</i>

8 A mobi site is a website easily accessible from mobile devices and smartphones.

9 Internet Filtering UMR Online Omnibus Results February/March 2012. 66% of respondents were supportive of an extension to the current filter to block other material or images. The sample size was 877 people, with a margin of error of 3.3%.

10 The most recent survey (2012) excludes Christchurch residents due to the Canterbury earthquakes.

Impact: Participants in regulated activities behave responsibly and with integrity

We worked to minimise harmful and criminal behaviours, and maximise the community benefit from regulated activities. This work contributed to our outcomes for resilient and prosperous communities; and a New Zealand recognised for using knowledge for social, cultural and economic wellbeing.

We contributed to Ministerial priorities in the following portfolios:

- » Internal Affairs
- » Community and Voluntary Sector

Providing education and advice to encourage compliance

Our Regulatory Services group provides advice, education and guidance to encourage voluntary and sustained compliance in the sectors we regulate, and make it easy for people who want to comply with the law.

We actively engaged with operators and interested groups to discuss compliance issues and build an understanding of and commitment to obligations. This included holding regional forums with operators, attending and presenting to conferences, and regularly communicating issues online and through publications such as *Gambits*.

In 2011/12 we worked with relevant businesses to ensure they understand changes to regulatory responsibilities. We helped businesses prepare for the Anti-Money Laundering and Countering Financing of Terrorism Act (commencing in 2013) by publishing guidance, delivering road shows and working with the Reserve Bank and the Financial Markets Authority to develop standards for identity verification. A risk assessment and evaluation was undertaken across the private security sector to prepare for our regulatory responsibilities under the Private Security Personnel and Private Investigators Act 2010.

During the year we reviewed and clarified our approach to compliance, to ensure we keep pace with changes in our operating environment and regulatory practice. Being open and clear about the objectives of our regulatory work will provide regulated parties with greater certainty and understanding about our role and the compliance and enforcement responses they can expect from us. Our new approach will be implemented over the coming year, following consultation with the sector.

Enforcing regulations and deterring non-compliance

We use a range of regulatory tools to detect and deter non-compliance in the sectors we regulate. This includes maintaining our presence within these sectors through monitoring, auditing and intelligence gathering.

In 2011/12 we undertook more than 600 inspections, audits and investigations of gambling operations, and inspected over 2,000 outlets and responded to more than 600 complaints about potential breaches of censorship laws.

Our Anti-Spam unit fielded over 3,700 enquiries from the public during the year and investigated more than 4,000 New Zealand-linked complaints. This led to 93 official warnings, five civil infringement notices and one statement of claim in the High Court to reduce the disruption to legitimate business activity and the use of the Internet caused by spam.

Where necessary, we use a range of sanctions or enforcement options to protect communities from harmful and criminal behaviour.

Over the past year we increased the focus of enforcement activity on identifying and prosecuting serious, deliberate and harmful offending. We progressed more gambling prosecutions in 2011/12 than in any of the previous five years, with 25 cases going before the courts for serious breaches of the law. Through improved detection systems and processes we also increased the number of prosecutions for the possession or distribution of objectionable material.

Preparing for the transfer of the functions of the Charities Commission

The registration, education, monitoring and investigation functions of the Charities Commission transferred to the Department from 1 July 2012.

The transfer of these functions leverages the Department's regulatory experience to deliver services to the charitable sector more cost-effectively. During the year we supported

the State Services Commission with the passage of the Charities Amendment Act. This includes the establishment of an independent statutory board responsible for the registration and de-registration of charities. Appointments to the inaugural Charities Registration Board were completed in June 2012.

We also began working with Inland Revenue and Treasury to scope a review of the Charities Act and related tax issues, to enable more effective regulation in the charitable sector.

Measuring progress

Indicators	Progress	Data source
Number of breaches of relevant gambling regulations detected	2011/12: 531 2010/11: 427 2009/10: 363	<i>Internal Affairs data*</i>
Number of official censorship-related warnings issued	2011/12: 102 2010/11: 148 2009/10: 146	<i>Internal Affairs data**</i>
Number of censorship-related prosecutions initiated	2011/12: 31 2010/11: 22 2009/10: 39	<i>Internal Affairs data***</i>
The percentage of people receiving spam/nuisance emails	2011: 73% 2009: 73%	<i>World Internet Project New Zealand 2011</i>

* The measure does not distinguish between changes due to increased monitoring by the Department or changes in the inherent compliance levels of the gambling sector. The Department is reviewing its compliance approach to focus on promoting compliance that minimises harm and maximises benefit. This may reveal future measures that can help distinguish between Department activity and sector compliance levels.

** This change relates predominantly to selling of DVDs online. The Department spent time educating sellers of their requirements under the Films, Videos and Publications Classification Act 1993, hence the overall drop in numbers. We are seeing better compliance in terms of online selling of DVDs so this is an improved performance.

*** Prosecutions relating to objectionable images have remained relatively static. However, the Department has conducted a compliance drive for DVD outlets in terms of their obligations under the Films, Videos, and Publications Classification Act 1993. Where appropriate, prosecutions have been initiated for non-compliance with labelling classification regulations. This drive has been taken with a view towards encouraging voluntary compliance by this component of the sector in the future.

Impact: People have the capability to participate in their communities and across communities

We supported and connected New Zealand's diverse communities to increase participation in society and the economy. This work contributed to our outcomes for resilient and prosperous communities; and a New Zealand recognised for using knowledge for social, cultural and economic wellbeing.

We contributed to Ministerial priorities in the following portfolios:

- » Internal Affairs
- » Community and Voluntary Sector
- » Ethnic Affairs
- » Local Government

projects to help community organisations develop good governance and management practices.

We responded to changing demand for community services by reviewing the way we work and looking for better ways of meeting people's needs into the future.

This included investing more strategically in communities by implementing five community-led development initiatives. These are trialling a long-term approach to Crown-funded schemes, allowing the government to invest in whole communities rather than isolated organisations and projects. We supported these communities to select local leadership groups and begin developing their community plans. The first evaluation of the benefits of these initiatives will be completed in 2012.

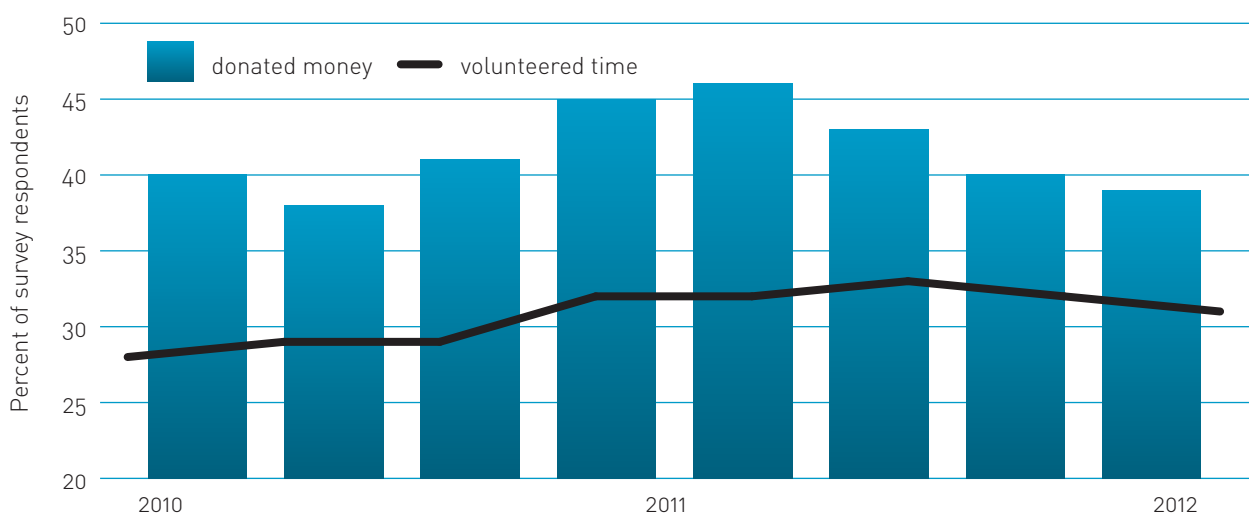
A priority during the year was strengthening support for the essential role of volunteering and philanthropy in civil society. We carried out a range of operational and policy activities including reprioritising funding to the Support for Volunteering Fund and building dialogue across government, community and private sector organisations

Providing support to empower and connect communities

Our network of frontline regional advisors works directly with community groups providing advice, information and resources to empower communities and support sustainable local development initiatives.

During the year we delivered community workshops and seminars to build capability to plan, fund and manage projects that strengthen social, economic and cultural wellbeing. We provided targeted advice to locally-led

New Zealanders volunteering and donating money



Source: Consumer & Media Insights Survey (Nielsen Media)

about social enterprise and social finance. We began a project looking at government's role in growing a culture of generosity, to increase and better support the number of New Zealanders who regularly volunteer and donate money.

The importance of strong community-government relationships to support the work of community organisations was reinforced by the signing of the Kia Tūhahi Relationship Accord by the Prime Minister in August 2011. The Accord provides guiding principles for government and communities to work together to achieve social, economic and environmental outcomes. We established a reference group to oversee implementation of the Accord and Internal Affairs is one of seven champion agencies identifying examples of good practice in working with communities.

Supporting ethnic communities to participate and contribute to society

The Department's Office of Ethnic Affairs is seeing increasing demand for services as New Zealand's demographic make-up changes. We responded to 15,000 queries about ethnic issues in 2011/12, an increase of 23% from the previous year.

The Office continued to focus on increasing ethnic communities' participation in New Zealand's society and economy. We worked with other agencies, local authorities and the private sector to deliver the EPIC NZ¹¹ conference, tailored business knowledge workshops and regional visits to investigate investment opportunities. These initiatives develop business connections and make use of migrant community networks to maximise the potential for ethnic communities to contribute to economic growth.

To support these connections we developed the EPIC NZ website, providing ethnic communities with essential information for doing business in New Zealand and a business-matching database which has attracted over 180 registrations.

We continued to work with ethnic communities to maintain New Zealand's reputation for social harmony. The Office delivered the EthnicA series of conferences to encourage constructive debate about diversity issues in New Zealand, and we collaborated with the Ministry of Foreign Affairs and Trade to support inter-faith dialogue in the Asia-Pacific region.

Enhancing access to community funding and support

Our Community Operations group facilitated over \$180 million in funding to communities in 2011/12. Over 9,000 grants for local initiatives, projects and community services were made through 21 Crown funding schemes, Trusts and Fellowships, and on behalf of the New Zealand Lottery Grants Board and distribution committees.

Through our role in regulating gambling we worked to maximise the returns of non-casino gaming profits back to community and charitable purposes. During the year we led amendments to gambling regulations to allow non-casino gaming machine societies to make multi-year grants to their communities.

During the year we enhanced access to funding and support by reviewing schemes to better align with changing community needs and priorities. This included reprioritising funding to enhance the support available for volunteering and for community-led development.

We also streamlined funding processes to make it easier and less time-consuming for people to apply for funding. Changes recommended by the Office of the Auditor-General were implemented to improve accountability processes and the communication channels between community organisations and the Department. We continued to enhance the information available on the *CommunityMatters* website and other online resources, and we investigated expanding the paperless approach to funding applications, led by our Christchurch office following the Canterbury earthquakes.

Funding processes will be further improved by the development of a new Grants and Client Management System. In 2011/12 a prototype system was trialled and evaluated, from which we clarified business requirements to ensure a new system will meet the needs of the Department and customers now and into the future.

In Budget 2011 \$3.3 million was secured to continue supporting digital literacy and connection in communities. This funding supported the Computers in Homes and Computer Clubhouse programmes to provide additional training, tools and resources for school children, young people and families, and improve their ability to participate in their communities in the digital age.

11 EPIC NZ stands for Ethnic People in Commerce in New Zealand.

Measuring progress

Indicators	Progress	Data source
<p>Increasing the participation in local communities through volunteering and giving:</p> <ul style="list-style-type: none"> <li data-bbox="140 439 719 488">» The percentage of people aged 10 years or over who, in the previous three months, volunteered or donated money <li data-bbox="140 674 708 723">» The percentage of people participating in paid and unpaid community work <li data-bbox="140 887 700 936">» The number of nominations for Community Organisation Grants Scheme (COGS) Local Distribution Committees 	<p>Volunteered: March 2012: 31% December 2011: 32% December 2010: 29%</p> <p>Donated money: March 2012: 39% December 2011: 40% December 2010: 41%</p> <p>Undertook paid community work: 2010: 65.4% 2008: 64.6%</p> <p>Undertook voluntary community work: 2010: 32.4% 2008: 32.6%</p> <p>2011: 304 nominations The next elections will be held at the end of 2013/14</p>	<p><i>Quarterly Consumer and Media Insight Survey (Nielsen Media)</i></p> <p><i>General Social Survey (Statistics New Zealand)</i></p> <p><i>Internal Affairs data</i></p>
<p>Maintaining a high level of satisfaction with the advice and support received by ethnic community groups to enable them to help themselves and participate in their community</p>	<p>30 June 2012: 96% 30 June 2011: 96%</p>	<p><i>Internal Affairs survey</i></p>

Impact: People are able to access and use information important to their lives

We improved access to important information for people to use to contribute to society and the economy. This work contributed to our outcomes for resilient and prosperous communities; a New Zealand recognised for using knowledge for social, cultural and economic wellbeing; and strong and valued national identity.

We contributed to Ministerial priorities in the following portfolio:

» Internal Affairs

Enhancing secure and convenient access to identity information

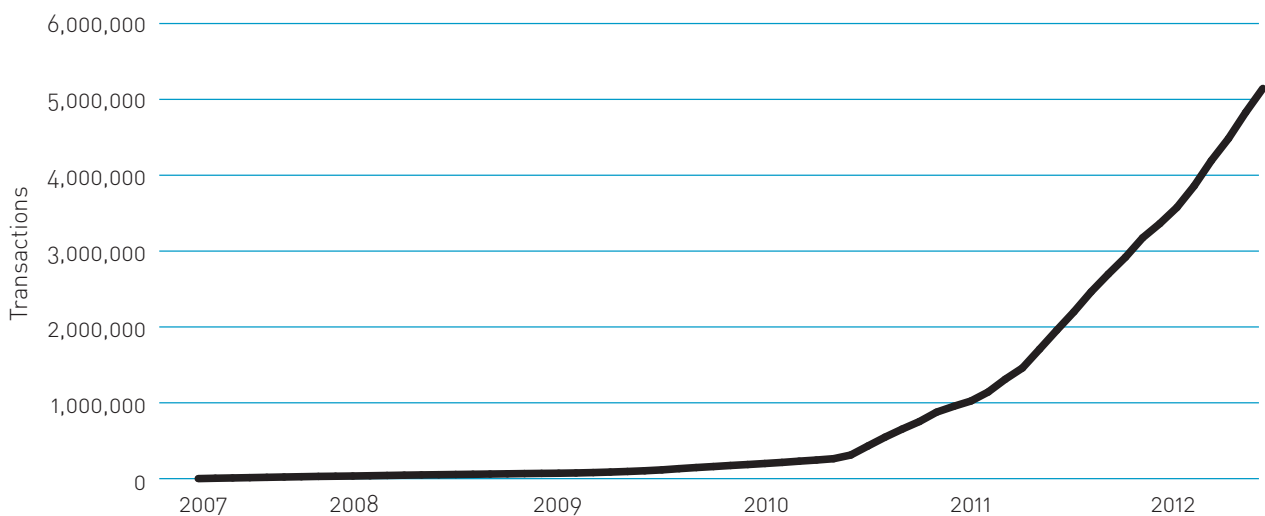
The authoritative identity information held by the Department is often crucial for people to efficiently and easily access other services and entitlements, and contribute to a competitive and productive economy.

We provide secure and convenient access to identity information through a suite of services including the igovt logon service, which lets people and business use the same username and password when accessing online services from participating agencies, and the System-to-System Data Access Service, which provides agencies with identity data validation.

These shared identity services allow easier interaction between people and government in a digital environment. During the year we continued to enhance these services, including:

- » supporting the progress of legislation to enable wider use of shared services by people, agencies and the private sector¹²
- » beginning development of the full igovt identity verification service, to extend eligibility to everyone who lives in New Zealand
- » signing a partnering arrangement with New Zealand Post (NZ Post), enabling people to complete the igovt registration process at PostShops and allowing NZ Post to make igovt-related services available to private sector organisations and state-owned enterprises

Cumulative igovt logon service growth



Source: Department of Internal Affairs data

¹² The Electronic Identity Verification Bill and the Identity Information Confirmation Bill were progressed through to their second readings during 2011/12.

- » developing *RealMe*, in partnership with NZ Post, to increase uptake of shared identity services¹³ by building on existing igovt functionality. *RealMe* will create an account where people will be able to manage and share their personal information
- » working with the Ministry of Social Development's StudyLink to make student loan applications accessible through igovt from early 2012/13 and exploring the use of identity verification services in the Ministry of Economic Development's (now Ministry of Business, Innovation and Employment) Companies Office and in the education sector.

The increasing availability of shared identity services means New Zealanders are able to more conveniently and easily access government services. The number of igovt logons created by New Zealanders has continued to increase, along with the number of government services using igovt and the number of access agreements in place to use the Data Access Service. More than five million igovt logon transactions have been conducted since 2007.

Improving access to government data

In August 2011 the Government released its Declaration on Open and Transparent Government and new principles for data and information management.

To support greater transparency we developed a strategy for identifying and releasing useful, non-personal information held by the Department, for re-use by the public and businesses.

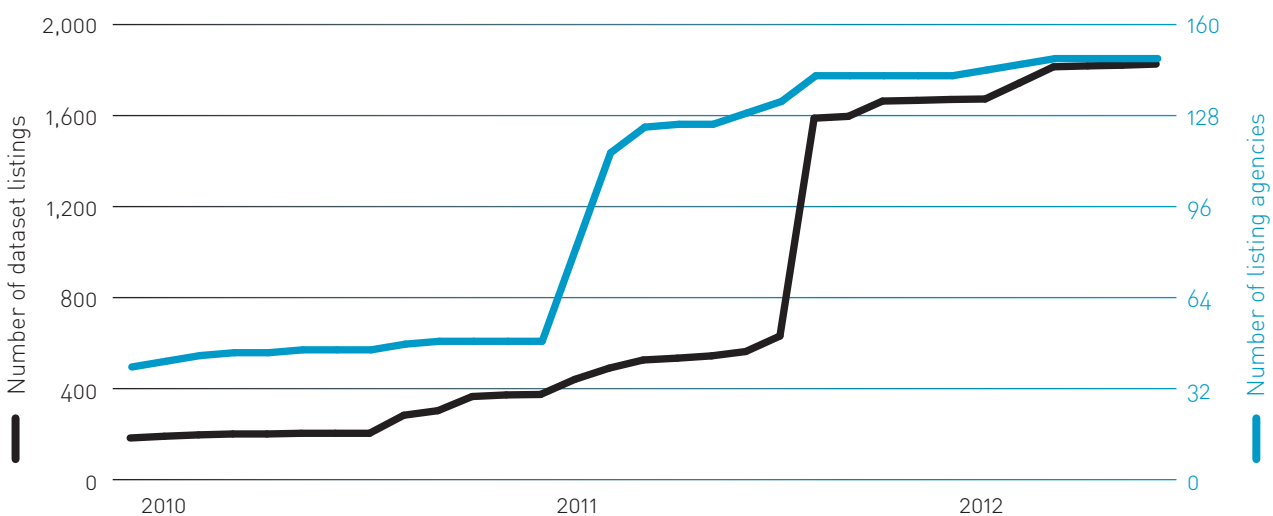
We played a leadership role in increasing access to government information through data.govt.nz, a directory of publicly available, non-personal government data sets. During the year the listings on data.govt.nz more than tripled to over 1,800 data sets from 148 government agencies, and were accessed by more than 4,000 people each month.

Our Chief Executive chaired the Data and Information Re-use Chief Executives Steering Group, which presented its first report on the adoption of the Declaration on Open and Transparent Government in June 2012. Agencies are moving to incorporate the Declaration into their core business and their data is being re-used by businesses to develop innovative services that reduce cost and processing. Increasingly, business and government are partnering to host and deliver government data.

Improving access to information, heritage collections and the public record

Within the Department, Archives New Zealand and the National Library of New Zealand maintained the record of government and significant collections of New Zealand's documentary heritage. We provided access to this information through facilities such as reading rooms, interloan services and exhibitions. Increasingly, we are using online services and different channels such as YouTube to reach new and larger audiences for heritage material and government information.

Information growth on data.govt.nz



Source: Department of Internal Affairs data

¹³ Private sector use of the Identity Verification Service is subject to Cabinet approval and the passage of the Electronic Identity Verification Bill.

We are increasing the access to heritage information by digitising and making information available online through resources such as DigitalNZ¹⁴. Over the past three years we have made more than two million items available through the National Library's online collections and added over one and a half million items to Archway, the online archives index. During 2011/12 this included:

- » digitising more than 30,000 New Zealand Defence Force records as part of a project to make all First World War military personnel records accessible before centenary commemorations in 2014
- » increasing to over 100,000 the number of images of New Zealand history available on the Alexander Turnbull Library's Timeframes website
- » adding over 450,000 pages to the Papers Past website¹⁵, including the first 50 years of Christchurch's *The Press* newspaper. Papers Past is one of the most popular digital resources provided by the Department, with up to 10,000 visits per day in the past year.

We began improving access to our collections and services by redeveloping and enhancing the National Library's beta website¹⁶. This is centralising the Library's online resources to make it easier for researchers and the public to search the Library's collections.

We continued to support local libraries across New Zealand to connect communities and schools with information, through services such as Aotearoa People's Network Kaharoa and the Te Puna interloan service. In 2011/12 we launched Kōtui, a shared library management system that enables borrowers and researchers to access the contents of all participating public libraries from a single point (such as a computer or smartphone, from home, school or business, or from within the library). Kōtui had gone live in eight libraries by mid-2012. A further seven libraries will be operational by the end of 2013.

14 <http://digitalnz.org>

15 <http://paperspast.natlib.govt.nz>

16 <http://beta.natlib.govt.nz/>

Measuring progress

Indicators	Progress	Data source
Increasing access to information through uptake of common capabilities:		
» Number of unique services connected to shared identity services ¹⁷	June 2012: 38 ¹⁹ March 2011: 23 service agreements in place	<i>Internal Affairs data</i>
» igovt logons created by New Zealanders	2011/12: 460,501 2010/11: 239,330 (number issued)	<i>Internal Affairs data</i>
» Annual number of transactions supported by the igovt logon service	2011/12: 3,167,138 2010/11: 1,635,084	<i>Internal Affairs data</i>
» Number of access agreements in place allowing use of the Data Validation Service	June 2012: 730 March 2011: 400+	<i>Internal Affairs data</i>
» Number of services using the Data Validation Service ¹⁸	June 2012: 2 services March 2011: 2 services	<i>Internal Affairs data</i>
Increasing access to collections of information and the public record:		
» Published National Library heritage collections with online records*	2011: 86% (509,792 of 591,069) 2010: 83% (481,340 of 575,778)	<i>Internal Affairs data</i>
» Institutions describing archival holdings online through the Community Archive	2011/12: 376 2010/11: 376	<i>Internal Affairs data</i>
» Proportion of contextual documentation about public archives that meets quality standards	2011/12: 50.6% 2010/11: 50.6%	<i>Internal Affairs data</i>
» Full-text databases made accessible through New Zealand libraries in the Electronic Purchasing in Collaboration (EPIC) consortium*	2011: 40 2010: 25	<i>Internal Affairs data</i>
» New Zealand libraries participating in the Te Puna catalogue and interloan services	2011/12: 92% ²⁰ 2010/11: 98%	<i>Internal Affairs data</i>
» New Zealand libraries and marae with Aotearoa People's Network Kaharoa (APNK) connected	2011/12: 145 public libraries and marae 2010/11: 130 public libraries and marae	<i>Internal Affairs data</i>
» Visits to use specialist online resources and services for schools*	2011: 172,905 July-December 2010: 40,000 visits	<i>Internal Affairs data</i>
» Earthquake-affected school libraries in Canterbury assisted to rebuild their capacity and capability	Advisory support provided to 96% of targeted schools	<i>Internal Affairs data</i>

* Data collected for calendar year. 2012 data not yet available.

17 This measure has been updated to reflect the development of the igovt service. The previous measure referred to 'service agreements with public sector agencies for service integrations with igovt logon and identity verification services'.

18 Increasing the number of services is dependent on the successful passage of the Identity Information Confirmation Bill.

19 Thirteen agencies use igovt. The agencies dominating igovt usage are the newly formed Ministry of Business, Innovation and Employment, NZ Transport Agency and the Ministry for Primary Industries.

20 Although the number of libraries using Te Puna has increased to 246, an overall increase in the number of libraries monitored means the proportion of libraries using Te Puna has decreased over 2011/12.

Impact: New Zealand's documentary record is protected and available for current and future generations

We collected, protected and preserved New Zealand's historical memory and taonga. This work contributed to our outcomes for resilient and prosperous communities; a New Zealand recognised for using knowledge for social, cultural and economic wellbeing; and strong and valued national identity.

We contributed to Ministerial priorities in the following portfolio:

» Internal Affairs

Redevelopment of the former National Library building

During the year we made substantial progress towards completing the redevelopment of the former National Library building in Wellington. Renovations have been underway since 2009 to ensure the long-term storage and preservation of collections of national importance. Staff began moving back into the building in April 2012, with the reading rooms opening to the public from August.

The purpose of the building has been extended to include housing Archives New Zealand's key government documents. This will maximise the benefit of improved storage facilities to ensure a greater proportion of New Zealand's documentary record is being stored in an appropriate, controlled environment.

Consultation began during the year on a name change for the building, to better reflect its new role as a home for Archives New Zealand and the National Library.

The refurbished building has improved access to heritage collections and enhanced facilities for visitors and researchers. The building's new Constitution Suite will bring together New Zealand's important foundational documents such as the Treaty of Waitangi, the Women's Suffrage Petition and the Declaration of Independence of the Northern Chiefs, preserving them in appropriate, controlled environments and optimising the experience for visitors. We began preparing for the move of these documents by consulting with stakeholders and mana whenua.

The building provides the platform for improving our frontline services to researchers, visitors and the public, while creating efficiencies by sharing resources.

To support this, a strategic partnership between Archives New Zealand and the National Library has been agreed. The partnership extends the modernisation of National Library services to include areas of commonality between the two institutions, while maintaining separate statutory responsibilities. We began redesigning services from a citizen-centric view, to more efficiently and effectively use specialist preservation skills, facilities and programmes to protect New Zealand's documentary heritage and records.

Protecting and preserving items for future generations

We continued to build the collections we hold on behalf of New Zealanders. During the year we increased the quantity of archives held by 5.5% to over 103,000 linear metres and added nearly 70,000 items to the Alexander Turnbull Library's collections.

By leading the digitisation of historic records we are improving the long-term preservation of information for future generations.

During the year we improved the systems for collecting and preserving information by developing a Joint Digital Preservation Strategy to better share expertise between the National Library and Archives New Zealand. We also continued to develop the Government Digital Archive (GDA) to ensure New Zealand's record of government is effectively captured and preserved in the digital age, including successfully transferring the first items from an Interim Digital Archive to the GDA repository.²¹ By 2018 the Digital Archive aims to be the primary preservation repository for New Zealand's government, heritage, research, learning and community digital content.

We increased the items we hold in digital form, staying on track to meet targets of digitising 90% of our archive heritage items by 2018. In 2011/12 we digitised highly-used Canterbury and Westland archives and continued a project to digitise probate records, with over 90,000 records

²¹ By 30 June around 40,000 items, or 20 terabytes, had been placed in a secure digital preservation environment.

now available to assist family researchers. Through a collaborative programme between Land Information New Zealand and Archives New Zealand, we digitised and made available online 145,000 images of Deeds Indexes.²²

The National Library continued leading a collaborative project to digitise the Appendices to the Journals of the House of Representatives, adding 125,000 pages to AtoJs Online. We also exceeded targets for preserving at-risk Alexander Turnbull Library heritage items, including over 2,000 hours of rare music recordings, spoken word and oral histories, as part of the Audio Retro Preservation Programme.

We maintained and developed partnerships with Māori and Pacific communities to ensure cultural heritage and taonga are preserved correctly and are accessible for future generations. During the year we worked with five iwi²³ to develop Letters of Commitment on the long-term care and management of their taonga, as part of the Crown's settlement of Treaty of Waitangi claims. We also began discussions with Taranaki Whānui to plan a work programme to implement the Letter of Commitment on their taonga, signed in the previous year.

Measuring progress

Indicators	Progress	Data source
Completing redevelopment of the National Library Wellington building by the end of 2012	On track	
Increasing the proportion of heritage collections and public records protected and preserved for future generations:		
» The proportion of Alexander Turnbull Library collections held in an appropriate environment	2012: 100% 2010: 55%	<i>Internal Affairs data</i>
» The proportion of Archives New Zealand holdings held in an appropriate environment	2011/12: Relative humidity standards met 67.1% of the time; Temperature standards met 80.6% of the time 2010/11: Not available	<i>Internal Affairs data</i>
» The number of public offices that are holding archival value records over 25 years of age without a formal agreement with the Chief Archivist	2011: 27%* 2010: Not available	<i>Internal Affairs data</i>

* This relates to a specific project to identify records and is no longer measured.

22 Deeds Indexes are volumes that record all of the registered transactions against a section of land.

23 Te Aupouri, Te Rarawa, Ngai Takoto, Ngati Kuri and Ngati Ranginui.

Impact: New Zealand's personal identity information has integrity

We worked to ensure New Zealand's personal identity information was secure, trusted and appropriately accessible. This work contributed to our outcomes for strong and valued national identity; and a New Zealand recognised for using knowledge for social, cultural and economic wellbeing.

We contributed to Ministerial priorities in the following portfolio:

- » Internal Affairs

New Zealand's identity information. During the year we began a biometric matching exercise across the passports database to ensure New Zealand has the highest possible security and integrity for its passports and issuance systems.

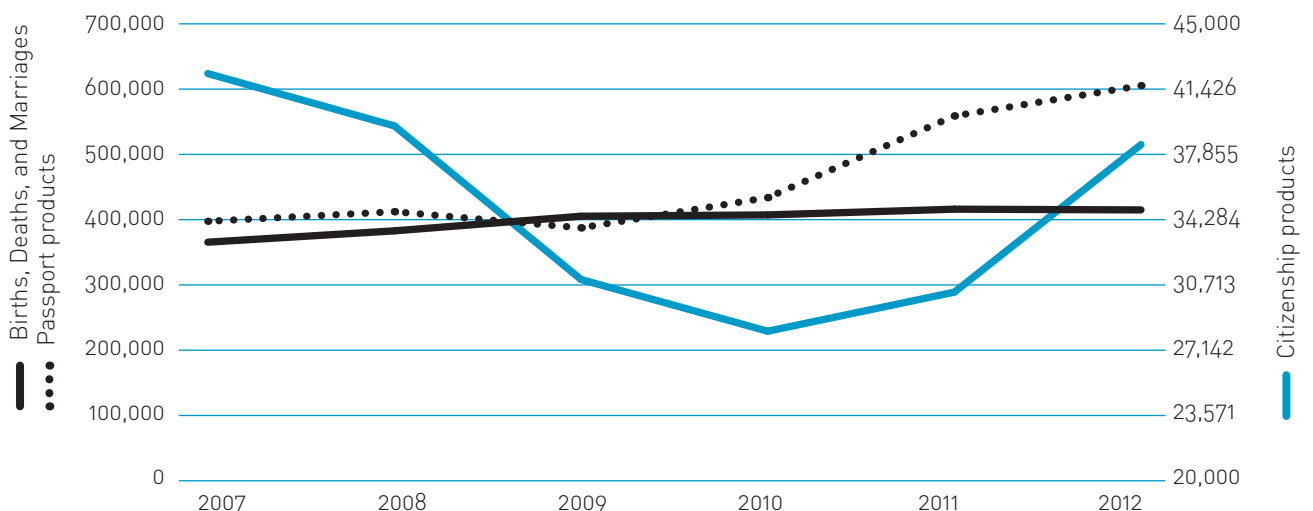
Providing secure and reliable identity information

We collect and securely manage the official record of life events in New Zealand. In 2011/12 we issued over one million identity documents and products enabling New Zealanders to use their identity information to access rights, entitlements and services.

Within an environment of increasing demand, we continued to deliver documents and products with a high degree of reliability. We maintained over 99% accuracy of citizenship certificates provided to the public. We maintained the international reputation of the New Zealand passport as a trusted identity document with less than 0.02% of passports issued on fraudulent grounds or used fraudulently. Surveys of identity customers over the past three years show, on average, over 95% of people are satisfied with our services.²⁴

Ensuring confidence in New Zealand's personal identity records is central to maintaining the high degree of trust people, organisations and other nations have in

Identity documents issued



Source: Department of Internal Affairs data

²⁴ Latest data is from June 2011. Our biannual customer satisfaction survey is under review, pending changes to the State Services Commission Kiwis Count Survey which may enable us to track satisfaction more efficiently.

Demographic changes, technological advances and legislative changes such as the move to five-year passports impact on how people are using identity services. We continued to implement the Passport Redevelopment Programme to meet rising demand for passports, including preparing to introduce adult online passport renewals in October 2012. During the year we mitigated the impact of vendor delays to the programme to ensure we maintained full and uninterrupted services to customers.

We are responding to changing demand by reviewing our identity documents, products and services to ensure they are sustainable and flexible to meet future needs, particularly in a digital environment. Upgrades to the Birth, Deaths and Marriages and Citizenship Operating systems will reflect the results of the review.

Providing leadership in identity information management

We continued to provide leadership on the secure management of identity information to ensure the consistency and quality of identity management across government.

This includes working with agencies to develop and communicate best practice in the establishment of identity and the collection of identity information. In 2011/12 we developed, with the Ministry of Justice, an Identity

Verification Code of Practice to support reporting entities to fulfil their obligations under anti-money laundering legislation.

Maintaining integrity in the access to and management of personal information is critical as more government services become accessible online. We continued to expand the use of shared identity services that enable people and agencies to use identity information and verify identity confidently in a digital environment. More information about this work is provided under the previous impact section '*Enabling people to access and use information important to their lives*'.

In April we hosted the international identity conference, Managing Digital Identity in a Networked World, in partnership with Victoria University of Wellington and the Office of the Privacy Commissioner. The conference brought together more than 200 people from the public and private sectors, as well as international and national thought leaders, to discuss identity management issues including how government agencies can build and develop trusted relationships with their customers in an online environment.

The conference contributed to the Department's focus on engaging with stakeholders across sectors to develop a vision of the future state of identity information management, to help inform government decisions about investment in this area.

Measuring progress

Indicators	Progress	Data source
Maintaining a low level of complaints about the Department on privacy breaches	Complaints received or notified by the Privacy Commission: 2011/12: 2 2010/11: 4* 2009/10: 2	<i>Office of the Privacy Commissioner Annual Report</i>
Maintaining a low level of incident reports relating to the issuance of passports on fraudulent grounds or fraudulent use of a passport	Related incidence reports: 2011: 0.013% 2010: 0.012%	<i>Internal Affairs data</i>
Maintaining a high percentage of identity services customers who feel personal information is confidential and secure	Nov 2011: No survey run Jun 2011: 90% [751] Nov 2010: 90% [750] Jun 2010: 81% [750] Nov 2009: 86% [749] Jun 2009: 86% [751] Nov 2008: 85% [749]	<i>Internal Affairs survey**</i>

* Number of complaints upheld.

** Note that the percentages in the 2012–15 Department of Internal Affairs Statement of Intent are incorrect as responses of 'no impression' were included in the figures (June 2011 97%, Nov 2010 98%, June 2010 92%, Nov 2009 98%, June 2009 99%, Nov 2008 99%).

CONTRIBUTING TO OBJECTIVES

The following section reports on our contribution to achieving objectives and progress on the priorities, initiatives and indicators outlined in our Statement of Intent.

We contributed to our objectives through the following lead objectives:	Page
» Supporting the system of government to operate efficiently and effectively	35
» Enhancing the productivity and accountability of public sector organisations	39
» Supporting specialist capability-building in other nations	42

Objectives indicators

We used the indicators below to track progress towards our objectives.

Objective	Indicators	Trend	Data source
To enhance trust in government and confidence in the performance of public sector organisations	Increasing the number of people who have a high level of trust and confidence in the performance of public sector organisations:		
	» Overall quality score for public services	2012: 72% 2009: 69% 2007: 68%	<i>Kiwis Count Survey – New Zealanders’ satisfaction with public services (State Services Commission)²⁵</i>
	» New Zealanders’ positive rating of overall trust in public services	2012: 42% 2009: 33% 2007: 29%	
	» New Zealanders’ positive rating of trust in their most recent service interaction	2012: 74% 2009: 70% 2007: 67%	
	» New Zealanders who agree that public services are a good example of tax dollars spent	2012: 73% 2009: 64% 2007: 55%	
	Maintaining New Zealand’s ranking in the Corruption Perceptions Index	2011: 1st 2010: 1st = 2009: 1st	<i>Transparency International</i>

Although our work makes an important contribution to achieving objectives, indicators are influenced by environmental factors beyond the impact of the Department’s activities and services. Due to the high-level and long-term nature of objective indicators, many of our data sources are not conducted on an annual basis. We have reported on the most up-to-date data available.

