

Annual Report

Pūrongo ā Tau

2010-11

INTERNAL AFFAIRS



Te Tari Taiwhenua

TE TARI TAIWHENUA
Department of Internal Affairs

annual report
Pūrongo ā Tau
2010-11

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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 haumarū, 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

FOREWORD

The integration of the National Library, Archives New Zealand, the Office for the Community and Voluntary Sector and the Office of the Government Chief Information Officer with the Department of Internal Affairs occurred on 1 February 2011. This formed part of wider machinery of government changes to improve the performance and service delivery of public sector agencies. All legislative functions and responsibilities of the National Librarian, the Chief Librarian of the Alexander Turnbull Library and Chief Archivist remain unchanged.

The financial and service performance information contained in this document for the National Library and Archives New Zealand is based on the five-month period from 1 February to 30 June 2011 only. The information for the Department of Internal Affairs is for the full 12 month period from 1 July 2010 to 30 June 2011. The comparative values for 30 June 2010 are those of the Department of Internal Affairs and do not include performance information for the former National Library or Archives New Zealand.

The performance story outlined in this document is structured around the new outcomes and objectives performance framework developed following the integration. This allows us to tell a more collaborative, coherent and transparent story of how resources were used to deliver the functions and expectations of the new organisation and position ourselves for the future. This annual report is divided into three sections:

Part A: Contribution to Outcomes and Objectives

Part B: Statement of Service Performance

Part C: Annual Financial Statements



INTRODUCTION FROM THE CHIEF EXECUTIVE

The past year has been one of significant change, with the creation of a new Department following the integration of Internal Affairs, Archives New Zealand and the National Library, and significant amounts of unplanned work that put pressure on our normal activities and took up large amounts of extra time and effort.

When the year started, the Auckland governance reforms were coming to fruition as the transition to a single territorial authority was coming to an end. These reforms were one of the most significant pieces of policy work this Department has been involved in, starting with our support for the Royal Commission on Auckland Governance in 2008. There has been encouraging progress made in Auckland following the sound work the Department, along with many others, did to support the creation of the new Auckland Council. Our monitoring this year of the Auckland Transition Authority helped ensure there was a smooth transition to the new Auckland Council, which has continued as we have worked with the Auckland Council on its spatial plan.

The integration of Internal Affairs, Archives New Zealand and the National Library was in full swing at the beginning of the year as we prepared for the day we would join forces. I said at the time I announced the Department's new structure that simply clipping the three organisations together would not work and we needed to create an organisation that could absorb new functions without requiring further structural change. The late inclusion of the Office of the Government Chief Information Officer and the Office for the Community and Voluntary Sector showed we could incorporate other functions without making changes to our structure.

In addition to managing planned change, the Department had to do a large amount of unplanned work as a result of the two major earthquakes in Canterbury. These were extremely disruptive events, and put pressure on the Department through our national civil defence response and the effect the earthquakes had on our staff, services and buildings. The response across the Department illustrates our ability to adapt quickly to extraordinary circumstances, manage our workloads and deliver services to the community. Although we expect to be involved in events because of our civil defence role, the

Department is not normally disrupted in the way or to the extent we were in Christchurch. Our staff, many of whom were personally affected, worked diligently over the period of the national declaration and beyond to ensure people in worse circumstances were helped. Many of our buildings were damaged, and we have had to find alternative accommodation, as many other organisations have done.

We took on a crucial role in establishing the Christchurch Earthquake Appeal Trust by setting up the fundraising mechanisms and establishing the framework for the Trust's operations to assure the public that it could have confidence in donating to it. We are now supporting the Trust with secretariat services to ensure it effectively distributes the money donated to it.

These two earthquakes reinforced the central role the Ministry of Civil Defence and Emergency Management — a key part of the Department — plays and the responsibility Internal Affairs has in helping communities respond to and recover from these events.

The Department has a long history of providing its core function — connecting the people and communities of New Zealand with their government — and some of the significant events in the past year are testament to this. We were instrumental in establishing the two Royal Commissions investigating the Pike River mine explosion and the Canterbury earthquakes, and had significant roles in the two public memorial events following these tragedies.

Preparations for the Rugby World Cup have involved many people from every branch of the Department. The Department's activities range from managing VIP visits as part of the Guest of Government Programme, protecting public safety should there be a civil defence event, providing passport support services to tournament organisers and ensuring compliance with laws we enforce such as gambling and anti-spam, through to publicising

the start of daylight saving, funding the nationwide REAL New Zealand Festival and holding exhibitions about the haka and our rugby history.

The Department has become a significantly different organisation over the past year. We ended the year with a new structure, a new leadership team, and new mandates to take a lead role in particular areas in the public service. At the same time, we are continuing to make efficiencies and to improve the services we provide to individuals, communities and government.

We, like many other agencies, are still a Department in transition. The public service is going through profound change and agencies are responding positively and adapting to the Government's requirements. Ministers gave us the responsibility for creating an organisation that is stronger and has more influence than the previous agencies and functions. I am confident we have done that.



Brendan Boyle
Chief Executive



PART A:

CONTRIBUTION TO OUTCOMES AND OBJECTIVES

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NATURE AND SCOPE OF FUNCTIONS

The Department's overall purpose is to serve and connect people, communities and government in order to build a safe, prosperous and respected nation.

As New Zealand's oldest public sector organisation, we have a historically wide scope of functions and services that can be separated into two key components:

- » providing services and support directly to people and communities
- » providing services and support to Government and public sector organisations to help them achieve their outcomes.

The Department is responsible for:

- » managing and protecting the integrity of our national identity information; and providing services and advice to other public and private organisations to ensure New Zealand's identity information is managed and used in a consistent and secure manner
- » providing access to information resources to build literacy, learning and knowledge creation; and preserving the collective memory of New Zealand's heritage collections and public record to ensure this information is protected and available for the benefit of current and future generations
- » ensuring participants in regulated activities behave responsibly and with integrity; and protecting communities from the harm caused by gambling, unsolicited electronic messages, objectionable material and criminal activities
- » providing information, resources and skills to increase people's participation in their own community and across communities; and enhancing access to funding and resources to ensure everyone has the capability to participate in their communities

- » helping communities build higher levels of readiness for an emergency and their capability to manage the response and recovery to develop more resilient New Zealand communities
- » utilising our combined resources and expertise to improve public sector accountability and productivity; and ensuring that necessary services and systems are in place to facilitate the efficient operation of government.

The February 2011 integration further expanded the breadth and scope of our work and allowed us to build an organisation that is stronger and more influential than ever before. The new integrated Department strengthens our unique role in nurturing the development of the country's nationhood, identity and culture.

We are now responsible for administering eight votes across nine ministerial portfolios: Community and Voluntary Sector, Ethnic Affairs, Civil Defence, Internal Affairs, Local Government, Ministerial Services, Archives New Zealand, National Library, and Racing.

[Further information on the breadth of services we provide is available at \[dia.govt.nz\]\(http://dia.govt.nz\).](#)

EXTERNAL OPERATING ENVIRONMENT

The Department has a unique place in the wider public sector. We have a neutral and non-aligned position, which means we are connected to the environmental, economic, justice, social and cultural sectors, but are not within any one of them.

During the year, we responded to a range of wider external factors that have impacted on our operating environment. In particular, we:

- » controlled and coordinated the response to the Canterbury earthquakes during the first ever period of state of national emergency. We stepped up at a time of need to manage the response and continued to deliver services and provide support to the people of Canterbury to manage in a difficult time
- » implemented machinery of government changes, effected on 1 February 2011, as part of the key Government policy to improve the efficiency and effectiveness of the public service, and make smaller organisations more resilient by placing them in larger and more sustainable structures.

As with many government agencies, the Canterbury earthquakes placed considerable pressure on our ability to deliver some services. A core focus was to reprioritise resources and ensure our staff had the accommodation and support to maintain core services and lead a number of cross-government initiatives to support the people of Canterbury to manage at a time of need and begin to rebuild over the longer term.

Longer-term external factors that we continue to respond to included:

- » managing an increasing demand for access and confidence in the information we provide and services we deliver. We utilised digital technology to make information more easily accessible, improved the productivity and efficiency of our services and looked for ways to reduce the cost of services to the public
- » responding to the ever-changing demographics of New Zealand's population and national identity in all aspects of our work. We worked in new and innovative ways to improve the delivery of public services that better represent and meet the increasingly diverse needs of New Zealand's communities
- » delivering services to customers where and when they needed them. We utilised the increasing availability and affordability of fast and secure technologies and looked for common public sector approaches to reduce government investment costs and better meet the needs of customers.

[Further information on how we responded to all these changes is outlined within the following sections.](#)

STRATEGIC DIRECTION

Over the year we responded to changes in our operating environment, whether they were expected or not, and planned ahead to position ourselves as a strong and sustainable organisation for the future. We worked towards building our capability to become the preferred home for selected government functions that require high-quality service delivery to people, communities and government.

The main strategic focus over the year was the integration and establishment of the new organisation on 1 February 2011 and the subsequent work to realise the benefits and opportunities created as a result of our new collective strength. The integration allowed us to leverage the knowledge base and skills of multiple organisations to more effectively deliver services and achieve shared outcomes.

We focused on identifying and beginning to realise key opportunities created through our ability to:

- » provide smarter customer-focused services that combine common services to ensure customers have access to a wider range of integrated services from a single point of contact. This has made it easier for people to access and use information important to their lives when and where they need it
- » deliver better public services and reduce the long-term cost of delivering our functions. We focused on looking for more innovative ways of working through shared services, reducing duplication and leveraging existing knowledge and expertise to deliver more effective frontline services

- » strengthen our leadership in information management, information and communications technology, shared services and customer-focused service delivery to increase the performance and productivity of the public sector in our areas of expertise
- » utilise our expertise in government information and communications technology to respond to a greater need to work in more innovative ways and make enhanced service opportunities possible. We encouraged a whole-of-government approach to common services and improved the value of government investment.