²⁵ Kiwis Count Survey, quarterly update, October 2012.

Lead objective: Supporting the system of government to operate efficiently and effectively

We supported central and local government to deliver better services to New Zealanders and interact more easily with people in a digital environment. This work contributed to our objectives for enhancing trust and confidence in the performance of New Zealand's public sector.

We contributed to Ministerial priorities in the following portfolios:

- » Internal Affairs
- » Civil Defence
- » Ministerial Services
- » Ethnic Affairs
- » Local Government
- » Racing
- » Community and Voluntary Sector

Improving interaction between New Zealanders and government in a digital environment

In March 2012 the Department became the lead agency for one of the Government's priorities for better public services: enabling New Zealanders to complete their transactions with government easily in a digital environment (Result 10). The Minister of Internal Affairs is the lead Minister for Result 10.

This work will be a priority for the Department over the next five years. To support this, the Service Transformation Programme transferred to the Department from the Ministry of Social Development (MSD), aligning with our Chief Executive's responsibilities for Result 10 and as the Government Chief Information Officer. Initially a collaborative project between the Department, Inland Revenue and MSD to develop joint service delivery approaches, the Programme has expanded to include over 20 agencies to progress the result area work.

The Programme Team worked with these agencies to develop a Result 10 Action Plan, including a target of 70% of New Zealanders' most common transactions with government being completed in a digital environment by 2017. Currently 24% of these transactions are completed

digitally.²⁶ Action areas will develop consistent approaches to common transactions and foster initiatives and partnerships that deliver citizen-centric digital services.

Understanding how people want to interact with government is crucial to developing services that meet people's needs. We completed an inventory across government agencies to gain a consistent picture of the current state of service delivery across the public sector. This informed the development of citizen profiles on which to base future service design work.

As part of the result area work we began developing connections with Result 9 (led by the Ministry of Economic Development), which focuses on ensuring business can interact with government online.

Leading all-of-government information and communications technology

The result area work is closely aligned with the Department's responsibility for leading more effective use of ICT across the public sector, by implementing the *Directions and Priorities for Government ICT* and advising Government on maximising the use of all-of-government ICT.

In August 2011 we launched the Government ICT Roadmap as the underpinning strategy for the *Directions and Priorities*. We supported this with tools, resources and guidance, for agencies to better align their ICT planning and identify opportunities for sharing capability. A new website was launched to centralise this information, www.ict.govt.nz.

In June Government strengthened our Chief Executive's mandate, as the Government Chief Information Officer, to accelerate the uptake of shared capabilities and common ICT tools that will support more citizen-centric services.

²⁶ The figure of 24% is based on a basket of indicator services. Result 10 will be measured through continued monitoring of the basket.

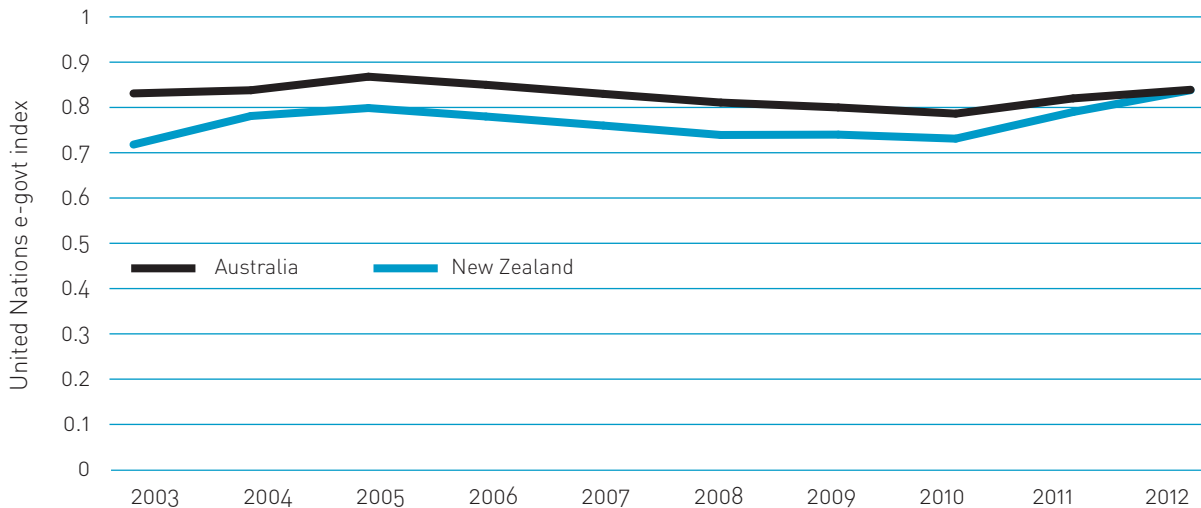
We continued to lead sound investment and engagement with industry to introduce innovations and initiate different ways of planning and operating government's ICT systems. In 2011/12 we established the foundations for significant cost and efficiency savings across government through better use of ICT, including:

- » increasing the benefits of Government Infrastructure as a Service²⁷ (IaaS) by signing new suppliers and exceeding forecast uptake from government²⁸. IaaS will potentially save government more than \$250 million over 10 years
- » enhancing the one.govt common network, negotiating a more flexible all-of-government software acquisition strategy and collaborating with the Ministry of Economic Development to sign common computer, print and mobile data contracts, improving efficiency and achieving potential savings of \$200 million over five years
- » developing a business case for the use of cloud computing to improve standardisation and value for money across government

- » providing common web services that provide government agencies with a small, consistent choice of web publishing platforms and services
- » piloting the Open Door to Innovation Initiative, which seeks innovative ideas from the ICT industry to improve government ICT investment. We received over 500 queries resulting in 29 submissions.

More coordinated ICT across government is central to providing more convenient and cost-effective public services and allowing easier interaction between citizens and government. New Zealanders are increasingly accessing government information and services online, and a recent United Nations e-government survey shows New Zealand is continuing to improve its ability to connect people and government in a digital environment.

Ability of citizens and government to interact online



Source: United Nations E-Government Survey 2012²⁹

²⁷ IaaS enables agencies to buy computing infrastructure on demand from host vendors (Datacom CSG Limited, Revera Limited or IBM Limited), reducing the need to purchase and maintain separate infrastructure.

²⁸ Seven agencies signed agreements and a further 16 are under development. Initial forecasts were for three agency agreements. IaaS works by volume and unit-based price reductions for ICT based on the number of agencies in the initiative.

²⁹ United Nations E-Government Survey 2012. The United Nations e-govt index measures the willingness and capacity of a country to use information and communications technology to deliver public services. It is a weighted average of three dimensions of e-government, normalised to fall within a range of 0 to 1.

Supporting efficient and effective local government

An ongoing focus for the Department is providing advice and operational support to improve the effectiveness of the local government system and strengthen its contribution to the economy.

The Better Local Government Programme, announced by Government in March 2012, includes a number of reforms to improve the ability of local authorities to serve their communities efficiently and effectively.

We supported the progress of the Local Government Act 2002 Amendment Bill to implement the first phase of the Programme. This will refocus the purpose of local government, introduce financial prudence requirements, strengthen governance provisions and streamline council reorganisation procedures. We also supported the establishment of an independent Local Government Efficiency Taskforce to help build greater efficiency within the system of local government.

The Programme builds on reforms passed in 2010, to improve local authority transparency, accountability and financial management. During the year we began implementing these amendments by preparing regulations for financial reporting requirements, and completing the first phase of developing performance measures for core local government activities.

The Department also led the development of the Local Electoral Amendment Bill, proposing improvements to strengthen the integrity and efficiency of the local electoral system and the conduct of local elections.

We continued to support the Auckland Council following its establishment, including working with the Ministry for the Environment to coordinate government engagement with the Auckland Spatial Plan, and supporting the inaugural Auckland Central Local Government Forum.

During the year, the Minister of Local Government was asked to intervene in and assist a number of councils. We provided advice and support to the Minister in addressing governance, performance and financial challenges in councils, including appointing and supporting Crown observers and review teams where necessary.

Improving the systems and services supporting Executive Government

We maintained a high level of trust and confidence in our ability to provide services supporting the efficient operation of Executive Government. Improvements made to optimise these services during the year included integrating

ICT service delivery between the Department and the Parliamentary Service and improving services to Members of the Executive. This initiative achieved efficiency savings of over \$400,000 during the change of Executive following the 2011 General Election.

During the year we implemented new policies and guidance for managing Ministerial expenses. We also supported the progress of the Members of Parliament (Remuneration and Services) Bill and began working with the Remuneration Authority and the Parliamentary Service to prepare for changes to our role in administering allowances for Members of Parliament following the Bill's enactment.

We supported more than 70 official visits and a number of significant commemoration events in 2011/12, including the funeral of Sir Paul Reeves and the first anniversary of the Canterbury earthquakes. Our contribution to Rugby World Cup 2011 included supporting the guest-of-government and state functions programme, working with the Ministry of Foreign Affairs and Trade, Ministry of Economic Development and other agencies to ensure a successful whole-of-government approach to the 28 state functions and visits during the tournament.

Preparations also began for upcoming events, such as the Royal Jubilee Visit in November 2012 and First World War Centenary Commemorations.

We continued to provide support to two Royal Commissions of Inquiry, into the Pike River Coal Mine Tragedy and Building Failure Caused by the Canterbury Earthquakes. This included securing approval for extensions to the reporting dates for both inquiries.

Supporting effective Government decision-making

The Department undertakes research, data-gathering and stakeholder engagement to support government decision-making with high-quality policy analysis and advice. This includes working with other agencies to support sound policy development. For example we advised the Ministry of Economic Development on the policy and regulatory framework for gambling.

During the year we responded to Government expectations for the public sector to improve policy advice by implementing a Quality Plan to continue developing the performance and productivity of our policy functions.

We provided advice and assurance to Ministers on the performance, capability and governance of the Charities

Commission³⁰, the New Zealand Fire Service Commission and the Office of Film and Literature Classification.

We also provided Ministers with advice regarding funding bodies, community trusts and specialist groups including the New Zealand Racing Board, Charities Registration

Board, Film and Literature Board of Review, Film and Video Labelling Body, Gambling Commission, Local Government Commission, Guardians Kaitiaki of the Alexander Turnbull Library, and the Library and Information Advisory Commission.

Measuring progress

Indicators	Progress	Data source
New Zealanders can complete their transactions with government easily in a digital environment: » 70% of New Zealanders' most common transactions with government will be completed in a digital environment by 2017	2011/12: 24% of common transactions are completed digitally	<i>Internal Affairs data</i>
Increasing uptake of common capabilities	See impact measures for <i>Enabling people to access and use information important to their lives</i>	
Improving the accessibility of online government services: » People who have used the Internet to get information on government or council services » People who have used the Internet to use government or council services that are delivered online	2011: 57% 2009: 60% 2007: 45% 2011: 48% 2009: N/A	<i>World Internet Project New Zealand Survey 2011</i>
Increasing satisfaction with government online services: » People's satisfaction with the Internet as the most recent contact channel with government » People's satisfaction with carrying out transactions with government online	2009: 81% 2007: 73% 2009: 64% 2007: N/A	<i>Kiwis Count Survey – New Zealanders' satisfaction with public services (State Services Commission³¹)</i>
Optimising support for Executive Government: » Satisfaction rating for the Department's services from the Minister Responsible for Ministerial Services	2011/12: Good/very good 2010/11: Very good 2009/10: Very good 2008/9: Very good 2007/8: Good	<i>Internal Affairs data</i>
More efficient and effective local government: » People who understand how their Council makes decisions » People who feel they have an influence on Council decisions	2010: 40% 2008: 38% 2006: 39% 2010: 62% 2008: 60% 2006: 58%	<i>Quality of Life Survey</i>
Enhancing the value of information available to support government decision-making	We are participating in a Treasury-led pilot of common performance measures for policy advice across government. In May 2012 our overall average score for Ministerial satisfaction with policy advice was 7.3 out of 10 from the four portfolio Ministers participating in the pilot. ³²	

30 On 1 July 2012 the functions of the Charities Commission transferred to the Department and our monitoring function for this entity ceased.

31 From 2012 the Kiwis Count Survey is being undertaken on a continuous basis, in order to provide more timely information on the quality of the services public sector organisations provide to New Zealanders. 2012 data on satisfaction with government online services is not yet available.

32 Performance against Ministerial satisfaction measures in the Information Supporting the Estimates of Appropriations for each of our portfolios is provided in Part B.

Lead objective: Enhancing the productivity and accountability of public sector organisations

We supported central and local government agencies to increase their capability to serve their communities. This work contributed to our objectives for enhancing trust and confidence in the performance of New Zealand's public sector.

We contributed to Ministerial priorities in the following portfolios:

- » Internal Affairs
- » Civil Defence
- » Community and Voluntary Sector
- » Ethnic Affairs
- » Local Government

Building capability in the civil defence emergency management sector

We completed and reported on capability assessments of New Zealand's 16 regional Civil Defence Emergency Management (CDEM) Groups.

The results show that, overall, New Zealanders can be confident in the capability of CDEM Groups. The average capability score was 60%.³³ All Groups are operating in the 'satisfactory' zone, with four CDEM Groups considered high-performing (scoring over 70%). Areas for improvement have been identified both in individual groups and across all regions. We are supporting CDEM Groups to implement improvement plans addressing the findings of the capability assessments.

During 2011/12 we completed the roll-out of the Emergency Management Information System (EMIS). All CDEM Groups have signed on to use the system, which provides a shared information and communications system during civil defence events. Since implementation, EMIS has been used for two local emergency response events and, although the events were relatively small, the system performed well.

We also began developing terms of reference for a review of fire services. This will support equitable and efficient funding arrangements and address an increasing trend in firefighters attending non-fire-related emergencies.

Increasing the capability of public sector agencies to work with and respond to communities

As well as working directly with communities, the Department provides advice and tools to help agencies better understand the needs of their communities so they can deliver services more effectively. We led by example in building strong relationships with stakeholders, groups and other agencies to address community and voluntary sector issues, and we are overseeing the implementation of the Kia Tutahi Relationship Accord.

In August 2011 we launched the Ready Reference Engagement Guide, providing advice to public servants on engaging effectively with citizens and communities when developing policies and services. The guidance is designed to optimise agencies' responsiveness to communities to create sustainable and appropriate policies and programmes.

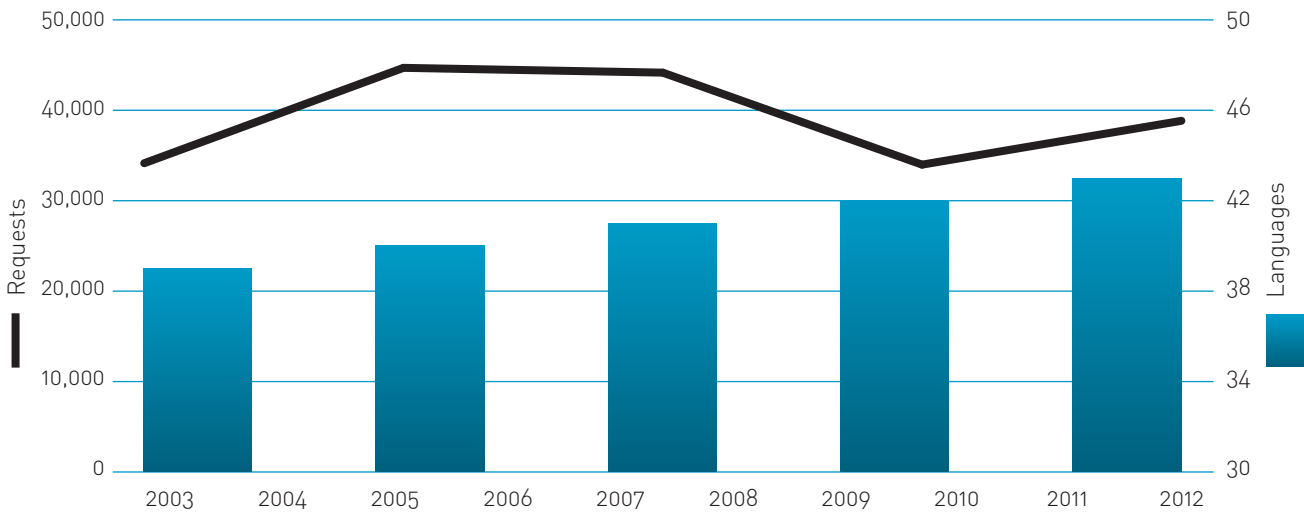
Within the Department, the Office of Ethnic Affairs continued to work with agencies to improve responsiveness to ethnic diversity. To meet increasing demand for these services we implemented new tools, including web-based policy guidance and a revamped Nominations Service to inform the appointment of ethnic candidates to government boards, committees and advisory groups.

We also continued to support agencies by providing Language Line and expanding interpreting services to 43 languages.³⁴ In the nine years since it began, Language Line has helped more than a quarter of a million people in New Zealand access essential services. In 2011/12 we increased the number of participating agencies to 83 and responded to approximately 39,000 requests for interpreting services.

³³ Ministry of Civil Defence and Emergency Management 'CDEM Capability Assessment Report', April 2012.

³⁴ The three most common languages using Language Line are Mandarin, Samoan and Korean.

Language Line growth



Source: Department of Internal Affairs data

Increasing the capability of agencies to manage public records

Through Archives New Zealand we preserve evidence of how government carried out its responsibilities. We worked collaboratively with other agencies to increase their capability to protect information and fulfil their obligations to maintain public records. During the year we audited the recordkeeping of 43 public sector agencies as part of our ongoing responsibility to audit all agencies over a five-year cycle.

The Christchurch earthquakes, which resulted in the loss of public records, highlighted the fragility of documentary heritage and the need to put steps in place for recovery and back-up.

We provided information and advice to agencies across the public sector on protecting and preserving information, providing more than 40 government recordkeeping training courses during the past two years. We reviewed our services to enhance relationships with our clients in government, local government and the community and improve capability to carry out recordkeeping.

Measuring progress

Indicators	Progress	Data sources
Average score for the capability of Civil Defence Emergency Management Groups to achieve the goals of the National CDEM Strategy	2011/12: 60%	<i>CDEM Capability Assessment Tool</i>
Capability development assessment for non-Civil Defence organisations	Indicators being developed ³⁵	
Improving responsiveness of public agencies to the needs of diverse communities:		
<ul style="list-style-type: none"> » Increasing the number of public sector organisations using Language Line 	2011/12: 83 2010/11: 77 2009/10: 73	<i>Internal Affairs data</i>
Improving capability of public sector agencies to maintain the integrity of public records they hold:		
<ul style="list-style-type: none"> » Organisations that have policies and procedures to assess whether they are complying with the Public Records Act 2005 	2011: Not measured* 2010: 46% (47% under development) 2009: 37% (52% under development) 2008: 29% (59% under development)	<i>Government Recordkeeping Survey Report³⁶</i>
<ul style="list-style-type: none"> » Percentage of core public offices with a formal recordkeeping programme 	2011: Not measured 2010: 59%	
<ul style="list-style-type: none"> » Percentage of core public offices with a disposal authority that covers their core business records 	2011: Not measured 2010: 46%	
<ul style="list-style-type: none"> » Percentage of core public offices that have undertaken a risk assessment against a mandatory standard 	2011: Not measured 2010: 38%	

* This was not measured for 2011, because the work has been superseded by other initiatives, such as a review of appraisal.

³⁵ Indicators are under development as part of the CDEM Capability Assessment Tool. Work was delayed as a result of the Canterbury earthquakes and will recommence in 2013/14.

³⁶ The Recordkeeping in Government Survey has been put on hold following the 2010 survey. More useful information about the state of recordkeeping systems and processes is intended to be gathered from the recordkeeping audits being undertaken by Archives New Zealand.

Lead objective: Supporting specialist capability-building in other nations

We contributed to enhancing trust in New Zealand government by using our expertise and resources to build capability in other nations.

Supporting public recordkeeping and information management

We shared our specialist skills and expertise to build capability in other nations, particularly in the Pacific region. We increased the capability of other nations to maintain the integrity and improve management of the public and personal information they hold. During 2011/12 we:

- » signed a new five-year Arrangement on Cooperation between the National Library of New Zealand and the Singapore National Library Board to build capability in digital preservation and promote literacy through library service in the Asia-Pacific region
- » continued our ongoing support as the secretariat of Pacific Regional Branch of the International Council on Archives (PARBICA). We worked with colleagues from Australia and the Pacific to develop and launch Phase 5 of the Pacific Recordkeeping for Good Governance Toolkit at the PARBICA conference, providing information on best practices for digital recordkeeping
- » began working with the German Federal Archive to digitise and improve the accessibility of documents held by Archives New Zealand relating to the German administration of Samoa
- » advised the Samoan Bureau of Statistics on improving the country's birth, deaths and marriages operations, and improving the quality and integrity of this data.

We also worked with international agency groups such as the Five Nations Passport Group, Five Nations Citizenship Group and International Civil Aviation Organization to share best practice in identity management and keep abreast of developments in international border security and technology.

Supporting emergency response capability

The Ministry of Civil Defence and Emergency Management contributed to building international emergency response and risk management capability by supporting programmes such as the Ministry of Foreign Affairs Pacific Programme and the Pacific Tsunami Risk Management Programme. We contributed resources and expertise to support international civil defence exercises, including Exercise Pacific Wave and a review of the United Nations Disaster Assessment and Disaster Coordination system.

Building regulation and compliance capability

The Department chaired the Australasian Gambling Regulatory Information Forum, which includes representation from gambling regulators across Australia and Singapore. The Forum improves information-sharing with regulators in these countries, and enhances the understanding of trends and developments to improve compliance and regulation practices.

BUILDING ORGANISATIONAL HEALTH AND CAPABILITY

Building our capability is an ongoing priority. Our focus during the year was on consolidating our structure and the systems supporting the effective operation of the Department.

Consolidating the Department's structure

Since the establishment of the integrated Department on 1 February 2011³⁷, we have been implementing the next level of organisational changes needed to ensure the organisation is sustainable in delivering core services and meeting new expectations.

This year, we completed reviews of several business groups and units to reduce duplication and deliver functions more efficiently and effectively. This process has resulted in new business models that reflect the changing nature and scope of our work. This included:

- » implementing a new structure for our Policy group to improve the flexibility, quality and strategic focus of policy advice
- » reviewing information and technology services, including the Office of the Government Chief Information Officer, to increase our capability to support all-of-government ICT, and improve our approach to agency engagement and governance support
- » implementing improved business models across Ministerial support services to build capability, reduce costs, and prepare for future challenges
- » building the strategic and operational capacity of the National Library, including better integrating digital technology across all its activities
- » restructuring Archives New Zealand to better reflect its relationship to customers, the flow of information across the recordkeeping and archival system, and the development of digital archiving
- » focusing our community operations to better deliver frontline services, with a streamlined, more flexible and efficient management structure

³⁷ The National Library, Archives New Zealand, the Office of the Government Chief Information Officer and the Office for the Community and Voluntary Sector integrated with the Department on 1 February 2011.

- » investing in an Enterprise Portfolio Management Office to provide better oversight of the Department's portfolio and improve decisions about allocating resources
- » establishing a new business model for our shared corporate services, strengthening the focus on delivering trusted business advice, leadership and assurance to the Department. This included reviews of our finance, human resources, communications, and property and procurement operations, to ensure the Department has the necessary support to deliver its services.

Following Government's announcement of our responsibility for Better Public Service Result 10, the Service Transformation Programme transferred to the Department. The Programme Team, including staff from several agencies, enhances our capability to provide cross-agency leadership in developing citizen-focused services and is responsible for implementing the Result 10 Action Plan.

Parallel to the organisational reviews we developed a Position Management System that is now being implemented. This system provides better oversight and allocation of our staffing resources within our overall organisational structure. It will enable the Department to manage resources more cost-effectively within an environment of fiscal constraint.

Preparing for the transfer of the functions of the Charities Commission

We prepared for the transition of the registration, education, monitoring and investigation functions of the Charities Commission to the Department on 1 July 2012. The transfer will ensure these functions are housed in a larger, more resilient agency, better equipped to remain financially viable in challenging financial circumstances.

The addition of these functions showed that we could continue to incorporate new functions without significant

disruption to our structure. The transfer is expected to achieve efficiencies through sharing back-office functions and reducing duplication, while improving services to the charitable sector.

Building our people capability

During the year we implemented and began a number of organisational improvements to enhance our people capability and organisational culture. This included:

- » substantially completing our first Department-wide Workforce Strategy. This provides the Department with an overarching framework and direction to ensure we have the people and capability to continue delivering core functions, while being able to adapt to business changes and contribute to the achievement of Government priorities
- » developing a new Leadership and Management Development Framework designed to support managers and develop good leaders at all levels of the organisation. We are piloting programmes including succession planning and talent development, new manager inductions, refresher courses for existing managers and individualised training plans. The framework will be rolled out over the next two years
- » implementing iLearn, an online training service that will centralise all information relating to learning and development, and make it easier for our staff to access and manage training.

A significant achievement during 2011/12 has been the development and implementation of a new performance management system. We also negotiated a new, single collective agreement which included a common remuneration system. These new arrangements reduce duplication by replacing multiple legacy systems inherited following the integration of the National Library and Archives New Zealand into the Department.

A Department-wide Engagement Survey was undertaken in March 2012 to benchmark staff engagement. This was the first such survey undertaken since the February 2011 integration. The survey had an excellent response rate of 84%.

The survey showed that, while team culture and support are a strength within the Department, organisational engagement is low. Overall results showed 9.3% of employees are considered engaged, 56.6% ambivalent and 34.1% disengaged, compared with respective State Services benchmarks of 23%, 59.6% and 17.4%. Our

employee engagement index was 59.5%, compared with the State Services benchmark of 70.2%.³⁸

The results have highlighted the areas requiring improvement to build our organisational culture. Lifting engagement is a key focus for the Department's Executive Leadership Team and work has begun to implement actions to address the findings of the survey. We view this as a high priority given the strong relationship between employee engagement and productivity.

Improving our systems and infrastructure

We developed a Corporate Infrastructure Strategy and began a programme of work to ensure the Department's core corporate functions and the infrastructure supporting these are robust and sustainable. The first stage of the strategy includes enhancing Finance and HR Management Information Systems and an Enterprise Content Management and Search Information System. It is expected this will be a four-year programme of work.

We continued to investigate sharing a range of back-office functions and service delivery with other agencies. During the year we implemented an integrated IT service delivery initiative with parliamentary agencies. This will result in considerable savings (\$1.52 million) over a five-year period through avoiding the cost of operating and maintaining separate systems.

We also started work on a Property Strategy to better understand and reshape the Department's longer-term property needs, and we made progress on the development of a framework for managing the Department's physical, ICT and people security.

During 2011/12 we improved our cost-effectiveness by accessing all-of-government procurement agreements implemented by the Ministry of Business, Innovation and Employment for desktop/laptop computers, air travel, travel services, print, motor vehicles, electricity and stationery.

Improving our technology capability

As the chief advisor to government on investment in ICT, we continued to build our internal capability to demonstrate best practice and leadership in the cost-effective use of ICT to achieve outcomes.

³⁸ Department of Internal Affairs Engagement Survey 2012: Report of Finding, Kenexa/JRA. The employee engagement index is a measure of how engaged employees are within the organisation, including the level of connectedness people feel towards their organisation and their willingness to expend discretionary effort to ensure the organisation reaches its goals.

We developed an organisation-wide ICT Strategy aligning our internal planning with the *Directions and Priorities for Government ICT*, for which we are responsible for providing leadership across government. We also developed a roadmap to guide our ICT initiatives and investments in accordance with the strategy.

Work continued to consolidate the systems and processes inherited from the integrated agencies. This included developing an Information Management Strategy, to more effectively manage and access our knowledge, information and data resources, and enhance compliance with government standards. We audited ICT assets and reviewed management and purchasing processes, contributing to efficiency savings across the Department.

We implemented initiatives to improve ICT procurement for both the Department and the wider public sector. These included a Market Engagement Framework for more proactively engaging with the market and vendors, and developing an overview of the procurement pipeline to identify and engage with businesses at the early stage of projects. We continued to identify opportunities for savings through better contract management, rationalisation and leveraging all-of-government opportunities.

Maintaining sound financial management

A priority for the year was to prepare the Department for operating effectively within an environment of reduced baseline funding. We implemented a programme of initiatives to identify efficiencies and reduce duplication throughout all parts of the business, aligned with the process of consolidating our structure. As a result we have positioned ourselves to achieve an efficiency savings target of \$9.8 million for 2012/13 and \$8.9 million in outyears, announced in Budget 2011.

We have also funded 2012/13 cost pressures and reprioritised funds to support high-priority activities such as Royal Commissions of Inquiry and the administration of the Christchurch Earthquake Appeal Trust. In total these efficiency savings, cost pressures and reprioritised funds represent approximately 10% of the Department's Crown-funded baseline.

In response to Government expectations, the Department has initiated a programme of work with the overall objective of developing and implementing an enhanced asset management framework that is appropriate and optimal, and which will:

- » improve asset management maturity and capability
- » ensure that the value of the asset base to the Department is maximised
- » ensure business outcomes are optimised
- » align investments with strategic direction
- » ensure appropriate management practices are applied at each stage of the asset lifecycle process.

Our financial performance

In the 2011/12 financial year a combination of strong third party revenue and underspend in personnel and other operating costs gave the Department an operating surplus of \$22.7 million. This consists of a combined net surplus on third party funded operations of \$12.1 million, in-principle expense transfers of \$8.1 million and retention of underspend of \$2.5 million.

Third party funded operations for services provided by the Department are required to break even over a number of years, so will periodically move between surplus and deficit.

In-principle expense transfers are used to carry forward funding for specific projects from one year to the next where there are uncontrollable delays and the costs cannot be met from the baseline of the following year.

In June 2012 the Department obtained Cabinet approval to retain the full amount of any unspent Crown-funded departmental output expense appropriations, and that these amounts would be transferred to 2012/13 to provide initial funding to support Result 10, service transformation and cross-government ICT initiatives programmes of work.

Our workforce profile³⁹

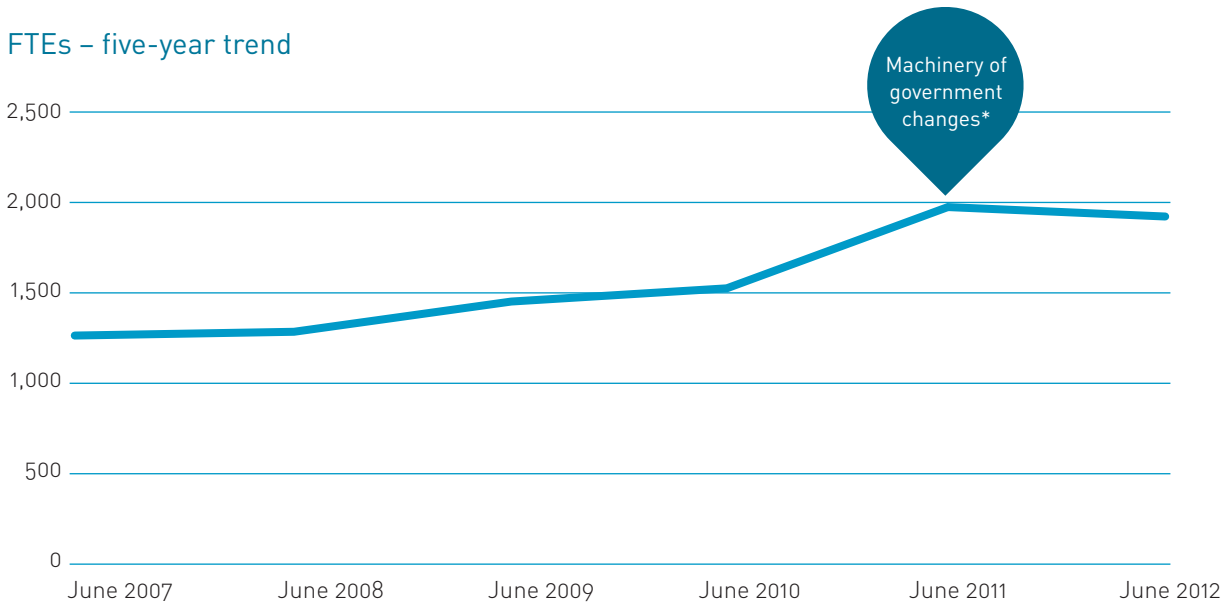
Our Workforce Strategy will help us ensure our workforce profile more closely reflects New Zealand communities, enabling us to work more effectively with our customers and attract the people and capability we need in the future.

At 30 June 2012 we had 2,255.6 full-time equivalent staff (FTEs). We continue to carefully manage vacancies to address variances with our staffing cap, which currently sits at 2,223.4 FTEs. It is expected that the number of established positions will increase by approximately 37 FTEs in July 2012 following the transfer of the functions of the Charities Commission to the Department.

- » The average age of our employees is 43 years, with 31.8% under 35 years and 23.8% over 55 years. We are experiencing the ageing workforce trend exhibited across the rest of the public sector.
- » We have a gender split of 59% female and 41% male. This is similar to the overall public sector profile.

- » We have over 70 different ethnicities represented in our workforce. Of our employees:
 - 8.7% identify as Māori, compared with a public sector average of 16.4%
 - 5.6% identify as Pacifica, compared with a public sector average of 7.6%
 - 7.3% identify as Asian, in line with the public sector average of 7.4%.
- » The Department’s overall voluntary turnover is 14.6%, compared with the public service average of 10.9%. Turnover has trended upward over the past three years, in line with the rest of the public sector. However, we have reduced turnover significantly from a peak in 2008 of over 20%.
- » Average annual sick leave is 6.3 days, compared with the public service average of 7.4.

FTEs – five-year trend



* National Library, Archives New Zealand, the Office of the Government Chief Information Officer, and the Office for the Community and Voluntary Sector join Internal Affairs.

³⁹ Data referring to public sector averages is from the 2011 Human Resources Capability Survey, State Services Commission.

PART B – SERVICE PERFORMANCE

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STATEMENT OF RESPONSIBILITY

As Secretary for Internal Affairs I am responsible, under the Public Finance Act 1989, for the preparation of the financial statements and the judgements made in the process of producing those statements.

The Department has a system of internal control and this has provided reasonable assurance as to the integrity and reliability of financial reporting. In my opinion the financial information presented in the Statements and Notes to the Financial Statements fairly reflects the financial position and operations of the Department of Internal Affairs for the year ended 30 June 2012.



Colin MacDonald

Chief Executive

28 September 2012



Shirley Smith

Chief Financial Officer

28 September 2012

INDEPENDENT AUDITOR'S REPORT

To the readers of The Department of Internal Affairs' financial statements, non-financial performance information and schedules of non-departmental activities for the year ended 30 June 2012

The Auditor-General is the auditor of the Department of Internal Affairs (the Department). The Auditor-General has appointed me, Clare Helm, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, the non-financial performance information and the schedules of non-departmental activities of the Department on her behalf.

We have audited:

- » the financial statements of the Department on pages 97 to 136, that comprise the statement of financial position, statement of commitments, statement of contingent assets and contingent liabilities as at 30 June 2012, the statement of comprehensive income, statement of movements in equity, statement of departmental expenditure and capital appropriations, 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; and
- » the non-financial performance information of the Department that comprises the statement of service performance on pages 53 to 93 and the report about outcomes and objectives on pages 14 to 42; and
- » the schedules of non-departmental activities of the Department on pages 139 to 162 that comprise the schedule of assets, schedule of liabilities and revaluation reserves, schedule of commitments and schedule of contingent assets and contingent liabilities as at 30 June 2012, the schedule of expenditure, the schedule of expenditure and capital expenditure against appropriations, schedule of unappropriated expenditure and capital expenditure, schedule of revenue and schedule of trust monies, for the year ended on that date and the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- » the financial statements of the Department on pages 97 to 136:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Department's:
 - financial position as at 30 June 2012;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by the Department and each class of outputs included in each output expense appropriation for the year ended 30 June 2012; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2012.
- » the non-financial performance information of the Department on pages 14 to 42 and 53 to 93:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Department's service performance, outcomes and objectives for the year ended 30 June 2012, including for each class of outputs:
 - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

- » the schedules of non-departmental activities of the Department on pages 139 to 162:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2012 managed by the Department on behalf of the Crown; and
 - the revenues, expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure and capital expenditure for the year ended on that date managed by the Department on behalf of the Crown.

Our audit was completed on 28 September 2012. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

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

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, the non-financial performance information and the schedules of non-departmental activities. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Chief Executive

The Chief Executive is responsible for preparing:

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

- » schedules of non-departmental activities, in accordance with the Treasury Instructions 2011 that:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect those activities managed by the Department on behalf of the Crown.

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

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

Responsibilities of the Auditor

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

Independence

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

In addition to the audit we have carried out an assignment witnessing the Passport Key Generation Ceremonies. Other than this matter, we have no relationships with, or interests in, the Department.

Clare Helm

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements, non-financial performance information and schedules of non-departmental activities

This audit report relates to the financial statements, non-financial performance information and schedules of non-departmental activities of the Department of Internal Affairs for the year ended 30 June 2012 included on the Department of Internal Affairs' website. The Department of Internal Affairs' Chief Executive is responsible for the maintenance and integrity of the Department of Internal Affairs' website. We have not been engaged to report on the integrity of the Department of Internal Affairs' website. We accept no responsibility for any changes that may have occurred to the financial statements, non-financial performance information and the schedules of non-departmental activities since they were initially presented on the website.

The audit report refers only to the financial statements, non-financial performance information and schedules of non-departmental activities named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements, non-financial performance information and schedules of non-departmental activities. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, non-financial performance information and schedules of non-departmental activities as well as the related audit report dated 28 September 2012 to confirm the information included in the audited financial statements, non-financial performance information and schedules of non-departmental activities presented on this website.

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

INTRODUCTION

This section summarises our performance against the measures set out in the Information Supporting the Estimates of Appropriations for each Vote administered by the Department.

The links between the Department's outcomes and objectives, Votes, and Output Appropriations is provided in Appendix II.

For each output expense, we have assessed whether we met the standards associated with each of these measures, and have provided an explanation where there is a significant difference between the standard and what we achieved. We have also included comparable information from 2010/11 where possible.

Note on definitions used for output performance measures

The following section includes measures of performance and measures of activity:

- » **Performance information** relates to output performance dimensions such as quality and timeliness that are within the Department's control.
- » **Activity information** relates to output volume measures that are demand driven and therefore outside the Department's control.

Vote Community & Voluntary Sector

MULTI-CLASS OUTPUT APPROPRIATION: Policy Advice, Advisory and Support Services

OUTPUT APPROPRIATION: Administration of Grants

Under this appropriation we administer the processes supporting government grant funding schemes, from receiving applications to monitoring grant recipients.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
4,484	Revenue Crown	3,732	4,042	4,043
9,170	Revenue Third Parties	173	56	43
13,654	Total Revenue	3,905	4,098	4,086
13,355	Expenses	3,905	4,098	4,090
299	Net Surplus/(Deficit)	-	-	(4)

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$193,000 was due to an expense transfer from 2010/11 to 2011/12 for the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$266,000) and an increase in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$72,000), partially offset by a transfer of funding to Support Services for Grant Funding Bodies in Vote Internal Affairs due to a realignment of portfolio responsibilities (\$117,000) and a reallocation of shared services costs (\$28,000). The Revenue Third Parties amount is due to the 2011/12 year budget for Support Services for Grant Funding being transferred to Vote Internal Affairs (see page 76).

OUTPUT: Administration of Grants – Community

Performance Information	Standard	2010/11	2011/12
Community Organisation Grants Scheme (COGS):			
Eligible grant applications processed and presented to Local Distribution Committees for decision within agreed timeframes	At least 95% (of 4,600–5,300)	100%	100% (of 5,106)
Grant distribution committee procedures and decisions reviewed (sample-based) – consistent with requirements and guiding principles	4–5% for each committee	New measure	5% for each committee
Payments made to grant recipients within 20 days of approval	At least 95% (of 3,800–4,800)	99.8%	99.9% (of 4,254)
Crown Community Grants Schemes (ex COGS)			
Grant applications processed from receipt to notification of decision within agreed timeframes	At least 95% (of 190–230)	New measure	100% (of 121)*
Payments made to grant recipients within 20 days of approval	At least 95% (of 190–230)	95%	100% (of 82)*

Performance Information

Standard 2010/11 2011/12

All grant funding schemes

Grants are made in accordance with the purpose of the fund and eligibility criteria (reported from 1 January 2012)	At least 99%	New measure	100%
Online information on grant funding opportunities and applications processes current: currency – online information for all funds reviewed	At least once annually	New measure	100% (of five)*

* This is for the five Crown funding schemes listed on the website: <http://www.communitymatters.govt.nz/Funding-and-grants---Crown-Funds>.

Activity Information

Standard 2010/11 2011/12

Application levels for grant schemes (Other Expense Appropriations) administered:	Combined: 190–230	475	119*
<ul style="list-style-type: none"> » Community Development Scheme » Community Internship Programme » Digital Literacy and Connection » Support for Volunteering » Community-led Development 			
Community Organisation Grants Scheme	4,600–5,300	5,137	4,636

* We experienced reduced demand for grant schemes during 2011/12. Although demand for applications can fluctuate from year to year, the current economic climate may also affect the resources available for groups to prepare proposals for initiatives.

OUTPUT APPROPRIATION: Community Advisory Services

Under this appropriation we provide advisory services to assist and guide community development activities and to assist government agencies engage and interact with communities and community groups.

2010/11		2011/12		
Actual	Revenue and output expenses (\$000)	Mains	Supps.	Actual
5,930	Revenue Crown	6,284	5,886	5,886
90	Revenue Third Parties	93	102	71
6,020	Total Revenue	6,377	5,988	5,957
5,398	Expenses	6,386	5,988	5,581
622	Net Surplus/(Deficit)	[9]	–	376

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$398,000 was due to a reallocation of shared services costs (\$63,000), a reprioritisation and transfer of funding to the Community Development Scheme to support initiatives to build local community sector networks (\$400,000) and a decrease in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$31,000), partially offset by an expense transfer from 2010/11 to 2011/12 for the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$96,000).

Actual expenditure was 7 per cent lower than the Supplementary Estimates, mainly due to lower personnel costs resulting from delays in filling vacancies and lower costs associated with positioning the Department for efficiency savings.

OUTPUT: Community Development and Engagement Advice

Performance Information	Standard	2010/11	2011/12
Community-focused government agencies:			
agency participation – seminars and workshops held	5–8 (average 80–90 people)	New measure	Not measured*
relevance – involvement of 'target' agencies	At least 75% (of 25 agencies)	New measure	Not measured*
Community advisory projects:			
completed, with overall objectives achieved	At least 90% (of 45–55)	New measure	100% (of 45)
underway during the year (including those completed)	70–90	New measure	Achieved (76)
Community advisory activities:			
relevance – seminars/workshops provided address government and regional priorities	All (of 80–100)	New measure	All (of 94)
participation – attendees and groups represented	1,800–2,000, from 500–700 groups	New measure	Achieved (3,165 from 1,173)**

* Seminars and workshops for government agencies were not held due to the integration of the Office for the Community and Voluntary Sector into the Department's new Policy Group during the year.

** For 2011/12 we established a new measure to track participation in community-facing seminars and workshops. Our initial standard was conservative and it will be revised so that it is better aligned with our performance expectations.

OUTPUT APPROPRIATION: Policy Advice

Under this appropriation we provide policy advice and Ministerial support services including Crown entity monitoring with a focus on the role of the community and voluntary sector.

2010/11		2011/12		
Actual	Revenue and output expenses (\$'000)	Mains	Supps.	Actual
1,869	Revenue Crown	2,100	1,877	1,878
20	Revenue Third Parties	21	21	28
1,889	Total Revenue	2,121	1,898	1,906
1,679	Expenses	2,121	1,898	1,647
210	Net Surplus/(Deficit)	-	-	259

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$223,000 was due to a decrease in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$260,000) and a reallocation of shared services costs (\$20,000), partially offset by an expense transfer from 2010/11 to 2011/12 for the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$57,000).

Actual expenditure was 13 per cent lower than the Supplementary Estimates, as a result of vacancies held because of the Department's restructuring.

OUTPUT: Policy Advice – Community and Voluntary Sector

Performance Information	Standard	2010/11	2011/12
Policy work programme to support the Output Plan delivered with:			
agreed timeframes met	At least 95%	New measure	100%
any extensions agreed before required dates	At least 95%	New measure	100%
Minister's satisfaction with the quality of policy advice (quarterly)*	Assessed as 'Satisfied' or better	Good	Q1: Satisfied Q2: N/A Q3: Good Q4: Satisfied

* In 2011/12, we established quarterly assessments of policy advice to gain more timely feedback from Ministers of our performance. During the year we received three quarterly assessments from the Minister for the Community and Voluntary Sector. Completion of a satisfaction survey for the second quarter was not possible due to the election period.

OUTPUT: Ministerial Support Services – Community and Voluntary Sector

Performance Information	Standard	2010/11	2011/12
Acceptance of first draft responses presented to the Minister	At least 95%	100%	100%
Timeframes set in legislation or otherwise agreed with the Minister, met	At least 95%	New measure	100%
Information briefings delivered to agreed quality criteria and standards demonstrated through independent assessment	Agreed quality criteria and standards met	New measure	Achieved*

* See Conditions on Use of Appropriation, below. Assessed by the New Zealand Institute of Economic Research.

Conditions on Use of Appropriation

Information briefings meet the following quality criteria, to the extent to which time and cost-effectiveness considerations permit:

Reference	Conditions
	Information Briefing Quality Criteria
Purpose	Briefings are short (where practicable), succinct and clearly focused on information required by Ministers.
Consistency	The briefings take account of other Government policies and decisions.
Logic	The assumptions behind the briefings are explicit and argument is logical and supported by facts.
Accuracy	The facts in the papers are legally and statistically accurate and all material facts and sources are included.
Presentation	All papers and briefings are in accordance with the Department's Policy Quality Assurance guidelines. All presentations to Ministers are in accordance with Ministerial preference for style and format. All key facts are on the first page. All material is effectively, concisely and clearly presented, has short sentences in plain English, and is free of grammatical or numerical errors.

Activity Information	Standard	2010/11	2011/12
Information briefings and responses required to ministerial correspondence, information requests and parliamentary questions	As required	New measure	88

OUTPUT: Monitoring of Crown Entities – Community

Performance Information	Standard	2010/11	2011/12
Monitoring reports on Crown entity accountability documents delivered within statutory or agreed timeframes (based on delivery of documents to the Minister by the Crown entity)	All	New measure	Achieved* (1)
Appointment processes for board vacancies managed consistent with the approach (including as amended) agreed with the Minister	All (of 4-7)**	New measure	Achieved (5)
Minister's satisfaction with the quality of monitoring service provided (quarterly) ⁴⁰	Assessed as 'Satisfied' or better	New measure	Satisfied***

* Fewer monitoring reports were provided due to disestablishment of the Charities Commission.

** The standard for the number of appointment processes was revised for the output plan to better reflect expected activity and performance.

*** The Minister for the Community and Voluntary Sector's satisfaction with the quality of monitoring service provided was assessed for the duration of the current Minister's responsibility for the portfolio. This includes the period after the 2011 elections and excludes the first and second quarters.

Activity Information	Standard	2010/11	2011/12
Crown entities monitored:			
» Charities Commission			
Board vacancies covered by appointment processes	4-7*	New measure	5

* The standard for the number of appointment processes was revised for the output plan to better reflect expected activity and performance.

OUTPUT APPROPRIATION: Support Services for Grant Funding Bodies

Under this appropriation we provide operational and secretariat support for grant funding bodies, including supporting member appointment processes. The focus of operational support is on processing grant applications and grant decisions on behalf of the grant funding bodies.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
-	Revenue Crown	305	314	314
-	Revenue Third Parties	-	-	3
-	Total Revenue	305	314	317
-	Expenses	305	314	250
-	Net Surplus/(Deficit)	-	-	67

This budget was previously covered under Administration of Grants, through Vote Community and Voluntary Sector. The increase in the budget between the Main Estimates and the Supplementary Estimates of \$9,000 was due to an increase in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$11,000), partially offset by a reallocation of shared services costs (\$2,000).

Actual expenditure was 20 per cent lower than Supplementary Estimates, mainly due to lower personnel costs resulting from delays in filling in vacancies.

⁴⁰ The Minister is asked to assess the quality of the monitoring service received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

OUTPUT: Support Services for Grant Funding Bodies – Community

Performance Information

	Standard	2010/11	2011/12
Online information on grant funding opportunities and applications processes current: currency – online information for all funds reviewed	At least once annually	New measure	Achieved
Grant applications presented for decision within agreed timeframes	At least 95% (of 140–160)	100%	100% (of 144)
Committee/Trust member satisfaction with operational support received ⁴¹	Assessed by at least 90% as 4 or better	New measure	60%*

* The measure of committee and trust member satisfaction with operational support received is influenced by a low response rate and a high margin of error. Results and comments are being considered to identify common themes and inform areas for potential improvement.

Activity Information

	Standard	2010/11	2011/12
Support services provided to the following grant funding bodies – committee meetings organised: >> Norman Kirk Memorial Trust >> Pacific Development and Conservation Trust >> Peace and Disarmament Education Trust >> Vietnam Veterans and Their Families Trust	Combined: 12	New measure	10*

* Two meetings for Vietnam Veterans and their Families Trust were combined, reducing the total number of meetings. The Public Advisory Committee on Disarmament and Arms Control (PACDAC) did not hold a policy meeting. There was no change in the number of funding rounds.

⁴¹ Committee/Trust members are asked to assess support received on a five-point scale (1–5, with 5 the highest rating).

Vote Emergency Management

MULTI-CLASS OUTPUT APPROPRIATION: Emergency Management Services

OUTPUT APPROPRIATION: Management of National Emergency Readiness, Response and Recovery

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

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
6,040	Revenue Crown	4,171	5,285	5,285
52	Revenue Third Parties	30	30	42
6,092	Total Revenue	4,201	5,315	5,327
5,715	Expenses	4,201	5,315	4,843
377	Net Surplus/(Deficit)	-	-	484

The increase in the budget between the Mains and the Supplementary Estimates of \$1.114 million was due to a reallocation of capability funding (\$42,000), a reallocation of shared services costs (\$437,000), expense transfers from 2010/11 to 2011/12 for the Ministry of Civil Defence and Emergency Management Information Management Programme (\$120,000), the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$59,000) and an increase in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$456,000).

Actual expenditure was nine per cent lower than the Supplementary Estimates mainly due to lower support costs for the Canterbury earthquakes claim audit.

OUTPUT: Management of National Emergency Readiness, Response and Recovery

Performance Information	Standard	2010/11	2011/12
National Warning System tests conducted	At least 4	5	4
National warnings issued within 30 minutes after the notification of a pending event that exceeds the thresholds	All (of 1-6)	100%	All (of 4)
National warning distribution list – accuracy of contact details (at each warning or test)	At least 95%	98%	99.5%

Performance Information

	Standard	2010/11	2011/12
Stakeholder satisfaction with the timing and content of national warning messages	Assessed as 'Satisfied' or better by at least 85% (of est 200)	92.8%	80.5% (of 41 respondents)*
National Crisis Management Centre (NCCMC) managed, during activations, with:			
staffing in place according to the activation mode within 2 hours	All	100%	100%
essential information technology systems available and operating at agreed performance levels	All	100%	50%**
back-up information technology systems and equipment fully functional	At least 99.8%	100%	100%
coordination and management consistent with the Response Concept of Operations for extended activations	All	Achieved	There were no extended activations in 2011/12
National Crisis Management Centre activations reviewed:			
mode 2 or higher activations – within 3 months	All	100%	Achieved (2 reviews)
approved recommendations (lessons identified) actioned – within set timeframes	All	80%	Achieved

* The Department is improving its national warning message distribution system. This requires organisations to revise distribution methods and have a single email contact, which has led to dissatisfaction for three respondents. The Department is assisting organisations with the transition where possible, until the system is fully implemented in 2014.

** The operation of the National Crisis Management Centre was disrupted during two of the four activations as comprehensive email and telephone exchange systems were not immediately available. These issues were remedied and systems have been put in place to ensure they do not reoccur.

OUTPUT APPROPRIATION: Policy Advice – Emergency Management

Through this appropriation we provide policy advice on matters relating to civil defence and emergency management and drafting ministerial correspondence and questions.

2010/11		2011/12		
Actual	Revenue and output expenses (\$000)	Mains	Supps.	Actual
879	Revenue Crown	937	847	847
19	Revenue Third Parties	20	20	21
898	Total Revenue	957	867	868
774	Expenses	957	867	1,105
124	Net Surplus/(Deficit)	-	-	(237)

The decrease in the budget between the Mains and the Supplementary Estimates of \$90,000 was due to a reallocation of capability funding (decrease of \$95,000) and a decrease in funding for an ongoing programme of initiatives to enable the Department to position for future efficiency savings from 1 July 2012 (\$34,000), partially offset by a reallocation of shared services costs (increase of \$23,000), an expense transfer from 2010/11 to 2011/12 for the integration of new functions and consequent restructuring of the Department of Internal Affairs (increase of \$16,000).

Actual expenditure was 27 per cent higher than the Supplementary Estimates mainly due to higher costs associated with positioning the Department for efficiency savings.

OUTPUT: Emergency Management Policy Advice

Performance Information	Standard	2010/11	2011/12
Policy work programme to support the Output Plan delivered with:			
agreed timeframes met	At least 95%	New measure	100%
any extensions agreed before required dates	At least 95%	New measure	100%
Minister's satisfaction with the quality of policy advice (quarterly) ⁴²	Assessed as 'Satisfied' or better	Very good	Q1: N/A* Q2: N/A* Q3: Good Q4: Very Good

* In 2011/12 we established quarterly assessments of policy advice to gain more timely feedback from Ministers of our performance. During the year we received two quarterly assessments from the Minister of Civil Defence. Completion of a satisfaction survey for the first two quarters was not possible due to the election period.

OUTPUT: Ministerial Correspondence and Questions

Performance Information	Standard	2010/11	2011/12
Acceptance of first draft responses presented to the Minister	At least 95%	100%	100%
Timeframes set in legislation or otherwise agreed with the Minister, met	At least 95%	New measure	100%
Information briefings delivered to agreed quality criteria and standards demonstrated through independent assessment	Agreed quality criteria and standards met	New measure	Achieved*

* See page 56 for quality criteria. Assessed by the New Zealand Institute of Economic Research.

Activity Information	Standard	2010/11	2011/12
Information briefings and responses required to ministerial correspondence, information requests and parliamentary questions	As required	New Measure	49

OUTPUT APPROPRIATION: Support Services, Information and Education

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

2010/11		2011/12		
Actual	Revenue and output expenses (\$000)	Mains	Supps.	Actual
6,511	Revenue Crown	5,689	6,700	6,700
78	Revenue Third Parties	105	105	62
6,589	Total Revenue	5,794	6,805	6,762
6,105	Expenses	5,794	6,805	6,171
484	Net Surplus/(Deficit)	-	-	591

⁴² The Minister is asked to assess the quality of policy advice and support received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

The increase in the budget between the Mains and the Supplementary Estimates of \$1.011 million was due to expense transfers from 2010/11 to 2011/12 for the Ministry of Civil Defence and Emergency Management Information Management Programme (\$180,000) and for the Get Ready Get Thru Public Education Programme (\$500,000), a reallocation of shared services costs (\$565,000), an expense transfer from 2010/11 to 2011/12 for the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$102,000) a reallocation of capability funding (\$53,000), partially offset by a decrease in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$389,000).

Actual expenditure was 9 per cent lower than the Supplementary Estimates mainly due to lower than anticipated accommodation costs (\$632,000) reflecting a reduction in the rental charge of property after a rent review.

OUTPUT: Emergency Sector Support and Development

Performance Information	Standard	2010/11	2011/12
Director Guidelines, Technical Standards, Codes and other CDEM sector information publications maintained – currently reviewed at least every 4 years	4–7 (of 25)	New measure	5
Satisfaction, assessed as 'Good' or 'Very Good', in relation to:			
CDEM Group: the coverage of the Guidelines, Technical Standards, Codes and other publications ⁴³	At least 80% (of est 100)	New measure	69.2%*
CDEM Group: the quality of the Guidelines, Technical Standards, Codes and other publications	At least 80% (of est 100)	66.7%	65.3%*
The quality of the newsletters/updates – 16–20 issues ⁴⁴	At least 80% (of est 200)	69%	82.2%
Attendee satisfaction with civil defence emergency management training courses	At least 90% (of 120–150)	99%	97% (85 respondents, 195 attendees)

* The development of improved sector guidance is a key feature of the Department's Civil Defence work programme for 2012/13. Although the Department recognises that there are a number of areas where improved quality and coverage of guidance are required, there has also been a need to wait for the completion of the independent review into the response to the Canterbury earthquakes to ensure guidance is robust and fully informed.

OUTPUT: Community Information

Performance Information	Standard	2010/11	2011/12
Advertising reaches the targeted audience demographic (assessed quarterly):			
television – at least 70%	Achieved – for at least three quarters	Not achieved	Achieved
radio – at least 45%	Achieved – for at least three quarters	Not achieved	Achieved
Availability of the civil defence website 24 hours a day, 7 days a week	At least 99%	New measure	100%

⁴³ CDEM Group stakeholders are asked to assess their satisfaction with the quality of services and information received on a five-point scale: Very Satisfied, Satisfied, Neither Satisfied nor Unsatisfied, Unsatisfied, Very Unsatisfied.

⁴⁴ Training course attendees are asked to assess the training received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

Vote Internal Affairs

OUTPUT APPROPRIATION: **Anti-Money Laundering and Countering Financing of Terrorism**

This appropriation is limited to supervision functions carried out in respect of reporting entities for which the Department of Internal Affairs is the relevant supervisor under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
1,459	Revenue Crown	2,500	1,131	1,131
10	Revenue Third Parties	-	-	12
1,469	Total Revenue	2,500	1,131	1,143
969	Expenses	2,500	1,131	1,035
500	Net Surplus/(Deficit)	-	-	108

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$1.369 million was due a decrease in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$1.640 million) and a reallocation of shared services costs (decrease of \$46,000), partially offset by expense transfers from 2010/11 to 2011/12 for the Anti-Money Laundering and Countering Financing of Terrorism Unit (increase of \$300,000) and for the integration of new functions and consequent restructuring of the Department of Internal Affairs (increase of \$17,000).

Actual expenditure was 8 per cent lower than the Supplementary Estimates primarily due to delays in filling vacancies.

OUTPUT: **Anti-Money Laundering and Countering Financing of Terrorism**

Performance Information

	Standard	2010/11	2011/12
Anti-money laundering work programme actions for current year implemented	All	New measure	Achieved

OUTPUT APPROPRIATION: **Contestable Services (RDA)**

Under this appropriation we provide translation and other language services to government agencies and the public, and support services to government agencies.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
-	Revenue Crown	-	-	-
962	Revenue Third Parties	908	921	848
962	Total Revenue	908	921	848
957	Expenses	908	921	841
5	Net Surplus/(Deficit)	-	-	7

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$13,000 was due to an anticipated demand for translation services. This additional demand did not eventuate. Consequently actual expenditure was 9 per cent lower than the Supplementary Estimates.

OUTPUT: Translation Services

Performance Information	Standard	2010/11	2011/12
Translations provided within timeframes agreed with service providers	At least 99% (of 6,500–7,500)	99.2% (of 6,194)	99.3% (of 7,616)
Customer satisfaction with the quality of translation services provided ⁴⁵	Assessed as 'Satisfied' or better (at least 99%)	98.6%	92%*

* While we did not meet our performance standard for satisfaction of the quality of translation services, the small sample size (116 people) and low response rate (33 per cent) do not provide a reliable indicator. To address this, we will conduct the survey on an ongoing rather than annual basis, to provide a larger sample size and better performance information.

OUTPUT APPROPRIATION: Cross-Government ICT Investment Proposals

Under this appropriation we develop investment proposals relating to potential cross-government common ICT capability initiatives. We develop detailed business cases for selected initiatives, to inform investment decisions by Ministers.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
-	Revenue Crown	3,000	3,000	3,000
-	Revenue Third Parties	-	-	-
-	Total Revenue	3,000	3,000	3,000
-	Expenses	3,000	3,000	2,926
-	Net Surplus/(Deficit)	-	-	74

This was a new appropriation with effect from 1 July 2011. This appropriation was created to provide funding for the development of a portfolio of potential cross-agency ICT capability investments.

OUTPUT: Cross-Government ICT Investment Proposals

Performance Information	Standard	2010/11	2011/12
Business cases and funding proposals presented to Ministers for investment decisions	2–3	New measure	6
ICT Ministers Group, Strategy Group and Council satisfaction with the quality of advice and support received ⁴⁶	Assessed as 'Satisfied' or better	New measure	Satisfied

Activity Information	Standard	2010/11	2011/12
Advice and support services provided to the following groups, with regular meetings organised:	Combined: 25–30	New measure	36
» ICT Ministers Group			
» ICT Strategy Group			
» ICT Council			

⁴⁵ Customers are asked to assess quality of translation services provided on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

⁴⁶ ICT Ministers Group, ICT Strategy Group and ICT Council members are asked to assess the quality of advice and support received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

OUTPUT APPROPRIATION: **Government Technology Services**

Under this appropriation we develop, deploy and operate technology services across the State sector.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
6,328	Revenue Crown	6,004	7,379	7,380
1,492	Revenue Third Parties	985	2,614	2,582
7,820	Total Revenue	6,989	9,993	9,962
8,536	Expenses	6,989	11,591	9,919
(716)	Net Surplus/(Deficit)	-	(1,598)	43

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$4.602 million was due to an increase in demand for professional services and project consultancy (\$700,000), an increase in demand for Government Infrastructure as a Service (\$1.348 million), an increase in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$1.043 million), an increase in demand for information technology services by other agencies (\$1.029 million), an expense transfer from 2010/11 to 2011/12 to continue work on the Information and Communications Technology Common Capability project (increase of \$332,000) and an increase in demand for secure electronic environment (SEE) mail services delivered to agencies (increase of \$150,000).

Actual expenditure was 14 per cent lower than the Supplementary Estimates mainly due to delays in a number of projects for which in-principle expense transfers from 2011/2012 to 2012/2013 were approved. These in-principle expense transfers comprised the Government information Service Online programme (up to \$550,000), Infrastructure as a Service transition (up to \$100,000) and positioning for efficiency savings (up to \$301,000).

OUTPUT: **Government Technology Services**

Performance Information	Standard	2010/11	2011/12
Availability of cross-government online services, 24 hours a day, 7 days a week	99%	New measure	99.8%
Web standards audit – findings reported to agencies within 3 months	All (of est 40)	New measure	All*

* The report covered 42 agencies and was made up of results from the 2011 Web Standards audit, as well as recommendations and a plan based on those results. The recommendations and plan were finalised and approved by the Minister of Internal Affairs on 5 June 2012. The findings were reported to agencies on 4 July 2012 – outside the reporting year.

OUTPUT APPROPRIATION: **Identity Services**

We manage New Zealand's records of identity. We: issue passports, process citizenship applications, and register births, deaths, marriages and civil unions; develop authorised information-matching programmes with specific government agencies; provide data or data verification to enhance border processes and travel and develop systems and processes to verify and authenticate identity across government agencies and enable good practice.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
15,738	Revenue Crown	20,698	20,659	20,659
99,731	Revenue Third Parties	98,043	104,833	109,848
115,469	Total Revenue	118,741	125,492	130,507
108,437	Expenses	125,536	118,436	116,320
7,032	Net Surplus/(Deficit)	(6,795)	7,056	14,187

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$7.100 million was due to a reallocation of shared services costs (\$1.645 million), a decrease in costs due to the timing of development expenditure (\$5.627 million) and a decrease in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$745,000), partially offset by an expense transfer from 2010/11 to 2011/12 for the integration of new functions and consequent restructuring of the Department of Internal Affairs (increase of \$917,000).

OUTPUT: Citizenship

Performance Information	Standard	2010/11	2011/12
Applications for grant of citizenship to foreign nationals recommended to the Minister within 4 months of receipt of correct applications	At least 90% (of 21,000–25,000)	97.2% (of 16,964)	98.3% (of 25,354)
Applications for registration of citizenship, not involving adoption, processed within 20 days of receipt of correct applications	At least 95% (of 7,000–9,000)	99% (of 8,814)	99.3% (of 9,331)
Certificates of citizenship status issued within 15 days of receipt	At least 95% (of 2,500–4,000)	99.8% (of 4,557)	99% (of 3,669)
Citizenship documents issued without error	At least 99% (of 31,500–38,000)	99.7% (of 25,778)	99.8% (of 34,685)
Customer satisfaction with the citizenship service received	At least 85% assessed as 'Satisfied' or better	93%	Not measured*

* The level of customer satisfaction with the citizenship service provided by the Department has not been measured for 2011/12, pending a review of our biannual identity services Customer Satisfaction Survey. The most recent assessment was undertaken in June 2011, which found that 97% of respondents were satisfied or better with the service they received.

OUTPUT: Passports

Performance Information	Standard	2010/11	2011/12
Passports, certificates and other travel documents issued without error	At least 99%	99.9%	99.9%
Passports issued within stated timeframes of receipt of correct applications: standard passports			
within 10 days	At least 99% (of 489,000–552,000)	Revised measure*	99.9% (of 557,473)
within 3 days	At least 99% (of 45,000–55,000)	Revised measure*	99.9% (of 45,898)
Customer satisfaction with the passport service received	At least 85% assessed as 'Satisfied' or better	88%	Not measured**

Activity Information	Standard	2010/11	2011/12
Other travel documents issued	1,200–1,600	1,469	1,385

* The measures of the number of passports issued within 3 days and within 10 days were previously combined into a single measure. The performance standard achieved in 2010/11 was 99.7%.

** The level of customer satisfaction with the passport service provided by the Department has not been measured for 2011/12, pending a review of our biannual identity services Customer Satisfaction Survey. The most recent assessment was undertaken in June 2011, which found that 87% of respondents were satisfied or better with the service they received.

OUTPUT: Births, Deaths, Marriages and Civil Unions

Performance Information	Standard	2010/11	2011/12
Registration of birth, death, marriage and civil union information:			
accuracy – registered without error	At least 99%	99.7%	99.8%
timeliness (deaths) – registered within 3 days of receipt of correct notifications	At least 99% (of 27,000–31,000)	99.8% (of 29,528)	99.8% (of 29,991)
timeliness (births, marriages and civil unions) – registered within 4 days of receipt of correct notifications or applications	At least 99% (of 80,000–89,000)	99.9% (of 86,984)	99.9% (of 85,215)
Birth, death, marriage and civil union certificates:			
issued without error	At least 99% (of 220,000–250,000)	99.7% (of 263,360)	99.8% (of 267,456)
timeliness (fully computerised registrations) – issued within 1 day of receipt of correct applications	At least 99%	99.8%	99.6%
timeliness (partially computerised registrations) – issued within 8 days of receipt of correct applications	At least 98%	99.9%	99.9%
Birth, death, marriage and civil union printouts issued within 8 days of receipt of correct application	At least 98% (of 25,000–35,000)	99.9% (of 35,576)	99.9% (of 31,669)
Customer satisfaction with the birth, death, marriage and civil union service received ⁴⁷	At least 85% assessed as 'Satisfied' or better	91%	Not measured*

* The level of customer satisfaction with the birth, death, marriage and civil union service provided by the Department has not been measured for 2011/12, pending a review of our biannual identity services Customer Satisfaction Survey. The most recent assessment was undertaken in June 2011, which found that 93% of respondents were satisfied or better with the service they received.

OUTPUT: Identity and Authentication Services

Performance Information	Standard	2010/11	2011/12
New agreements with public sector agencies for service integrations with igovt logon and identity verification services	10–15	12	12*
New igovt logons created	150,000–200,000	239,330	171,317
Activity Information			
Availability of the igovt online services 24 hours a day, 7 days a week (supporting 1.5–2.0m transactions)	At least 99%	New measure	99.9%

* This includes five agreements with Department of Internal Affairs services.

⁴⁷ Identity Service customers are asked to assess the quality of the service they received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

OUTPUT APPROPRIATION: Machinery of Government Transition Costs

This appropriation is limited to transition costs related to implementing Machinery of Government decisions.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
-	Revenue Crown	-	-	-
-	Revenue Third Parties	-	-	-
-	Total Revenue	-	-	-
-	Expenses	-	800	800
-	Net Surplus/(Deficit)	-	(800)	(800)

This appropriation was established in 2011/12 and provided for the transition costs of the integration of the Charities Commission into the Department of Internal Affairs on 1 July 2012 as the costs were forecast to be incurred prior to the integration of the Commission into the Department. Preparations for the transition were completed by 1 July 2012.

MULTI-CLASS OUTPUT APPROPRIATION: Policy and Advisory Services

OUTPUT APPROPRIATION: Information and Advisory Services

Under this appropriation we publish the New Zealand Gazette; authenticate official documents; and coordinate the congratulatory message service. We also provide support to commissions of inquiry and similar bodies.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	Supps.	2011/12 Actual
4,185	Revenue Crown	5,205	13,544	13,544
1,530	Revenue Third Parties	1,344	1,577	1,499
5,715	Total Revenue	6,549	15,121	15,043
4,450	Expenses	6,549	15,221	13,048
1,265	Net Surplus/(Deficit)	-	(100)	1,995

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$8.632 million was due to expense transfers from 2010/11 to 2011/12 for the Royal Commission of Inquiry on the Pike River Coal Mine Tragedy (\$750,000), the Royal Commission of Inquiry on the Canterbury Earthquakes (\$489,000), integration of new functions and consequent restructuring of the Department of Internal Affairs (\$14,000), an increase in funding for the Royal Commission of Inquiry into Building Failure caused by the Canterbury Earthquakes (\$4.558 million), an increase in funding for additional counsel assisting the Royal Commission of Inquiry into Building Failure caused by the Canterbury Earthquakes (\$400,000), an increase in funding for the additional development of the New Zealand Gazette Online Service (\$140,000), an increase in demand for Authentication services (\$66,000), an increase in demand for the New Zealand Gazette (\$127,000), an increase in demand for an ongoing programme of initiatives to enable the department to position for efficiency savings from 1 July 2012 (\$2.046 million) and an increase in funding due to an extension of reporting dates for the Royal Commission of Inquiry on the Pike River Coal Mine Tragedy and the Royal Commission of Inquiry into Building Failure caused by the Canterbury Earthquakes (increase of \$371,000), partially offset by lower costs for the Listening and Assistance Service (decrease of \$289,000).

Actual expenditure was 14 per cent lower than the Supplementary Estimates, reflecting later than planned expenditure mainly relating to the Royal Commission of Inquiry into Building Failure caused by the Canterbury Earthquakes (\$1.726 million). An in-principle expense transfer to 2012/13 for up to a maximum of \$2.450 million has been approved.

OUTPUT: New Zealand Gazette

Performance Information	Standard	2010/11	2011/12
Accuracy – notices published consistent with text supplied by clients	At least 99% (of 8,000–10,000)	Revised measure	99.9% (of 8,479)
Activity Information	Standard	2010/11	2011/12
Issues of the New Zealand Gazette published each year	100 (est, from 1–140 pages each)	New measure	186

OUTPUT: Authentications Unit and Congratulatory Message Service

Performance Information	Standard	2010/11	2011/12
Timeliness – services delivered to customers within agreed timeframes:			
authentications	At least 98% (of 15,000–17,000)	99.9% (of 18,723)	99.9% (of 19,115)
congratulatory message requests	At least 98% (of 1,100–1,200)	100% (of 1,226)	100% (of 1,587)
Accuracy – authentication confirmations and congratulatory messages returned by customers as inaccurate	No more than 1%	Authentications: 0.01% Congratulatory: 0%	Authentications: 0.2% Congratulatory: 0.01%

OUTPUT: Commissions of Inquiry and Similar Bodies

Performance Information	Standard	2010/11	2011/12
Commissions' satisfaction with the timeliness and quality of services received ⁴⁸	Assessed as 'Good' or better	Satisfied	Satisfied*

* Support services were provided to the Royal Commission of Inquiry into Building Failure caused by the Canterbury Earthquakes, the Royal Commission of Inquiry on the Pike River Coal Mine Tragedy and the Confidential Listening and Assistance Service. Feedback was received from two bodies, one of which rated the services as Satisfactory, the other Good. The feedback provided indicated no significant problem requiring remedial action.

⁴⁸ Commissioners are asked to assess support received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

OUTPUT APPROPRIATION: Policy Advice – Internal Affairs

Under this appropriation we provide policy advice and Ministerial support services with a focus on regulatory and other areas that fall within the Internal Affairs portfolio, including cross-government information and communications technology.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
3,674	Revenue Crown	4,098	3,389	3,389
69	Revenue Third Parties	164	135	55
3,743	Total Revenue	4,262	3,523	3,444
3,453	Expenses	4,262	3,523	3,473
290	Net Surplus/(Deficit)	-	-	(29)

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$739,000 was due to a reallocation of shared services costs (\$310,000), a lower level of demand for KiwiSaver and the State Sector Retirement Savings Schemes (\$30,000), a decrease in funding for an ongoing programme of initiatives to enable the department to position for efficiency savings from 1 July 2012 (\$364,000) and a transfer of funding from 2011/12 to 2012/13 as a result of an efficiency gain (\$100,000), partially offset by an expense transfer from 2010/11 to 2011/12 for the integration of new functions and consequent restructuring of the Department of Internal Affairs (increase of \$65,000).

OUTPUT: Internal Affairs Policy Advice

Performance Information

	Standard	2010/11	2011/12
Policy work programme to support the Output Plan delivered with:			
agreed timeframes met	At least 95%	New measure	100%
any extensions agreed before required dates	At least 95%	New measure	100%
Minister's satisfaction with the quality of policy advice (quarterly) ⁴⁹	Assessed as 'Satisfied' or better	Very good	Q1: Good Q2: N/A Q3: N/A Q4: Very Good*

* In 2011/12 we established quarterly assessments of policy advice to gain more timely feedback from Ministers of our performance. During the year we received two quarterly assessments from the Minister of Internal Affairs. Completion of satisfaction surveys for the second and third quarters was not possible due to the election period and a change of Minister, respectively.