Supporting staff was a key priority during the integration and associated structural changes. This was a first step in building a collective culture to enable us to realise the potential synergies from the new combinations of functions and start building a sustainable organisation for the future.

[Further information on these areas of focus is outlined in more detail in the following sections.](#)

PERFORMANCE FRAMEWORK: OUTCOMES

We provided a wide range of services to connect people, communities and government to build a safe, prosperous and respected nation.

The outcomes we sought to contribute towards are:

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

To achieve these outcomes, we sought to contribute to:

- » people living in safe and secure environments
- » people engaging with and contributing to their diverse communities in ways that strengthen those communities
- » people participating in civic society and adding value to economic activity
- » people using information for innovation and knowledge creation
- » people (including people in other nations) valuing our documentary heritage and taonga

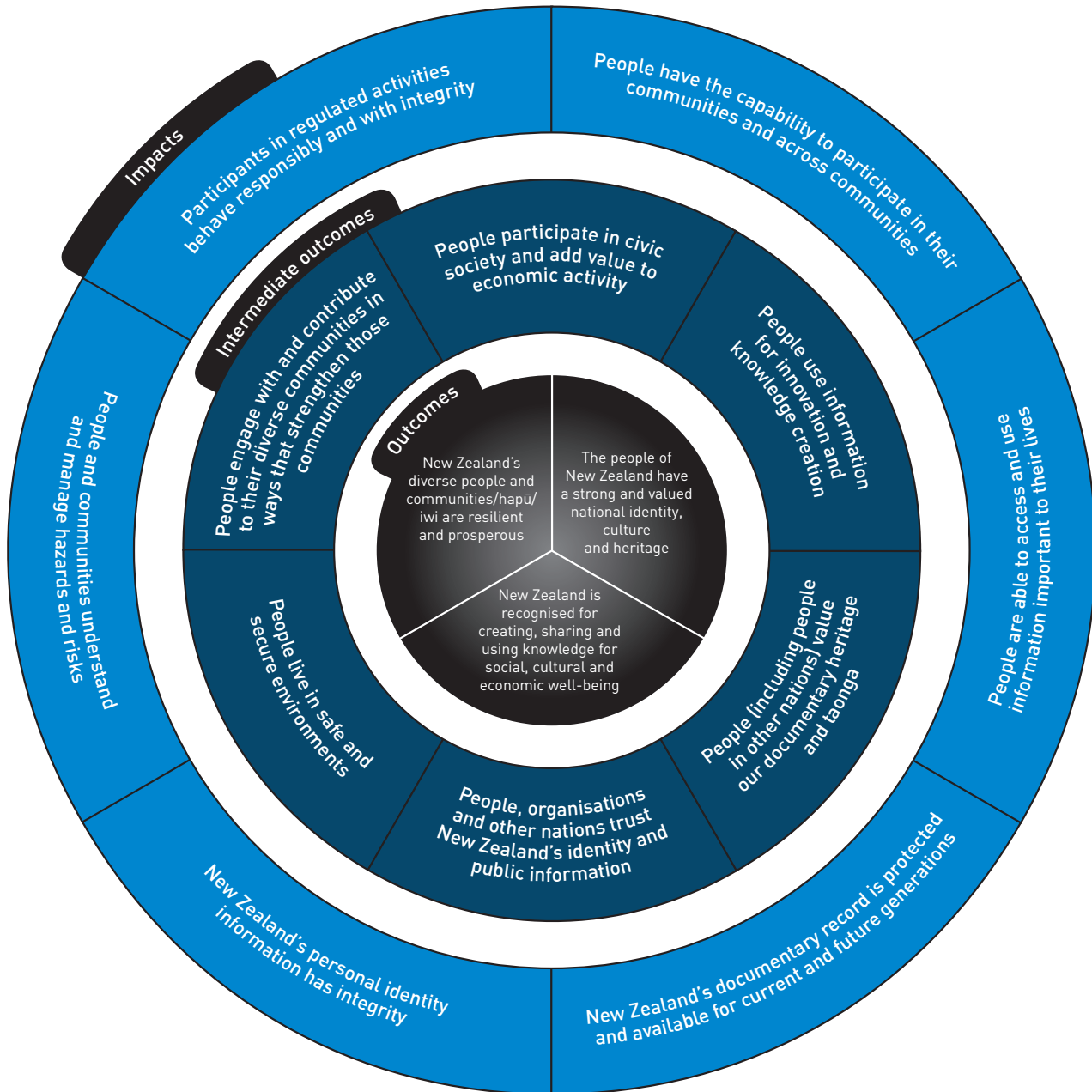
- » people, organisations and other nations trusting New Zealand's identity and public information.

Our services directly contributed towards achieving the following impacts:

- » people and communities understand and manage hazards and risks
- » participants in regulated activities behave responsibly and with integrity
- » people have the capability to participate in their communities and across communities
- » 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.

The following section describes how our work influenced these impacts during the 2010/11 financial year in order to contribute towards achieving our overall outcomes.

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.

People and communities understand and manage hazards and risks

We seek to ensure people are prepared for emergencies and manage hazards and risks in their community. We advise people on how to prepare for and respond to these situations so that people and communities are aware of, and put in place measures to minimise, the likelihood of harm. New Zealanders will live in a safe and secure environment and our diverse people and communities/hapū/iwi are resilient and prosperous.

Supported communities to manage through emergencies

We provided national emergency readiness, response and recovery services in order to enhance community resilience and support them to manage through emergencies. The Canterbury earthquakes required us to reprioritise resources from across the organisation, sometimes placing pressure on other services, to enable us to effectively lead the response and support the people of Canterbury to manage at a difficult time. At the same time we maintained delivery of all functions and services to the region.

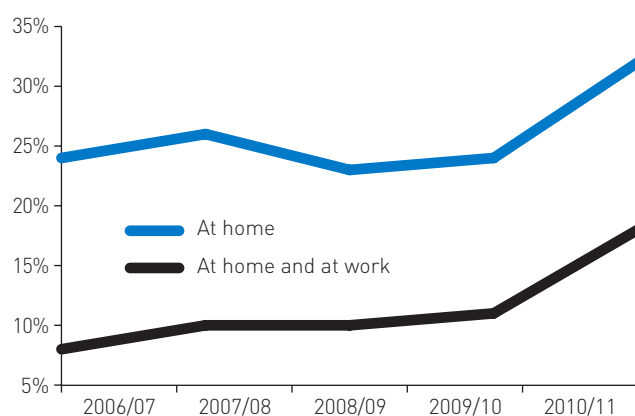
We continued to support communities to manage through emergencies, in particular we:

- » controlled and co-ordinated the response to the Canterbury earthquakes with assistance from partner agencies and territorial authorities during the state of national emergency; and planned for a review of the overall response to identify areas that deserve improvement
- » continued to build the capability of communities to manage through emergencies by running public education campaigns and supporting a coordinated approach, at both national and community level to plan for reduction, readiness, response and recovery to emergencies
- » managed the increased demand for translation of information, Language Line interpreting calls, and community outreach activities as a result of the Canterbury earthquakes to respond to the needs of ethnic communities in Christchurch and those relocating to other regions in New Zealand

- » supported the Trustees to commence allocation of almost \$100 million, generated from across New Zealand and overseas, as part of the Christchurch Earthquake Appeal Trust established to provide support for the recovery of the Christchurch and Canterbury communities, beyond the support already provided from the Government
- » improved the efficiency and effectiveness of the fire sector by providing advice to support the Fire Service Commission's strategy to encourage the amalgamation of rural fire authorities into larger, more effective groupings.

New Zealanders are becoming more prepared to respond to future emergencies and manage hazards and risks than ever before. Through our public education campaigns and the high profile of the recent Canterbury earthquakes, the percentage of the public who recognise the importance of being prepared for emergencies continues to steadily improve. The percentage of people who are prepared at home and work has increased from seven to 18 percent over the past five years.

Figure 1.1: Number of people who are prepared for emergencies



Prevented the social harm caused by regulated activities

We worked to ensure that families and communities know how to protect themselves from the harm caused by gambling, unsolicited electronic messages, objectionable and restricted publications, and criminal activities. The ever-increasing amount of objectionable material available over the Internet means that we need to find new ways to protect New Zealanders by working more collaboratively with international authorities.

We built public awareness to minimise social harm, for example we:

- » worked closely with national and international enforcement agencies, such as the New Zealand Police, to share information and actively minimise the use and availability of unsolicited and objectionable material on the Internet to promote a safer more secure international environment
- » facilitated and coordinated the progressive community-led implementation of the multi-venue exclusion order (now operating in 13 areas nationwide), which enables a person to voluntarily exclude themselves from multiple gaming venues in addition to existing exclusion and harm prevention orders

- » increased the breadth of our regulatory and compliance functions by working toward establishing a new anti-money laundering and countering financing of terrorism unit, ensuring we will be fully functional when the legislation takes effect in early 2013.

Improved public awareness of the likelihood of detection and the harm caused by regulated activities is demonstrated through the increased number of public complaints. We investigated 1,335 complaints and issued 120 formal warning letters and 12 civil infringement notices for the use of unsolicited electronic messages. Detection systems and active support from the public have led to 26 successful prosecutions for possessing and distributing objectionable material over the Internet.

Participants in regulated activities behave responsibly and with integrity

We seek to ensure participants in regulated activities behave responsibly and with integrity in order to ensure New Zealanders live in a safe and secure environment, participate in civic society and add value to economic activity. New Zealand's diverse people and communities/hapū/iwi will be resilient and prosperous; and we will be recognised for creating, sharing and using knowledge for social, cultural and economic well-being.

Provided education to encourage compliance in regulated activities

We contributed to a safe and secure environment by ensuring participants in regulated activities behave responsibly and with integrity. We provided operational policy advice and services to educate and regulate gambling activity to ensure compliance exceeds the minimum requirements of legislation. For example, we staged a series of regional gambling sector forums covering a range of compliance issues and a desired approach for future engagement with the sector, specifically for venues in Christchurch.

We improved overall compliance by making it easier for operators to comply with regulations, for example we:

- » led the replacement of individual operators' outdated and unsupported systems to enable better monitoring and control of casino monitoring systems and improve the transparency and integrity of casino gambling operations
- » held regular forums and actively engaged with individual operators involved in gambling activities to discuss and resolve compliance issues before they occurred; this included communicating the obligations of the anti-money laundering and countering financing of terrorism legislation before it comes into effect

- » maximised returns of gambling activities to the community by responding to and resolving compliance issues effectively and efficiently to ensure non-compliant practices were amended to comply with regulations and ensure funding is returned to communities where it is most needed
- » minimised the overall cost of compliance by improving transparency and addressing inconsistencies in the treatment of venue overheads to ensure costs are attributable only to those that are necessary and reasonable for the conduct of legal gambling activities.

We undertook a range of audits, venue inspections and investigations to recover losses to the community. We have seen operators actively self-correct their practices and a positive shift towards improved voluntary compliance with legislation in the first instance.

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

We seek to promote a culture in which people have the capability and support to participate effectively in local government decisions and community activities. We provide information, resources, advice and funding to promote community development, and support local authorities to respond to the needs of communities. People can actively participate in the development and economic growth within and across communities.

Provided advice and information that made communities stronger

We provided information, resources and skills to encourage participation in communities to build a stronger New Zealand. The increasing diversity of our nation has meant that we looked for new and innovative ways to respond to community needs. An example of this has been the new community-led development initiatives that place communities at the centre of resourcing decisions, allowing government to make investments at a holistic level, rather than funding specific organisations and projects.

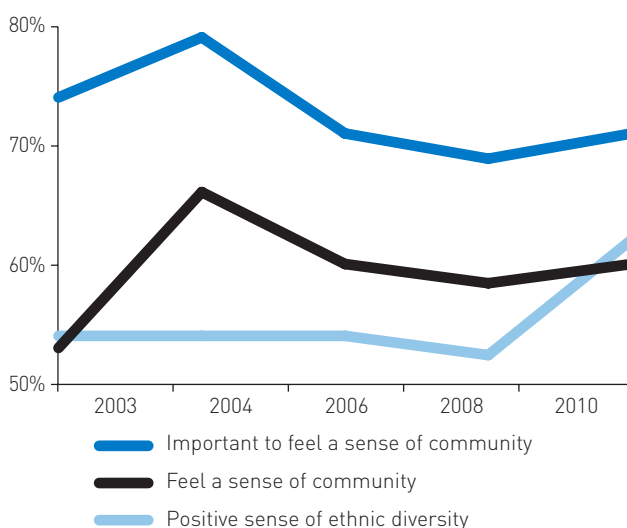
We provided resources to diverse communities to ensure everyone can participate confidently and actively in all aspects of community life, for example we:

- » commenced community-led development initiatives that enable more strategic support, advice and investment in communities, hapū and iwi, to give communities greater control of their development process and enhance their capability to identify and implement solutions at a local level
- » increased access to tools and resources that increase community participation through our administration of grant funding. For example, we provided computer training and a computer to an additional 1,114 families to build digital literacy and capability across generations and better connect communities
- » continued to enhance New Zealand's reputation as a successful model of social harmony by engaging with multi-ethnic and multi-faith communities. For example, we held forums such as the EthnicA conferences and workshops that help build stronger networks and relationships across ethnic communities and deliver practical support and

encouragement to ethnic people to participate fully in New Zealand society

- » provided free public access to broadband Internet services in 136 public libraries and marae through the Aotearoa People's Network Kaharoa resulting in growth in membership and longer-term benefits to the user including increasing literacy and finding sustainable employment
- » supported the celebration of the United Nations International Year of the Volunteer + 10, which was led by Volunteering New Zealand and highlighted advances in the New Zealand volunteering sector since 2001, and developed resources to encourage public service employee volunteering.

Figure 1.2: Sense of community



The number of people who feel a sense of community with others in their local neighbourhood has continued to rise steadily to 60 percent. A recent quality of life survey found that 62 percent of people agree that our ethnic diversity

makes New Zealand a better place to live.¹ Generosity indicators on donations to and volunteering for community organisations also show that over one million people volunteer and that 1.5 million people donate money every quarter.

This has been supported by an evaluation of the benefits realised from the Aotearoa People's Network Kaharoa, where membership had grown by 30 percent leading to a 47 percent growth in computer literacy, 39 percent growth in ability to access local authority services and 44 percent growth in finding sustainable employment.

Enhanced local government support and representation of communities

We provided policy advice and analysis to government on the local government system, structure, and legislative framework, aimed at enhancing local authorities' responsiveness to the needs of communities. The past year has been an historic period of change as Government looks to strengthen the role local authorities play in supporting New Zealand's economic activity.

We implemented policies to improve the effectiveness of local government structures to meet the needs of diverse communities and contribute towards economic growth. To achieve this, we:

- » led and supported a number of initiatives to improve local government's efficiency and effectiveness, the most significant of which led to the establishment of the new Auckland Council on 1 November 2010, replacing the Auckland Regional Council and the seven city and district councils
- » jointly led cross-government engagement with the Auckland Council to begin realising the full benefits from the reorganisation and commence development of the Auckland spatial plan, which is expected to provide an effective and broad long-term strategy for growth and development in the region
- » enhanced the responsiveness of local authorities to their communities by amending the Local Government Act 2002 to provide greater transparency and accountability of local authorities' activities to ensure better quality information on performance to ratepayers and central government
- » continued to support the longer-term recovery from the impact of the Canterbury earthquakes by providing cross-government policy advice, from a local government perspective, to enhance the ability of local authorities to rebuild infrastructure and support communities.

¹ bigcities.govt.nz/survey.htm

We have seen increased participation of communities in local government activities. The 2010 local authority elections saw the highest national voter turnout in 12 years with 49 percent – primarily as a result of the new Auckland Council elections. The establishment of the Auckland Council aims to better meet the collective needs of all communities within the region and is expected to help improve Auckland's economic performance.

Enhanced access to community funding

We facilitated enhanced access to funding and resources to support participation within and across communities. We administered a range of Crown-funded grant schemes, trusts and fellowships, grant funding to communities on behalf of the Lottery Grants Board, and facilitated funding from the Earthquake Appeal Trust established to support the recovery of Christchurch communities.

We improved access to funding and improved the performance of the charitable sector by:

- » working to remove barriers to the Charities Commission operating more effectively by initiating some technical amendments to improve the operation and workability of the Charities Act ahead of the first-principles review and planned relocation of the Commission within the Department
- » making funding information more accessible through the launch of the new communitymatters.govt.nz website and working with our partners to develop an online grants and client management system to simplify processes for both applicants and decision makers
- » working with the Payroll Giving Early Adopter Engagement Group to develop solutions to enable employers to offer payroll giving schemes that maximise the number of donee organisations to which staff can choose to donate, while minimising costs to the employer.

We saw a continued demand for grant funding from communities, with over 10,000 Crown funded and Lottery grants made, during the year. We administered over \$180 million in Lottery grant funding, and provided \$21.7 million in Crown grants to support communities through schemes such as the Community Organisation Grants Scheme, the Community Development Scheme, the Support for Volunteering Fund, and the Community Internship Programme. Payroll giving has now surpassed \$3 million in total donations nationally since it started in January 2010.

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

We seek to ensure people are able to access and use information important to their lives when and where they need it. We provide leadership in the collection and management of information to meet people's needs and to support innovation and knowledge creation. New Zealand will be recognised for creating, sharing and using knowledge for social, cultural and economic well-being.

Improved access to information resources, documentary heritage and the public record

We maintained and provided access to New Zealand's collections and the public record through a range of facilities open to the public, and increasingly through the development of online services. We continued to look for new ways to improve access to information resources and collections to meet an ever-increasing demand for services. For example, we received \$12.6 million in Budget 2010 to establish the Digital Heritage and Archives Programme to develop a secure system to accept, store, preserve and give improved access to important government digital information.

We made information and services even more accessible to the public, for example we:

- » led the development of increased access to the public record through progressing archive preservation and digitisation of national heritage archives with a target of reaching 90 percent of all information available online by 2018
- » maintained uninterrupted access to resources through the Aotearoa People's Network Kaharoa and continuing to provide services to schools, through the Palmerston North centre and the outreach programme, following earthquake damage to the Christchurch National Library building
- » improved library access for young New Zealanders and educators through the opening of the new Auckland service centre in July 2010 and through the new online service delivery platform implemented to increase access to services for schools and school students.

We have seen improved access to information important to people when and where they need it. The increased availability of information is providing benefits to the greater public rather than just the traditional user. The number of public record items digitised on Archway, Archives New Zealand's online index to the archives, has increased by 78 percent over the last two years and now totals over five million. The number of people accessing this information has also increased, with 8.6 percent more searches being conducted online compared with last year.