OUTPUT: Ministerial Correspondence and Questions

Performance Information

	Standard	2010/11	2011/12
Acceptance of first draft responses presented to the Minister	At least 95%	99.5%	99.9%
Timeframes set in legislation or otherwise agreed with the Minister, met	At least 95%	New measure	99.3%
Information briefings delivered to agreed quality criteria and standards demonstrated through independent assessment	Agreed quality criteria and standards met	New measure	Achieved*

* See page 56 for quality criteria. Assessed by the New Zealand Institute of Economic Research.

⁴⁹ The Minister is asked to assess the quality of policy advice and support received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

Activity Information

	Standard	2010/11	2011/12
Information briefings and responses required to ministerial correspondence, information requests and parliamentary questions	As required	New measure	690

OUTPUT: Monitoring of Crown Entities – Internal Affairs**Performance Information**

	Standard	2010/11	2011/12
Monitoring reports on Crown entity accountability documents delivered within statutory or agreed timeframes (based on delivery of documents to the Minister by the Crown entity)	All	New measure	Achieved (5)
Appointment processes for board vacancies managed consistent with the approach (including as amended) agreed with the Minister	All (of 6–9)	New measure	All (of 9)
Minister's satisfaction with the quality of monitoring service provided ⁵⁰	Assessed as 'Satisfied' or better	New measure	Very good*

* The Ministers' satisfaction with the quality of monitoring service provided was assessed from the beginning of the Minister's responsibility for the portfolio (April to June 2012).

Activity Information

Crown entities monitored:	
» New Zealand Fire Service Commission	
» Office of Film and Literature Classification	

OUTPUT APPROPRIATION: Regulatory Services

Under this appropriation we provide operational policy advice and services to regulate gambling activity, objectionable material, unsolicited electronic messages, and anti-money laundering and countering financing of terrorism.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
4,260	Revenue Crown	4,401	4,216	4,216
21,918	Revenue Third Parties	22,733	21,773	20,644
26,178	Total Revenue	27,134	25,989	24,860
25,313	Expenses	25,982	25,590	25,279
865	Net Surplus/(Deficit)	1,152	399	(419)

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$392,000 was due to a decrease in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$42,000), a decrease in the level of non-casino gaming activity (\$750,000), a transfer of funding from 2011/12 to 2012/13 as a result of efficiency gains (decrease of \$150,000) and a lower level of demand for KiwiSaver and the State Sector Retirement Savings Schemes (decrease of \$10,000), partially offset by an expense transfer from 2010/11 to 2011/12 for the integration of new functions and consequent restructuring of the Department of Internal Affairs (increase of \$261,000) and a reallocation of shared services costs (increase of \$299,000).

⁵⁰ The Minister is asked to assess the quality of the monitoring service received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

OUTPUT: Regulatory Services – Gambling

Performance Information	Standard	2010/11	2011/12
Venue inspections conducted	200-300	319	651*
Audits of high-risk non-club gaming machine societies completed	4-10	New measure	8
Gambling prosecution cases dismissed where a prima facie case is not established	Fewer than 5% (of 5-10)	0%	0% (0 of 8)
Gambling sector organisation and operator satisfaction with information services – assessed as '3' or better ⁵¹	At least 85%	96%	91%

* The increased number of venue inspections during the year reflects testing of venue cost claims as part of the Venue Cost Resubmissions Project, replacing club audits with inspections and information gathering following the Canterbury earthquakes.

Activity Information	Standard	2010/11	2011/12
Applications for gambling licences processed:			
club and non-club licence renewals	300-350	324	306
other class 3 and 4 licence applications and Certificates of Approval	4,200-4,600	4,734	5,941

OUTPUT: Gambling Commission

Performance Information	Standard	2010/11	2011/12
Gambling Commission's satisfaction with the support services provided ⁵²	Assessed as 4 or better	5	4.8

OUTPUT: Regulatory Services – Censorship

Performance Information	Standard	2010/11	2011/12
Non-compliant practices identified during inspection processes or as a result of complaints – dealt with during the inspection or:			
within three months	At least 75%	83%	84%
within 12 months	Up to 25%	17%	16%
Censorship prosecution cases dismissed where a prima facie case is not established	Fewer than 5% (of 20-40)	0%	0% (0 of 31)
Advice and information provided within five working days of request	At least 90%	99%	99%
Stakeholder satisfaction with the quality of educational talks – assessed at '3' or above on a five-point scale	At least 80%	100%	100%

Activity Information	Standard	2010/11	2011/12
Inspections at outlets for publications/videos/films	1,500	1,615	2,141
Responses to censorship complaints and proactive investigations for publications/videos/films and on the Internet	600	761	623

51 Gambling sector organisations and operators are asked to assess information services received on a five-point numerical scale (1-5, with 5 the highest rating).

52 Commission members are asked to assess support received on a five-point numerical scale (1-5, with 5 the highest rating).

OUTPUT: Regulatory Services – Unsolicited Electronic Messages

Performance Information	Standard	2010/11	2011/12
New Zealand-linked complaints (including complaints about electronic messages containing unsolicited sexual content):			
dealt with within three months	Within three months – at least 75% (of 1,500–2,000)	Within three months: 75%	Within three months: 98%
dealt with within 12 months	Within 12 months – up to 25%	Within 12 months: 25%	Within 12 months: 2%
Civil liability proceedings undertaken – covering warning letters, infringement notices and statements of claim	As required	143	99
Activity Information			
	Standard	2010/11	2011/12
New Zealand-linked complaints	1,500–2,000	1,409	4,113*
Public enquiries responded to within 10 working days	At least 80% (of 600–1,200)	100%	100% (of 3,712)*

* The increased number of public enquiries and reports of scams can be attributed to the work conducted across agencies and the increased awareness and publications around scams that are circulating through unsolicited electronic messages.

OUTPUT APPROPRIATION: Service Delivery Programme Development PLA

This appropriation is limited to the development of service delivery programmes on behalf of other departments, as provided under section 20 of the Public Finance Act 1989.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
-	Revenue Crown	-	-	-
-	Revenue Third Parties	-	1,000	288
-	Total Revenue	-	1,000	288
-	Expenses	-	1,000	288
-	Net Surplus/(Deficit)	-	-	-

This appropriation was established in 2011/12 to develop delivery programmes on behalf of other departments.

Actual expenditure was 71 per cent lower than Supplementary Estimates, mainly due to delays in development of delivery programmes (\$750,000).

Activity information

Activity for the 2011/12 year has consisted of relocating the Service Transformation Programme from the Ministry of Social Development to the Department, and customer research to provide critical insight about New Zealanders' current experience of government service delivery and to understand how to drive channel shift, to inform the design of digital services for New Zealanders in the delivery of Result 10. Activity also included strategic assessment for improving access to digital government through kiosks. Output performance measures for service transformation planning and implementation have been developed for 2012/13.

OUTPUT APPROPRIATION: **Services for Ethnic Affairs**

Under this appropriation we provide policy advice and ministerial servicing in relation to ethnic affairs. We also provide advisory and information services to ethnic communities; and operational and secretariat support for grant funding bodies. We manage the contract for the telephone interpreting service (Language Line) and provide information and training to ethnic communities and agencies using Language Line.

2010/11		2011/12		
Actual	Revenue and output expenses (\$000)	Mains	Supps.	Actual
5,037	Revenue Crown	4,939	4,613	4,613
737	Revenue Third Parties	1,304	1,113	1,015
5,774	Total Revenue	6,243	5,726	5,628
5,671	Expenses	6,243	5,726	5,497
103	Net Surplus/(Deficit)	-	-	131

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$517,000 was due to a decrease in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$267,000), a reallocation of shared services costs (decrease of \$12,000), a lower level of demand for KiwiSaver and the State Sector Retirement Savings Schemes (\$41,000), a decrease in demand for Language Line services (\$150,000) and an expense transfer from 2011/12 to 2012/13 for the Small Medium Enterprise Migrant Levy Project due to a delay in the commencement of the project (\$150,000), partially offset by an expense transfer from 2010/11 to 2011/12 for the integration of new functions and consequent restructuring of the Department of Internal Affairs (increase of \$103,000).

OUTPUT: **Ethnic Affairs Policy Advice**

Performance Information

	Standard	2010/11	2011/12
Policy work programme to support the Output Plan delivered with:			
agreed timeframes met	At least 95%	New measure	100%
any extensions agreed before required dates	At least 95%	New measure	100%
Minister's satisfaction with the quality of policy advice (quarterly) ⁵³	Assessed as 'Satisfied' or better	Very good	Q1: Good Q2: N/A Q3: Satisfactory Q4: Satisfactory*

* In 2011/12, we established quarterly assessments of policy advice to gain more timely feedback from Ministers on our performance. During the year we received three quarterly assessments from the Minister for Ethnic Affairs. Completion of a satisfaction survey for the second quarter was not possible due to the election period.

⁵³ The Minister is asked to assess the quality of policy advice and support received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

OUTPUT: Ministerial Correspondence and Questions

Performance Information	Standard	2010/11	2011/12
Acceptance of first draft responses presented to the Minister	At least 95%	100%	100%
Timeframes set in legislation or otherwise agreed with the Minister, met	At least 95%	New measure	100%
Information briefings delivered to agreed quality criteria and standards demonstrated through independent assessment	Agreed quality criteria and standards met	New measure	Achieved*

* See page 56 for quality criteria. Assessed by the New Zealand Institute of Economic Research.

Activity Information	Standard	2010/11	2011/12
Information briefings and responses required to ministerial correspondence, information requests and parliamentary questions	150–200	New measure	223

OUTPUT: Advisory and Information Services to Ethnic Communities

Performance Information	Standard	2010/11	2011/12
Intercultural Awareness and Communication programme:			
training sessions, including train the trainers sessions, held	15–20	New measure	34
participation levels – attendees	400–450	268	422
Forums and workshops for ethnic communities:			
forums and workshops held	30–40	58	40
participation levels – attendees	650–800	New measure	1,537*
Respondent satisfaction with the quality of advisory services provided	At least 95% assessed as 'Satisfactory' or better	96%	96%
Interpreting clients connected with an appropriate interpreter within two minutes of a call to Language Line	At least 95% (of 40,000–42,000)	Revised measure	98.8% (38,837)**
Responses to requests from communities, local and central government, and NGOs for information or advice	11,000–12,500	11,920	14,692

* The participation levels at forums and workshops for ethnic communities was higher than anticipated, primarily due to the large number of attendees at the ethnic conference series.

** We revised our measure for interpreting clients connected to an interpreter, to measure timeliness rather than demand, to better reflect our performance expectation.

Activity Information	Standard	2010/11	2011/12
Agencies with agreements for the provision of telephone interpreting services through Language Line	85	77	83*

* The number of agencies with agreements for the provision of telephone interpreting services through Language Line reduced during 2010/11 due to the amalgamation of Primary Health Organisations. During 2011/12 we increased the number of new agencies providing Language Line.

OUTPUT APPROPRIATION: Support Services for Grant Funding Bodies

Under this appropriation we provide operational and secretariat support for grant funding bodies, including supporting member appointment processes. The focus of operational support is on processing grant applications and grant decisions on behalf of the grant funding bodies.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
-	Revenue Crown	107	1,232	1,232
-	Revenue Third Parties	9,592	8,867	7,961
-	Total Revenue	9,699	10,099	9,193
-	Expenses	9,699	10,099	8,994
-	Net Surplus/(Deficit)	-	-	199

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$400,000 was due to an increase in funding for the administration costs for the Christchurch Earthquake Appeal Trust (\$549,000), an increase in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$577,000) and a transfer of funding from Administration of Grants in Vote Community and Voluntary Sector due to a realignment of portfolio responsibilities (\$117,000), partially offset by a decrease in the provision of services to the Lottery Grants Board (\$842,000) and a reallocation of shared services costs (decrease of \$1,000).

Actual expenditure was 11 per cent lower than the Supplementary Estimates, primarily due to underspend related to departmental restructuring.

OUTPUT: Support Services for Grant Funding Bodies – Internal Affairs

Performance Information

	Standard	2010/11	2011/12
Online information on grant funding opportunities and applications processes current: currency	Online information for all funds reviewed at least once annually	New measure	Achieved
Grant applications received, assessed and:			
presented for decision within agreed timeframes	At least 95% (of 5,700–6,200)	100%	100% (of 4,365)
not presented for decision (ineligible or incomplete)	1,000–2,000	New measure	837*
Committee/Trust member satisfaction with operational support received ⁵⁴	Assessed by at least 90% as 4 or better	New measure	88%**

* Fewer grant applications than forecast were deemed ineligible or incomplete. Timeliness standards continue to be met. This may reflect an increased understanding of the information required to apply for a grant.

** The performance standard for Committee/Trust member satisfaction has not been achieved. Although this result may be influenced by a low response rate, we are considering the outcome to identify common themes and areas for potential improvement.

Activity Information

	Standard	2010/11	2011/12
Support services provided to the following grant funding bodies – committee meetings organised:	Combined: 58–65 (excl CEAT)	New measure	63 (excl CEAT)
» New Zealand Lottery Grants Board			
» Distribution Committees of the New Zealand Lottery Grants Board			
» New Zealand Winston Churchill Memorial Trust			
» Christchurch Earthquake Appeal Trust (CEAT)			CEAT 10*

* Ten Advisory Board meetings were held.

⁵⁴ Committee/Trust members are asked to assess support received on a five-point scale (1–5, with 5 the highest rating).

Vote Local Government

MULTI-CLASS OUTPUT APPROPRIATION: **Services for Local Government**

OUTPUT APPROPRIATION: **Information Support and Regulatory Services – Local Government**

Under this appropriation we provide information to and about local government, administer the Local Government Act 2002 and other statutes, and provide operational advice and support to the Minister of Local Government. We administer the Local Electoral Act 2001 and provide advisory and support services to the Local Government Commission for its statutory functions. We administer the Rates Rebate Scheme, provide regulatory and boating services for Lake Taupo (including providing the Harbourmaster and managing the Lake Taupo Landing Reserve) and provide governance and management of the National Dog Control Information Database.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
2,661	Revenue Crown	3,433	2,444	2,444
698	Revenue Third Parties	-	721	648
3,359	Total Revenue	-	3,165	3,092
3,462	Expenses	3,433	3,186	3,751
(103)	Net Surplus/(Deficit)	-	(21)	(659)

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$247,000 was due to a transfer of funding from 2011/12 to 2012/13 due to efficiency gains and savings initiatives associated with the National Dogs Database and the Rates Rebate Scheme (\$200,000), a decrease in funding for an ongoing programme of initiatives to enable the department to position for efficiency savings from 1 July 2012 (\$172,000) and a lower level of demand for the KiwiSaver and State Sector Retirement Savings Schemes (\$10,000), partially offset by a reallocation of shared services costs (\$135,000).

Actual expenditure was 18 per cent higher than the Supplementary Estimates, mainly due to an increase in costs in the review of local government emergency response framework.

OUTPUT: **Local Government Commission Advice and Support**

Performance Information	Standard	2010/11	2011/12
Local Government Commission decisions dispatched to parties within 10 days, or other agreed timing	100%	No notified decisions made	100%
Local Government Commission's satisfaction with the quality of advice and support services received ⁵⁵	Assessed as '3' or above	4	5

⁵⁵ The Local Government Commission is asked to assess the support it receives on a five point numerical scale (1-5, with 5 the highest rating).

OUTPUT: Local Government Services

Performance Information	Standard	2010/11	2011/12
Responses to requests for information about the Rates Rebate Scheme within 10 days of receipt	At least 98% (of 300–600)	Revised measure	99% (of 677)*
Eligible claims for rates rebates processed within 20 days of receipt	At least 98% (of 105,000– 120,000)	100% (of 111,598)	54.8% (116,377)*
Availability of the dog registration database 24 hours a day, 7 days a week	At least 99%	99%	100%

* Over the year, we have sought to improve the efficiency of our administration of the Rates Rebate Scheme. The target timeframe for responses to requests for information has been reduced from 15 days to 10 days, to better reflect performance expectations. We did not meet performance standards for processing eligible rates rebate claims during the year. Improved reporting mechanisms meant we were able to more accurately report processing times. We are reviewing processes and measures for processing claims. This measure refers to reimbursements to councils – processing time does not affect payments to ratepayers.

OUTPUT: Regulatory and Boating Services for Lake Taupo

Performance Information	Standard	2010/11	2011/12
Boating facilities and navigational safety equipment inspected in accordance with an annual compliance programme	All	100%	Achieved
Lake Taupo Asset Management plan actions for current year implemented	All	New measure	Achieved
Stakeholders' satisfaction with the quality of Lake Taupo regulatory services ⁵⁶	Assessed by at least 85% as 3 or above	100%	95%

OUTPUT APPROPRIATION: Policy Advice – Local Government

Under this appropriation we provide of policy advice on, and information relating to, local government issues, including ministerial correspondence and questions.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
6,892	Revenue Crown	6,489	4,325	4,325
100	Revenue Third Parties	–	66	63
6,992	Total Revenue	6,489	4,391	4,388
6,563	Expenses	6,489	4,391	3,729
429	Net Surplus/(Deficit)	–	–	659

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$2.098 million was due to a reallocation of shared services costs (\$1.482 million), a decrease in funding for an ongoing programme of initiatives to enable the department to position for efficiency savings from 1 July 2012 (\$837,000) and a lower level of demand for the KiwiSaver and State Sector Retirement Savings Schemes (\$9,000), partially offset by an expense transfer from 2010/11 to 2011/12 for the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$230,000). Actual expenses are 15 per cent lower than the Supplementary Estimates, mainly due to lower personnel costs resulting from delays in filling vacancies.

⁵⁶ Stakeholders are asked to assess the support received on a five point numerical scale (1–5, with 5 the highest rating).

OUTPUT: Local Government Policy Advice

Performance Information	Standard	2010/11	2011/12
Policy work programme to support the Output Plan delivered with:			
agreed timeframes met	At least 95%	New measure	100%
any extensions agreed before required dates	At least 95%	New measure	100%
Minister's satisfaction with the quality of policy advice (quarterly) ⁵⁷	Assessed as 'Satisfied' or better	Very good	Q1: N/A Q2: N/A Q3: N/A Q4: Very Good*

* In 2011/12 we established quarterly assessments of policy advice to gain more timely feedback from Ministers of our performance. During the year we received one quarterly assessment from the Minister of Local Government, covering the duration of the current Minister's responsibility for the portfolio. Completion of satisfaction surveys for the first two quarters was not possible due to the election period. Completion of a satisfaction survey for the third quarter was not possible due to a change of Minister.

OUTPUT: Ministerial Correspondence and Questions

Performance Information	Standard	2010/11	2011/12
Acceptance of first draft responses presented to the Minister	At least 95%	100%	100%
Timeframes set in legislation or otherwise agreed with the Minister, met	At least 95%	New measure	100%
Information briefings delivered to agreed quality criteria and standards demonstrated through independent assessment	Agreed quality criteria and standards met	New measure	Achieved*
Information briefings and responses required to ministerial correspondence, information requests and parliamentary questions	As required	New measure	793

* See page 56 for quality criteria. Assessed by the New Zealand Institute of Economic Research.

⁵⁷ The Minister is asked to assess the quality of policy advice and support received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

Vote Ministerial Services

OUTPUT APPROPRIATION: **Official Visits and Events Coordination**

Under this appropriation we manage programmes for visiting guests of Government, State and ministerial functions. We coordinate a range of services in support of ceremonial and commemorative events and facilitate the passage of New Zealand and foreign dignitaries and others authorised by the Crown into and out of New Zealand.

2010/11				2011/12	
Actual	Revenue and output expenses (\$000)	Mains	Supps.	Actual	
5,378	Revenue Crown	4,389	4,285	4,285	
32	Revenue Third Parties	46	46	36	
5,410	Total Revenue	4,435	4,331	4,321	
5,361	Expenses	4,435	4,331	4,343	
49	Net Surplus/(Deficit)	-	-	(22)	

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$104,000 was due to a decrease in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$117,000), partially offset by an expense transfer from 2010/11 to 2011/12 for the integration of new functions and consequent restructuring of the Department of Internal Affairs (increase of \$13,000). The Minister of Finance approved a fiscally neutral transfer of \$216,000 from Support Services to Members of the Executive to Official Visits and Events Coordination under section 26A of the Public Finance Act in May 2012.

OUTPUT: **Visits and Official Events Coordination**

Performance Information	Standard	2010/11	2011/12
Sponsoring Ministers' satisfaction with arrangements for:			
design and implementation of programmes for guests of government ⁵⁸	Assessed as 'Satisfied' or better	New measure	Satisfied
design and implementation of State and Ministerial functions	Assessed as 'Satisfied' or better	New measure	Satisfied
coordination and management of official events	Assessed as 'Satisfied' or better	New measure	Satisfied

⁵⁸ Sponsoring Ministers are asked to assess arrangements on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

Activity Information

	Standard	2010/11	2011/12
Official visits – Heads of State and full guests of government	25–30 visits (average 1–2 days)	New measure	71*
State and Ministerial functions	4–8	New measure	5
Commemorative and special events	10–15	New measure	14
Facilitations of parties through international airports (with an average 1–4 people in each party)	500–600 facilitations	New measure	745*

* In 2011/12 New Zealand hosted an increased number of large international events including the Rugby World Cup and the Pacific Islands Forum. This increased the number of Head of State and guest of government visitors received and the number of airport facilitations compared with previous years.

OUTPUT APPROPRIATION: **Support Services to Members of the Executive**

Under this appropriation we provide support services for Members of the Executive, including in their capacity as a Member of Parliament, primarily through office personnel and administrative services, information and communications technology, and the provision and management of residential accommodation.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
26,613	Revenue Crown	26,455	26,473	26,473
382	Revenue Third Parties	362	397	411
9	Gain on sale of Property, Plant and Equipment	–	–	–
27,004	Total Revenue	26,817	26,870	26,884
26,475	Expenses	26,852	26,870	26,533
529	Net Surplus/(Deficit)	(35)	–	351

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$18,000 was due to an expense transfer from 2010/11 to 2011/12 for the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$208,000), largely offset by a decrease in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$190,000).

The Minister of Finance approved a fiscally neutral transfer of \$216,000 from Support Services to Members of the Executive to Official Visits and Events Coordination under section 26A of the Public Finance Act in May 2012.

OUTPUT: **Support Services to Members of the Executive**

Performance Information

	Standard	2010/11	2011/12
Completion by Ministerial office staff of 'core role' induction training within two months in their positions	At least 90%	New measure	100%
Availability of information and communications technology systems, 24 hours a day, 7 days a week	No less than 99.5%	New measure	99.85%
Minister's satisfaction with the quality and level of support services provided to the Members of the Executive ⁵⁹	Assessed as 'Satisfied' or better	Very Good	Good/Very Good

⁵⁹ The Minister is asked to assess support services provided on a five-point scale: Very Good, Good, Satisfied, Poor, Very poor.

Activity Information

	Standard	2010/11	2011/12
Average number of Ministerial office personnel provided	150–170	New measure	154
Executive Council and Members of the Executive – Salaries and Allowances (PLA)	26–30 people	New measure	28
Former Governors-General – Annuities and Other Payments (PLA)	4–8 people	New measure	7
Former Prime Ministers – Annuities (PLA)	3–7 people		5
Former Prime Ministers – Domestic Travel	50–70 transactions	New measure	127
Members of the Executive – Travel	3,000–3,400 transactions	New measure	2876

OUTPUT APPROPRIATION: VIP Transport Services

Under this appropriation we provide chauffeur-driven and self-drive vehicle services for parties specified in legislation, as authorised by Members of the Executive, or who otherwise meet qualifying criteria.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
–	Revenue Crown	–	–	–
7,246	Revenue Third Parties	7,947	7,947	8,006
7,246	Total Revenue	7,947	7,947	8,006
7,214	Expenses	7,947	7,947	7,936
32	Net Surplus/(Deficit)	–	–	70

OUTPUT: VIP Transport Services**Performance Information**

	Standard	2010/11	2011/12
Fuel efficiency for chauffeur-driven vehicles (annual average)	No more than 10 litres per 100km	9.5L/km	9.07L/km
Chauffeur-driven services – failure rate (level of sustained complaints)	Fewer than 0.5% of jobs (of 39,000–42,000 jobs)	0.0015%	0.096%
Self-drive vehicles (in use) with current registration and warrants of fitness	All (of 25–35)	New measure	All

Activity Information

	Standard	2010/11	2011/12
Total vehicle fleet	72–77	New measure	75
Chauffeur-driven services – total distance travelled	1–1.25 million kms	New measure	794,813*

* The performance standard was incorrectly reported in the Information Supporting the Estimates. The total distance travelled is demand driven.

Vote National Archives

MULTI-CLASS OUTPUT APPROPRIATION: Archives Management and Policy Advice

OUTPUT APPROPRIATION: Archives Services

Under this appropriation we manage public archives in both physical and digital formats on behalf of the Crown. We provide public access to archives held by Archives New Zealand, and support community, iwi and hapū organisations and other jurisdictions to preserve and manage their own records and archives.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	2011/12 Supps.	Actual
9,205	Revenue Crown	18,931	20,266	20,271
323	Revenue Third Parties	743	600	510
9,528	Total Revenue	19,674	20,866	20,781
9,442	Expenses	19,674	20,866	20,261
86	Net Surplus/(Deficit)	-	-	520

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$1.192 million was due to a reallocation of shared services costs (\$934,000) and an increase in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$551,000), partially offset by an expense transfer from 2011/12 to 2012/13 to reflect timing of delivery of the Government Digital Archive project (decrease of \$150,000) and a realignment of third party revenue and expenditure (decrease of \$143,000).

Output: Managing Public Archives

Performance Information	Standard	2010/11	2011/12
Accession of transfers received from public offices completed – linear metres (LM)	3,000–4,500 LM (from 70–90 transfers)	New measure	2,405 LM (from 84 transfers)*
Descriptions of archives items newly available through the online index	380,000–420,000	454,922	303,424**
Pages (or similar) of archives items digitised	180,000–220,000	351,831	781,607***
Storage environments maintained to required standards 24 hours a day, 7 days a week	At least 95%	New measure	80.6% temperature 67.1% relative humidity****

- * The measure of the accession of transfers received from public offices is quantified in linear metres. During the year we received an unexpectedly large number of non-textual items such as photographs and plans that cannot be quantified in linear metres and are not reflected in the performance standard. The standard is considered to have been met.
- ** During the year resources have been redirected towards capability-building projects and higher priorities such as the Government Digital Archive, affecting the number of archives descriptions newly available through the online index. Resources will be rebalanced to ensure this target is met in 2012/13.
- *** Demand for digitisation has been higher than anticipated this year. Predicting the level of digitisation has proved difficult due to the size of items being digitised varying widely. The overachievement of this target reflects the increased emphasis put on online service delivery. The standard for this measure has been revised for 2012/13.
- **** We are continually seeking to create consistent, optimal storage environments for our holdings. Achieving these strict standards is an iterative process. Although deviations from the required temperature and humidity levels have been minimal, having limited or no effect on preservation, Archives New Zealand is taking steps to improve the environmental consistency in the affected repository areas.

Activity Information

	Standard	2010/11	2011/12
Archives held in storage: physical archives – linear metres (LM)	99,000–102,000 LM	97,922 LM	103,327 LM

OUTPUT: Provision of Access to Public Archives**Performance Information**

	Standard	2010/11	2011/12
Availability of online services 24 hours a day, 7 days a week	At least 99%	New measure	98.1%*

Responses to reference requests provided within standard timeframes:

reading rooms: 1 hour	At least 95% (of 52,000–58,000)	New measure	93% (of 47,869)**
15 working days	At least 95% (of 13,000–16,000)	New measure	95.6% (of 14,152)
Copies of archives newly made available online: General archival items	12,000–15,000	New measure	39,825***

* The Archway website was subjected to several planned outages that have affected availability statistics for 2011/12. A key reason for outages was security patches being applied to ensure compliance with the Cyber Security Strategy. Initial issues with this work have been resolved or workarounds put in place to mitigate ongoing impacts. Availability of online services was also affected by a fire at a network infrastructure facility.

** Retrieval times for requests were impacted by organisational restructuring and trialling of new retrieval methods. Performance has improved with method refinement; we expect to achieve the standard in 2012/13.

*** The number of general archival items made available online has significantly surpassed the standard as a number of collaborative arrangements have taken effect, enabling us to make more items available digitally than we had anticipated. The standard for this measure has been revised for 2012/13 year to better reflect our performance expectations.

OUTPUT: Community Archives Support**Performance Information**

	Standard	2010/11	2011/12
Community archives training courses delivered	5 (average 20 participants)	5	6
Attendee satisfaction with community archives training courses – assessed as 'Good' or 'Very Good' ⁶⁰	At least 80% (of 90–110 attendees)	New measure	100% (82)
Availability of the online descriptive tool 24 hours a day, 7 days a week	At least 99%	New measure	99.6%
Quality review of new entries to the online descriptive tool completed within 5 days	At least 80% (of 100–150)	New measure	100% (of 975)*

* The number of quality reviews of new entries is determined by additions made by community archives institutions, and is therefore affected by demand. High demand in 2011/12 compared with previous years may reflect the level of support given to community archives, and their confidence in the online tool provided by Archives New Zealand.

⁶⁰ Training course attendees are asked to assess the usefulness of the training received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

OUTPUT APPROPRIATION: Policy Advice

Under this appropriation we provide policy advice and Ministerial support services focused on public recordkeeping and management of national archives.

2010/11 Actual	Revenue and output expenses (\$000)	Mains	Supps.	2011/12 Actual
-	Revenue Crown	527	382	382
-	Revenue Third Parties	8	4	6
-	Total Revenue	535	386	388
-	Expenses	535	386	323
-	Net Surplus/(Deficit)	-	-	65

The decrease in budget between the Main Estimates and the Supplementary Estimates of \$149,000 was due to a reallocation of shared services costs (\$149,000) and a realignment of third party revenue and expenditure (\$4,000), partially offset by an increase in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$4,000).

Actual expenditure was 16 per cent lower than the Supplementary Estimates primarily due to vacancies held during the Department's restructuring.

OUTPUT: Policy Advice – National Archives

Performance Information	Standard	2010/11	2011/12
Policy work programme to support the Output Plan delivered with:			
agreed timeframes met	At least 95%	New measure	100%
any extensions agreed before required dates	At least 95%	New measure	100%
Minister's satisfaction with the quality of policy advice (quarterly) ⁶¹	Assessed as 'Satisfied' or better	New measure	Q1: Good Q2: N/A Q3: N/A Q4: Very Good*
Support services provided to the following statutory body advising the Minister: Archives Council – Satisfaction with the quality of support received ⁶²	Assessed as 'Satisfied' or better	70%	Satisfied

* In 2011/12 we established quarterly assessments of policy advice to gain more timely feedback from Ministers on our performance. During the year we received two quarterly assessments from the Minister of Internal Affairs, who is responsible for National Archives. Completion of satisfaction surveys for the second and third quarters was not possible due to the election period and a change of Minister, respectively.

⁶¹ The Minister is asked to assess the quality of policy advice and support received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

⁶² Statutory body members are asked to assess the quality support received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

OUTPUT: Ministerial Support Services – National Archives

Performance Information	Standard	2010/11	2011/12
Acceptance of first draft responses presented to the Minister	At least 95%	100%	100%
Timeframes set in legislation or otherwise agreed with the Minister, met	At least 95%	New measure	89%*
Information briefings delivered to agreed quality criteria and standards demonstrated through independent assessment	Agreed quality criteria and standards met	New measure	Achieved**
Information briefings and responses required to Ministerial correspondence, information requests and parliamentary questions	10–20	New measure	9

* A response to one written parliamentary question was late. We have reviewed our processes to ensure that this does not reoccur.

** See page 56 for quality criteria. Assessed by the New Zealand Institute of Economic Research.

OUTPUT APPROPRIATION: Regulation of Public Sector Recordkeeping

Under this appropriation we administer all aspects of the regulatory regime under the Public Records Act 2005, including where the Chief Archivist has statutory independence.

2010/11	2011/12			
Actual	Revenue and output expenses (\$000)	Mains	Supps.	Actual
-	Revenue Crown	3,877	3,559	3,559
-	Revenue Third Parties	173	320	127
-	Total Revenue	4,050	3,879	3,686
-	Expenses	4,050	3,879	3,743
-	Net Surplus/(Deficit)	-	-	(57)

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$171,000 was due to a reallocation of shared services costs (\$421,000), partially offset by an increase in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$103,000) and a realignment of third party revenue and expenditure (\$147,000)

OUTPUT: Regulation of Public Sector Recordkeeping

Performance Information	Standard	2010/11	2011/12
Public offices independently audited against recordkeeping standards (Public Records Act 2005)	At least 20% (of est 200)	19% (38 offices audited)	21.5% (43 offices audited)
Appraisal reports submitted to and received by the Chief Archivist processed within 10 weeks	At least 80% (of 50–70)	New measure	86.5% (of 37)
Recordkeeping advice requests responded to within 5 working days	At least 75% (of 800–1,000)	New measure	87.2% (of 337)*
Attendee satisfaction with government recordkeeping training courses – assessed as 'Good' or 'Very Good' ⁶³	At least 80% (of 250–300)	New measure	96.8% (of 166)**

* The number of recordkeeping advice responses is reflective of decreased demand. This may be an indicator of increased capability across the recordkeeping sector, as people require less assistance.

** The number of course attendees is indicative of decreased demand for government recordkeeping training. The reduction in demand may be attributed to decreased funding for training, across the public sector.

⁶³ Training course attendees are asked to assess the usefulness of the training received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

Vote National Library

MULTI-CLASS OUTPUT APPROPRIATION: **National Library Services**

OUTPUT APPROPRIATION: **Access to Information**

Under this appropriation we provide services which assist access to library collections and other information, including cataloguing and describing, tools and finding aids. We provide access to the collections and purchase information. We also administer the Public Lending Right for New Zealand Authors Scheme.

2010/11		2011/12		
Actual	Revenue and output expenses (\$000)	Mains	Supps.	Actual
9,273	Revenue Crown	27,037	28,857	28,856
2,387	Revenue Third Parties	5,877	5,996	6,207
11,660	Total Revenue	32,914	34,853	35,063
9,664	Expenses	32,787	34,726	33,246
1,996	Net Surplus/(Deficit)	127	127	1,817

The increase in budget between the Main Estimates and the Supplementary Estimates of \$1.939 million was due to an expense transfer from 2010/11 to 2011/12 due to a change in timing for Building a National Library for the 21st Century (\$2.629 million), development of the Aotearoa People's Network Kaharoa (\$697,000), Digitisation of the Appendices to the Journals of the House of Representatives (\$73,000), an increase in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$99,000) and an increase in Interloan Activity (\$160,000), partially offset by a decrease from a realignment of third party revenue and expenditure (\$41,000), expense transfers from 2011/12 to 2012/13 due to a change in timing for the Kotui implementation (\$100,000), development of the Aotearoa People's Network Kaharoa (\$429,000), delays in the New Generation Implementation Programme (\$290,000), a reallocation of shared services costs (\$849,000) and a transfer of funding to Public Lending Right for New Zealand Authors (\$10,000).

OUTPUT: **Access to information**

Performance Information	Standard	2010/11	2011/12
Catalogue records for newly published material available online within 15 days of receipt	At least 91% (of 20,000–25,000)	91%	84% (of 23,116)*
Digitised items newly available for access online	At least 600,000	756,052	707,452
Availability of online services 24 hours a day, 7 days a week (to support 4.4m-4.5m visits):			
Te Puna catalogue and interloan services to subscribers	At least 95%	99%	99%
Library information services (other than Te Puna)	At least 95%	99%	99%
Requests (non-school) for the off-site supply of documents – completed within 2 days	At least 90% (of 20,000–25,000)	99%	93% (of 12,378)
Public Lending Right payments to authors made within the timeframe stipulated by regulation	All (of 1,600–1,650)	New measure	99% (of 1,666)**

* The move back into the redeveloped National Library Molesworth Street building and an unexpectedly large intake of material in May 2012 impacted on the Library's ability to catalogue all material received within 15 days of receipt.

** Public Lending Right payments were made to all authors. However, technical problems with the Public Lending Right system delayed payment to 24 authors. We are working to resolve these in time for the next round of author payments.

Activity Information

	Standard	2010/11	2011/12
New Zealand libraries participating in Te Puna (catalogue and interloan services)	98% (of 250–255)	New measure	92% (of 264)*
Interloan requests made through Te Puna	95,000– 105,000	New measure	87,092**
Visits to National Library reading rooms	30,000–40,000	New measure	36,829

* A total of 246 libraries participate in Te Puna; equivalent to 98.4% of the original performance standard. However, the baseline number of libraries monitored was revised and subsequently increased to 264 during the year, meaning the original performance standard was not achieved.

** The amalgamation of Auckland Council Libraries and the creation of the SMART Libraries Consortium mean that lending within these groups is no longer considered interlibrary loans, reducing the number of interloan requests through Te Puna. The performance standard for 2012/13 has been adjusted accordingly.

OUTPUT APPROPRIATION: **Collecting and Preserving Information**

Under this appropriation we collect and preserve published and unpublished items for the National Library and Alexander Turnbull Library collections.

2010/11		2011/12		
Actual	Revenue and output expenses (\$000)	Mains	Supps.	Actual
9,153	Revenue Crown	22,685	22,327	22,327
261	Revenue Third Parties	385	614	610
9,414	Total Revenue	23,070	22,941	22,937
12,382	Expenses	23,070	22,941	21,716
(2,968)	Net Surplus/(Deficit)	-	-	1,221

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$129,000 was due to a reallocation of shared services costs (\$978,000), an expense transfer from 2011/12 to 2012/13 due to delays in the New Generation Implementation Programme (\$191,000) partially offset by an expense transfer from 2010/11 to 2011/12 for Building a National Library for the 21st Century (increase of \$733,000), a realignment of third party revenue and expenditure (increase of \$229,000), and an increase in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$78,000).

Actual expenditure was five per cent lower than the Supplementary Estimates primarily due to delays in delivery and commencement of preservation projects (\$800,000). An in-principle expense transfer up to a maximum of \$1.203 million to 2012/13 was approved.

OUTPUT: Collecting and Preserving Information

Performance Information	Standard	2010/11	2011/12
New heritage items:			
accession records for unpublished items – completed within 10 days of receipt	At least 95% (of 1,000–1,500) ⁶⁴	98%	98% (of 5,586)*
descriptive records for unpublished items – added within 20 days of accession	At least 95% (of 1,000–1,500) ⁶⁴	New measure	98% (of 5,586)*
At-risk items digitised or digital formats transformed	At least 1,100	1,332	1,450
Microfilm frames of 'at-risk' newspapers created as part of the Newspaper Preservation Programme	At least 300,000	New measure	308,457

Activity Information	Standard	2010/11	2011/12
Acquisitions to the Alexander Turnbull Library (new heritage items)	65,000–75,000	New measure	68,967
Records added to the information system for unpublished items	75,000–85,000	New measure	80,395

* The volume of unpublished items acquired is difficult to forecast and relies on external factors such as donations.

OUTPUT APPROPRIATION: Library and Information Services to Schools

Under this appropriation we provide library and information services and products to schools, in support of the National Curriculum.

2010/11		2011/12		
Actual	Revenue and output expenses (\$000)	Mains	Supps.	Actual
5,493	Revenue Crown	14,142	16,032	16,032
86	Revenue Third Parties	435	242	197
5,579	Total Revenue	14,577	16,274	16,229
5,244	Expenses	14,577	16,274	15,395
335	Net Surplus/(Deficit)	-	-	834

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$1.697 million was due to a reallocation of shared services costs (increase of \$1.879 million), an expense transfer from 2010/11 to 2011/12 for Building a National Library for the 21st Century (\$151,000), Public Programme World Cup (\$50,000), an increase in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$45,000) partially offset by a realignment of third party revenue and expenditure (decrease of \$193,000), a transfer of funding from 2011/12 to 2012/13 due to Curriculum Services efficiency savings (decrease of \$100,000) and an expense transfer from 2011/12 to 2012/13 due to delays in the New Generation Implementation Programme (decrease of \$135,000).

Actual expenditure was five per cent lower than the Supplementary Estimates primarily reflecting delays in the Building a National Library for the 21st Century project and delay in the Transformation of Services to Schools project. In-principle expense transfers of up to a maximum of \$0.582 million to 2012/13 were approved.

⁶⁴ The performance standard for this number is recorded incorrectly in the Information Supporting the Estimates of Appropriations for Vote National Library as 65,000–75,000.

OUTPUT: Library and Information Services to Schools

Performance Information	Standard	2010/11	2011/12
Requests for the supply of:			
items from the schools collections met within 5 days of receipt	At least 75% (of 35,000–40,000)	70%	88% (of 35,389)
documents from the general collection (offsite) met within 4 days of receipt	At least 95% (of 17,000–22,500)	100%	99% (of 14,295)*
Advisory support provided to targeted schools	At least 75% (of 750–850)	New measure	96% (of 800)
Activity Information			
Items supplied on request from the schools collection	950,000–1,000,000	New measure	883,488**

* Demand from schools for copies is dropping as they make greater use of e-journals and online resources.

** The number of items supplied on request from the schools collection did not reach the forecast volume because of disruption in demand patterns and access to collections following the Canterbury earthquakes. We have adjusted the forecast number of items supplied to 900,000-950,000, as we return to a normal level of demand.

OUTPUT APPROPRIATION: Policy Advice and Statutory Servicing

Under this appropriation we provide policy advice on the role of information in New Zealand's cultural and economic life, including services to the Minister Responsible for the National Library. We support the advisory bodies established under the National Library of New Zealand (Te Puna Mātauranga o Aotearoa) Act 2003 and the Public Lending Right for New Zealand Authors Act 2008.

2010/11		2011/12		
Actual	Revenue and output expenses (\$000)	Mains	Supps.	Actual
372	Revenue Crown	1,019	870	870
4	Revenue Third Parties	21	26	10
376	Total Revenue	1,040	896	880
374	Expenses	1,040	896	720
2	Net Surplus/(Deficit)	-	-	160

The decrease in budget between the Main Estimates and the Supplementary Estimates of \$144,000 was due to a reallocation of shared services (\$188,000) partially offset by an expense transfer from 2010/11 to 2011/12 for Building a National Library for the 21st Century (\$37,000), a realignment of third party revenue and expenditure (\$5,000) and an increase in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$2,000).

Actual expenditure was 20 per cent lower than the Supplementary Estimates largely due to vacancies held during the Department's restructuring.

OUTPUT: Policy Advice and Statutory Servicing

Performance Information

Standard

2010/11

2011/12

Policy Advice – National Library

Policy work programme to support the Output Plan delivered with:

agreed timeframes met	At least 95%	New measure	100%
any extensions agreed before required dates	At least 95%	New measure	100%
Minister's satisfaction with the quality of policy advice (quarterly) ⁶⁵	Assessed as 'Satisfied' or better	Revised measure	Q1: Good Q2: N/A Q3: N/A Q4: Very Good*

Ministerial Support Services – National Library

Acceptance of first draft responses presented to the Minister	At least 95%	New measure	100%
Timeframes set in legislation or otherwise agreed with the Minister, met	At least 95%	100%	75%**
Information briefings delivered to agreed quality criteria and standards demonstrated through independent assessment	Agreed quality criteria and standards met	New measure	Achieved***
Support Services provided to the following statutory bodies advising the Minister: <ul style="list-style-type: none"> » Guardians Kaitiaki of the Alexander Turnbull Library » Library and Information Advisory Committee » Public Lending Right Advisory Group 			
Statutory body member satisfaction with the quality of support	Assessed as 'Satisfied' or better	New measure	Satisfied****
Information briefings and responses required to ministerial correspondence, information requests and parliamentary questions	As required	New measure	4

* In 2011/12 we established quarterly assessments of policy advice to gain more timely feedback from Ministers on our performance. During the year we received two quarterly assessments from the Minister of Internal Affairs, who is responsible for the National Library. Completion of satisfaction surveys for the second and third quarters was not possible due to the election period and a change of Minister, respectively.

** A response to one written parliamentary question was late. We have reviewed our processes to ensure that this does not reoccur.

*** See page 56 for quality criteria. Assessed by the New Zealand Institute of Economic Research.

**** Surveys were conducted for the Guardians Kaitiaki of the Alexander Turnbull Library and the Library and Information Advisory Committee. A survey was not conducted to assess the satisfaction of Public Lending Rights Advisory Group members as no meetings were held for 2011/12.

⁶⁵ The Minister is asked to assess the quality of policy advice and support received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

Vote Racing

OUTPUT APPROPRIATION: Policy Advice – Racing

Under this appropriation we provide policy advice on matters relating to racing and sports betting and on the racing industry generally; drafting Ministerial correspondence and questions; and administration of Crown funding in relation to racing.

2010/11		2011/12		
Actual	Revenue and output expenses (\$000)	Mains	Supps.	Actual
357	Revenue Crown	221	202	202
6	Revenue Third Parties	-	4	2
363	Total Revenue	221	206	204
246	Expenses	221	206	149
117	Net Surplus/(Deficit)	-	-	55

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$15,000 was due to a reallocation of shared services costs (\$22,000) partially offset by an expense transfer from 2010/11 to 2011/12 for the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$6,000) and an increase in funding for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012 (\$1,000).

Actual expenditure was 28 per cent lower than the Supplementary Estimates, mainly due to lower personnel costs resulting from delays in filling vacancies.

OUTPUT: Racing Policy Advice

Performance Information	Standard	2010/11	2011/12
Policy work programme to support the Output Plan delivered with:			
agreed timeframes met	At least 95%	New measure	100%
any extensions agreed before required dates	At least 95%	New measure	100%
Minister's satisfaction with the quality of policy advice (quarterly) ⁶⁶	Assessed as 'Satisfied' or better	Very good	Q1: N/A* Q2: N/A* Q3: Good Q4: N/A*

* In 2011/12 we established quarterly assessments of policy advice to gain more timely feedback from Ministers on our performance. During the year we received one quarterly assessment from the Minister of Racing. Completion of satisfaction surveys for the first and second quarters were not possible due to the election period. No assessment was completed for the fourth quarter as no substantial policy advice was provided for this period.

⁶⁶ The Minister is asked to assess the quality of policy advice and support received on a five-point scale: Very Good, Good, Satisfied, Poor, Very Poor.

OUTPUT: Ministerial Correspondence and Questions

Performance Information	Standard	2010/11	2011/12
Acceptance of first draft responses presented to the Minister	At least 95%	100%	100%
Timeframes set in legislation or otherwise agreed with the Minister, met	At least 95%	New measure	100%
Information briefings delivered to agreed quality criteria and standards demonstrated through independent assessment	Agreed quality criteria and standards met	New measure	Achieved*
Information briefings and responses required to ministerial correspondence, information requests and parliamentary questions	As required	48	45

* See page 56 for quality criteria. Assessed by the New Zealand Institute of Economic Research.

PART C –
FINANCIAL STATEMENTS

DEPARTMENTAL

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Comprehensive Income

Statement of Comprehensive Income for the year ended 30 June

ACTUAL 2011 \$000		NOTE	ACTUAL 2012 \$000	MAIN EST 2012 \$000	SUPP EST 2012 \$000
Income					
141,695	Crown		214,138	202,544	214,136
147,570	Other Revenue	2	162,521	152,366	160,149
9	Gain on Sale of Property, Plant and Equipment		-	-	-
289,274	Total Income		376,659	354,910	374,285
Expenditure					
136,327	Personnel Costs	3	169,408	170,462	175,557
23,116	Depreciation and Amortisation Expense	11,12	29,485	33,216	30,824
11,835	Capital Charge	6	20,980	24,324	21,054
67	Finance Costs	5	267	64	-
896	Canterbury Earthquake Costs		-	-	-
105,433	Other Operating Expenses	4	132,933	132,381	141,787
711	Loss on Sale of Property, Plant and Equipment		875	-	-
278,385	Total Expenditure	19	353,948	360,447	369,222
10,889	Net Surplus/(Deficit)		22,711	(5,537)	5,063
Other Comprehensive Income					
(2,173)	Revaluation Gain (Loss)	20	-	-	-
8,716	Total Comprehensive Income		22,711	(5,537)	5,063

Explanations of significant variances against budget are detailed in note 27.

The accompanying notes form part of these financial statements.

Financial Position

Statement of Financial Position as at 30 June

ACTUAL 2011 \$000		NOTE	ACTUAL 2012 \$000	MAIN EST 2012 \$000	SUPP EST 2012 \$000
Assets					
<i>Current Assets</i>					
51,721	Cash and Cash Equivalents	7	72,952	30,584	64,218
25,271	Debtors and Other Receivables	8	15,472	4,885	15,622
1,419	Inventories	9	1,398	1,544	1,544
4,654	Prepayments		3,963	3,143	3,368
15	Derivative Financial Instruments	24	–	–	–
1,100	Property, Plant and Equipment Held for Sale	11	3,505	–	–
84,180	Total Current Assets		97,290	40,156	84,752
<i>Non-Current Assets</i>					
192,929	Property, Plant and Equipment	11	206,888	213,886	224,073
59,973	Intangible Assets	12	63,160	99,279	66,574
–	Other Non-Current Assets		–	225	–
252,902	Total Non-Current Assets		270,048	313,390	290,647
337,082	Total Assets		367,338	353,546	375,399
Liabilities and Taxpayers' Funds					
<i>Current Liabilities</i>					
30,284	Creditors and Other Payables	13	32,258	26,136	24,585
3,468	Provisions	14	4,183	2,656	2,656
8,141	Revenue Received in Advance	15	8,488	6,000	6,000
10,106	Employee Entitlements	16	9,406	11,206	14,071
1,322	Finance Leases	17	1,322	1,322	1,322
16,600	Provision for Repayment of Surplus	18	10,317	–	–
81	Derivative Financial Instruments	24	21	–	–
70,002	Total Current Liabilities		65,995	47,320	48,634
<i>Non-Current Liabilities</i>					
1,632	Employee Entitlements	16	1,773	1,428	1,428
3,194	Finance Leases	17	1,872	1,871	1,871
4,826	Total Non-Current Liabilities		3,645	3,299	3,299
74,828	Total Liabilities		69,640	50,619	51,933
Equity					
233,776	Taxpayer's Funds	20	247,541	272,276	284,251
–	Memorandum Accounts	20	22,519	–	10,737
28,478	Revaluation Reserves	20	27,638	30,651	28,478
262,254	Total Equity		297,698	302,927	323,466
337,082	Total Liabilities and Equity		367,338	353,546	375,399

Explanation of significant variances against budget is detailed in note 27.

The accompanying notes form part of these financial statements.

Movements in Equity

Statement of Movements in Equity for the year ended 30 June

ACTUAL 2011 \$000		NOTE	ACTUAL 2012 \$000	MAIN EST 2012 \$000	SUPP EST 2012 \$000
8,716	Total Comprehensive Income		22,711	(5,537)	5,063
-	Memorandum Account Opening Balances	20	10,737	-	10,737
-	Foreign Exchange Reserve		29	-	-
-	Capital Injections	21	12,284	12,284	45,412
(16,600)	Provision for Payment of Surplus	18	(10,317)	-	-
	Transfers of General Funds and Revaluation Reserves between Government Departments				
115,689	National Library		-	-	-
73,444	Archives New Zealand		-	-	-
189,133	Total Transfers of General Funds and Revaluation Reserves between Government Departments		-	-	-
181,249	Movement in Equity for the year		35,444	6,747	61,212
81,005	Add Equity as at 1 July		262,254	296,180	262,254
262,254	Equity as at 30 June		297,698	302,927	323,466

Explanation of significant variances against budget is detailed in note 27.

The accompanying notes form part of these financial statements.

Cash Flows

Statement of Cash Flows for the year ended 30 June

ACTUAL 2011 \$000		NOTE	ACTUAL 2012 \$000	MAIN EST 2012 \$000	SUPP EST 2012 \$000
Cash Flows from Operating Activities					
<i>Cash was Provided from:</i>					
127,374	Supply of Outputs to the Crown		228,528	202,544	228,527
140,287	Supply of Outputs to Third Parties		168,560	150,799	166,554
267,661			397,088	353,343	395,081
<i>Cash was Disbursed to:</i>					
(238,062)	Suppliers and Employees		(300,102)	(306,157)	(320,746)
(11,835)	Capital Charge	6	(20,980)	(24,324)	(21,054)
2,289	Goods and Services Tax (Net)		(922)	(1,210)	(2,286)
(247,608)			(322,004)	(331,691)	(344,086)
20,053	Net Cash Flows from Operating Activities		75,084	21,652	50,995
Cash Flows from Investing Activities					
<i>Cash was Provided from:</i>					
-	Sale of Property, Plant and Equipment		2,604	1,303	1,303
-	Sale of Intangibles		547	-	-
-			3,151	1,303	1,303
<i>Cash was Disbursed to:</i>					
(25,797)	Purchase of Property, Plant and Equipment		(35,828)	(40,173)	(47,047)
(6,417)	Purchase of Intangibles		(16,862)	(32,718)	(21,568)
(32,214)			(52,688)	(72,891)	(68,615)
(32,214)	Net Cash Flows from Investing Activities		(49,537)	(71,588)	(67,312)
Cash Flows from Financing Activities					
<i>Cash was Provided from:</i>					
-	Capital Contribution	21	12,284	12,284	45,412
30,204	Transfers from Government Departments		-	-	-
30,204			12,284	12,284	45,412
<i>Cash was Disbursed to:</i>					
(7,777)	Repayment of Net Surplus		(16,600)	-	(16,600)
(1,388)	Payment of Finance Leases		-	-	-
(9,165)			(16,600)	-	(16,600)
21,039	Net Cash Flows from Financing Activities		(4,316)	12,284	28,812
Movement in Cash					
42,843	Opening Cash and Cash Equivalents		51,721	68,236	51,723
8,878	Add Net Increase/(Decrease) in Cash Held		21,231	(37,652)	12,495
51,721	Closing Cash and Cash Equivalents		72,952	30,584	64,218

The accompanying notes form part of these financial statements.

Net Surplus to Net Cash Flow from Operating Activities

Reconciliation of Total Comprehensive Income to Net Cash Flow from Operating Activities for the year ended 30 June

ACTUAL 2011 \$000		ACTUAL 2012 \$000	MAIN EST 2012 \$000	SUPP EST 2012 \$000
8,716	Total Comprehensive income	22,711	(5,537)	5,063
	Add/(Deduct) Non-Cash Items			
23,116	Depreciation and Amortisation	29,483	33,216	30,824
(66)	Net Losses/(Gains) on Derivative Financial Instruments	-	-	-
(161)	Revenue from Collection Donations and Legal Deposits	(374)	-	-
(200)	Interest Unwind on Leased Premises	-	-	-
7	Net Foreign Exchange Losses	-	-	-
22,696		29,111	33,216	30,824
	Add/(Deduct) Items Classified as Investing Activities			
702	Loss/(Gain) on Sale of Property, Plant and Equipment	875	(382)	(382)
702		875	(382)	(382)
	Add/(Deduct) Movements in Working Capital Items			
(21,614)	(Increase)/Decrease in Debtors and Other Receivables	20,536	(1,185)	20,953
(4,119)	(Increase)/Decrease in Other Current Assets	727	961	(1,618)
12,097	Increase/(Decrease) in Creditors and Other Payables	1,974	(3,417)	(9,736)
1,575	Increase/(Decrease) in Other Current Liabilities	331	(2,004)	2,887
-	Increase /(Decrease) in Non-Current Liabilities	(1,181)	-	-
(12,061)		22,387	(5,645)	15,490
20,053	Net Cash Flows From Operating Activities	75,084	21,652	50,995

The accompanying notes form part of these financial statements.

Commitments

Statement of Commitments as at 30 June

ACTUAL 2011 \$000		ACTUAL 2012 \$000
Capital Commitments		
<i>Capital Contracts for Goods and Services</i>		
19,442	Less than one year	7,908
3,852	One to two years	212
167	Two to five years	–
23,461	Total Capital Contracts for Goods and Services	8,120
23,461	Total Capital Commitments	8,120
Operating Commitments		
<i>Non-Cancellable Accommodation Leases</i>		
13,655	Less than one year	11,595
10,964	One to two years	9,855
23,227	Two to five years	20,876
20,274	Over five years	12,944
68,120	Total Non-Cancellable Accommodation Leases	55,270
<i>Other Non-Cancellable Leases</i>		
11,097	Less than one year	16,769
8,450	One to two years	13,372
22,871	Two to five years	35,260
20,667	Over five years	18,993
63,085	Total Other Non-Cancellable Leases	84,394
131,205	Total Operating Commitments	139,664
154,666	Total Commitments	147,784

Capital Commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and intangible assets that have not been paid for, or not recognised as a liability, at the balance date.

Non-Cancellable Lease Commitments

The Department leases property, plant and equipment in the normal course of its business. The majority of the leases are for premises, vehicles, office equipment and electronic monitoring of non-casino gaming machines. The non-cancellable leasing period for these leases varies.

Non-Cancellable Contracts for Goods and Services

The Department has entered into non-cancellable contracts for IT maintenance, property maintenance and other contracts for service.

The accompanying notes form part of these financial statements.

Contingent Assets and Liabilities

Statement of Contingent Assets and Liabilities as at 30 June

Quantified Contingent Liabilities

ACTUAL 2011 \$000		ACTUAL 2012 \$000
124	Legal Disputes	-
124	Total Contingent Liabilities	-

There were no quantified contingent liabilities as at 30 June 2012 (2010/11: \$0.124 m).

Unquantified Contingent Liabilities

As at 30 June 2012 the Department had an unquantified contingent liability for a personal grievance lodged against the Department with the Employment Relations Authority (ERA). There are also two personal grievances that have been raised with the Department that have not been lodged with the ERA, but still have a further 12 months in which they can be lodged. Management believes the resolution of these cases will not have a materially adverse effect on the financial statements of the Department.

The Department had one personal grievance case outstanding at 30 June 2011.

Quantified Contingent Assets

ACTUAL 2011 \$000		ACTUAL 2012 \$000
-	Insurance Recoveries from Canterbury Earthquakes	169
-	Total Contingent Assets	169

Unquantified Contingent Assets

As at 30 June 2012 the Department had one unquantified contingent asset. This relates to as yet unquantified insurance recoveries as a consequence of the 2010/11 Canterbury earthquakes.

As at 30 June 2011 the Department had two unquantified contingent assets. One was from normal operations and the other resulted from insurance recoveries as a consequence of the 2010/11 Canterbury earthquakes.

Unappropriated Expenditure

Statement of Unappropriated Expenditure and Capital Expenditure for the year ended 30 June

There was no unappropriated expenditure for the year ended 30 June 2012 (2010/11: \$nil).

The accompanying notes form part of these financial statements.

Statement of Departmental Expenditure and Capital Appropriations

for the year ended 30 June

ACTUAL 2011 \$000		NOTE	ACTUAL 2012 \$000	MAIN EST 2012 \$000	SUPP EST 2012 \$000
Appropriations for Output Expenses					
Vote Community and Voluntary Sector					
Multi-Class Output Appropriation					
<i>Policy Advice, Advisory and Support Services</i>					
1,679	Policy Advice		1,647	2,121	1,898
13,355	Administration of Grants		4,089	3,905	4,098
5,398	Community Advisory Services		5,581	6,386	5,988
–	Support Services for Grant Funding Bodies		250	305	314
20,432	Total Community and Voluntary Sector Services		11,567	12,717	12,298
20,432	Total Vote Community and Voluntary Sector		11,567	12,717	12,298
Vote Emergency Management					
Multi-Class Output Appropriation					
<i>Emergency Management Services</i>					
774	Policy Advice – Emergency Management		1,105	957	867
6,105	Support Services, Information and Education		6,173	5,794	6,805
5,715	Management of National Emergency Readiness, Response and Recovery		4,843	4,201	5,315
12,594	Total Emergency Management Services		12,121	10,952	12,987
12,594	Total Vote Emergency Management		12,121	10,952	12,987
Vote Internal Affairs					
Multi-Class Output Appropriation					
<i>Policy Advice and Support Services</i>					
3,453	Policy Advice		3,473	4,262	3,523
4,450	Information and Advisory Services		13,048	6,549	15,221
7,903	Total Policy and Support Services		16,521	10,811	18,744
Departmental Output Expenses					
969	Anti-Money Laundering and Countering Financing of Terrorism		1,035	2,500	1,131
8,536	Government Technology Services		9,918	6,989	11,591
–	Cross-Government ICT Investment Proposals		2,926	3,000	3,000
108,437	Identity Services		116,320	125,536	118,436
–	Machinery of Government Transition Costs		800	–	800
25,313	Regulatory Services		25,279	25,982	25,590
–	Service Delivery Programme Development PLA		288	–	1,000
5,671	Services for Ethnic Affairs		5,497	6,243	5,726
–	Support Services for Grant Funding Bodies		8,994	9,699	10,099
957	Contestable Services		841	908	921
149,883	Total Departmental Output Expenses		171,898	180,857	178,294
157,786	Total Vote Internal Affairs		188,419	191,668	197,038

The accompanying notes form part of these financial statements.

ACTUAL 2011 \$000		NOTE	ACTUAL 2012 \$000	MAIN EST 2012 \$000	SUPP EST 2012 \$000
Vote Local Government					
Multi-Class Output Appropriation					
<i>Services for Local Government</i>					
6,563	Policy Advice – Local Government		3,730	6,489	4,391
3,462	Information, Support and Regulatory Services – Local Government		3,751	3,433	3,186
10,025	Total Services for Local Government		7,481	9,922	7,577
<i>Departmental Output Expenses</i>					
158	Implementation of Auckland Governance Reforms		–	–	–
10,183	Total Vote Local Government		7,481	9,922	7,577
Vote Ministerial Services					
Departmental Output Expenses					
26,475	Support Services to Members of the Executive*		26,533	26,852	26,870
5,361	Official Visits and Events Coordination*		4,343	4,435	4,331
7,214	VIP Transport Services		7,936	7,947	7,947
39,050	Total Vote Ministerial Services		38,812	39,234	39,148
Vote Racing					
Departmental Output Expenses					
195	Policy Advice – Racing		149	221	206
195	Total Vote Racing		149	221	206
Vote National Library					
Multi-Class Output Appropriation					
<i>National Library Services</i>					
9,664	Access to Information		33,246	32,787	34,726
12,382	Collecting and Preserving Information		21,716	23,070	22,941
374	Policy Advice and Statutory Servicing		720	1,040	896
5,244	Library and Information Services to Schools		15,395	14,577	16,274
27,664	Total Vote National Library		71,077	71,474	74,837
Vote National Archives					
Multi-Class Output Appropriation					
<i>Departmental Output Expenses</i>					
9,442	Archives Management and Policy Advice		–	–	–
–	– Archives Services		20,261	19,674	20,866
–	– Policy Advice		318	535	386
–	– Regulation of Public Sector Recordkeeping		3,743	4,050	3,879
9,442	Total Vote National Archives		24,322	24,259	25,131
277,346	Total Department Appropriation for Output Expenses	19,27	353,948	360,447	369,222
Other Expenses					
896	Recovery from February 2011 Christchurch Earthquake		–	–	–
896	Total Other Expenses		–	–	–
Appropriation for Capital Expenditure					
35,487	Department of Internal Affairs		–	72,891	68,615
35,487	Total Department Appropriation for Capital Expenditure		–	72,891	68,615
312,833	Total Department Appropriations		353,948	433,338	437,837

* The supplementary estimates include a fiscally neutral adjustment of \$0.216 m, approved by the Minister of Finance under section 26A of the Public Finance Act.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June

1. Statement of Accounting Policies

Reporting Entity

Financial statements of the Department of Internal Affairs (the Department) have been prepared in accordance with the requirements of the Public Finance Act 1989. Section 2 of this Act defines the Department as a Government Department. For the purposes of financial reporting the Department is a public benefit entity for the purposes of applying New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The Department has also reported the Crown activities and trust money which it administers.

Integration with the Charities Commission

As a result of the Charities Amendment Act 2012, the Department is integrating with the Charities Commission from 1 July 2012. This will result in the carrying balances for the Charities Commission's assets and liabilities being transferred to the Department on 1 July 2012.

Reporting Period

The reporting period for these financial statements is the year ended 30 June 2012. The financial statements were authorised for issue by the Chief Executive of the Department on 28 September 2012.

Basis of Preparation

Statement of Compliance

These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They 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, modified by the revaluation of land and buildings, antiques and art, and derivative financial instruments to fair value.

Budget Figures

The budget figures are those presented in the Budget Estimates of Appropriation (Main Est) for the Department and also the Supplementary Estimates (Supp Est). The budgets also include other amendments made through the course of the Supplementary Estimates process.

Changes in Accounting Policies

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

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

Comparatives

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

Critical Accounting Judgements and Estimates

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

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Long Service, Sick and Retirement Leave

The long service and retirement leave valuations include the use of discount rates and inflationary estimates. These valuations are independently conducted.

Finance Leases

The Department has exercised its judgement on the appropriate classification of equipment leases and has determined one lease arrangement to be a finance lease as identified in note 17. To determine if a lease arrangement is a finance lease or an operating lease requires judgement as to whether the arrangement transfers substantially all the risks and rewards of ownership to the Department. Judgement is involved in determining the fair value of the leased asset, useful life and discount rate to calculate the present value of the minimum lease payments.

Effects from Accounting Standard Adoption

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

- » Amendments to NZ IAS 1 *Presentation of Financial Statements*. The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. The Department has decided to present this analysis in note 20
- » FRS – 44 *New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments)* – the purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendments on the Department is that certain information about property valuations is no longer required to be disclosed. Note 11 has been updated for these changes
- » Amendments to NZ IFRS 7 – *Financial Instruments Disclosure* – the amendment reduces the disclosure requirements relating to credit risk. Note 8 has been updated for the amendments.

Standards, Amendments, and Interpretations Issued that are not yet Effective and have not been Early Adopted

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

NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement; Phase 2 Impairment Methodology; and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments

(its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. The Department has not yet assessed the effect of the new standard and expects it will not be early adopted.

Functional and Presentation Currency

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

Significant Accounting Policies

The measurement base used in preparing the financial statements is historical cost modified by the revaluation of land and buildings and antiques and artworks and certain financial instruments (including derivative instruments). The accrual basis of accounting has been used unless otherwise stated.

The following particular accounting policies have been applied:

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue Crown

The Department derives revenue for the provision of outputs (services) to the Crown. Revenue Crown is recognised when earned and reported in the financial period to which it relates.

Third Party Revenue

The Department derives revenue from third parties for the provision of outputs (products or services) to third parties. Revenue from the supply of goods and services is measured at the fair value of consideration received. Revenue from the supply of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer unless an alternative method better represents the stage of completion of the transaction. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Donated or Subsidised Assets

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue in the Statement of Comprehensive Income.

Revenue Received in Advance

Revenue is recognised in the Statement of Financial Position as a liability when the revenue has been received but does not meet the criteria for recognition as revenue in the Statement of Comprehensive Income.

Expenses

Expenses are recognised and reported in the Statement of Comprehensive Income in the period in which the service is provided or the goods are received.

Statement of Cost Accounting Policies

Criteria for Direct and Indirect Costs

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified with a specific output in an economically feasible manner.

Cost Allocation Policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information.

Method of Assigning Costs to Outputs

Costs of outputs are derived using the following cost allocation system:

- » Direct charging of costs to outputs includes capital charge and depreciation (which are charged on the basis of assets utilised), personnel costs (which are charged by recording time spent on each output) and operating costs (which are charged based on usage). For the year ended 30 June 2012, 80% of output costs were direct costs (2010/11: 85%).
- » Indirect costs are allocated to outputs on an activity-costing basis reflecting a mix of perceived benefit, personnel numbers, floor space, network connections and estimated allocation of time. For the year ended 30 June 2012, indirect costs accounted for 20% of the Department's costs (2010/11: 15%).

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in transit, and funds on deposit with banks.

Debtors and Other Receivables

Accounts receivable have been designated as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables entered into, with duration of less than 12 months, are recognised at their nominal value. At each balance date, the Department assesses whether there is any objective evidence that loans and receivables are impaired. Any impairment losses are recognised in the Statement of Comprehensive Income as bad debts.

Provision for Doubtful Debts

A provision is established when there is objective evidence that the Department will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the provision is the difference between the receivables carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

Inventories

Inventories held for distribution, or consumption in the provision of services, that are not issued on a commercial basis are measured at the lower of cost (determined on the first-in first-out method) and current replacement costs. Where inventories are acquired at no cost, or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

The replacement cost of the economic benefits or service potential of inventory held for distribution reflects any obsolescence or any other impairment.

Any write-down from cost to current replacement cost is recognised in the Statement of Comprehensive Income in the period when the write-down occurs.

Accounting for Derivative Financial Instruments, Hedging Activities and Foreign Currency Transactions

The Department uses derivative financial instruments to hedge exposure to foreign exchange. In accordance with its foreign exchange policy, the Department does not hold or issue derivative financial instruments for trading purposes. The Department has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date. Movements in the fair value of derivative financial instruments are recognised in the Statement of Comprehensive Income.

Foreign currency transactions (including those for which forward exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Property, Plant and Equipment

Additions

Items of property, plant and equipment costing more than \$0.003 m were initially capitalised and recorded at cost.

For each property, plant and equipment asset project, borrowing costs incurred during the period required to complete and prepare the asset for its intended use are expensed.

From 1 July 2012, under the Department's new Assets Grouping Policy, plant and equipment that individually cost less than \$0.003 m are acquired as a group purchase with a total cost in excess of \$0.030 m, the purchase will be treated as a capital acquisition and capitalised as a fixed asset.

Disposals

Realised gains and losses arising from disposal of property, plant and equipment are recognised in the Statement of Comprehensive Income in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to Other Comprehensive Income.

Impairment

The carrying amounts of plant, property and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised on the Statement of Comprehensive Income as either *Loss on Sale of Property, Plant and Equipment* or *Canterbury Earthquake Costs*. Losses resulting from impairment are reported in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount, in which case any impairment loss is treated as a revaluation decrease.

Revaluations

Revaluations are carried out for a number of classes of property, plant and equipment to reflect the service potential or economic benefit obtained through control of the asset. Revaluation is based on the fair value of the asset with changes reported by class of asset.

Classes of property, plant and equipment that are revalued are revalued at least every five years or whenever the carrying amount differs materially to fair value. Unrealised gains and losses arising from changes in the value of property, plant and equipment are recognised as at balance date and are debited or credited to *Other Comprehensive Income* in the Statement of Comprehensive Income.

To the extent that a gain reverses a loss previously charged to the Statement of Comprehensive Income for the asset class, the gain is credited to the Statement of Comprehensive Income. Otherwise, gains are credited to an asset revaluation reserve for that class of asset. To the extent that there is a balance in the asset revaluation reserve for the asset class any loss is debited to the reserve. Otherwise, losses are reported in the Statement of Comprehensive Income.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

Specific Asset Class Policies

The following asset class specific policies have been applied:

Land and Buildings

Land and buildings are recorded at fair value less impairment losses and, for buildings, less depreciation accumulated since the assets were last revalued. Valuations are undertaken in accordance with the standards issued by the New Zealand Property Institute.

Collections

Collections include both general and school library collections. These current use collections are recorded at cost less accumulated depreciation and accumulated impairment losses.

Other Property, Plant and Equipment

Other property, plant and equipment, which include motor vehicles and office equipment, are recorded at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment or collections, less any estimated residual value, over its estimated useful life.

Depreciation is not charged on land, artworks or capital work in progress.

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

ASSET CATEGORY	ASSET LIFE
Buildings	30–90 Years
Leasehold Improvements	The unexpired period of the lease or the estimated life of the improvements, whichever is shorter
National Library General and Schools Collections	5–50 Years
Plant and Equipment	5–60 Years
Furniture and Fittings	5–30 Years
Office Equipment	5–10 Years
Motor Vehicles	3–6 Years
IT Equipment	3–5 Years
Leased Assets	3 years

Intangible Assets

Additions

Intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. The development phase occurs after the following can be demonstrated: technical feasibility; ability to complete the asset; intention and ability to sell or use; and development expenditure can be reliably measured. Expenditure incurred on research of an internally generated intangible asset is expensed when it is incurred. Where the research phase cannot be distinguished from the development phase, the expenditure is expensed when it is incurred.

Disposal

Realised gains and losses arising from disposal of intangible assets are recognised in the Statement of Comprehensive Income in the period in which the transaction occurs. Unrealised gains and losses arising from changes in the value of intangible assets are recognised as at balance date. To the extent that a gain reverses a loss previously charged to the Statement of Comprehensive Income, the gain is credited to the Statement of Comprehensive Income. Otherwise, gains are credited to an asset revaluation reserve for that asset. To the extent that there is a balance in the asset revaluation

reserve for the intangible asset a revaluation loss is debited to the reserve. Otherwise, losses are reported in the Statement of Comprehensive Income.

Impairment

Intangible assets with finite lives are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported as *Loss on Sale of Property, Plant and Equipment* in the Statement of Comprehensive Income.

Amortisation

Amortisation is charged to the Statement of Comprehensive Income on a straight-line basis over the useful life of the asset. Amortisation is not charged on capital work in progress. The estimated useful lives of intangible assets are as follows:

ASSET CATEGORY	ASSET LIFE
Computer Software	3–8 Years
Births, Deaths and Marriages Historical Records Databases	10 Years
Digitised Collections	8 Years

Non-Current Assets Held for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the Statement of Comprehensive Income.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets held for sale (including those as part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Treatment of Non-Current Assets Transferred from Other Government Departments

All assets are transferred at net book value which was considered to equate to fair value. The assets, where applicable, will continue to be depreciated or amortised over their remaining useful lives.

Financial Instruments

Financial assets and financial liabilities are measured at fair value plus transaction costs. Any profit or loss from the financial transaction is recognised in the Statement of Comprehensive Income.

Financial Liabilities

Financial liabilities are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities entered into with duration of less than 12 months are recognised at their nominal value.

Leases

Finance Leases

Finance leases transfer to the Department, as lessee, substantially all the risks and rewards incident on the ownership of a leased asset. Initial recognition of a finance lease results in an asset and liability being recognised at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The capitalised values are amortised over the period in which the Department expects to receive benefits from their use.

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 Department. 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 Department has exercised its judgement on the appropriate classification of an equipment lease. Approval is held under section 50 of the Public Finance Act 1989 for the Department to be able to enter into a finance lease for supply of specialist printing equipment for the production of passport books.

Operating Leases

Operating leases, where the lessor substantially retains the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease. Accommodation and motor vehicle leases are recognised as operating leases.

Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

Employee Entitlements

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave, sick leave and other similar benefits are recognised in the Statement of Comprehensive Income when they accrue to employees. Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported as the present value of the estimated future cash outflows.