Over 756,000 digitised images were added to the National Library's online collections during the year, including 116 volumes of the Appendices to the Journals of the House of Representatives dating back to 1861. The number of items digitised increased by 25 percent compared with last year, with almost two million pages of heritage newspapers and over 80,000 pictorial images now available on the popular Papers Past and Timeframes websites.

Improved access to personal identity information

We ensured people have secure and appropriate access to reliable identity records to facilitate the effective use of government services and entitlements. As the population grows and changes so does the demand for passport, birth, death, marriage and civil union certificates, and citizenship services. Improvements to the passport systems during the year allowed us to manage growth while at the same time issuing certificates faster than ever before.

We provided more efficient, customer-focused services to enhance access to identity information. In particular, we:

- » set the basis for more efficient services to the public by improving the productivity of the passport system to manage increased demand within existing resources and improve the efficiency of the overall management of identity information

- » provided quicker, more effective access to identity information and services by enhancing the passport system to improve processing of applications to provide simpler and faster application processes and better overall services to customers
- » continued to develop options to enable a single point of access for similar government services by working towards developing further integrated service delivery mechanisms, in addition to igovt services, which already provide a secure common customer logon and identity verification service.

Following the legislated move to five-year passport validity in 2005, volumes have continued to grow and are expected to almost double over a seven-year period, from 450,000 in 2010 to almost 800,000 in 2017. Productivity gains have allowed us to manage this increasing demand and provide services more effectively, halving the time required to produce a certificate from six to only three days. We are continuing to work towards reducing the costs of these services in the future and returning these efficiency gains back to the public.

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

As the guardians of New Zealand's documentary heritage and public record, we ensure our collective memory is recorded, preserved and available for current and future generations. We collect and maintain the collective memory of a nation and connect it to present and future generations. We seek to ensure New Zealand will be internationally recognised as a nation that creates, shares and uses knowledge collectively to contribute toward social, cultural and economic well-being.

Built heritage collections and public record

We worked with libraries, museums, communities and other public sector agencies to build heritage collections and public records of national importance to create a strong and valued national identity accessible by all. As an example of this, we developed strong partnerships with Māori to make important historical documents available to iwi in ways that work for them. We continued to grow this source of information to meet increasing national and international demand.

We worked to increase our collections and capacity to store more information. To achieve this, we:

- » worked to increase physical storage capacity through the redevelopment of the National Library's Wellington building, which will meet capacity requirements through to 2030 and enable us to more effectively house a greater number of collections in a purpose-built controlled environment
- » worked with our partners to increase the amount of information available to customers. For example, the partnership with the familysearch.com website has enabled immigration records and probate files to begin to be digitised and made available online at low cost to the taxpayer

- » increased community participation in building New Zealand's heritage collections by providing free digital online tools and services that give the public the ability to easily deposit content into community and national digital archives
- » increased online capacity by focusing on digitisation of collections rather than traditional paper based mechanisms to improve our ability to store, preserve and make accessible digital collections and enhance government agencies' ability to manage information effectively.

The number of items of documentary heritage and public record available to the public continued to grow. Our ability to store and preserve more items improved through building government's digital archives and enhancing and building the physical storage capacity of existing and new facilities. The quantity of archives held rose by 14 percent to 97,922 metres over the past four years. The Alexander Turnbull Library added 94,257 items to heritage collections during the year, up 40 percent on the previous year, while 33,979 items were ingested into the National Digital Heritage Archive, more than double the previous year.

Protected and preserved collections for future generations

We preserved and protected heritage collections and public records for the benefit of current and future generations. We looked for innovative ways to preserve the integrity of new and historic pieces to protect and maintain a growing number of collections against damage. For example, in April 2011 we joined Te Papa in signing a Letter of Commitment on the care and management of taonga relating to Taranaki Whānui ki Te Upoko o Te Ika (a group of four Wellington iwi) as part of the Crown's Treaty of Waitangi settlement with Taranaki Whānui.

We increased the number of items in digital form and established specialist preservation facilities to enhance the resilience of collections we manage. To do this, we:

- » increased preservation of heritage collections services by redesigning services that meet modern day needs of researchers and working towards the target of 2,000 items digitised by 2012 through the preservation copying and the retrospective audio preservation programme
- » enhanced the resilience and preservation of digital and physical collections through digitisation and the redevelopment of the National Library's Wellington building, which will provide specialist facilities within a suitable environment for effective preservation

- » continued to work with Māori and Pacific communities to ensure New Zealand, Māori and Pacific cultural heritage and taonga are preserved correctly and accessible to current and future generations of New Zealanders.

We have seen more items of historic national importance preserved as a result of capability projects undertaken during the redevelopment of the Wellington National Library building. The Turnbull Library preservation copying and retrospective audio preservation programme has digitised 1,262 items and is well placed to meet the target of 2,000 by 2012. The ability of the National Digital Heritage Archive to collect and preserve records from the Internet has enabled us to build a comprehensive digital record of the events, public response and social interaction following the Canterbury earthquakes.

New Zealand's personal identity information has integrity

We seek to ensure trust and confidence in the integrity of New Zealand's civic information and official record. We collect and maintain secure, reliable and accurate personal information, which is essential to ensuring people, organisations and other nations trust our national identity. New Zealand's reputation for providing leadership nationally and internationally on all aspects of managing government information will be maintained.

Ensured the integrity and reliability of identity information

We protected the integrity and reliability of New Zealand's personal identity information. As the threat of international fraudulent behaviour increases, so has the need to ensure the integrity of identity information is protected from damage or access by unauthorised people to prevent alterations or fraudulent use. We released the Good Practice Guide for Identity Fraud Control to help organisations minimise the risks of identity fraud – estimated to cost the New Zealand economy almost \$200 million annually.

We improved the overall credibility and quality of New Zealand's identity information, for example we:

- » enhanced the integrity of identity information through improvements in the way information is collected and managed to enhance the security of the New Zealand passport and the integrity of the processes used to issue passports and other travel documents
- » minimised the impact of identity fraud on New Zealand's international reputation by developing national standards, tools and guidance for identity information management for use by agencies to ensure integrity of data collected and best practice management of personal identity information.

New Zealand's national and international reputation of collecting and maintaining secure and reliable personal

records continues to be strong. This is important as accurate information establishing an identity in New Zealand supports the integrity of subsequent documentation. The accuracy of citizenship certificates provided to the public was consistently above 99 percent. We maintained an extremely low rate of incident reports related to issuance of passports on fraudulent grounds and fraudulent use of passports (less than 0.01 percent).

Provided leadership in identity information management

We led by example by providing services and advice across private and public sectors to ensure identity information is managed and used consistently and securely. The digital age in which we live drives an ever-growing need to build trust and confidence with the people who use this identity information. During the year we used our expertise in information and communication technology as a tool to improve the way identity information is managed across New Zealand.

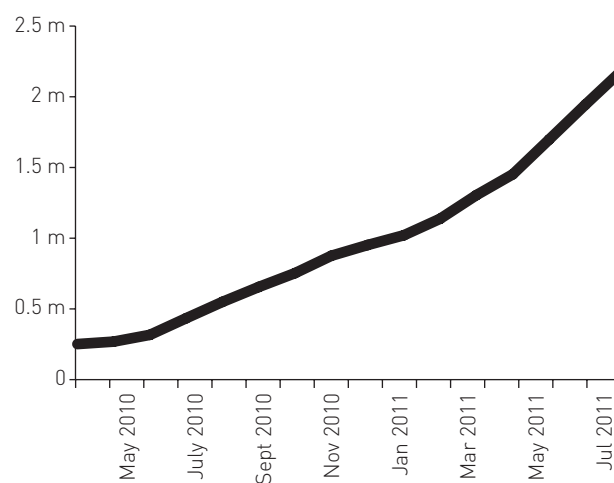
We provided products that give a high degree of confidence in the management of information, in particular we:

- » expanded services provided to other organisations through igovt services, which provide a secure logon for people to use when accessing services from government agencies and an identity verification service which provides a mechanism for individuals to securely prove their identity online

- » progressed the early stages of the Identity Information Bill, which seeks to facilitate the use of an electronic service to support data validation and allow agencies to confirm identity information provided to them by individuals with the authoritative information held by the Department
- » partnered with New Zealand Post Ltd to expand the services offered by igovt and maximise efficiencies in service delivery. This will help drive private sector uptake of the services provided, when supporting legislation is enacted.

We are seeing continuous improvement in the level of confidence of information managed by private and public sector agencies across New Zealand. The number of agencies receiving advice and using our products to improve the quality of identity information they manage continued to grow. For example, the igovt logon service has supported almost two million online transactions to date. Further uptake of various services is expected to occur after legislative changes are enacted next year.

Figure 1.3: igovt logon service growth (transactions)



PERFORMANCE FRAMEWORK: OBJECTIVES

The Department makes an increasingly important contribution to the effectiveness of the wider public sector by supporting government and other public sector organisations to provide better, smarter services to New Zealanders. We continued to lead by example and provide leadership in our areas of expertise to indirectly contribute towards all government outcomes.

Our objectives were to enhance trust in the New Zealand government and confidence in the performance of public sector organisations. We have sought to:

- » enhance the productivity and accountability of public sector organisations
- » support specialist capability-building in other nations
- » support the system of government to operate efficiently and effectively.

We contributed to these objectives by delivering services that seek to:

- » increase capability across public sector organisations to work with and respond to the needs of diverse communities
- » improve the value of investment by public sector organisations in information and communications technology

- » optimise the services and systems that support effective Executive Government
- » enhance the value of information available to support government decision-making
- » increase capability across public sector organisations to carry out their regulatory responsibilities
- » increase the capability of public sector organisations to keep secure and maintain the integrity of public records and personal information they hold.