Termination benefits are recognised in the Statement of Comprehensive Income only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash outflows.

Long Service, Retirement and Sick Leave

Long service, retirement leave and sick leave are calculated on an actuarial basis. The portion not considered payable in the next 12 months is recognised as a term liability as per note 16. The current portion is recognised as a current liability.

Defined Contribution Superannuation Schemes

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the Statement of Comprehensive Income when incurred.

Other Liabilities and Provisions

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

Capital Charge

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

Commitments

Operating and capital commitments arising from non-cancellable contractual or statutory obligations are disclosed within the Statement of Commitments to the extent that both parties have not performed their obligations.

Contingent Assets and Liabilities

Contingent assets and contingent liabilities are recorded in the Schedule of Contingent Assets and Contingent Liabilities at the point at which the contingency is evident. Contingent assets are disclosed if it is probable that the benefits will be realised. Contingent liabilities are disclosed when there is a possibility they will crystallise.

Equity

Equity is the Crown's investment in the Department and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as taxpayers' funds, memorandum accounts and property revaluation reserves.

Memorandum Accounts

Memorandum accounts reflect the cumulative surplus/(deficit) on those departmental services provided that are intended to be fully cost recovered from third parties through fees, levies, or charges. The balance of each memorandum account is expected to trend toward zero over time.

Property Revaluation Reserve

These reserves relate to the revaluation of land and buildings and works of art and antiques to fair value.

Provisions

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

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

Taxation

The Department is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided. The Department is subject to fringe benefit tax (FBT), and goods and services tax (GST). It administers pay as you earn tax (PAYE), employer superannuation contribution tax (ESCT) and withholding tax (WHT).

Goods and Services Tax (GST)

All items in the financial statements including commitments and contingencies are GST exclusive, except for receivables and payables that are GST inclusive. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

The amount of GST owing by or payable to the Department at balance date, being the difference between output GST and input GST, is included in either receivables or payables.

Critical Accounting Estimates and Assumptions

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

2. Other Revenue

ACTUAL 2011 \$000		ACTUAL 2012 \$000
78,796	Passport Fees	86,399
9,073	Citizenship Fees	12,204
10,345	Birth, Death, Marriage and Civil Union Fees	10,043
16,264	Non-Casino Gaming Licences and Fees	15,032
5,352	Casino Operators' Levies	5,359
7,142	VIP Transport	7,908
8,976	Recovery from New Zealand Lottery Grants Board	7,842
952	New Zealand Gazette	922
935	Translation Services	835
352	Language Line Interpreter Services	904
1,340	e-Government Development and Operations	963
2,052	Te Puna Catalogue and Interloan Library Services	4,252
	– Kotui Library Services	1,168
2,661	State Sector Retirement Scheme Recoveries	3,189
	– Canterbury Earthquake Insurance Recoveries	665
3,330	Other Third Party Revenue	4,836
147,570	Total Other Revenue	162,521

3. Personnel Costs

ACTUAL 2011 \$000		ACTUAL 2012 \$000
127,812	Salaries, Wages and Contractors	160,516
2,736	Employer Contribution to Defined Contribution Plans	3,141
2,690	Increase/(Decrease) in Employee Entitlements	(588)
3,089	Other Personnel Costs	6,338
136,327	Total Personnel Costs	169,408

4. Operating Expense

ACTUAL 2011 \$000		ACTUAL 2012 \$000
10,427	Agency Fees	10,851
19,140	Computer Costs	24,839
4,633	Consultants	5,873
15,819	Inventory Costs	17,737
13,981	Office Expenses	13,473
7,647	Professional Fees	13,309
1,623	Publicity and Promotion	2,380
12,322	Rental and Leasing Costs	14,134
2,298	Staff Development	2,391
1,957	Library Resources and Subscriptions	3,662
5,806	Travel Expenses	6,589
325	Fee for Auditor (for the Financial Statement Audit)	268
34	Fees to Auditor (for Assurance and Related Services)	28
3	Increase/(Decrease) in Provision for Doubtful Debts	(13)
36	Realised Foreign Exchange Losses	16
(29)	Unrealised Foreign Exchange Losses/(Gains)	24
9,411	Other Departmental Operating Costs	17,372
105,433	Total Operating Expenses	132,933

5. Finance Costs

ACTUAL 2011 \$000		ACTUAL 2012 \$000
267	Interest on Finance Leases	267
(200)	Make Good on Lease Premises	-
67	Total Finance Costs	267

6. Capital Charge Expense

The Department pays a capital charge to the Crown based on the taxpayers' funds held as at 30 June and 31 December each year. The capital charge rate in 2011/12 was 8.0% (2010/11: 7.5%).

7. Cash and Cash Equivalents

ACTUAL 2011 \$000		ACTUAL 2012 \$000
50,197	New Zealand Bank Accounts	71,642
	Overseas Bank Accounts	
374	Australian Bank Accounts	535
864	UK Bank Accounts	752
286	US Bank Accounts	22
51,721	Total Cash and Cash Equivalents	72,952

Overseas bank accounts are shown in New Zealand dollars converted at the closing mid-point exchange rate.

8. Debtors and Other Receivables

ACTUAL 2011 \$000		ACTUAL 2012 \$000
10,902	Trade Receivables	4,822
14,390	Debtor Crown	10,657
(21)	Less Provision for Doubtful Debts	(7)
25,271	Total Accounts Receivable	15,472

The carrying value of trade receivables approximates their fair value.

As at balance date, all overdue receivables have been assessed for impairment, and appropriate provisions applied, as detailed below.

ACTUAL 2011				ACTUAL 2012		
GROSS \$000	IMPAIRMENT \$000	NET \$000		GROSS \$000	IMPAIRMENT \$000	NET \$000
24,450	–	24,450	Not past due	14,708	–	14,708
105	–	105	Past due 1–30 days	614	–	614
194	–	194	Past due 31–60 days	49	–	49
218	–	218	Past due 61–90 days	33	–	33
325	(21)	304	Past due > 91 days	75	(7)	68
25,292	(21)	25,271	Total Accounts Receivable	15,479	(7)	15,472

The provision for doubtful debts has been calculated based on expected losses for the Department's pool of receivables. The expected losses have been determined based on analysis of the Department's losses in prior periods, and a review of individual receivables.

Movements in the provision for doubtful debts are as follows:

ACTUAL 2011 \$000		ACTUAL 2012 \$000
(18)	Opening Doubtful Debts as at 1 July	(21)
(3)	Additional Provisions Made During the Year	–
–	Provisions Released During the Year	14
–	Trade Receivables Written Off	–
(21)	Closing Doubtful Debts as at 30 June	(7)

9. Inventories

ACTUAL 2011 \$000		ACTUAL 2012 \$000
	Birth, Death and Marriage Certificates	
22	Stock on Hand	19
	Citizenship	
18	Stock on Hand	49
534	Work in Progress	583
	Civil Defence and Emergency Management	
–	Guides to National CDEM Plan	–
	National Library	
48	Stock on Hand	48
	Passports	
11	Stock on Hand	51
786	Work in Progress	648
1,419	Total Inventories	1,398

No inventories are pledged as security for liabilities; however some inventories are subject to retention of title clauses.

10. Derivative Financial Instruments

The notional principal amounts of the outstanding forward exchange contracts at balance date are as follows:

ACTUAL 2011 \$000		ACTUAL 2012 \$000
2,700	Australian dollars \$	–
210	UK Sterling £	–
1,353	United States dollars \$	665

The fair value of forward exchange contracts has been determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Most market parameters are implied from instrument prices.

The nominal value of these two contracts was \$NZD 0.877 m (2010/11: 11 contracts valued at \$NZD 5.628 m).

11. Property, Plant and Equipment

2012

Cost or Valuation

Asset Class	Balance 1 July \$000	Additions \$000	Revaluations/ Impairments \$000	Disposals \$000	Transfers and Held for Sale \$000	Balance 30 June \$000
Land	53,025	-	-	(1,400)	(1,800)	49,825
Buildings	84,157	26,452	-	(450)	(1,705)	108,454
Leasehold Improvements	12,776	1,387	-	(22)	-	14,141
Antiques and Works of Art	1,186	7	-	-	-	1,193
Furniture and Fittings	12,495	1,024	-	(898)	(799)	11,822
General Collections	26,378	719	-	-	-	27,097
Schools Collections	12,290	1,159	-	-	-	13,449
Office Equipment	5,355	249	-	(343)	-	5,261
Motor Vehicles	7,505	4,086	-	(3,494)	-	8,097
Plant and Equipment	8,873	3,219	-	(354)	799	12,537
IT Equipment	44,612	31	-	(1,112)	-	43,531
Leased Assets	6,608	-	-	-	-	6,608
Total Cost	275,260	38,333	-	(8,073)	(3,505)	302,015

Accumulated Depreciation

Asset Class	Balance 1 July \$000	Depreciation \$000	Revaluations/ Impairments \$000	Disposals \$000	Transfers and Held for Sale \$000	Balance 30 June \$000
Land	-	-	-	-	-	-
Buildings	5,085	2,827	-	(121)	-	7,791
Leasehold Improvements	7,527	1,468	-	(17)	-	8,978
Antiques and Works of Art	-	-	-	-	-	-
Furniture and Fittings	7,383	522	-	(493)	(525)	6,887
General Collections	13,764	1,776	-	-	-	15,540
Schools Collections	9,326	1,182	-	-	-	10,508
Office Equipment	4,816	254	-	(292)	-	4,778
Motor Vehicles	3,476	1,529	-	(1,921)	-	3,084
Plant and Equipment	4,426	(75)	-	(350)	525	4,526
IT Equipment	24,435	5,551	-	(365)	-	29,621
Leased Assets	2,093	1,321	-	-	-	3,414
Total Accumulated Depreciation	82,331	16,355	-	(3,559)	-	95,127

2011

Cost or Valuation

Asset Class	Balance 1 July \$000	Additions \$000	Revaluations/ Impairments \$000	Disposals \$000	Transfers* \$000	Balance 30 June \$000
Land	3,650	–	(1,162)	–	50,537	53,025
Buildings	2,972	11,114	(5,744)	–	75,815	84,157
Leasehold Improvements	10,915	1,617	–	(3,128)	3,372	12,776
Antiques and Works of Art	456	–	323	(24)	431	1,186
Furniture and Fittings	983	1,536	–	(150)	10,126	12,495
General Collections	–	337	–	–	26,041	26,378
Schools Collection	–	599	–	–	11,691	12,290
Office Equipment	1,056	28	–	(50)	4,321	5,355
Motor Vehicles	6,564	293	–	(73)	721	7,505
Plant and Equipment	886	239	–	(205)	7,953	8,873
IT Equipment	16,840	12,382	–	(522)	15,912	44,612
Leased Assets	6,608	–	–	–	–	6,608
Total Cost	50,930	28,145	(6,583)	(4,152)	206,920	275,260

Accumulated Depreciation

Asset Class	Balance 1 July \$000	Depreciation \$000	Revaluations/ Impairments \$000	Disposals \$000	Transfers* \$000	Balance 30 June \$000
Land	–	–	–	–	–	–
Buildings	169	1,019	(4,410)	–	8,307	5,085
Leasehold Improvements	7,518	1,588	–	(3,111)	1,532	7,527
Antiques and Works of Art	–	–	–	–	–	–
Furniture and Fittings	575	293	–	(118)	6,633	7,383
General Collections	–	718	–	–	13,046	13,764
Schools Collection	–	454	–	–	8,872	9,326
Office Equipment	756	210	–	(49)	3,899	4,816
Motor Vehicles	2,047	1,042	–	(41)	428	3,476
Plant and Equipment	698	170	–	(3)	3,561	4,426
IT Equipment	10,010	4,110	–	(393)	10,708	24,435
Leased Assets	771	1,322	–	–	–	2,093
Total Accumulated Depreciation	22,544	10,926	(4,410)	(3,715)	56,987	82,331

* Transfers include transfers made to Non-Departmental accounts and transfers between Government Departments.

Summary of Property, Plant and Equipment

2010/11				2011/12		
Cost of Valuation \$000	Accumulated Depreciation \$000	Carrying Value \$000	Asset Class	Cost or Valuation \$000	Accumulated Depreciation \$000	Carrying Value \$000
53,025	–	53,025	Land	49,825	–	49,825
84,157	5,085	79,072	Buildings	108,454	7,791	100,663
12,776	7,527	5,249	Lease Improvements	14,141	8,978	5,163
1,186	–	1,186	Antiques and Works of Art	1,193	–	1,193
12,495	7,383	5,112	Furniture and Fittings	11,822	6,887	4,935
26,378	13,764	12,614	General Collections	27,097	15,540	11,557
12,290	9,326	2,964	School Collections	13,449	10,508	2,941
5,355	4,816	539	Office Equipment	5,261	4,778	483
7,505	3,476	4,029	Motor Vehicles	8,097	3,084	5,013
8,873	4,426	4,447	Plant and Equipment	12,537	4,526	8,011
44,612	24,435	20,177	IT Equipment	43,531	29,621	13,910
6,608	2,093	4,515	Leased Assets	6,608	3,414	3,194
275,260	82,331	192,929	Total Property, Plant and Equipment	302,015	95,127	206,888

Leased Assets

The net carrying amount of the leased assets (Passport Printers) held under finance lease is \$3.194 m (2010/11: \$4.515 m).

Capital Work in Progress

The total amount of property, plant and equipment in the course of construction is \$12.699 m (2010/11: \$17.254 m).

Revaluation Movement

Details of valuations and revaluation movements are contained in note 20.

Impairment Losses

Adjustments have been made within the accounts for all potential impairment losses resulting from the 2010/11 Canterbury earthquakes. While damages have not as yet been fully quantified damages are not expected to materially affect the current residual value of the Department's assets.

Restrictions of Title

There are no restrictions over the title of the Department's Property, Plant and Equipment and no Property, Plant and Equipment assets are pledged as security for liabilities.

Non-Current Property, Plant and Equipment Held for Sale

Two Department owned buildings have been classified as current Property, Plant and Equipment held for sale following the approval to sell the premises, as they will provide no future use to the Department. It is not known when these properties will be sold.

ACTUAL 2010/11 \$000		ACTUAL 2011/12 \$000
	Non-current Assets Held for Sale	
400	Buildings	1,705
700	Land	1,800
1,100		3,505

The accumulated property revaluation reserve recognised in equity for these properties at 30 June 2012 is \$1.274 m (2010/11: \$0.840 m).

12. Intangible Assets

2012

Asset Class	Balance 1 July \$000	Additions \$000	Impairment \$000	Disposals \$000	Transfers \$000	Balance 30 June \$000
Cost						
Computer Software	119,755	17,034	(184)	(1,221)	-	135,384
Less Accumulated Depreciation						
Computer Software	59,782	13,128	-	(686)	-	72,224
Net Book Value	59,973	3,906	(184)	(535)	-	63,160

2011

Asset Class	Balance 1 July \$000	Additions \$000	Impairment \$000	Disposals \$000	Transfers \$000	Balance 30 June \$000
Cost						
Computer Software	87,716	7,342	-	(1,704)	26,401	119,755
Less Accumulated Depreciation						
Computer Software	34,378	12,189	-	(1,452)	14,667	59,782
Net Book Value	53,338	(4,847)	-	(252)	11,734	59,973

Capital Work in Progress

The total amount of intangibles in the course of construction is \$28.669 m (2010/11: \$20.734 m).

Impairment Losses

There was one impairment loss of \$0.184 m (2010/11: \$nil).

Restrictions of Title

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

13. Creditors and Other Payables

ACTUAL 2011 \$000		ACTUAL 2012 \$000
11,882	Creditors	9,203
12,300	Accrued Expenses	16,861
3,425	Accrued Salaries	4,439
2,677	GST Payable	1,755
30,284	Total Accounts Payable	32,258

Accounts payable are non-interest bearing and are normally settled on 30 day terms; therefore the carrying value of account payables approximates their fair value.

14. Provisions

	Restructuring \$000	Lease Make Good \$000	Other \$000	TOTAL \$000
Balance as at 1 July 2010	–	320	1,280	1,600
Additional provisions made	1,184	675	962	2,821
Charge against provision for the year	(263)	–	(189)	(452)
Unused provisions reversed	–	–	(501)	(501)
Discount unwind (see note 5)	–	–	–	–
Balance as at 30 June 2011	921	995	1,552	3,468
Balance as at 1 July 2011	921	995	1,552	3,468
Additional provisions made	603	261	1,777	2,641
Charge against provision for the year	(482)	(302)	(758)	(1,542)
Unused provisions reversed	(166)	(218)	–	(384)
Discount unwind (see note 5)	–	–	–	–
Balance as at 30 June 2012	876	736	2,571	4,183

Restructuring Provision

Provision has been made for one-off costs for lower level restructuring across the Department during 2011/12 following the introduction of a new high level structure in 2010/11.

Lease Make Good Provision

In respect of a number of the Department's leased properties, the Department is required at the expiry of the lease term to restore the properties to an agreed condition, repairing any damages to the properties and removing any fixtures and fittings installed by the Department. A provision has been recorded to recognise this liability.

Other Provisions

The rental savings from the Canterbury earthquakes and the Chief Executive's Scholarships are the major components of the other provisions.

15. Revenue Received in Advance

ACTUAL 2011 \$000		ACTUAL 2012 \$000
3,183	Identity Products	3,268
2,034	Licensing Fees	3,053
329	Te Puna Subscriptions	–
1,993	Electronic Purchasing in Collaboration (EPIC)	2,025
602	Other	142
8,141	Total Revenue Received in Advance	8,488

16. Employee Entitlements

ACTUAL 2011 \$000		ACTUAL 2012 \$000
Current Entitlements		
9,185	Annual Leave	8,604
142	Sick Leave	76
779	Long Service and Retirement Leave	726
10,106	Total Current Entitlements	9,406
Term Entitlements		
1,632	Long Service and Retirement Leave	1,773
11,738	Total Entitlements	11,179

Long Service and Retirement Leave

The assessment was undertaken of the Long Service and Retirement Leave liability for each employee as at balance date. Actuarial services were provided by Mercer Human Resource Consulting Ltd and were prepared by Anna Whitmore, Fellow of the New Zealand Society of Actuaries.

The measurement of the retiring and long service leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and salary inflation factor. Any changes in these assumptions will affect the carrying value of the liability.

	2011	2012
Discount Rate		
Long Service Leave	6.19%	2.81%
Retiring Leave	6.19%	2.20%
Salary Inflation Factor		
Salary Inflation Factor	3.50%	3.50%

17. Finance Leases

ACTUAL 2011 \$000		ACTUAL 2012 \$000
Minimum Lease Payments Payable		
1,589	Not later than one year	1,589
3,840	Later than one year and not later than five years	2,251
5,429	Total Minimum Lease Payments	3,840
(913)	Future Finance Charges	(646)
4,516	Total Present Value of Minimum Lease Payments	3,194
1,322	Not later than one year	1,322
3,194	Later than one year and not later than five years	1,872
4,516	Total Present Value of Minimum Lease Payments	3,194
Represented by:		
1,322	Current	1,322
3,194	Non-Current	1,872
4,516	Total Present Value of Minimum Lease Payments	3,194

The Department has entered into a finance lease for the supply of specialist printing equipment required for printing passport books. The net carrying amount of the leased assets is shown within Property, Plant and Equipment.

There are no restrictions placed on the Department by the finance lease arrangement. Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. The effective interest rate used for this lease is 7.5%.

18. Return of Operating Surplus

The Department is required to repay the operating surplus to the Crown by 31 October each year.

ACTUAL 2011 \$000		ACTUAL 2012 \$000
8,716	Total Comprehensive Income	22,711
2,173	Add Revaluation Loss/(Gain)	-
(29)	Less/Add Unrealised Foreign Exchange (Gains)/Loss	53
-	Transfer Memorandum Account Balance	(11,782)
896	Less Repayment of Other Expenses from Recovery from February 2011 Christchurch Earthquake	-
-	Insurance Recoveries from February 2011 Canterbury earthquake	(665)
4,837	Add Repayment of National Library of New Zealand Net Surplus as at 31/1/11	-
7	Add Repayment of Archives New Zealand Net Surplus as at 31/1/11	-
16,600	Total Return of Operating Surplus	10,317

* The net surplus from the National Library of \$4.837 m and the net surplus from Archives New Zealand of \$0.007 m for the seven months ended 31 January 2011 were transferred into the Department of Internal Affairs Taxpayers' Funds. These funds were repaid to the Crown by 31 October 2011.

19. Reconciliation between Total Operating Expenses and Total Appropriations

The financial information shown for each output expense on the Statement of Service Performance and in the Statement of Departmental Appropriations and Expenditure includes revenue earned from other business units within the Department. The intra-entity charging reported at output expense level has been eliminated from the other departmental financial statements.

ACTUAL 2011 \$000		ACTUAL 2012 \$000
278,385	Total Operating Expenses in Statement of Comprehensive Income	353,948
(143)	Remeasurement of Long Service Leave	-
(896)	Other Expenses	-
277,346	Total Appropriations in Statement of Departmental Appropriations and Expenditure	353,948

20. Equity

ACTUAL 2011 \$000		ACTUAL 2012 \$000
	Taxpayers' Funds	
79,297	Opening balance at 1 July	233,776
10,889	Surplus	22,711
	– Foreign Exchange Reserve	29
160,190	Transfer of General Funds between Government Departments	–
	– Transfer Revaluation Reserve to Taxpayers' Funds on Disposal	840
	– Transfer of Memorandum Account net (surplus)/deficit for the year	(11,782)
	– Capital Injections	12,284
(16,600)	Return of operating surplus to the Crown	(10,317)
233,776	Balance at 30 June	247,541
	Memorandum Accounts	
	– Opening Balance 1 July	–
	– Capital Injection for Memorandum Account opening balance	10,737
	– Net Memorandum Account surpluses/(deficits) for the year	11,782
	– Balance at 30 June	22,519
	Revaluation Reserves	
1,708	Opening Balance 1 July	28,478
(2,173)	Revaluation gains/(losses)	–
28,943	Transfer of Revaluation Reserves between Government Departments	–
	– Transfer to Taxpayers' Funds on Disposal	(840)
28,478	Balance at 30 June	27,638
262,254	Total Equity at 30 June	297,698
	Revaluation Reserves Consist of:	
14,674	Land Revaluation Reserve	14,368
13,019	Buildings Revaluation Reserve	12,485
785	Antiques and Works of Art	785
28,478	Total Property Revaluation Reserves	27,638

Land and Buildings

Ministerial Properties and Department Accommodation

Darroch Ltd, a Licensed Real Estate Agent (REAA 2008), registered independent valuer, conducted a valuation of Ministerial Properties land and buildings for the Department in May 2011 with valuations effective 30 June 2011.

The 2011/12 revaluation movement is a result of the sale of a Ministerial Property (\$0.840 m). The 2010/11 revaluation movement is a result of the transfer of one Ministerial Property from the Department to Non-Department, and the sale of a Ministerial Property (\$0.938 m).

Antiques and Works of Art

A valuation of antiques and works of art was undertaken by Dunbar Sloane Ltd, an independent expert, in June 2011 with valuations effective 30 June 2011.

Memorandum Accounts

Memorandum accounts are accounts to record the accumulated balance of surpluses and deficits for outputs funded by fees charged to third parties. They are intended to provide a long-run perspective to the pricing of outputs.

ACTUAL 2011 \$000	ACTUAL 2012 \$000
New Zealand Gazette	
- Capital Injection 1 July	620
- Revenue Movement for the year	1,003
- Expense Movement for the year	1,107
- Net Memorandum Account surpluses/(deficits) for the year	(104)
- Balance at 30 June	516
Use of Facilities and Access to Lake Taupo by Boat Users	
- Capital Injection 1 July	(125)
- Revenue Movement for the year	225
- Expense Movement for the year	283
- Net Memorandum Account surpluses/(deficits) for the year	(58)
- Balance at 30 June	(183)
Passport Products	
- Capital Injection 1 July	17,425
- Revenue Movement for the year	87,071
- Expense Movement for the year	77,128
- Net Memorandum Account surpluses/(deficits) for the year	9,943
- Balance at 30 June	27,368
Citizenship Products	
- Capital Injection 1 July	(315)
- Revenue Movement for the year	12,337
- Expense Movement for the year	8,796
- Net Memorandum Account surpluses/(deficits) for the year	3,541
- Balance at 30 June	3,226
Marriage Products	
- Capital Injection 1 July	(531)
- Revenue Movement for the year	2,975
- Expense Movement for the year	3,010
- Net Memorandum Account surpluses/(deficits) for the year	(35)
- Balance at 30 June	(566)
Issue of Birth, Death and Marriage Certifications and other Products	
- Capital Injection 1 July	272
- Revenue Movement for the year	7,128
- Expense Movement for the year	6,728
- Net Memorandum Account surpluses/(deficits) for the year	400
- Balance at 30 June	672

ACTUAL 2011 \$000	ACTUAL 2012 \$000
Administration of Non-casino Gaming	
- Capital Injection 1 July	(5,538)
- Revenue Movement for the year	15,156
- Expense Movement for the year	16,576
- Net Memorandum Account surpluses/(deficits) for the year	(1,420)
- Balance at 30 June	(6,958)
Infrastructure as a Service (IaaS)	
- Capital Injection 1 July	(1,071)
- Expense Movement for the year	1,247
- Net Memorandum Account surpluses/(deficits) for the year	(1,247)
- Balance at 30 June	(2,318)
Kotui Library Services	
- Capital Injection 1 July	-
- Revenue Movement for the year	1,168
- Expense Movement for the year	406
- Net Memorandum Account surpluses/(deficits) for the year	762
- Balance at 30 June	762

Actions Taken to Address Surpluses and Deficits

New Zealand Gazette (Established 30 June 2002)

Purpose: The cost of publishing and distributing the New Zealand Gazette is recovered through third party fees.

Actions: Fees will be reviewed once the costs of a project to improve the New Zealand Gazette's online capability have been fully scoped. The planning phase for this project is underway and is due to be completed by August 2012.

Use of Facilities and Access to Lake Taupo by Boat Users (Established 30 June 2002)

Purpose: The Department manages berths, jetties and boat ramps located at Lake Taupo. Fees are charged to third parties for the use of boat ramps and marina berths. These fees are used to cover the cost of the administration and maintenance of these facilities.

Actions: In 2010/11 and 2011/12 lower levels of fees were recovered due to reduced usage of lake facilities as a result of the continued economic downturn. A new schedule of fees was approved during 2011/12 and will come into effect from July 2012.

Passport Products (Established 30 June 2002)

Purpose: To support a strategy to stabilise fees based on full cost recovery over a four- to five-year planning horizon. This strategy supports the introduction of new technologies including the replacement of the ageing passport system within that timeframe.

Actions: The memorandum account surplus is expected to reduce as passport developments are implemented. The technology to enable passport adult renewal applications to be lodged online is expected to be rolled out in 2012/13.

Passport fees are being reviewed in 2012/13. The current fees schedule was approved with effect from 4 November 2005. The balance in this account is affected by fluctuating volumes and the timing of system changes.

The 2011/12 movement mainly reflected the timing of expenditure on Passport Redevelopment Programme developments and higher revenue than forecast. Productivity improvements achieved through system enhancements implemented to date also resulted in the ability to handle the 2011/12 passport volume increase with a modest increase in staff.

The Passport Redevelopment Programme that is expected to be completed in 2013/14 will replace ageing technology, improve process integrity, and implement a new robust system to handle the progressive increase in passport application volumes resulting from the move to a five-year passport announced in 2005. The technology to enable passport adult renewal applications to be lodged online is expected to be rolled out in 2012/13.

Citizenship Products (Established 30 June 2002)

Purpose: To support a strategy to stabilise fees based on full cost recovery over a four- to five-year planning horizon.

Actions: The current fees schedule was approved with effect from 1 September 2003. The balance in this account in recent years has been affected by fluctuating volumes and legislative changes that increased the citizenship eligibility qualifying period from three to five years of permanent residence.

The 2011/12 favourable movement reflected higher revenues from citizenship grants than forecast. Productivity improvements achieved through system enhancements implemented in 2010/11 also resulted in the ability to handle the 2011/12 citizenship volume increase with a modest increase in expenditure.

The balance in the Citizenship Memorandum Account is expected to contribute to the costs of replacing ageing technology including system process improvement and integrity. Citizenship fees will be reviewed in 2013/14 following the completion of this programme of work.

Marriage Products (Established 30 June 2002)

Purpose: To support a strategy to stabilise fees based on full cost recovery over a four- to five-year planning horizon.

Actions: The current fees schedule was approved with effect from 1 September 2003 to recover full costs. The adverse movement in 2011/12 is expected to continue in 2012/13 and reflects higher costs since fees were last reviewed. Marriage systems, processes and costs are currently being reviewed as part of the Department's Performance and Productivity Improvement Programme and Machinery of Government changes affecting the Department. Marriage product fees will be reviewed in 2012/13 and will incorporate the results of the foregoing initiatives and the impact of volume changes.

Births, Deaths and Marriages Certificates, and Other Products (Established 30 June 2002)

Purpose: To support a strategy to stabilise fees based on full cost recovery over a four- to five-year planning horizon. This strategy includes the introduction of new technologies that allow greater access by applicants through the Internet.

Actions: The current fees schedule was approved with effect from 1 September 2003 to recover full costs. The favourable movement in 2011/12 is due to efficiency savings resulting from the Department's Performance and Productivity Improvement Programme, together with lower business support costs and the deferral of expenditure relating to system technology upgrades until later periods.

Administration of Non-casino Gaming (Established 30 June 2002)

Purpose: Fees established to recover the cost of administration and regulation of non-casino gaming are reflected in gaming machine fees, licence fees and similar charges for differing types of gaming activity, in addition to charges relating to the electronic monitoring of non-casino gaming machines.

Actions: The current fees schedule was approved with effect from 1 February 2008. Changes since that time to the bases of revenue recovery for gaming machines and associated activity, in particular around volumes and activity due to permanent reductions in the number of gaming machines, have resulted in lower than anticipated fees income. A review of fees, planned for 2011/12, was delayed pending a structural review of associated regulatory and compliance functions.

Infrastructure as a Service (IaaS) (Established 1 January 2011)

Purpose: The establishment of IaaS is to provide government agencies with access to shared storage, computing and data centre facilities on a self-service, pay-as-you-use basis. The model is flexible so that agencies can choose service elements that best fit their business needs, and to join the initiative in a staged way as existing infrastructure assets require replacement or as new capacity is required.

This approach consolidates Government demand, reduces duplication (in respect of infrastructure and capital expenditure), allows agencies to manage resources better and provides agencies with the improved ability to understand the total cost of ownership of their use of ICT infrastructure.

The cost of establishing and managing the laaS will be recovered through fees charged to government agencies for use of the service.

Actions: Nine agencies were signed up for laaS services as at the end of June 2012, 200% more than forecast. The cost of establishing and managing the laaS will be recovered through government agencies that use the service. Agency fees will be agreed by the Inter-agency Steering Group on an annual basis. At the March Baseline Update 2012, the Department has indicated that the establishment costs will be fully recovered by 2017/18.

Kotui Library Services (Established 30 January 2011)

Purpose: The National Library has been working towards providing a shared service for public library management and discovery systems in collaboration with the Association of Public Library Managers (APLM). The business model is a subscription service where libraries will pay a one-off license fee followed by annual subscription.

Actions: The Kotui shared library and resource discovery service was launched to public libraries in September 2011. Since then, nine libraries have gone live during the second half of the 2011/12 financial year. Feedback from library staff and patrons has been positive. Because Kotui is a shared library service, one of the effects it has had is to increase collaborative opportunities between geographically dispersed libraries. This will allow library staff around New Zealand to participate in experts' groups to help shape the development of the service into the future.

21. Capital Injections

ACTUAL 2011 \$000	ACTUAL 2012 \$000
- Passport Redevelopment Programme	1,079
- National Library New Generation Improvement Programme	9,705
- Emergency Management Information System	1,500
- Total Capital Injections	12,284

22. Related Parties Transactions and Key Management Personnel

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

The Department is a government department and wholly owned and controlled by the Crown. The Government significantly influences the roles of the Department as well as being its major source of revenue.

Significant Transactions with Government-related Entities

In conducting its activities the Department is required to pay various taxes and levies (such as GST, PAYE, FBT 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 standard terms and conditions that apply to all tax and levy payers. The Department is exempt from Income Tax.

The Department undertakes a number of trading activities with the Crown, other government departments, Crown entities and state-owned enterprises who are related parties as they are similarly related to the Crown. Purchases from these entities for the year ended 30 June totalled \$5.724 m (2011 \$2.508 m). These purchases included the purchase of electricity from Meridian, air travel from Air New Zealand, legal services from The Crown Law Office, auditing and accounting services from Audit New Zealand, postal services from New Zealand Post and other services from The Privacy Commissioner, Learning State Ltd, Leadership Development Centre, Statistics New Zealand, Research and Education Advanced Network, Office of Film and Literature Classification and Agresearch Limited.

The Department receives third party revenue for administering the Lottery Grants Board grants. See note 2.

Transactions with Key Management Personnel and Their Close Family Members

Key Management Personnel Compensation.

ACTUAL 2011 \$000		ACTUAL 2012 \$000
2,345	Salaries and Other Short-term Employee Benefits	2,025
–	– Post-employment Benefits	43
5	Other Long-term Benefits	16
126	Termination Benefits	–
2,476	Total Key Management Personnel Compensation	2,084

Key management personnel of the Department comprise twelve ministers, the Chief Executive Officer and six members of the Executive Leadership Team (ELT).

In 2010/11 key management personnel included 13 members as the ELT transitioned from 10 members, pre 1 February 2011, to seven members post 1 February 2011.

Key management personnel compensation excludes the remuneration and other benefits of the Responsible Ministers for the Department, namely, Hon Nathan Guy, Rt Hon John Key, Hon Hekia Parata, Hon David Carter, Hon Rodney Hide, Hon Craig Foss, Hon Jo Goodhew, Hon Judith Collins, Hon Amy Adams, Hon Chris Tremain, Hon Dr Nick Smith and Hon John Carter. The Ministers' remuneration and other benefits are not received for their role as a member of key management personnel of the Department. The Ministers' remuneration and other benefits are set out by the remuneration authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority.

Where there are close family members of key management personnel employed by the Department, the terms and conditions of the employment arrangements are no more favourable than the Department would have adopted if there were no relationship to key management personnel.

The Department purchased goods and services from entities that some key management personnel have a relationship with. Purchases from these related entities are set out in the table below:

ACTUAL 2011 \$000		ACTUAL 2012 \$000	OUTSTANDING BALANCE 2012 \$000
108	KPMG	84	17
15	Deloitte	189	97
123	Total Related Transactions	273	114

23. Financial Instrument Risks

The Department is party to financial instrument arrangements as part of its daily operations. These include cash and cash equivalents, accounts receivable, accounts payable and provisions, accrued expenses, term accrued expenses and foreign currency forward contracts.

The Department's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Department has a series of policies to manage the risks associated with financial instruments and seeks

to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market Risk

Currency Risk

Currency risk is the risk that accounts receivable and accounts payable due in foreign currency will fluctuate because of changes in foreign exchange rates. Foreign exchange forward contracts are used to manage foreign exchange exposures. For more details see note 10.

The Department maintains bank accounts denominated in foreign currencies. Balances are regularly cleared to minimise exposure risk.

Sensitivity Analysis

The following table shows the impact on the Department as at balance date, if the New Zealand dollar had weakened or strengthened by 5% against the currencies in which the Department has denominated derivative financial instruments.

Sensitivity	NET SURPLUS IMPACT FROM FX MOVEMENT IN \$NZD 000			
	Total \$000	AUD \$000	GBP \$000	USD \$000
2012				
5% Lower (New Zealand dollar weakened)	(45)	-	-	(45)
5% Higher (New Zealand dollar strengthened)	40	-	-	40
2011				
5% Lower (New Zealand dollar weakened)	(289)	(182)	(21)	(86)
5% Higher (New Zealand dollar strengthened)	262	165	19	78

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could impact on the return on investment or the cost of borrowing.

Under section 46 of the Public Finance Act 1989, the Department cannot raise a loan without approval of the Minister of Finance. Equipment leases are identified as finance leases in accordance with NZ IAS 17 *Leases*. The Department has received the approval of the Minister of Finance for this lease. The fixed interest rate on the term of these leases reduces the exposure on borrowed funds.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the Department, causing the Department to incur a loss.

Financial instruments, which potentially subject the Department to credit risk, consist of cash and bank balances and trade receivables.

The Department banks with Treasury approved financial institutions.

The Department holds cash with Westpac Banking Corporation (Westpac). Westpac is part of the Crown Retail Deposit Guarantee Scheme and so all deposits up to \$1.000 m held with Westpac are guaranteed by the Crown.

Credit evaluations are undertaken on customers requiring credit. Collateral or other security is not generally required to support financial instruments with credit risk. Other than cash and bank balances and trade receivables, the Department does not have any significant credit risk.

Maximum Exposures to Credit Risk

ACTUAL 2011 \$000		ACTUAL 2012 \$000
51,721	Cash and Cash Equivalents	72,952
25,271	Debtors and Other Receivables	15,472
76,992	Total Exposure to Credit Risk	88,424

Cash and cash equivalents excludes any cash physically held including as petty cash as cash is not exposed to credit risk.