The following section describes how our work contributed towards these objectives during the 2010/11 financial year in order to contribute towards achieving our overall outcomes.

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.

To enhance the productivity and accountability of public sector organisations

In tight and uncertain economic times, public trust in transparent and accountable government is fundamental to a prosperous, well-functioning society. We use our combined resources and expertise in areas of strength to improve public sector accountability and productivity, and enhance the trust and confidence New Zealanders have in the performance of public sector organisations.

Increased capability across public sector organisations to work with and respond to communities

Public sector organisations can be more effective when they better understand the needs of the people they serve. We provided cross-sectoral advice and guidance to promote good practice in successful engagement between the community and public sector. An example of this is a new award for 'Excellence in Recognising Ethnic Diversity' to recognise responsiveness to the needs of all people of all backgrounds and ethnicities throughout the public sector. The first award was won by the New Zealand Police.

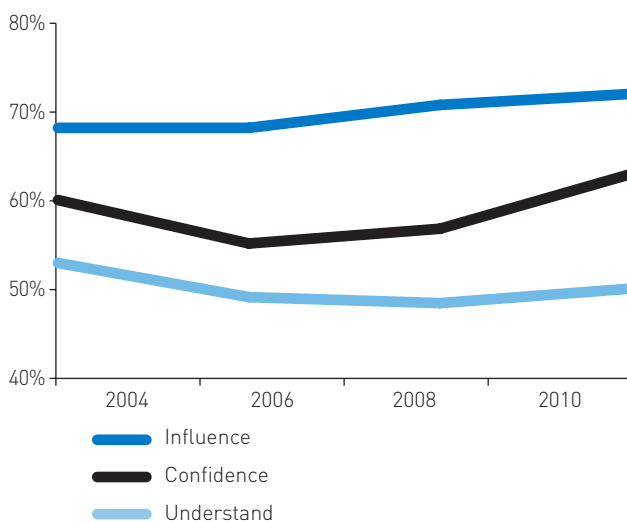
We led by example in building collaborative relationships and partnerships with communities, and:

- » supported the Kia Tūtahi Standing Together Steering Group to develop a set of guiding principles for community-government relationships that forms a Relationship Accord to foster more open, trusting and collaborative relationships between government and the communities of Aotearoa New Zealand
- » supported the development of the Code of Funding Practice as a joint community-government exercise launched in September 2010 to enhance funding relationships between community and public sector organisations and improve outcomes for communities
- » developed the collaborative Kotui shared library system, the Aotearoa People's Network Kaharoa and Digital New Zealand resources to enable individual libraries and other public sector organisations to improve access to and discovery of information.

We have seen improved responsiveness from local and central government agencies to the growing diverse needs

of communities. This was recognised through recent quality of life surveys which show the percentage of people who perceive the public has an influence on local councils rising to 62 percent. The percentage of people who are confident that their council makes decisions in the best interests of their city or district has risen to 53 percent compared with previous surveys undertaken since 2004.²

Figure 1.4: Local government engagement with communities



Increased capability across public sector organisations to carry out regulatory responsibilities

We partnered with other compliance agencies to leverage our experience and strengths in regulatory and compliance operations to build capability across public and local government sector organisations in carrying out

² bigcities.govt.nz/survey.htm

regulatory functions. We work closely with other agencies to ensure that systems and infrastructure are in place to undertake regulatory and compliance operations across sectors, including monitoring performance and developing guidance and resources for implementing improvements to regulatory operations.

We improved the consistency and functionality of public sector regulatory responsibilities. To achieve this, we:

- » developed nationally recognised tertiary qualifications for people involved in public sector operational compliance work and developed a guide to compliance to help agencies recognise and adopt good practice in compliance activity through the Compliance Common Capability Programme
- » provided civil defence and emergency management services to support local authorities and other stakeholders to build capability in managing hazards and risks in the community so they can more effectively prepare for and respond to future emergencies.

Increased capability of public sector organisations to keep secure and maintain the integrity of public records and personal information

We increased the capability of public sector organisations to protect government information and public records. Increasing demand for information means there is a growing need to continue to build the strength and integrity of New Zealand's civic information. We led the transformation to digital recordkeeping to ensure public sector recordkeeping keeps pace with the digital age. Access to recordkeeping guidance has been made easier

with our new 'one stop shop' for continuum recordkeeping resources now available online.

We enhanced trust and confidence in New Zealand's public records and personal information, for example we:

- » provided tools and guidance that raised awareness and understanding of digital continuity across the public sector to progress New Zealand's transformation to digital recordkeeping and ensure public sector recordkeeping keeps pace with the digital age
- » increased delivery of igovt services, a secure logon for people to use with government agencies and a data validation service, as a mechanism for other agencies and individuals to guarantee their personal record and improve the overall management of New Zealand's identity information
- » established tools and guidance to support the integrity of information managed by the Department and other public sector agencies by ensuring data is collected and managed consistently and the overall likelihood of identity fraud is minimised.

International and national trust and confidence in the way New Zealand manages public records and personal information is strong. Public sector organisations demonstrated increased awareness of the importance of maintaining the integrity of public records and personal information. Along with the significant uptake in the use of igovt services, the percentage of public offices and local authorities reporting a formal recordkeeping programme increased by seven percent and six percent respectively in the last year.

To support the system of government to operate efficiently and effectively

We seek to support the system of government to operate efficiently and effectively. We ensure that necessary services and systems are in place to facilitate the efficient operation of central and local government to deliver better, more effective services to the public. The trust and confidence New Zealanders have in government and in the performance of public sector organisations will continue to grow.

Optimised services and systems that support Executive Government

We ensured that the necessary systems and services were in place to support the efficient operation of Executive Government. We led by example in providing supporting services to the government of the day, which is demonstrated by the degree of trust and confidence Ministers have in the Department's ability to provide these services.

Recent events have meant that our responsibilities have taken on extra significance, in particular we:

- » provided administrative secretariat support to significant ongoing public inquiries, including the Royal Commissions of Inquiry into Building Failure Caused by the Canterbury Earthquakes and into the Pike River Coal Mine Tragedy
- » supported a number of high-profile ceremonial events, including the remembrance service for the miners killed in the Pike River Mine, the memorial service for those killed in the February Canterbury earthquakes, and planning for the 2011 Rugby World Cup
- » provided the Government with the ability to coordinate and manage a national disaster by drawing on national resources available and the assistance provided by our international partners.

Improved the value of government information and communications technology

We used our expertise in technology to improve the way public services are delivered. The increasing availability and affordability of fast and secure technologies mean that the public service can better meet the needs of customers in new, improved and more accessible ways. In the last

year we signed laptop, desktop computer and print contracts expected to save government up to \$75 million over five years.

We improved the value of government investment in information and communications technology and continued to enhance the way public sector agencies use technology, and:

- » expanded the uptake across government agencies of a more cost-effective all-of-government contract for the open network environment one.govt, which is now serving 27 agencies and is forecast to grow to 35 by 2013 saving a potential \$3 million
- » provided leadership to improve the value of information and communications technology investment across government by developing a framework to ensure better value from investment, improve service delivery and support an open and transparent government
- » enhanced the New Zealand government's online presence by encouraging public agencies to share capability and common approaches to the design and delivery of online services that better meet increasing customer expectations.

All-of-government contracts enacted during the year are expected to reduce the cost of information capability technology across the public service. For example, all-of-government computer contracts signed during the year are expected to save the government more than \$35 million over the next five years and print contracts are estimated at a \$20 to \$40 million savings. They will also allow for the provision of higher-quality government services to the public. Recent research found that 78 percent of people are satisfied with government online information services, and 81 percent are satisfied with online transaction services.

Led cross-government policy analysis and advice

We ensured government policy and decision-making was informed by high-quality data, analysis and advice. The recent push to achieve sustained improvement in the quality and management of policy advice across government has meant a focus on building better leadership through centres of expertise rather than specialist subjects. The integration in February 2011 increased the breadth of our expertise in providing high-quality cross-sectoral data, analysis and policy advice.

We supported cross-agency collaboration and enhanced the value of policy advice in our areas of responsibility, for example we:

- » addressed the adverse effects of freedom camping on the environment by ensuring consistency of application of camping regulations across local councils to restrict camping to locations that are designated campgrounds with appropriate facilities
- » led a future-focused review of the system of local government and the challenges it faces to build smarter government and stronger communities. This included reviewing the effectiveness of the relationship between local and central government and the efficiency of local government participation in regulatory systems
- » provided leadership to support a wide range of other agencies and portfolios, including a significant role in policy development across government where there is a potential impact on the system of local government.

To support specialist capability-building in other nations

We support specialist capability-building in other nations by sharing our knowledge to increase their capability in our areas of expertise. Strengthening international relationships by supporting capability-building in other nations enhanced trust in New Zealand's government, confidence in our public sector organisations and our reputation in the global community.

Supported capability-building in other nations

We increased the capability of other nations to maintain the integrity of the public records and personal information they hold. We worked with them to improve their responsiveness to their communities' needs, and carry out regulatory responsibilities. We continued to work with the Five Nations Passport Group³ and with the International Civil Aviation Organisation to share best practice and collaborate on new developments as well as using our knowledge and expertise to support the growth in specialist capability of other nations.