Liquidity Risk

Liquidity risk is the risk that the Department will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the Department closely monitors its forecast cash requirements with expected draw downs from the New Zealand Debt Management Office. The Department maintains a target level of available cash to meet liquidity requirements.

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

	TOTAL	LESS THAN 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	BETWEEN 1 YEAR AND 5 YEARS	OVER 5 YEARS
2011/12					
Creditors and Other Payables	32,258	32,258	-	-	-
Derivative Financial Instruments – Assets	-	-	-	-	-
Derivative Financial Instruments – Liabilities	21	21			
2010/11					
Creditors and Other Payables	30,284	30,284	-	-	-
Derivative Financial Instruments – Assets	15	15	-	-	-
Derivative Financial Instruments – Liabilities	81	81	-	-	-

24. 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 2011 \$000		ACTUAL 2012 \$000
Loans and Receivables		
51,721	Cash and Cash Equivalents	72,952
25,271	Debtors and Other Receivables	15,472
76,992	Total Loans and Receivables	88,424
Fair Value Through Profit and Loss		
(81)	Derivative Financial Instrument Liabilities	21
15	Derivative Financial Instrument Assets	-
(66)	Total Fair Value Through Profit and Loss	21
Financial Liabilities Measured at Amortised Cost		
30,284	Creditors and Other Payables	32,258

25. Fair Value Hierarchy Disclosures

For those financial instruments recognised at fair value in the Statement of Financial Position, fair values are determined using the following hierarchy:

- i) Level 1 – Quoted market price – financial instruments with quoted prices for identical instruments in active markets.
- ii) Level 2 – Valuation technique using observable inputs – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- iii) Level 3 – Valuation techniques with significant non-observable inputs – financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of instruments measured at fair value in the Statement of Financial Position.

	VALUATION TECHNIQUE			
	TOTAL \$000	QUOTED MARKET PRICE \$000	OBSERVABLE INPUTS \$000	SIGNIFICANT NON- OBSERVABLE INPUTS \$000
2011/12				
Financial Assets				
Foreign Exchange Derivatives	-	-	-	-
Financial Liabilities				
Foreign Exchange Derivatives	21	-	21	-
2010/11				
Financial Assets				
Foreign Exchange Derivatives	15	-	15	-
Financial Liabilities				
Foreign Exchange Derivatives	81	-	81	-

There were no transfers between the different levels of the fair value hierarchy.

26. Capital Management

The Department's capital is its taxpayers' funds, which comprise general funds and revaluation reserves. Equity is represented by net assets.

The Department manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Department's taxpayers' funds are largely managed by 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 Department's taxpayers' funds is to ensure the Department effectively achieves its goals and objectives for which it has been established, while remaining a going concern.

27. Explanation of Significant Variances against Budget

Statement of Comprehensive Income

Variance between the Main Estimates and the Supplementary Estimates

The changes in the budgets between the Main Estimates and the Supplementary Estimates, together with explanations for the significant variances between actual expenditure and the Supplementary Estimates, are detailed, by output expense, in the revenue and output expense section.

The primary factors contributing to the overall increase in the revenue and expense budgets between the Main Estimates and the Supplementary Estimates of \$8.775 m include:

REASON FOR BUDGET CHANGE	\$000
Expense transfers from 2010/11 to 2011/12	9,471
Expense transfers from 2011/12 to 2012/13	(1,445)
Retention of underspend from 2011/12 to 2012/13	(550)
New funding in 2011/12	5,589
Decrease in costs due to timing of passport development expenditure	(5,627)
Increased demand for information technology services	3,227
Decrease in the level on non-casino gaming activity	(750)
Transfer of funding to the Non-Departmental appropriation Community Development Scheme	(400)
Other changes	(740)
Total Budget Change	8,775

Variance between Actual 2011/12 and the Supplementary Estimates

Actual expenditure was 4% lower than the Supplementary Estimates. The overall under-expenditure of \$15.274 m is primarily attributable to the following factors:

- » delayed expenditure in a number of work programmes, including the New Generation Implementation Programme for the National Library, Aotearoa People's Network Kaharoa, Royal Commissions of Inquiry on the Pike River Mine Tragedy, the Royal Commission of Inquiry into Building Failure caused by the Canterbury Earthquakes, the Government Information Service On-line Programme and the programme of work to develop and implement initiatives to position the Department to generate efficiency savings, for which in-principle expense transfers \$10.220 m, from 2011/12 to 2012/13 were approved;
- » lower provision of services to the Lottery Grants Board (\$0.722 m)
- » lower support costs incurred for passports, in particular for fewer staff to roll out online passport renewals, which has been rescheduled to 2012/13 (\$1.742 m)
- » costs associated with the Service Delivery Programme Development being directly incurred by the Ministry of Social Development (\$0.712 m)
- » lower support costs for the Canterbury earthquakes claim audit (\$0.726 m).

The changes between the Supplementary Estimates and actual expenditure are further detailed by output expenses in the Statement of Service Performance.

Statement of Financial Position

Variance between the Main Estimates and the Supplementary Estimates

The primary factors contributing to the increase in general funds between the Main Estimates and the Supplementary Estimates of \$22.712 m include:

REASON FOR BUDGET CHANGE	\$000
Difference in opening balance mainly due to integration of Archives New Zealand and National Library New Zealand	(31,753)
An increase in capital contributions in 2011/12	33,128
Movement in forecast net surplus for 2011/12	10,600
Recognition of memorandum accounts	10,737
Total Budget Change	22,712

Variance between Actuals and the Supplementary Estimates

Explanations for significant variances between actual and the Supplementary Estimates are as follows:

- a) higher current assets of \$12.538 m mainly due to:
 - » higher cash and cash equivalents of \$8.734 m as a result of higher than forecast creditors and other payables of \$7.673 m
 - » reclassification of two Ministerial houses to be sold of \$3.505 m (previously recognised as part of non-current assets).
- b) lower non-current assets of \$20.599 m mainly due to delays in the timing of capital expenditure, primarily the New Generation Implementation Programme, Passport Redevelopment Programme and Government Digital Archive Programme, for which in-principle capital transfers from 2011/12 to 2012/13 were approved.
- c) higher current liabilities of \$17.361 m mainly due to:
 - » higher provisions, creditors and other payables as a result of timing of year end payments totalling \$9.200 m
 - » higher provision for repayment of surplus of \$10.317 m
 - » higher revenue received in advance of \$2.488 m as a result of incomplete citizenship applications
 - » lower employee entitlements of \$4.665 m mainly in annual leave.
- d) lower equity of \$25.768 m mainly due to:
 - » higher comprehensive income for the year of \$17.648 m
 - » lower provision for repayment of surplus of \$10.317 m
 - » lower capital injections of \$33.128 m as a result of delayed capital expenditure.

28. Significant Events after Balance Date

There were no significant events after the balance date that would have led to an amended view of the values of assets or liabilities at the date of the balance sheet.

PART C – FINANCIAL STATEMENTS

NON-DEPARTMENTAL

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Expenditure and Capital Expenditure Appropriations

Statement of Non-Departmental Expenditure and Capital Expenditure Against Appropriations for the year ended 30 June

ACTUAL 2011 \$000	VOTE	NOTE	ACTUAL 2012 \$000	MAIN EST 2012 \$000	SUPP EST 2012 \$000
Non-Departmental Expenses					
Vote Community and Voluntary Sector					
<i>Non-Departmental Output Expenses</i>					
4,992	Charities – Administration		4,857	5,066	5,066
<i>Other Expenses to be Incurred by the Crown</i>					
2,560	Community Development Scheme		3,211	4,060	3,825
258	Community Internship Programme		331	331	331
13,988	Community Organisation Grants Scheme		12,487	12,500	12,500
2,782	Digital Literacy and Connection		3,880	2,782	3,882
150	Disarmament Education Grants		150	150	150
402	Support for Volunteering		402	402	402
197	Youth Workers Training Scheme		174	200	200
25,329	Total Vote Community and Voluntary Sector		25,492	25,491	26,356
Vote Emergency Management					
<i>Other Expenses to be Incurred by the Crown</i>					
16,355	Emergency Expenses		2,273	2,000	7,275
3,324	February 2011 Christchurch Earthquake National Controller Costs	9	362	–	643
108,457	Canterbury Earthquake – Payments in respect of Indemnity for Response and Recovery Costs	9	80,539	–	81,814
27,976	Emergency Expenditure – Section 25 Public Finance Act	9	–	–	–
5,000	Ex Gratia Payment for Canterbury Earthquake Appeal	9	–	–	–
492	Subsidies to Local Government		1,023	889	1,286
161,604	Total Vote Emergency Management		84,197	2,889	91,018

The accompanying notes form part of these financial schedules. For a full understanding of the Crown's financial position and the operations for the period, reference should be made to the consolidated Financial Statements of the Government.

ACTUAL 2011 \$000	VOTE	NOTE	ACTUAL 2012 \$000	MAIN EST 2012 \$000	SUPP EST 2012 \$000
Vote Internal Affairs					
<i>Non-Departmental Output Expenses</i>					
1,960	Classification of Films, Videos and Publications		1,960	1,960	1,960
116	Development of Online Authentication Services		116	116	116
<i>Other Expenses to be Incurred by the Crown</i>					
71	Miscellaneous Grants – Internal Affairs		18	49	49
551	Pike River Royal Commission of Inquiry – Legal Representation and assistance		1,028	1,464	1,390
329	Public Inquiries		1,655	496	2,133
3,027	Total Vote Internal Affairs		4,777	4,085	5,648
Vote Local Government					
<i>Benefits and Other Unrequited Expenses</i>					
51,907	Rates Rebate Scheme		52,489	60,000	60,000
<i>Other Expenses to be Incurred by the Crown</i>					
2,197	Chatham Islands Council		1,946	3,733	4,087
138	Depreciation (Local Government)		–	–	–
–	– Crown-owned Assets at Lake Taupo – Maintenance Costs		342	1,797	1,797
–	– Te Oneroa a Tohe Beach Management		–	–	100
1,500	Tuwharetoa Maori Trust Board		1,500	1,500	1,500
55,742	Total Vote Local Government		56,277	67,030	67,484
Vote Ministerial Services					
<i>Benefits and Other Unrequited Expenses</i>					
464	Annuities to Former Governors-General, Prime Ministers and their Surviving Spouses		–	–	–
<i>Other Expenses to be Incurred by the Crown</i>					
144	Depreciation on Official Residences		192	147	193
8,326	Executive Council and Members of the Executive – Salaries and Allowances PLA		8,549	8,400	8,550
–	– Former Governors-General – Annuities and Other Payments PLA		434	435	435
–	– Former Prime Ministers – Annuities PLA		160	160	160
–	– Former Prime Ministers – Domestic Travel		234	270	270
19	Governors-General Pension Arrangements		–	–	–
11,299	Members of the Executive – Travel		10,798	11,790	11,790
252	Travel for Former Governors-General and Prime Ministers		–	–	–
20,504	Total Vote Ministerial Services		20,367	21,202	21,398
Vote: National Library					
<i>Non-Departmental Output Expenses</i>					
6	Public Lending Rights		2,004	2,000	2,010
6	Total Vote National Library		2,004	2,000	2,010

The accompanying notes form part of these financial schedules. For a full understanding of the Crown's financial position and the operations for the period, reference should be made to the consolidated Financial Statements of the Government.

ACTUAL 2011 \$000	VOTE	NOTE	ACTUAL 2012 \$000	MAIN EST 2012 \$000	SUPP EST 2012 \$000
	Vote Racing				
	<i>Other expenses to be incurred by the Crown</i>				
2,968	Racing Promotion and Sponsorship Scheme		–	–	–
999	Racing Safety Development Fund		985	1,000	1,000
3,967	Total Vote Racing		985	1,000	1,000
270,179	Total Non-Departmental Expenditure		194,099	123,697	214,914
Non-Departmental Capital Expenditure					
	Vote National Library				
	<i>Non-Departmental Capital Expenditure</i>				
602	Heritage Collections – Annual		1,260	1,546	1,546
602	Total Vote National Library		1,260	1,546	1,546
	Vote Local Government				
	<i>Non-Departmental Capital Expenditure</i>				
58,260	Loan to the Auckland Transition Authority		1,258	–	1,270
–	– Capital Investments – Lake Taupo		325	978	1,012
450	Local Government Funding Agency		4,550	–	4,550
58,710	Total Vote Local Government		6,133	978	6,832
59,312	Total Non-Departmental Capital Expenditure		7,393	2,524	8,378
329,491	Total Non-Departmental Appropriations		201,492	126,221	223,292

The accompanying notes form part of these financial schedules. For a full understanding of the Crown's financial position and the operations for the period, reference should be made to the consolidated Financial Statements of the Government.

Reconciliation between the Non-Departmental Expenditure and Capital Expenditure against Appropriations Schedule and the Non-Departmental Schedule of Expenditure

ACTUAL 2011 \$000	VOTE	ACTUAL 2012 \$000
353,397	Total Expenses in Schedule of Expenditure	197,628
	300 Travel for Former Governors-General and Prime Ministers Annuity Re-measurement	-
	(631) Annuities to Former Governors-General, Prime Ministers and their Surviving Spouses Annuity Re-measurement	-
	(3) Governors-General Pension Arrangements Annuity Re-measurement	-
	- Former Governors-General – Annuities and Other Payments Re-measurement	(1,454)
	- Former Prime Ministers – Annuities Re-measurement	(1,333)
	- Former Prime Ministers – Domestic Travel Re-measurement	(742)
	(82,884) Archives Collection Acquisitions Revaluation	-
270,179	Total Expenses in Schedule of Non-Departmental Expenditure and Capital Expenditure Against Appropriation	194,099

The accompanying notes form part of these financial schedules. For a full understanding of the Crown's financial position and the operations for the period, reference should be made to the consolidated Financial Statements of the Government.

Unappropriated Expenditure

Schedule of Non-Departmental Unappropriated Expenditure and Capital Expenditure for the year ended 30 June

The Statement of Unappropriated Expenditure details the amount of expenditure incurred above appropriation.

2011/12 Unappropriated Expenditure against Main Estimates

A loan to the Auckland Transition Agency incurred unappropriated expenditure of \$1.183 m between August and October 2011 due to the capitalisation of interest on the loan to the Auckland Transition Agency for Auckland Governance Reforms.

The Public Lending Right for New Zealand Authors incurred unappropriated expenditure of \$0.003 m between the period of the Main Estimates and the March Baseline Update. This was due to payments being made to eligible authors under the Public Lending Right for New Zealand Authors Scheme prior to a fiscally neutral transfer being approved to increase the appropriation to a level sufficient to cover payments to all eligible authors.

The unappropriated expenditure for the above two appropriations will be validated in the 2011/12 Appropriation (Financial Review) Act.

There was no unappropriated expenditure against Main Estimates for the year ended 30 June 2011.

2011/12 Unappropriated Expenditure against Supplementary Estimates

There was no unappropriated expenditure against Supplementary Estimates for the year ended 30 June 2012 (2011: nil).

Section 25 Public Finance Act Expenditure

Under section 25 of the Public Finance Act 1989, the Minister of Finance can approve expenses to meet emergency costs. Approval was given as a direct result of declaring a state of national emergency for the Canterbury earthquakes under the Civil Defence Act 1983 and the Civil Defence Emergency Management Act 2002. In the year to 30 June 2012 there was no expenditure under this approval (2011: \$27.976 m).

Details of the costs incurred under section 25 of the Public Finance Act are in note 9.

The accompanying notes form part of these financial schedules. For a full understanding of the Crown's financial position and the operations for the period, reference should be made to the consolidated Financial Statements of the Government.

Revenue and Expenditure

Schedule of Non-Departmental Revenue for the year ended 30 June

ACTUAL 2011 \$000	VOTE	NOTE	ACTUAL 2012 \$000	MAIN EST 2012 \$000	SUPP EST 2012 \$000
Revenue					
38	Crown Revenue		56	414	414
10,646	Donations Received		6,776	1,000	1,000
43	Fines and Penalties		41	–	–
294	Refunds of Unspent Grants		424	–	–
380	Interest Received		133	250	250
11,401	Total Revenue		7,430	1,664	1,664

Explanation of significant variances against budget are detailed in note 8.

Schedule of Non-Departmental Expenditure for the year ended 30 June

ACTUAL 2011 \$000	VOTE	NOTE	ACTUAL 2012 \$000	MAIN EST 2012 \$000	SUPP EST 2012 \$000
Output Expenses					
19,912	Personnel and Travel Expenses – Members of the Executive Council, Former Governors-General and Prime Ministers		22,352	19,460	22,803
249,750	Grants		173,942	102,433	190,382
82,884	Heritage Collections Re-measurement		–	–	–
569	Other Expenses		996	1,464	1,390
282	Depreciation		338	340	340
353,397	Total Output Expenses		197,628	123,697	214,915
Other Expenses					
–	Unrealised Loss on the Remeasurement of Shares	3	849	–	–
353,397	Total Operating Expenses		198,477	123,697	214,915

Explanation of significant variances against budget are detailed in note 8.

The accompanying notes form part of these financial schedules. For a full understanding of the Crown's financial position and the operations for the period, reference should be made to the consolidated Financial Statements of the Government.

Schedule of Non-Departmental Assets and Liabilities and Revaluation Reserves

Schedule of Non-Departmental Assets as at 30 June

This schedule summarises the assets the Department administers on behalf of the Crown.

ACTUAL 2011 \$000		NOTE	ACTUAL 2012 \$000	MAIN EST 2012 \$000	SUPP EST 2012 \$000
Assets					
<i>Current Assets</i>					
35,056	Cash and Cash Equivalents		139,749	22,803	20,561
8,678	Debtors and Other Receivables	2	2,139	8,393	2,061
43,734	Total Current Assets		141,888	31,196	22,622
<i>Non-Current Assets</i>					
2,246	Debtors and Other Receivables	2	-	1,793	-
-	Shares	3	4,151	5,000	5,000
21,845	Non-Current Plant, Property and Equipment	4	21,832	20,506	22,664
1,283,982	Non-Current Collections	4	1,292,018	1,494,766	1,286,528
1,308,073	Total Non-Current Assets		1,318,001	1,522,065	1,314,192
1,351,807	Total Assets		1,459,889	1,553,261	1,336,814

Schedule of Non-Departmental Liabilities and Revaluation Reserves as at 30 June

This schedule summarises the Liabilities and Revaluation Reserves the Department administers on behalf of the Crown.

ACTUAL 2011 \$000		NOTE	ACTUAL 2012 \$000	MAIN EST 2012 \$000	SUPP EST 2012 \$000
Liabilities					
<i>Current Liabilities</i>					
142,081	Creditors and Other Payables	6	110,207	8,412	8,412
142,081	Total Current Liabilities		110,207	8,412	8,412
<i>Non-Current Liabilities</i>					
10,675	Provisions		14,203	10,251	10,251
10,675	Total Non-Current Liabilities		14,203	10,251	10,251
152,756	Total Liabilities		124,410	18,663	18,663
Revaluation Reserves					
<i>Revaluation Reserves</i>					
296,123	Revaluation Reserve	7	296,123	435,110	296,123
296,123	Total Revaluation Reserves		296,123	435,110	296,123

Explanation of significant variances against budget are detailed in note 8.

The accompanying notes form part of these financial schedules. For a full understanding of the Crown's financial position and the operations for the period, reference should be made to the consolidated Financial Statements of the Government.

Non-Departmental Commitments

as at 30 June

ACTUAL 2011 \$000		ACTUAL 2012 \$000
	Other Operating Commitments	
1,741	Less than one year	908
908	One to two years	627
627	Two to five years	–
3,276	Total Other Operating Commitments	1,535
3,276	Total Commitments	1,535

Non-Departmental Contingent Assets and Liabilities

Schedule of Non-Departmental Contingent Assets and Liabilities as at 30 June 2012

Quantified Contingent Liabilities

There were no quantified contingent liabilities (2010/11: \$nil).

Unquantified Contingent Liabilities

There were no unquantified contingent liabilities. As at 30 June 2011 there was one unquantified contingent liability relating to the Canterbury earthquakes of 4 September 2010, 22 February and 13 June 2011 where the Crown had assumed liability for 60 per cent of damages with regard to essential infrastructure (fresh water, waste water and river management control systems) as advised by the Christchurch City Council, Selwyn Council, Waimakariri District Council and Environment Canterbury or the Department directly. The assumptions and variances at that time were too wide and varied to give a reliable quantification of the Crown's liability.

Contingent Assets

There were no contingent assets (2010/11: \$nil).

The accompanying notes form part of these financial schedules. For a full understanding of the Crown's financial position and the operations for the period, reference should be made to the consolidated Financial Statements of the Government.

Notes to the Non-Departmental Financial Schedules

1. Statement of Accounting Policies

Reporting Entity

These Non-Departmental schedules and statements present financial information on public funds managed by the Department of Internal Affairs (the Department) on behalf of the Crown.

These Non-Departmental balances are consolidated into the Financial Statements of the Government for the year ended 30 June 2012. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should also be made to the consolidated Financial Statements of the Government.

Basis of Preparation

The Non-Departmental schedules have been prepared in accordance with the Government's accounting policies as set out in the Consolidated Financial Statements of the Government, and in accordance with relevant Treasury Instructions and Treasury circulars.

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

The accrual basis of accounting has been used unless otherwise stated.

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

Budget Figures

The budget figures are those presented in the Budget Estimates of Appropriation (Main Est) for the Department.

The Supplementary Estimates (Supp Est) figures incorporate the Department's full year estimates. The budgets also include other amendments made through the course of the Supplementary Estimates process.

Comparatives

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

Functional and Presentation Currency

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

Significant Accounting Policies

The following particular accounting policies have been applied:

Revenue

Revenues from the supply of services are recognised when earned in the Non-Departmental Schedule of Revenue on a straight-line basis over the specified period for the services.

Donation Revenue

When a heritage collection asset is acquired, by donation or legal deposit, for nil or nominal consideration the fair value of the asset received is recognised as revenue in the Non-Departmental Schedule of Revenue.

Expenses

Grants

Discretionary grants are only recognised when a constructive obligation exists. This is deemed to occur both when the grant has been approved and the approval has been communicated to the recipient. Non-discretionary grants are recognised when specified criteria have been fulfilled and notice has been given to the Department.

Cash

Cash includes cash in transit and bank accounts.

Debtors and Other Receivables

Accounts receivable have been designated as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Loans and receivables entered into with duration of less than 12 months are recognised at their nominal value. At each balance date, the Department assesses whether there is any objective evidence that any loans and receivables are impaired. Any impairment losses are recognised in the Non-Departmental Schedule of Expenses.

Shares

Where the Department holds a non-controlling, minority interest, the shares are valued at cost in the financial statements. Associates are entities in which the Department has significant influence, but not control over their operating and financial policies. In the Department's financial statements, the Crown investment in associates has been valued by the equity method.

Property, Plant and Equipment

Disposal

Realised gains and losses arising from disposal of land and property are recognised in the Non-Departmental Schedule of Revenue and Expenditure in the period in which the transaction occurs.

Impairment

The carrying amounts of land and property are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Schedule of Revenue and Expenditure, unless the asset is carried at a revalued amount, in which case any impairment loss is treated as a revaluation decrease.

Revaluations

Unrealised gains and losses arising from changes in the value of land and buildings are recognised as at balance date. To the extent that a gain reverses a loss previously charged to the Schedule of Revenue and Expenditure for the asset class, the gain is credited to the Schedule of Revenue and Expenditure. Otherwise, gains are credited to an asset revaluation reserve for that class of asset. To the extent that there is a balance in the asset revaluation reserve for the asset class any loss is debited to the reserve. Otherwise, losses are reported in the Schedule of Revenue and Expenditure.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

Specific Asset Class Policies

The following asset class specific policies have been applied:

Land and Buildings

Land and buildings are revalued at least every five years or whenever the carrying amount differs materially to fair value.

Revaluations are carried out for land and buildings to reflect the service potential or economic benefit obtained through control of these assets. Land and buildings are recorded at fair value less impairment losses and, for buildings, less depreciation accumulated since the assets were last revalued. Valuations undertaken in accordance with the standards issued by the New Zealand Property Institute are used.

Depreciation on buildings is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, less any estimated residual value, over its estimated useful life. The estimated useful lives for buildings range from 10 to 50 years. Depreciation is not charged on land.

Alexander Turnbull Library Heritage Collections

Section 11 of the National Library of New Zealand (Te Puna Mātauranga o Aotearoa) Act 2003 requires the Crown to own the collections held in the Alexander Turnbull Library in perpetuity.

The Alexander Turnbull Library (ATL) Heritage Collections are measured at fair value. Due to the unique nature of the Heritage Collections it is not always practical or possible to obtain a market valuation. In these circumstances collections have been adjusted by the movement in the Consumers Price Index to better reflect their current value. There are also difficulties associated with obtaining an objective valuation for the specified cultural and heritage assets.

The carrying value includes the value of purchases for the collections since the last revaluation and the value of material received through donations and legal deposits.

A valuation is performed every three years. The collections are not depreciated.

National Archives Collection

Non-exceptional National Archives Collection items are revalued every three years using a methodology that divided the collection into categories by format and age, to associate records that together could be said to have a broad commonality of value. Benchmark valuations were obtained from an independent valuer through market assessments and from other collections of a similar nature to Government archives. Accessions since the date of valuation are valued on the basis of these benchmarks.

Independent valuations of other exceptional items, including the Treaty of Waitangi, are conducted every three years and are based on market assessments from similar nature collections.

The valuation of the National Archives Collection includes only public archives in the possession of Archives New Zealand. Public archives held in other approved repositories do not form part of the valuation.

The collection is not depreciated.

Financial Liabilities

Financial liabilities are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities entered into with duration of less than 12 months are recognised at their nominal value.

Other Liabilities and Provisions

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

The balance of provisions represents the estimated value of future benefits payable to Former Governors-General and Former Prime Ministers over their expected lives payable under the Governors-General Act 2010 and the Civil List Act 1979.

Commitments

Operating and capital commitments arising from non-cancellable contractual or statutory obligations are disclosed within the Schedule of Commitments to the extent that both parties have not performed their obligations.

Contingent Assets and Liabilities

Contingent assets and contingent liabilities are recorded in the Schedule of Contingent Assets and Contingent Liabilities at the point at which the contingency is evident. Contingent assets are disclosed if it is probable that the benefits will be realised. Contingent liabilities are disclosed when there is a possibility that they will crystallise.

Goods and Services Tax (GST)

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

2. Debtors and Other Receivables

ACTUAL 2011 \$000		ACTUAL 2012 \$000
174	Accounts Receivable	343
8,504	Current Loan to Auckland Transition Authority	–
–	Current Loan to Charities Commission	1,796
1,796	Non-Current Loan to Charities Commission	–
450	Non-Current Loan for Local Government Funding Agency	–
10,924	Total Debtors and Other Receivables	2,139

The carrying value of receivables approximates their fair value.

3. Shares

Local Government Funding Agency

The Crown holds \$5.000 m of the \$25.000 m paid-up capital of the Local Government Funding Agency (LGFA). The shares have been valued by the equity method as, although the Crown does not have direct representation on the LGFA Board of Directors, it may solely appoint, remove and replace one member of the Shareholders' Council, which, in turn, makes recommendations to Shareholders as to the appointment, removal, re-election, replacement and remuneration of Directors. The share value has therefore been adjusted to reflect the Crown's share of any changes in the net assets of the LGFA.

LGFA Net Assets at 30 June 2012 were \$20.757 m. The Crown's share of the net assets is \$4.151 m.

The summarised financial information of LGFA is:

Revenues	\$10.894 million
Assets	\$943.019 million
Liabilities	\$922.262 million
Surplus/(deficit)	\$(4.243) million

The Crown is not a guarantor of the LGFA and has no share of any contingent liabilities of the LGFA.

4. Fixed Assets

2012

Asset Class	Balance 1 July \$000	Additions \$000	Revaluations/ Impairments \$000	Disposals \$000	Transfers* \$000	Balance 30 June \$000
Cost or Valuation						
<i>Property, Plant and Equipment</i>						
Land	10,800	-	-	-	-	10,800
Buildings – Residential	6,841	-	-	-	(298)	6,543
Buildings – Commercial	4,515	325	-	-	298	5,138
Total Cost or Valuation of Property, Plant and Equipment	22,156	325	-	-	-	22,481
Heritage Collections						
<i>Archives Heritage Collection</i>						
Archives Heritage Collection	440,104	5,741	-	-	-	445,845
Alexander Turnbull Library Heritage Collections						
Cartographic	24,711	15	-	-	-	24,726
Children's Historical	1,437	132	-	-	-	1,569
Drawing and Prints	63,322	203	-	-	-	63,525
Ephemera	4,613	59	-	-	-	4,672
Formed	446	-	-	-	-	446
General	99,171	10	-	-	-	99,181
Manuscript/Archives	72,508	290	-	-	-	72,798
Music	1,576	28	-	-	-	1,604
Newspapers	44,752	51	-	-	-	44,803
New Zealand and Pacific	29,253	371	-	-	-	29,624
Oral History	12,596	167	-	-	-	12,763
Others	429	-	-	-	-	429
Photographic	65,749	318	-	-	-	66,067
Serials	39,314	253	-	-	-	39,567
Short Title	4,583	34	-	-	-	4,617
Rare Books and Fine Prints	379,418	364	-	-	-	379,782
Total Alexander Turnbull Library Heritage Collections	843,878	2,295	-	-	-	846,173
Total Cost of Collections	1,283,982	8,036	-	-	-	1,292,018
Total Cost	1,306,138	8,361	-	-	-	1,314,499
Accumulated Depreciation						
<i>Property, Plant and Equipment</i>						
Buildings – Residential	-	198	-	-	-	198
Buildings – Commercial	311	140	-	-	-	451
Total Accumulated Depreciation	311	338	-	-	-	649
Net Book Value						
Property, Plant and Equipment	21,845	(13)	-	-	-	21,832
Collections	1,283,982	8,036	-	-	-	1,292,018
Total Net Book Value	1,305,827	8,023	-	-	-	1,313,850

* Transfers between Government Departments.

2011

Asset Class	Balance 1 July \$000	Additions \$000	Revaluations/ Impairments \$000	Disposals \$000	Transfers* \$000	Balance 30 June \$000
Cost or Valuation						
<i>Property, Plant and Equipment</i>						
Land	9,950	–	850	–	–	10,800
Buildings – Residential	5,574	–	1,267	–	–	6,841
Buildings – Commercial	4,886	–	(371)	–	–	4,515
Total Cost or Valuation of Property, Plant and Equipment	20,410	–	1,746	–	–	22,156
Heritage Collections						
<i>Archives Heritage Collection</i>						
Archives Heritage Collection	–	10,162	(98,491)	–	528,433	440,104
Alexander Turnbull Library Heritage Collections						
Cartographic	–	6	(3,701)	–	28,406	24,711
Children's Historical	–	69	(144)	–	1,512	1,437
Drawing and Prints	–	49	(9,332)	–	72,605	63,322
Ephemera	–	29	(656)	–	5,240	4,613
Formed	–	–	(67)	–	513	446
General	–	5	(14,898)	–	114,064	99,171
Manuscript/Archives	–	154	(10,772)	–	83,126	72,508
Music	–	20	(215)	–	1,771	1,576
Newspapers	–	90	(6,664)	–	51,326	44,752
New Zealand and Pacific	–	170	(4,181)	–	33,264	29,253
Oral History	–	86	(1,792)	–	14,302	12,596
Others	–	–	(64)	–	493	429
Photographic	–	182	(9,746)	–	75,313	65,749
Serials	–	138	(5,820)	–	44,996	39,314
Short Title	–	24	(617)	–	5,176	4,583
Rare Books and Fine Prints	–	65	(56,903)	–	436,256	379,418
Total Alexander Turnbull Library Heritage Collections	–	1,087	(125,572)	–	968,363	843,878
Total Cost of Collections	–	11,249	(224,063)	–	1,496,796	1,283,982
Total Cost	20,410	11,249	(222,317)	–	1,496,796	1,306,138
Accumulated Depreciation						
<i>Property, Plant and Equipment</i>						
Buildings – Residential	289	145	(434)	–	–	–
Buildings – Commercial	186	137	(12)	–	–	311
Total Accumulated Depreciation	475	282	(446)	–	–	311
Net Book Value						
Property, Plant and Equipment	19,935	(282)	2,192	–	–	21,845
Collections	–	11,249	(224,063)	–	1,496,796	1,283,982
Total Net Book Value	19,935	10,967	(221,871)	–	1,496,796	1,305,827

* Transfers between Government Departments.

5. Financial Instruments

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

ACTUAL 2011 \$000		ACTUAL 2012 \$000
	Financial Assets at Fair Value Through Profit or Loss	
	– Shares	4,151
	– Total Financial Assets at Fair Value Through Profit or Loss	4,151
	Loans and Receivables	
35,056	Cash and Cash Equivalents	139,749
10,924	Debtors and Other Receivables	2,139
45,980	Total Loans and Receivables	141,888
	Financial Liabilities Measured at Amortised Cost	
142,081	Creditors and Other Payables	110,207

The Department is party to financial instrument arrangements as part of its daily operations. These include cash and cash equivalents, accounts receivable, accounts payable and provisions, accrued expenses, term accrued expenses and foreign currency forward contracts.

The Department's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Department has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Credit Risk

Credit risk is the risk that a third party will default on its obligations, causing a loss to be incurred. Credit risk arises from debtors and deposits with banks. Funds must be deposited with Westpac, a registered bank.

Credit evaluations are undertaken on customers requiring credit. Collateral or other security is not generally required to support financial instruments with credit risk. Other than cash and bank balances and trade receivables, the Department does not have any significant credit risk.

Maximum Exposures to Credit Risk

ACTUAL 2011 \$000		ACTUAL 2012 \$000
35,056	Cash and Cash Equivalents	139,749
174	Accounts Receivable	343
8,504	Loan to Auckland Transition Authority	–
450	Loan for Local Authority Debt Vehicle	–
	– Investment in Local Government Funding Agency	4,151
44,184	Total Exposure to Credit Risk	144,243

Cash and cash equivalents excludes any cash physically held including as petty cash as cash is not exposed to credit risk.

Liquidity Risk

Liquidity risk is the risk that the Department will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the Department closely monitors its forecast cash requirements with expected draw downs from the New Zealand Debt Management Office. The Department maintains a target level of available cash to meet liquidity requirements.

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

	TOTAL \$000	LESS THAN 6 MONTHS \$000	BETWEEN 6 MONTHS AND 1 YEAR \$000	BETWEEN 1 YEAR AND 5 YEARS \$000	OVER 5 YEARS \$000
2012					
Creditors and Other Payables	110,207	110,207	-	-	-
2011					
Creditors and Other Payables	139,658	33,423	106,235	-	-

6. Creditors and Other Payables

	ACTUAL 2011 \$000	ACTUAL 2012 \$000
33,332 Accrued Expenses		19,846
108,457 Accrued Canterbury Earthquake Expenses		90,361
292 Accrued Heritage Collection Purchases		-
142,081 Total creditors and other payables		110,207

The carrying value of creditors and other payables approximates their fair value. Other payables and Accrued Heritage Collection purchases are non-interest bearing and are normally settled on 30-day terms and Accrued Canterbury Earthquake expenses are expected to be settled through the course of 2012/13.

7. Revaluation of Plant, Property and Equipment

	Balance 1 July \$000	Transfers from Other Government Departments \$000	Revaluation Movement \$000	Balance 30 June \$000
2012				
Land and Buildings	10,735	-	-	10,735
Archives Heritage Collection	-	-	-	-
Alexander Turnbull Library Heritage Collections	285,388	-	-	285,388
Total Revaluation Reserves	296,123	-	-	296,123

On advice of independent third parties and Department management, there have been no material changes to the carrying value of the Department's assets as at 30 June 2012.

	Balance 1 July \$000	Transfers from Other Government Departments \$000	Revaluation Movement \$000	Balance 30 June \$000
2011				
Land and Buildings	8,543	-	2,192	10,735
Archives Heritage Collection	-	15,607	(15,607)	-
Alexander Turnbull Library Heritage Collections	-	410,960	(125,572)	285,388
Total Revaluation Reserves	8,543	426,567	(138,987)	296,123

Land and Buildings

Ministerial Properties

Darroch Ltd, a Licensed Real Estate Agent (REAA 2008), a registered independent valuer, conducted a valuation of Non-Departmental Ministerial Properties land and buildings during May 2011 with valuations effective 30 June 2011.

The Ministerial Properties comprising Premier House, Vogel House and Bolton Street are restricted for Government use. The carrying value of the restricted use land and buildings is \$15.022 m (2010/11: \$15.200 m).

Lake Taupo Boating and Building Facilities

Building Facilities

Building facilities were valued by Darroch Ltd, a Licensed Real Estate Agent (REAA 2008), registered independent valuer, who conducted a valuation during May 2011 with valuations effective 30 June 2011.

Boating Facilities

Boating facilities were valued by DTZ New Zealand Ltd (MREINZ), a registered independent valuer, in May 2009 with valuations effective 30 June 2009.

National Archives Collection

The National Archives Collection was revalued as at 30 June 2011, by an independent valuer, Dunbar Sloane, through market assessments and from other collections of a similar nature to government archives.

The Treaty of Waitangi was revalued as at 30 June 2011 by an independent valuer, Sotheby's (London).

Other exceptional items are based on a valuation as at 30 June 2011 from Dunbar Sloane. These valuations were based on market assessments and from other collections of a similar nature.