We have been recognised for the contribution we have made to other nations, and we:

- » contributed to the upgrade of Vanuatu's passport processes and systems by using our expertise and knowledge to improve the management and integrity of personal information, including assisting with the opening of the new Vanuatu passports office in June 2011
- » worked with various Pacific nations to improve recordkeeping practices by sharing our expertise and knowledge in digital recordkeeping to ensure the region's recordkeeping keeps pace with the digital age
- » worked closely with the Five Nations Passport Group and with the International Civil Aviation Organisation to share best practice and collaborate on new developments such as enhancements to passport security, and, increasingly, to ensure the investment in the e-Passport⁴ continues to provide benefits to New Zealanders and the New Zealand Government

- » collaborated internationally with the Five Nations Citizenship Group, the Council of Australasian Registrars for Births, Deaths and Marriages and the Australasian Biometrics Institute to keep abreast of developments in each field and newer technologies, such as biometrics, which provide new possibilities and some challenges for the recording and verification of identity.

³ The Five Nations Passport Group comprises the United Kingdom, United States of America, Canada, Australia and New Zealand.

⁴ The e-Passport contains an embedded microchip, which carries a digitised photograph and other biodata (information about the holder) already held in the passport.

ORGANISATIONAL HEALTH AND CAPABILITY

The integration of the National Library, Archives New Zealand, the Office for the Community and Voluntary Sector and the Office of the Government Chief Information Officer with the Department of Internal Affairs occurred on 1 February 2011. This was part of wider machinery of government changes to improve the performance and service delivery of public sector agencies. We continued to build our capability to become the preferred home for selected government functions that require high-quality service delivery to people, communities and government.

New organisational structure

The Department's new structure came into effect on 1 February 2011. It is designed around integration at a horizontal level, creating critical mass in areas of expertise rather than specialist subjects. The focus is on a single, interdependent organisation, whose performance and operations are directly connected with the overall organisation's strategic priorities.

Organisational design principles were based on developing a horizontally and functionally based structure that enables us to enhance our expertise and leadership in areas of responsibility, while also enabling us to leverage common capabilities and shared practices internally. The design has future-proofed the Department and ensured we are flexible enough to accommodate any future machinery of government changes.

The integration provided an opportunity to strengthen strategic oversight across the organisation. We established four new governance committees, which allows for a clear separation between governance and management, and a significant shift in the way decisions are made within the Department. This enables the executive leadership team to focus on governance and leadership of the Department, rather than line management.

People capability

Our priority over the year was to support staff during the integration and associated structural change; and to support Christchurch staff following the September and February earthquakes. We focused on building staff awareness and resilience to changes to support them through the transition to the new Department. This was a critical first step in supporting the development of a

collective culture to enable us to realise the potential synergies from the new combinations of functions.

We maintain the skills, functions and statutory roles of all integrated agencies, while ensuring we are better able to deliver services in more innovative and cost-effective ways. It has allowed us to bring together complementary skills, resources and strengths to provide better services, creating a stronger and more influential organisation than we were individually.

We began to identify and develop specific connections between areas of expertise that will build common capabilities and enhance our overall services to people and government. The diversity and range of functions delivered by the new Department enhance the development opportunities for managers and staff, through broader career and professional development opportunities.

This strengthens the future capability of both the Department and potentially the wider public sector.

Canterbury earthquakes

As with many government agencies, the Canterbury earthquakes placed considerable pressure on our resources. Our staff showed immense dedication and professionalism during the national emergency period of 10 weeks, working tirelessly to restore lifelines and ensure people in Christchurch were safe and secure. It was the worst natural disaster in New Zealand's history and our staff were supported by an exceptional community spirit from New Zealanders not only in Canterbury, but around the country and the world.

The earthquakes also had a significant impact on our facilities and ability to deliver services. We lost the use of all facilities within the central business district but staff showed strong resilience and continued to deliver services

to the public through multiple alternative avenues and locations. We established an ad hoc internal governance committee to support our own recovery and plan for longer-term options for relocating operations being considered as part of the wider whole-of-government strategy.

Key priorities were to provide immediate accommodation for our staff and to identify opportunities for partnerships with other public sector agencies to deliver common services to the people of Christchurch.

Information technology

We are now the chief advisor on government investment in information and communications technology. The integration has allowed us to build further strength and capability in providing leadership in the use of technology as a tool to transform the way the public sector delivers services. Central to this role is our own ability to use this expertise to ensure we have the internal technical and service delivery capability to give the maximum benefits to our public sector clients.

We are able to improve the delivery of services to people and reduce the cost to government through the development, delivery and promotion of common information and communications technology capability. This is supported by the ability to maintain and improve the reputation of the government's online presence, facilitating better access to government information and services.

Capital and asset management

We seek to maintain a capital base that will meet the Government's objectives of economic growth and improved public sector performance. In light of the economic downturn and fiscal constraint on capital injections from the Crown, a key challenge has been ensuring the sustainability of our funding flows from depreciation as a means of fully funding future capital investment, or self-funding capital investments through balance sheet management.

A significant portion of our capital programme of expenditure was spent on enhancing our core infrastructure, which will continue over the next few years. This includes the redevelopment of the passports system, the refurbishment of the National Library building in Wellington, the development of the government digital archives system, and inter-agency access to identity verification and management systems.

PART B:
**STATEMENT OF 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 statement of service performance, and for 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 statements and statement of service performance fairly reflect the financial position and operations of the Department of Internal Affairs for the year ended 30 June 2011.



Brendan Boyle
Chief Executive
30 September 2011



Shirley Smith
Chief Financial Officer
30 September 2011

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of the Department of Internal Affairs's financial statements, statement of service performance and schedules of non-departmental activities for the year ended 30 June 2011

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 statement of service performance and the schedules of non-departmental activities of the Department on her behalf.

We have audited:

- » the financial statements of the Department on pages 83 to 118, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2011, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- » the statement of service performance of the Department on pages 39 to 80; and
- » the schedules of non-departmental activities of the Department on pages 121 to 143 that comprise the schedule of assets, schedule of liabilities and revaluation reserves, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2011, the schedule of revenue, the schedule of expenditure, schedule of expenditure and capital expenditure against appropriations, schedule of unappropriated expenditure and capital expenditure, and statement 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 83 to 118:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Department's:
 - financial position as at 30 June 2011;
 - 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 2011; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2011.
- » the statement of service performance of the Department on pages 39 to 80:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs for the year ended 30 June 2011 the Department's:
 - service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
 - 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 121 to 143, fairly reflect:
 - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2011 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.

Emphasis of matter – accounting for costs arising from the Canterbury earthquakes

Without modifying our opinion, we draw your attention to note 8 on pages 141 and 142 of the non-departmental schedules about emergency expenditure. Note 8 explains that the Department, on behalf of the Government, is responsible for some costs in response to the Canterbury earthquakes (response costs), and some costs for restoration of local authority infrastructure damaged by the earthquakes (recovery costs).

An accrual of \$108.457 million has been recognised for response costs and a small amount of recovery costs based on claims received. However, it is not possible to reliably estimate the remaining recovery costs for infrastructure that has been damaged. Therefore, a provision has not been recognised for the remaining recovery costs. Instead, there is disclosure of a contingent liability for these unquantifiable recovery costs that gives an estimated range, albeit there is a high level of uncertainty associated with that range. We consider the disclosures to be adequate.

Our audit was completed on 30 September 2011. 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 statement of service performance 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 statement of service performance 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 statement of service

performance 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 statement of service performance 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 statement of service performance 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 adequacy of all disclosures in the financial statements, the statement of service performance and the schedules of non-departmental activities; and
- » the overall presentation of the financial statements, the statement of service performance and the schedules of non-departmental activities.

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

- » schedules of non-departmental activities, in accordance with the Treasury Instructions 2010 that 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, a statement of service performance 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 statement of service performance 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

This audit report relates to the financial statements of the Department of Internal Affairs for the year ended 30 June 2011 included on the Department of Internal Affairs' web site. The Department of Internal Affairs' Chief Executive is responsible for the maintenance and integrity of the Department of Internal Affairs' web site. We have not been engaged to report on the integrity of the Department of Internal Affairs' web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 30 September 2011 to confirm the information included in the audited financial statements presented on this web site.

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

Vote Community and Voluntary Sector

MULTI-CLASS OUTPUT APPROPRIATION: **Community and Voluntary Sector Services**

All three Output Appropriations under this Multi-class Appropriation contribute to the effective delivery of policy and advisory services for the community and voluntary sector to assist in the building of strong, sustainable communities:

- » Administration of Grants
- » Community Advisory Services
- » Policy Advice – Community.

OUTPUT APPROPRIATION: **Administration of Grants**

This appropriation is limited to processing, assessment and monitoring of grant applications, provision of administration, training and support services to boards on grant distribution committees, advising Ministers on appointments to boards, committees and trusts.

Revenue and Output Expenses (\$000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
4,496	Revenue Crown	4,365	4,484	4,484
10,231	Revenue Third Parties	9,760	9,483	9,170
14,727	Total Revenue	14,125	13,967	13,654
14,508	Expenses	14,123	13,967	13,355
219	Net Surplus/(Deficit)	2	–	299

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$156,000 was due to a decrease in demand for services from the Lottery Grants Board (\$277,000) and a net decrease in attributable one-off shared services costs (\$14,000), partially offset by a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$135,000).