Alexander Turnbull Library Heritage Collections

The Alexander Turnbull Library Heritage Collections were revalued as at 30 June 2011 by National Library staff. The revaluations were made based on an assessment of the change in the market price of similar collections between the date of the last valuation conducted on 30 June 2008 and 30 June 2011.

8. Explanation of Significant Variances against Budget

Variance between the Main Estimates and the Supplementary Estimates

Non-Departmental Appropriations

The significant variances for Appropriated Expenditure are explained below:

Vote Community and Voluntary Sector

Community Development Scheme

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$0.235 m was due to an expense transfer from 2011/12 to 2012/13 due to delays in the development and approval of community-led initiatives (\$0.635 m), partially offset by a reprioritisation of funding from Community Advisory Services to support initiatives to build local community networks (\$0.400 m).

Digital Literacy and Connection

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$1.100 m was due to an increase in funding for community-based initiatives focused on increasing digital literacy and connection.

Vote Emergency Management

Canterbury Earthquakes – Payments in respect of Indemnity for response and Recovery Costs PLA

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$81.814 m was due to the recognition of a liability relating to the Canterbury earthquakes indemnity provided under section 65ZD of the Public Finance Act (\$593.394 m), funding for the reimbursement of Christchurch City Council response costs relating to the February 2011 earthquake (\$25.000 m), reimbursement of Council response costs as a result of the September 2010 Christchurch earthquake (\$6.814 m), an increase in funding to meet the cost of additional claims from the Christchurch City Council for the Crown's share of response relating to the February and June 2011 Canterbury earthquakes (\$50.000 m), partially offset by a transfer of funding to the Canterbury Earthquake Recovery Authority for recovery costs relating to the Canterbury earthquakes (\$593.394 m).

Emergency Expenses

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$5.275 m was due to expense transfers from 2010/11 to 2011/12 for assistance to Environment Bay of Plenty and Whakatane District Council for hazard mitigation work following civil defence emergency events in 2004 and 2005 (increase of \$2.775 m) and to provide assistance to homeowners affected by flooding in Kaeo (increase of \$0.500 m) and an increase in funding for the reimbursement of response and recovery costs incurred by local authorities as a result of the 2012 Nelson-Tasman flood events (\$2.000 m).

February 2011 Canterbury Earthquake National Controller Costs

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$0.643 m was due to expense transfers from 2010/11 to 2011/12 for costs incurred at the discretion of the National Controller Civil Defence.

Subsidies to Local Government

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$0.397 m was due to expense transfers from 2010/11 to 2011/12 for the Civil Defence Emergency Management Resilience Fund (\$0.397 m).

Vote Internal Affairs

Pike River Royal Commission of Inquiry – Legal Representation and Assistance

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$0.074 m was due to an expense transfer from 2011/12 to 2012/13 due to an extension of reporting dates for the Royal Commission of Inquiry into Building Failure caused by the Canterbury Earthquakes and the Royal Commission of Inquiry on the Pike River Coal Mine Tragedy (\$0.600 m), partially offset by an expense transfer from 2010/11 to 2011/12 for the Royal Commission of Inquiry on the Pike River Coal Mine Tragedy (\$0.526 m).

Public Inquiries

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$1.637 m was due to an increase in funding for the Royal Commission of Inquiry into Building Failure caused by the Canterbury Earthquakes (\$0.781 m), an expense transfer from 2010/11 to 2011/12 for both the Royal Commission of Inquiry on the Canterbury Earthquakes (\$0.155 m) and the Royal Commission of Inquiry on the Pike River Coal Mine Tragedy (\$0.127 m) and an increase in funding for Commissioner's fees for the Royal Commission of Inquiry into Building Failure caused by the Canterbury Earthquakes and the Royal Commission of Inquiry on the Pike River Coal Mine Tragedy due to an extension in reporting dates (\$0.574 m).

Vote Local Government

Chatham Islands Council

The increase in the budget between the Main Estimate and the Supplementary Estimates of \$0.354 m was due to an expense transfer from 2010/11 to 2011/12 for the Chatham Islands solid waste management programme.

Loan to the Auckland Transition Agency

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$1.270 m was due to capitalisation of the interest on the loan to Auckland Transition Agency for Auckland Governance Reforms.

Te Oneroa a Tohe Beach Management

In 2011/12 funding of \$0.400 m was provided for this new appropriation. However, due to delays in the legislation to put in place the Treaty Settlement, an expense transfer was approved from 2011/12 to 2012/13 (\$0.300 m).

Capital Investments – Lake Taupo

The increase in the budget between the Main Estimate and the Supplementary Estimates of \$0.034 m was due to a capital transfer from 2010/11 to 2011/12 for the completion of the project plan for extensions to the boat ramp and jetty at Omori, Taupo.

Local Government Debt Vehicle

The increase in the budget between the Main Estimate and the Supplementary Estimates of \$4.550 m was due to a capital transfer from 2010/11 to 2011/12 for the Local Government Funding Agency.

Vote Ministerial Services

Depreciation on Official Residences

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$0.046 m was due to higher ongoing depreciation costs as a result of a revaluation of official residences.

Executive Council and Members of the Executive – Salaries and Allowances PLA

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$0.150 m was due to an increase in costs pursuant to the Parliamentary Salaries and Allowances Determination.

Vote National Library

Public Lending Right for New Zealand Authors

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$0.010 m was due to a transfer of funding from Departmental Output Expense Access to Information to cover payments to all eligible authors.

Schedule of Non-Departmental Assets

The significant variances within the Schedule of Non-Departmental Assets are explained below:

The decrease in the budget between the Main Estimates and the Supplementary Estimates for the loan to the Auckland Transition Agency of \$8.125 m reflects the repayment of the loan. The decrease in the budget between the Main Estimates and the Supplementary Estimates for heritage collections of \$0.208 m reflects the expected value of the National Archives and National Library heritage collections as at 30 June 2012.

Schedule of Non-Departmental Liabilities

The significant variance within the Schedule of Non-Departmental Assets is explained below:

The decrease in the budget between the Main Estimates and the Supplementary Estimates for the Revaluation Reserve reflects the expected value of the Revaluation reserves as at 30 June 2012.

Variance between the Actual 2011/12 and the Supplementary Estimates

Actual expenditure was 9.79% lower than the Supplementary Estimates. The overall under-expenditure of \$21.861 m is primarily attributable to the following factors as outlined in the vote commentary below.

Vote Emergency Management

Canterbury Earthquakes – Payments in respect of Indemnity for Response and Recovery Costs PLA

Actual expenditure was \$1.276 m lower than the Supplementary Estimates for these appropriations incurred under Permanent Legislative Authority (PLA). The forecast in the Supplementary Estimates contained an inherent level of uncertainty around the quantum and timing of claims, the timing of the submission of claims and the eligibility for reimbursement of costs incurred by affected councils for emergency events. The decrease in actual expenditure was due to the quantum of claims and rates of eligibility of claims being lower than forecast.

Emergency Expenses

Actual expenditure was \$5.001 million lower than Supplementary Estimates mainly due to:

- » Timing of progress on hazard mitigation works associated with the Rangitaiki River flood protection scheme, for which an in-principle expense transfer from 2011/12 to 2012/13 was approved
- » response costs for flooding in the Nelson-Tasman region, for which an in-principle expense transfer from 2011/12 to 2012/13 was approved
- » the majority of the contingency funding for emergency expenses was not required.

February 2011 Canterbury Earthquake National Controller Costs

Actual expenditure was \$0.281 m lower than Supplementary Estimates mainly due to some expenses relating to response activities being paid for by the Canterbury Earthquake Recovery Authority (CERA).

Subsidies to Local Government

Actual expenditure was \$0.263 m lower than Supplementary Estimates due to the level of claims submitted by local authorities for emergency management preparation.

Vote Local Government

Chatham Islands Council

Actual expenditure was lower than Supplementary Estimates by \$2.141 m mainly due to delays in identifying and consenting to a suitable landfill site for the Chatham Islands solid waste management programme, for which an in-principle expense transfer from 2011/12 to 2012/13 was approved.

Crown-owned Assets at Lake Taupo – Maintenance Costs

Actual expenditure was lower than Supplementary Estimates by \$1.455 m mainly due to delays in the completion of the multi-year project to remedy deferred maintenance of the Crown-owned Lake Taupo boating facilities, for which an in-principle expense transfer from 2011/12 to 2012/13 was approved.

Rates Rebate Scheme

Actual expenditure was lower than Supplementary Estimates by \$7.511 m mainly due to lower than anticipated take up of the rates rebate scheme in 2011/12.

Vote Community and Voluntary Sector

Community Development Scheme

Actual expenditure was lower than Supplementary Estimates by \$0.614 m mainly due to delays in the development of community-led initiatives for which an in-principle expense transfer from 2011/12 to 2012/13 was approved.

Vote Internal Affairs

Pike River Royal Commission of Inquiry – Legal representation and assistance

Actual expenditure was lower than Supplementary Estimates by \$0.362 m mainly due to a change in the timing of the work programme for the Royal Commission of Inquiry on the Pike River Coal Mine Tragedy, for which an in-principle expense transfer from 2011/12 to 2012/13 was approved.

Public Inquiries

Actual expenditure was lower than Supplementary Estimates by \$0.478 million mainly due to a change in the timing of the work programmes for the Royal Commission of Inquiry on the Pike River Coal Mine Tragedy and the Royal Commission of Inquiry into Building Failure caused by the Canterbury Earthquakes, for which an in-principle expense transfers from 2011/12 to 2012/13 was approved.

Vote Ministerial Services

Members of the Executive – Travel

Actual expenditure was lower than Supplementary Estimates by \$0.992 m mainly due to lower than anticipated Ministerial travel.

Capital Expenditure

Vote Local Government

Capital Investments Lake Taupo

Actual capital expenditure was lower than Supplementary Estimates by \$0.687 million mainly due to delays in the upgrade and development of Crown-owned boating facilities at Lake Taupo, for which an in-principle capital transfer from 2011/12 to 2012/13 was approved.

Vote National Library

Heritage Collections – Annual

Actual capital expenditure was lower than Supplementary Estimates by \$0.286 million, mainly reflecting delays in the issuance of an export order to enable the Katherine Mansfield and John Middleton Murry papers to leave the United Kingdom, for which an in-principle capital transfer from 2011/12 to 2012/13 was approved.

Non-Departmental Schedule of Revenue

Actual revenue was higher than Supplementary Estimates primarily reflecting the value of accessions of documents received by National Archives during 2011/12.

Schedule of Non-Departmental Assets and Liabilities

The actual cash balance as at 30 June 2012 was \$119.188 million higher than Supplementary Estimates, primarily due to the high level of claims submitted by affected councils in the Canterbury region as a result of the Canterbury earthquakes that are still being processed and remain unpaid. This is reflected in the higher level of Accounts Payable.

9. Emergency Expenditure for Canterbury Earthquakes

The Canterbury region was significantly affected by two major earthquakes and a number of aftershocks during the 2010/11 and 2011/12 financial years, resulting in significant damage to property and infrastructure. The two major earthquakes were a magnitude 7.1 on 4 September 2010 and a magnitude 6.3 on 22 February 2011. Significant aftershocks that caused further damage occurred on 26 December 2010 and on 13 June 2011.

These Non-Departmental financial statements include expenses incurred in relation to these earthquakes, under Non-Departmental Other Expenses in Vote Emergency Management.

	Actual 2011 \$000	Actual 2012 \$000	Actual Since Feb 2011 \$000
National Controller Direct Response Expenses			
February 2011 Christchurch Earthquake National Controller Costs	3,324	362	3,686
Section 25 Public Finance Act	19,281	–	19,281
Total National Controller Direct Response Expenses	22,605	362	22,967
Canterbury Local Authorities' Response and Recovery Expenses			
Expenses recognised in respect of Indemnity for Response and Recovery Costs – Section 65ZG Public Finance Act	108,457	80,539	188,996
Emergency Expenses Section 25 Public Finance Act	15,849	46	15,895
	8,696	–	8,696
Total Canterbury Local Authorities' Response and Recovery Expenses	133,002	80,585	213,587
Total Canterbury Earthquake Expenses	155,607	80,947	236,554

The Canterbury Local Authorities' Response and Recovery expenses for 2011/12 include two further advances totalling \$90.000 m paid under section 65ZG of the Public Finance Act. These advances are in addition to the \$8.696 m advance paid during 2010/11.

National Controller Direct Response Expenses

Following the 22 February earthquake, and declaration of a State of National Emergency, the National Controller incurred necessary expenses in response to the emergency during 2010/11. These included expenses for freighting in emergency supplies and teams, chemical toilets, emergency fences and specialist equipment. The bulk of this expenditure was approved when the Minister of Finance invoked section 25 of the Public Finance Act 1989 (expenses may be incurred in emergencies) immediately following the February earthquake.

National Controller Direct Response Expenses incurred in 2011/12 totalling \$0.362 million (2010/11 \$3.324 million) have arisen as a result of claims against the Crown for actions incurred during the State of National Emergency.

Local Authorities' Response and Recovery Expenses

Under current Government policy settings, outlined in the National Civil Defence Emergency Management Plan ('the Plan') and Guide to the National Civil Defence Emergency Management Plan⁶⁷ ('the Guide'), the four affected Canterbury local authorities will be reimbursed, in whole or part, for certain types of response and recovery costs incurred as a result of the earthquakes. Under the Plan and the Guide, primary responsibility for managing these claims rests with the Department.

The Government provided an indemnity in favour of the four affected Canterbury authorities under section 65ZD of the Public Finance Act 1989 for these costs. The indemnity formalises the implicit guarantee under the Guide.

In March 2012 the indemnity was extended to include the Canterbury Earthquake Recovery Authority (CERA) for recovery costs, along with transfer of the responsibility for assessment and management of these claims. The indemnity enables both the Department and CERA to recognise their respective obligations in respect of response and recovery costs without further appropriation.

The Department has therefore not recorded any liability for recovery costs at 30 June 2012.

Response Costs – Four Affected Canterbury Authorities

Under the Guide the standard financial support policy is for the Government to:

- » fully reimburse response costs associated with caring for displaced people
- » reimburse 60% of response costs associated with precautionary measures to reduce immediate danger and temporary repairs to essential infrastructure.

⁶⁷ The Guide is issued by the Director of Civil Defence Emergency Management (CDEM) under section 9 of the Civil Defence Emergency Management Act 2002.

The Government subsequently decided to fully reimburse Christchurch City Council for costs associated with temporary repairs to essential infrastructure because of the earthquakes.

Following the initial advance of \$8.696 m to the Christchurch City Council in February 2011, a further two advances have been agreed by the Government and paid, \$25.000 m in July 2011 and \$65.000 m in October 2011. Advances paid to the Christchurch City Council will be offset against subsequent claims submitted by the Council.

Response Costs – Other Councils Assisting

The Government has also agreed to reimburse costs totalling \$0.035 m for other councils that provided assistance to the four affected Canterbury authorities in the immediate aftermath of the September 2010 and February 2011 earthquakes. The other Councils assisting were reimbursed for travel, accommodation, food and minor incidental costs for staff and volunteers who provided on-the-ground support during the immediate post-quake response periods.

Recovery Costs

Recovery costs shown by the Department are those that were settled with the affected Councils prior to transfer of responsibility to CERA. Following transfer of responsibility for the recovery cost claims process to CERA, the Department no longer records any liability for recovery cost claims.

Summary of Claims Lodged, Paid and Accrued

	Christchurch City Council \$000	Waimakariri District Council \$000	Environment Canterbury \$000	Selwyn District Council \$000	Other Councils Assisting \$000	Total \$000
2010/11						
Claims from Councils						
Emergency expenses	11,712	3,774	182	181	–	15,849
Response costs claims lodged	107,652	714	1,584	2,267	–	112,217
Estimated response costs	–	–	4,936	–	–	4,936
Total Claims	119,364	4,488	6,702	2,448	–	133,002
Less payments made to Councils						
Emergency expenses	(11,712)	(3,774)	(182)	(181)	–	(15,849)
Response costs	(8,696)	–	–	–	–	(8,696)
Total Payments	(20,408)	(3,774)	(182)	(181)	–	(24,545)
Claims accrued at 30 June 2011	98,956	714	6,520	2,267	–	108,457
2011/12						
Claims carried forward	98,956	714	6,520	2,267	–	108,457
Claims from Councils						
Emergency expenses	–	–	11	–	35	46
Response costs claims lodged	81,156	588	–	–	–	81,744
Estimated response costs	22,236	–	–	–	–	22,236
Total Claims for the year	103,392	588	11	–	35	104,026
Total claims since Feb 2011	202,348	1,302	6,531	2,267	35	212,483
Less payments made to Councils						
Emergency expenses claims lodged	–	–	(11)	–	(35)	(46)
Less payments made to Councils	(94,471)	(1,302)	(2,817)	(45)	–	(98,635)
Total Payments	(94,471)	(1,302)	(2,828)	(45)	(35)	(98,681)
Less claims declined or requiring special policy decisions	(17,516)	–	(3,703)	(2,222)	–	(23,441)
Claims accrued at 30 June 2012	90,361	–	–	–	–	90,361

Trust Money Administered on Behalf of the Crown

Schedule of Trust Money Administered on Behalf of the Crown for the year ended 30 June 2012

The following trust money is administered on behalf of the Crown under Part VII of the Public Finance Act 1989.

Description of Trusts

Vogel House Trust

This trust was established to hold bonds for the hireage of Vogel House and Premier House.

Christchurch Earthquake Appeal Fund

This trust was established by Government as a result of the Canterbury Earthquake of 22 February 2011. It is a registered charity and administers donations and grants made to affected people in Canterbury.

New Zealand 1990 Scholarships

The New Zealand 1990 Scholarship Trust was established to provide scholarships for top overall students in University Bursaries examinations.

Macklin Bequest Fund

The Macklin Bequest Fund is used to fund special projects relating to the National Library and may include collaborative projects between the National Library and other institutions in the galleries, libraries, archives and museum sector or between the National Library and other libraries, that supplement and further the work of other libraries in New Zealand.

Interloans Billing System Fund

The Interloans Billing System Fund is administered by the National Library. The trust manages the on-charging of fees for national inter-lending of books between participating New Zealand libraries and fees for Trans-Tasman inter-lending between participating New Zealand and Australian libraries.

Schedule of Trust Money

The schedule shows the opening and closing trust balances including bank and investments at cost, and the movements during the year.

Under the Public Finance Act 1989, and by delegation from the Secretary to The Treasury, trust money can only be invested on deposit with New Zealand registered banks or in New Zealand government stock. Trust money is also managed so there is no significant concentration of credit risk. Interest rate risk is managed by investing across a wide range of maturity dates, but subject to liquidity requirements.

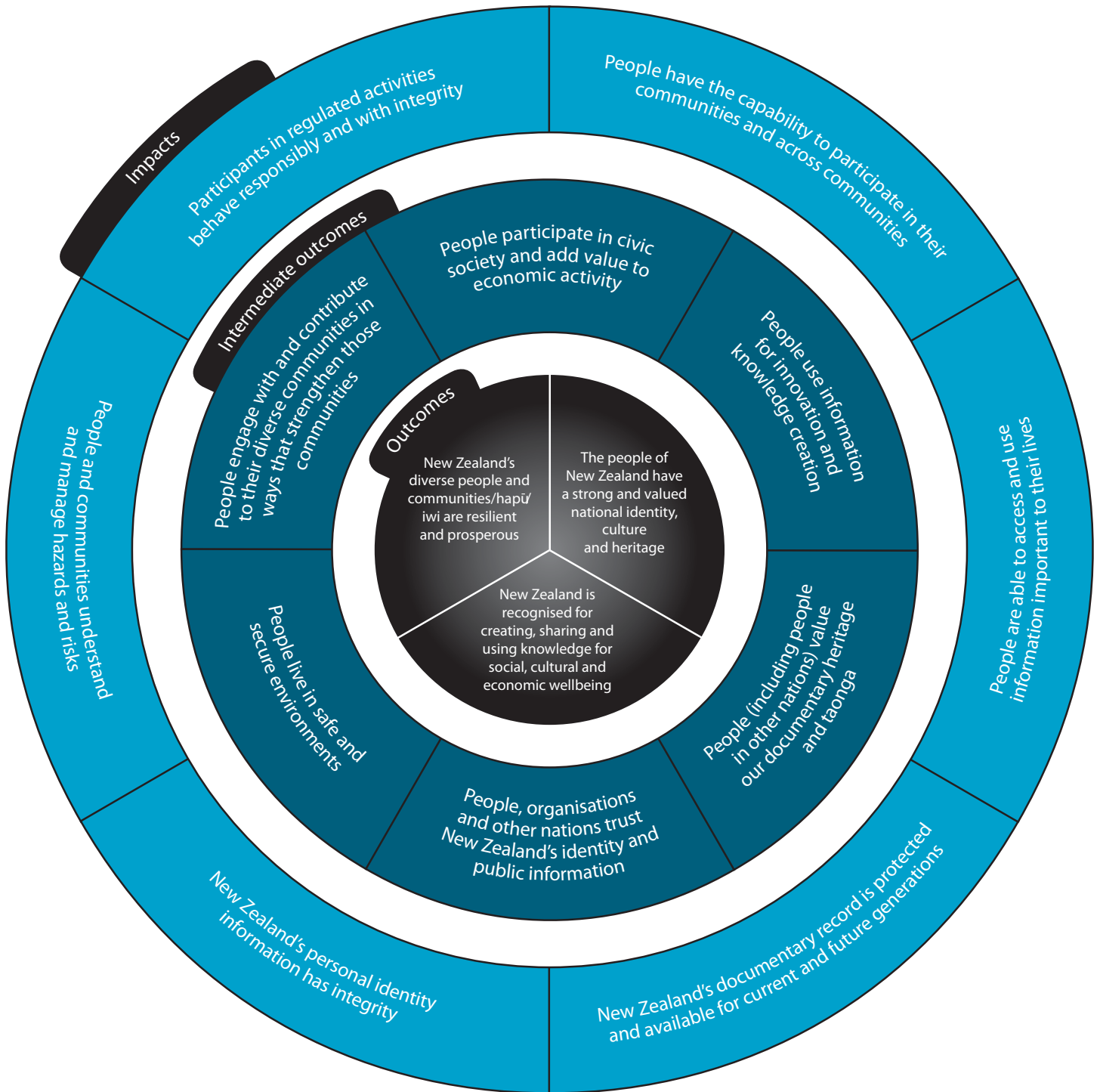
Trust	Open Balance 2011	Contributions	Distributions	Revenue	Expenses	Closing Balance 2012
Vogel House	-	-	-	-	-	-
Christchurch Earthquake Appeal Fund	41,595	29,115	(34,100)	1,890	-	38,500
New Zealand 1990 Scholarships	706	-	-	18	-	724
Macklin Bequest Fund	252	-	-	10	-	262
Interloans Billing System Fund	3	-	-	456	(452)	7
Total Trust	42,556	29,115	(34,100)	2,374	(452)	39,493

These figures are subject to audit.

APPENDICES

PERFORMANCE FRAMEWORK:

The Department of Internal Affairs provides services to people and communities that contribute to the following outcomes:

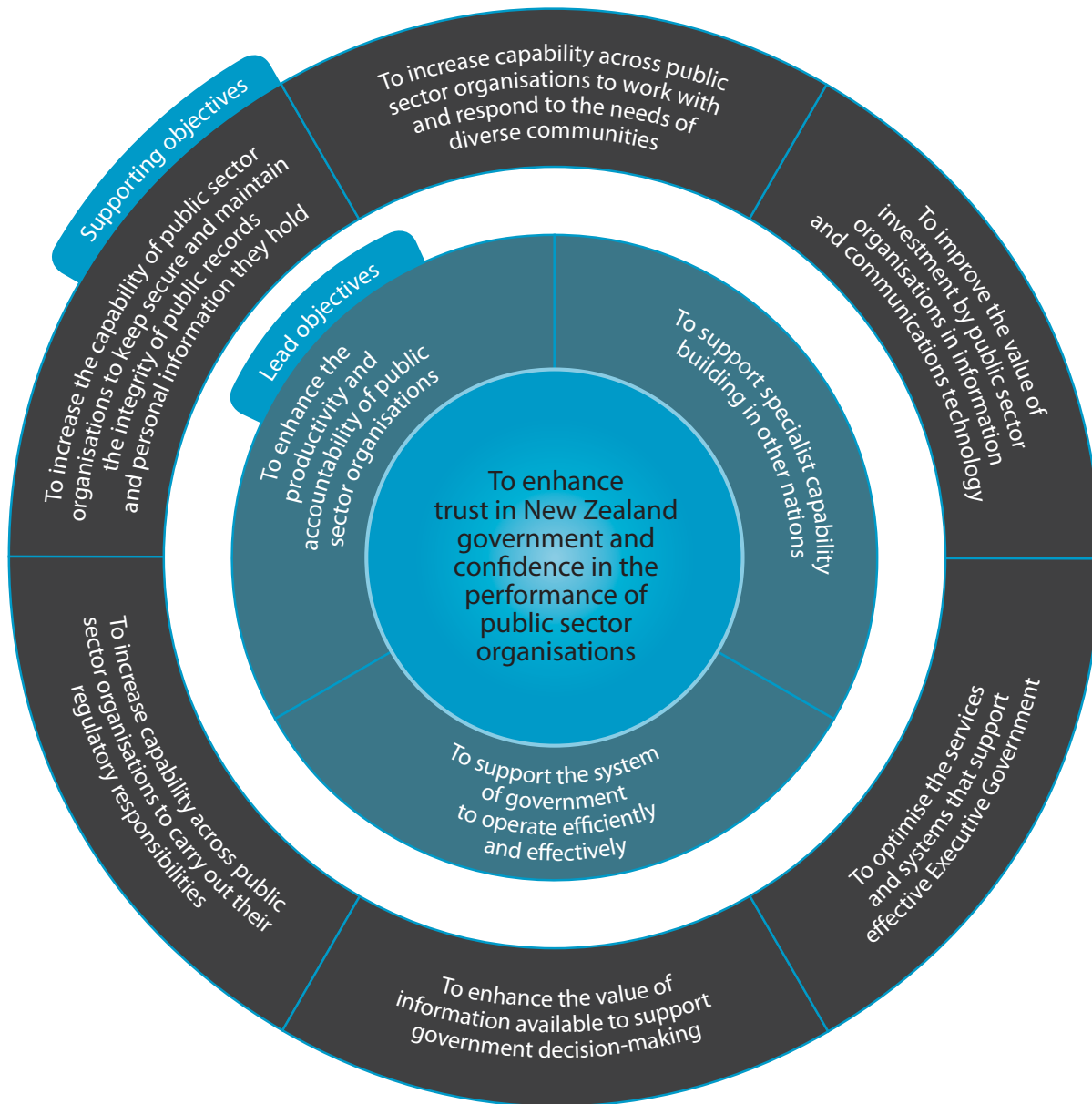


The Department uses outcomes where it provides services directly to people or communities.

- Outcomes are a state or condition of society, the economy, or the environment and describe the long-term state or condition the government seeks to achieve, largely through the operations of its agencies.
- Intermediate outcomes are more specific statements of outcomes. Intermediate outcomes provide a bridge between outcomes and impacts.
- Impacts are the Department's contribution to an outcome by a specified set of services or actions, or both.

Outcomes and Objectives

The Department of Internal Affairs provides services to Government and public sector organisations that contribute to the following objectives:



The Department uses objectives where the services it provides are too distant to identify direct relationships with outcomes, or where the contribution is indirect (i.e. services to Government and public sector organisations).

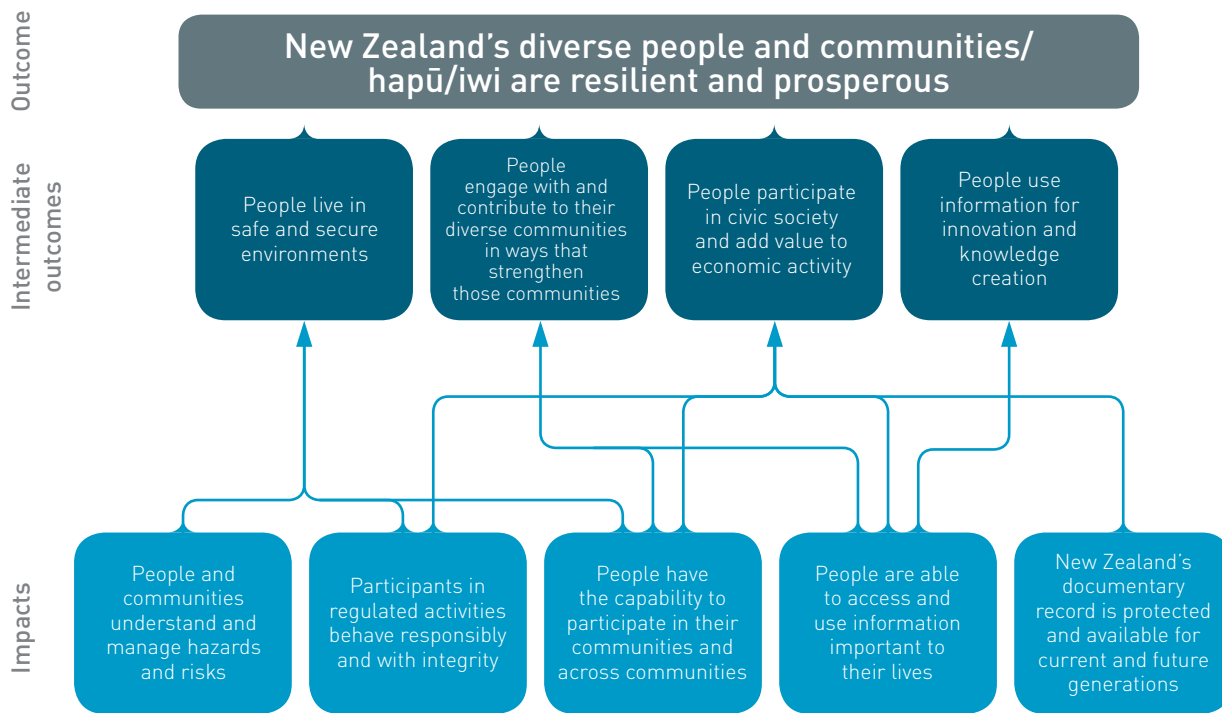
- Lead objectives describe a long-term state or condition that results from providing 'enabling' services.
- Supporting objectives describe the Department's contribution to a lead objective by a specified set of services or actions, or both.

Note:

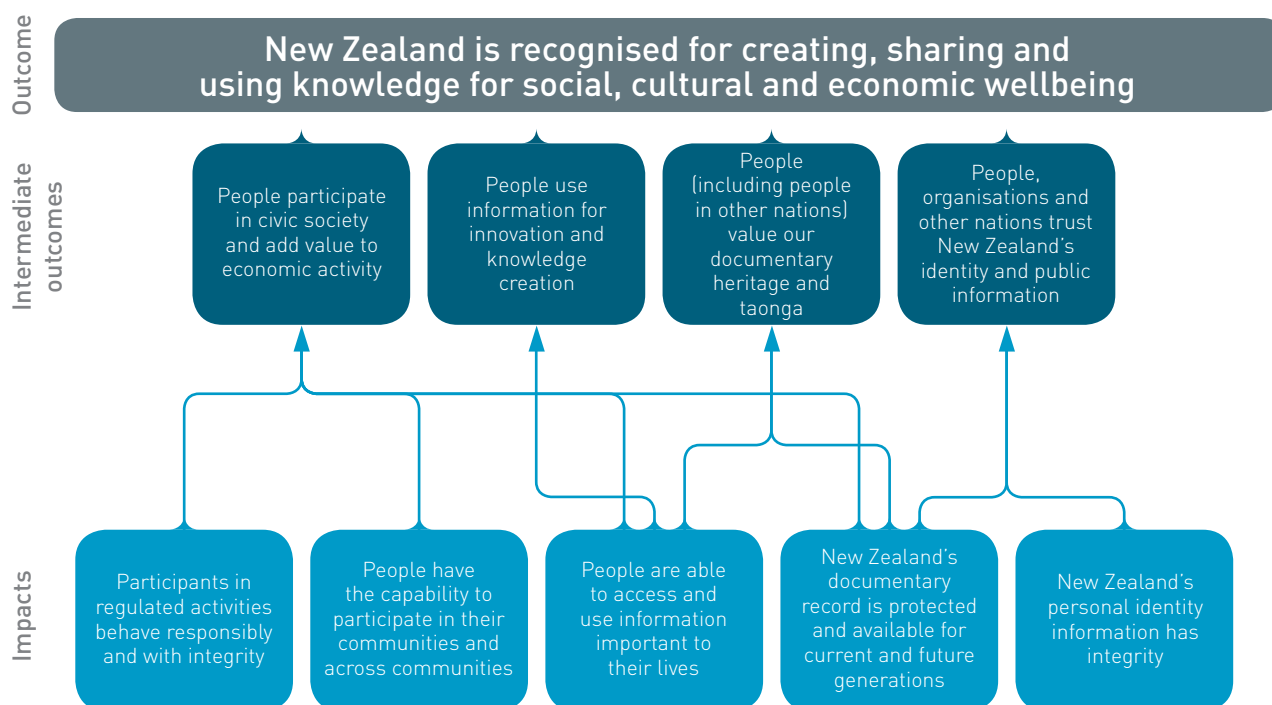
For the purposes of this framework, 'public sector organisations' are: the entities included in public service departments; non-public service departments; Offices of Parliament; Crown agents; autonomous Crown entities; independent Crown entities; statutory bodies; and territorial and local authorities. For these purposes, 'public sector organisations' included those in other jurisdictions, in particular Pacific Island countries.

Links between impacts, intermediate outcomes and outcomes/objectives

Outcome:



Outcome:



Outcome:

Outcome

The people of New Zealand have a strong and valued national identity, culture and heritage

Intermediate outcomes

People (including people in other nations) value our documentary heritage and taonga

People, organisations and other nations trust New Zealand's identity and public information

Impacts

People are able to access and use information important to their lives

New Zealand's documentary record is protected and available for current and future generations

New Zealand's personal identity information has integrity

Objective:

Lead objectives

To enhance trust in New Zealand government and confidence in the performance of public sector organisations

To enhance the productivity and accountability of public sector organisations

To support specialist capability building in other nations

To support the system of government to operate efficiently and effectively

Supporting objectives

To increase capability across public sector organisations to carry out their regulatory responsibilities

To increase the capability of public sector organisations to keep secure and maintain the integrity of public records and personal information they hold

To increase capability across public sector organisations to work with and respond to the needs of diverse communities

To improve the value of investment by public sector organisations in information and communications technology

To optimise the services and systems that support effective Executive Government

To enhance the value of information available to support government decision-making

Appendix II

Links between outcomes and objectives, Votes and Output classes

Outcomes	Votes	Output class
New Zealand's diverse people and communities/hapū/iwi are resilient and prosperous	Community and Voluntary Sector	<ul style="list-style-type: none"> » Administration of Grants » Community Advisory Services » Support Services for Grant Funding Bodies
	Local Government	<ul style="list-style-type: none"> » Information, Support and Regulatory Services – Local Government
	Internal Affairs	<ul style="list-style-type: none"> » Support Services for Grant Funding Bodies » Anti-Money Laundering and Countering Financing of Terrorism » Contestable Services » Services for Ethnic Affairs » Regulatory Services » Machinery of Government Transition Costs
	Emergency Management	<ul style="list-style-type: none"> » Management of National Emergency Readiness, Response and Recovery » Support Services, Information and Education
New Zealand is recognised for creating, sharing and using knowledge for social, cultural and economic wellbeing	Internal Affairs	<ul style="list-style-type: none"> » Identity Services » Contestable Services
	National Library	<ul style="list-style-type: none"> » Access to Information » Collecting and Preserving Information » Library and Information Services to Schools
	National Archives	<ul style="list-style-type: none"> » Archives Services
The people of New Zealand have a strong and valued national identity, culture and heritage	Internal Affairs	<ul style="list-style-type: none"> » Information and Advisory Services » Identity Services
	National Library	<ul style="list-style-type: none"> » Access to Information » Collecting and Preserving Information » Library and Information Services to Schools
	National Archives	<ul style="list-style-type: none"> » Archives Services

Objective

To enhance trust in New Zealand government and confidence in the performance of public sector organisations

Votes

Output class

Internal Affairs

- » Information and Advisory Services
- » Policy Advice
- » Anti-Money Laundering and Countering Financing of Terrorism
- » Contestable Services
- » Regulatory Services
- » Identity Services
- » Services for Ethnic Affairs
- » Government Technology Services
- » Cross-Government ICT Investment Proposals
- » Support Services for Grant Funding Bodies
- » Service Delivery Programme

Ministerial Services

- » Support Services to Members of the Executive
- » VIP Transport
- » Visits and Official Events Coordination

Emergency Management

- » Support Services, Information and Education
- » Policy Advice – Emergency Management

Community and Voluntary Sector

- » Policy Advice
- » Support Services for Grant Funding Bodies

Local Government

- » Information, Support and Regulatory Services – Local Government
- » Policy Advice – Local Government

National Archives

- » Regulation of Public Sector Recordkeeping
- » Archives Services
- » Policy Advice

National Library

- » Collecting and Preserving Information
- » Policy Advice and Statutory Servicing

Racing

- » Policy Advice – Racing