Administration of Applications and Grants

Activity Information ⁵	Standard	2009/10	2010/11
Lottery Grants			
Number of applications received	3,800–4,700	5,714	5,254
Number of grants disbursed	2,500–4,000	4,577	4,665

Community Organisation Grants Scheme (COGS)			
Number of applications received	4,500–6,300	5,112	5,137
Number of grants disbursed	4,200–5,400	4,143	4,218

Crown Funding Schemes, Trusts and Fellowships			
Number of applications received	300–400	435	475
Number of grants disbursed	150–250	260	205

Performance Information ⁶	Standard	2009/10	2010/11
Lottery Grants			
Percentage of respondents to a survey of Lottery grant applicants who rate their satisfaction with the overall quality of service delivery at 3 or above on a scale of 1 to 5 is no less than:	90%	98%	93.1%
Percentage of complete and eligible applications received before the advertised closing date that are presented to the next decision-making meeting is no less than:	98%	100%	100%
Percentage of payments made to grant recipients within 20 working days of the Department's receipt of committee approval is no less than:	95%	97.4%	99.2%

Community Organisation Grants Scheme (COGS)			
Percentage of respondents to a survey of Community Organisation Grants Scheme applicants who rate their satisfaction with the overall quality of services delivery at 3 or above on a scale of 1 to 5 is no less than:	90%	98%	95.4%
Percentage of complete and eligible applications received before the advertised closing date that are presented to the next decision-making meeting is no less than:	98%	100%	100%
Percentage of payments made to grant recipients within 20 working days of the Department's receipt of committee approval and correctly completed client documentation is no less than:	95%	99.9%	99.8%

Crown Funding Schemes, Trusts and Fellowships			
Percentage of respondents to a survey of Crown Funding Schemes, Trust and Fellowship grant applicants who rate their satisfaction with the overall quality of service delivery at 3 or above on a scale of 1 to 5 is no less than:	90%	95.5%	85.6%
Percentage of complete and eligible applications received before the advertised closing date that are presented to the next decision-making meeting is no less than:	98%	100%	100%
Percentage of payments made to grant recipients within 20 working days of the Department's receipt of signed grant agreement is no less than:	95%	95%	95%
Percentage of completed Crown-funded projects that meet funding agreement objectives is no less than:	90%	90%	93%

The establishment of the New Zealand 2011 Festival Lottery Community Committee has seen a greater than estimated number of applications received and an increase in the number of grants disbursed. Due to the low number of respondents to the Crown Funding Schemes, Trusts and Fellowship satisfaction survey applicants, the results may have a high margin of error and may not therefore be a true representation of the satisfaction levels of all grant applicants.

5 Activity information relates to output volume measures that are demand driven and therefore outside the Department's control.

6 Performance information relates to output performance dimensions such as quality and timeliness that are within the Department's control.

Administration and Advisory Services to Committees

Performance Information	Standard	2009/10	2010/11
Lottery Grants Percentage of respondents to a survey of Lottery committee members who rate their satisfaction with the overall quality of service delivery to the committee at 4 or above on a scale of 1 to 5 is no less than:	90%	Revised measure	96%
Community Organisation Grants Scheme (COGS) Percentage of respondents to a survey of Community Organisation Grants Scheme committee members who rate their satisfaction with the quality of service delivery to the committee at 4 or above on a scale of 1 to 5 is no less than:	90%	Revised measure	93%
Crown Funding Schemes, Trusts and Fellowships Percentage of respondents to a survey of Crown Funding Schemes, Trust and Fellowship committee members who rate their satisfaction with the overall quality of service delivery provided to the committee at 4 or above on a scale of 1 to 5 is no less than:	90%	Revised measure	82%

The rating of satisfaction required for administration and advisory services provided to committees has been increased from '3 or above' to a '4 or above' on a scale of 1 to 5 in order to better reflect the intended and desired level of performance. The threshold standard was not amended. High standards can stimulate improved performance over time.

VOTE COMMUNITY & VOLUNTARY SECTOR

OUTPUT APPROPRIATION: **Community Advisory Services**

This appropriation is limited to a community development service providing information, resources and facilitation services to enable communities/whānau/hapū/iwi Māori organisations and community groups to develop innovative responses to meet their needs.

Revenue and Output Expenses (\$'000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
5,244	Revenue Crown	5,201	5,930	5,930
88	Revenue Third Parties	101	101	90
5,332	Total Revenue	5,302	6,031	6,020
5,308	Expenses	5,303	6,031	5,398
24	Net Surplus/(Deficit)	(1)	-	622

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$728,000 was due to an increase in funding for the transfer of the Office for the Community and Voluntary Sector from the Ministry of Social Development (\$587,000), a net increase in attributable one-off shared services costs (\$92,000) and a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$49,000).

Actual expenditure was 10 percent lower than the Supplementary Estimates, primarily reflecting the impact of vacancies, compounded by delays in recruitment, together with lower travel costs than anticipated.

Development Assistance to Community Groups

Performance Information	Standard	2009/10	2010/11
Percentage of respondents to a customer survey who rate their satisfaction with the overall quality of service delivery at 4 or above on a scale of 1 to 5 is no less than:	80%	Revised measure	91%
Percentage of respondents to a customer survey whose level of agreement that staff were competent is 4 or above on a scale of 1 to 5 is no less than:	80%	Revised measure	95%
Percentage of respondents to a customer survey whose level of agreement that the Community Advisory Service is an example of good value for tax dollars spent is 4 or above on a scale of 1 to 5 is no less than:	80%	Revised measure	92%
Number of community development projects (to provide information, services and advice to communities) completed:	At least 20	New measure	73 projects completed
Percentage increase in the annual number of resources viewed on the CommunityNet Aotearoa website:	10%	New measure	-4%

The level of satisfaction required for development assistance to community groups has been increased to better reflect the intended and desired level of performance. The target number of community development projects completed was a conservative new measure and will be revised in out-years to better reflect actual performance.

The increase in the percentage of the annual number of resources viewed on the CommunityNet Aotearoa website was a new measure. The target was intended to reflect the desired level of performance. The Department is implementing a strategic plan to make the website more relevant, up-to-date and accessible.

OUTPUT APPROPRIATION: Policy Advice – Community

This appropriation is limited to the provision of policy advice with a community/whānau/hapū/iwi development perspective, and on matters related to the performance of and appointments to the Charities Commission and drafting ministerial correspondence and questions.

Revenue and Output Expenses (\$'000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
1,692	Revenue Crown	1,386	1,870	1,869
31	Revenue Third Parties	21	21	20
1,723	Total Revenue	1,407	1,891	1,889
1,610	Expenses	1,408	1,891	1,679
113	Net Surplus/(Deficit)	(1)	-	210

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$483,000 was due to an increase in funding for the transfer of the Office for the Community and Voluntary Sector from the Ministry of Social Development (\$391,000), a net increase in attributable one-off shared services costs (\$63,000) and a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$29,000).

Actual expenditure was 11 percent lower than the Supplementary Estimates, primarily reflecting lower personnel costs due to vacancies held during the Department's restructure following the integration of additional functions within the Department, together with efficiency gains resulting from the restructure of policy resources within the Department.

Policy Advice – Community

Performance Information	Standard	2009/10	2010/11
Percentage of policy advice that is delivered in accordance with agreed policy quality criteria	100%	100%	100%
The Minister's rating of his/her level of satisfaction with the quality of policy advice	Satisfied or better	Revised measure	Good

Ministerial Correspondence and Questions

Activity Information	Standard	2009/10	2010/11
Number of replies to ministerial correspondence, Official Information Act 1982 requests, Ombudsman's inquiries and answers to parliamentary questions	50–60	61	65

Performance Information	Standard	2009/10	2010/11
Percentage of first versions of replies to ministerial correspondence, Official Information Act 1982 requests, Ombudsman's inquiries and parliamentary questions accepted by the Minister is no less than:	95%	100%	100%
Percentage of draft responses to ministerial correspondence returned to the Minister's office for signature within 15 working days of receipt from the Minister's office or such other deadlines as may be specifically agreed is no less than:	95%	100%	100%
Percentage of draft responses to Official Information Act 1982 requests and Ombudsman's inquiries returned to the Minister's office for signature five days prior to the statutory deadline for reply is no less than:	100%	100%	100%
Percentage of draft replies to parliamentary questions completed within the timeframes specified by the Minister is no less than:	100%	100%	100%

Vote Emergency Management

MULTI-CLASS OUTPUT APPROPRIATION: **Emergency Management Services**

All three Output Appropriations under this Multi-class Appropriation are concerned with ensuring the effective delivery and responsiveness of New Zealand's civil defence and emergency management services:

- » Management of National Emergency Readiness, Response and Recovery
- » Support Services, Information and Education
- » Policy Advice – Emergency Management.

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

This appropriation is limited to the management of national emergency readiness, response and recovery, including: support to local civil defence emergency management organisations; maintaining the national crisis management centre in a state of readiness; national training and education, coordination and management of central government's response and recovery activities and administration of related expenses.

Revenue and Output Expenses (\$000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
4,348	Revenue Crown	4,210	5,430	6,040
47	Revenue Third Parties	43	43	52
4,395	Total Revenue	4,253	5,473	6,092
3,875	Expenses	4,243	5,473	5,715
520	Net Surplus/(Deficit)	10	-	377

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$1.230 million was due to a net increase in attributable one-off shared services costs (\$424,000), an increase in funding for the provision of information and communications technology services including the 24/7 support for response and recovery activities as a result of the 22 February Canterbury earthquake (\$400,000), an expense transfer from 2009/10 to 2010/11 for the Ministry of Civil Defence and Emergency Management Information Management Programme (\$376,000) and a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$30,000).

Management of National Emergency Readiness, Response and Recovery

Performance Information	Standard	2009/10	2010/11
Percentage of stakeholders that rate their satisfaction with the quality of information provided for monitoring events and incidents at 3 or above on a scale of 1 to 5, as measured by the annual stakeholder survey, is no less than:	85%	90%	92.8%
Percentage of national warnings issued within 30 minutes after the identification of a pending event is:	100%	40%	100%
Percentage of stakeholders that successfully receive national warning messages by email during events or tests is no less than:	95%	99%	98%
Number of National Warning System tests conducted is no fewer than:	4	4	5
Percentage of National Crisis Management Centre activations of mode 2 or higher during an emergency event that are reviewed to determine any lessons identified is no less than:	100%	75%	100%
Percentage of lessons identified from reviews and debriefs of National Crisis Management Centre activations for emergency events are noted and followed up within six months is no less than:	100%	93%	80%
Percentage of activations where the National Crisis Management Centre is appropriately staffed according to the mode of activation within 2 hours from a decision to activate is:	100%	100%	100%
Coordinate and manage the staffing of the National Crisis Management Centre during extended activations in accordance with the requirements of the Response Concept of Operations	Achieved	n/a	Achieved
Number of National Crisis Management Centre staff development sessions held is no fewer than:	10	12	10
Percentage of back-up equipment that is fully functional at all times during activations is no less than:	99.8%	New measure	100%
Percentage of essential National Crisis Management Centre systems that are fully functional at all times during activations is no less than:	100%	New measure	100%
Number of equipment checks confirming functionality of all National Crisis Management Centre systems	40	35	29

Responding to the Canterbury earthquakes required the prolonged activation of the National Crisis Management Centre, diverting staff away from business as usual activities. This placed a significant demand on staff and resources that impacted on planned activities for national emergency readiness, response and recovery services.

VOTE EMERGENCY MANAGEMENT

OUTPUT APPROPRIATION: **Support Services, Information and Education**

This appropriation is limited to the development and implementation of operational policies and projects, advice, assistance and information to the civil defence and emergency management sector; and development and delivery of long-term national programmes to raise individual and community awareness and preparedness.

Revenue and Output Expenses (\$'000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
6,142	Revenue Crown	5,726	7,025	6,511
79	Revenue Third Parties	91	91	78
6,221	Total Revenue	5,817	7,116	6,589
5,458	Expenses	5,830	7,116	6,105
763	Net Surplus/(Deficit)	(13)	-	484

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$1.286 million was due to an expense transfer from 2009/10 to 2010/11 for the Ministry of Civil Defence and Emergency Management Information Management Programme (\$624,000), a net increase in attributable one-off shared services costs (\$610,000) and a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$52,000).

Actual expenditure was 14 percent lower than the Supplementary Estimates, mainly due to delays in both the Ministry of Civil Defence and Emergency Management Information Management Programme and the 'Get Ready, Get Thru' public education programme as a result of the disruption caused by the Canterbury earthquakes. In-principle expense transfers from 2010/11 to 2011/12, up to a maximum of \$0.300 million (combined total with the output expense Management of National Emergency Readiness, Response and Recovery) and \$0.500 million, were approved for the two programmes respectively.

Emergency Sector Support and Development

Performance Information	Standard	2009/10	2010/11
Percentage of stakeholders from Civil Defence and Emergency Management Groups that rank their satisfaction with the level of service provided by regional emergency management advisors at 4 or above on a scale of 1 to 5, as measured by stakeholder surveys is no less than:	85%	Revised measure	70%
Percentage of stakeholders from Civil Defence and Emergency Management Groups that rank their satisfaction with the level of support provided in the professional development area at 4 or above on a scale of 1 to 5, as measured by stakeholder surveys is no less than:	70%	Revised measure	54%
Percentage of attendees who are satisfied with the education or training interventions attended, as measured by course satisfaction surveys, is no less than:	90%	100%	99%
Percentage of stakeholders who receive Ministry of Civil Defence and Emergency Management newsletters/updates that rate their satisfaction with the quality of the publications at 4 or above on a scale of 1 to 5, as measured by the stakeholder survey, is no less than:	80%	Revised measure	69%
Percentage of stakeholders that rank their satisfaction with the quality of guidelines, codes and technical standards developed by the Ministry of Civil Defence and Emergency Management at 4 or above on a scale of 1 to 5, as measured by stakeholder surveys, is no less than:	80%	Revised measure	66.7%
Number of Civil Defence and Emergency Management readiness and response exercises participated in and/or evaluated	8	8	3
Number of newsletters/updates provided to the Civil Defence and Emergency Management sector	16	17	15
Number of guidelines, codes, technical standards or other Civil Defence and Emergency Management sector information publications delivered or sponsored	1-3	2	1
Number of education or training interventions in consultation with the emergency management sector and other relevant organisations delivered or sponsored	6	7	7

Responding to the Canterbury earthquakes required the prolonged activation of the National Crisis Management Centre, diverting staff away from business as usual activities. This placed a significant demand on staff and resources that impacted on planned activities for national emergency readiness, response and recovery services. The rating of satisfaction required for Civil Defence and Emergency Management services has been increased from '3 or above' to '4 or above' on a scale of 1 to 5 in order to better reflect the intended and desired level of performance. The threshold standard was not amended. High standards can stimulate improved performance over time.

Community Information

Performance Information	Standard	2009/10 Actual	2010/11 Actual
For at least three of the four quarters in the financial year, television advertising reaches at least 70 percent of the targeted audience demographic and radio advertising reaches at least 45 percent of the targeted audience demographic	Achieved	New measure	Not achieved
Percentage of schools surveyed that employ the 'What's the Plan, Stan' school programme	80%	New measure	Not achieved
Percentage of schools surveyed that rank their satisfaction with the quality of the 'What's the Plan, Stan' school programme resources at 4 or above on a scale of 1 to 5 is no less than:	80%	New measure	Not achieved

Responding to the Canterbury earthquakes required the prolonged activation of the National Crisis Management Centre, diverting staff away from business as usual activities. This placed a significant demand on staff and resources that impacted on planned activities for national emergency readiness, response and recovery services.

A Civil Defence and Emergency Management advertising campaign was halted and funds were diverted to the development of advertising messages that incorporate the lessons learnt from the Canterbury earthquakes. A planned survey to assess the 'What's the Plan, Stan' material has also been delayed until the 2011/12 financial year.

VOTE EMERGENCY MANAGEMENT

OUTPUT APPROPRIATION: **Policy Advice – Emergency Management**

This appropriation is limited to the provision of policy advice on matters relating to civil defence and emergency management and drafting ministerial correspondence and questions.

Revenue and Output Expenses (\$000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
860	Revenue Crown	950	973	879
23	Revenue Third Parties	20	20	19
883	Total Revenue	970	993	898
846	Expenses	970	993	774
37	Net Surplus/(Deficit)	-	-	124

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$23,000 was due to a net increase in attributable one-off shared services costs (\$15,000) and a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$8,000).

Actual expenditure was 22 percent lower than the Supplementary Estimates, primarily reflecting lower personnel costs due to vacancies held during the Department's restructure following the integration with the National Library and Archives New Zealand, together with efficiency gains resulting from the restructure of policy resources within the Department.

Emergency Management Policy Advice

Performance Information	Standard	2009/10	2010/11
Percentage of policy advice that is delivered in accordance with agreed policy quality criteria	100%	100%	100%
The Minister's rating of his/her level of satisfaction with the quality of policy advice	Satisfied or better	Very good	Very good

Ministerial Correspondence and Questions

Activity Information	Standard	2009/10	2010/11
Number of replies to ministerial correspondence, Official Information Act 1982 requests, Ombudsman's inquiries and answers to parliamentary questions	20–40	173	133

Performance Information	Standard	2009/10	2010/11
Percentage of first versions of replies to ministerial correspondence, Official Information Act 1982 requests, Ombudsman's inquiries and parliamentary questions accepted by the Minister is no less than:	95%	100%	100%
Percentage of draft responses to ministerial correspondence returned to the Minister's office for signature within 15 working days of receipt from the Minister's office or such other deadlines as may be specifically agreed is no less than:	95%	100%	100%
Percentage of draft responses to Official Information Act 1982 requests and Ombudsman's inquiries returned to the Minister's office for signature five days prior to the statutory deadline for reply is no less than:	100%	100%	100%
Percentage of draft replies to parliamentary questions completed within the timeframes specified by the Minister is no less than:	100%	100%	100%

The volume of ministerial correspondence received under the Emergency Management portfolio was higher than estimated due to the significant events that happened during the year, including the Canterbury earthquakes.

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.

Revenue and Output Expenses (\$000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
967	Revenue Crown	1,535	1,459	1,459
2	Revenue Third Parties	-	-	10
969	Total Revenue	1,535	1,459	1,469
353	Expenses	1,535	1,459	969
616	Net Surplus/(Deficit)	-	-	500

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$76,000 was due to net savings relating to the establishment of the Anti-Money Laundering and Countering Financing of Terrorism unit and a transfer of funding to other output expenses within Vote Internal Affairs and to Vote Local Government and Vote Ministerial Services for net increases in attributable shared services costs (\$578,000) and a net decrease in attributable one-off shared services costs (\$7,000), partially offset by an expense transfer from 2009/10 to 2010/11 to meet the costs of establishing the Anti-Money Laundering and Countering Financing of Terrorism unit (\$500,000) and a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$9,000).

Actual expenditure was 34 percent lower than the Supplementary Estimates due to delays in the establishment of the Anti-Money Laundering and Countering the Financing of Terrorism as a result of change in the assumed timing of the passage of respective regulations. An in principle expense transfer from 2010/11 to 2011/12 of up to a maximum of \$0.300 million was approved.

Anti-Money Laundering and Countering Financing of Terrorism

Performance Information

Activity for the 2010/11 financial year has consisted of developing and setting up the Anti-Money Laundering and Countering Financing of Terrorism function. The supervisory outputs will not commence until a date yet to be set by Order in Council (October 2011 at the earliest). Performance measures will be developed in the lead-up to full implementation.

VOTE INTERNAL AFFAIRS

OUTPUT APPROPRIATION: **Contestable Services**

This appropriation is limited to the provision of translation and other language services to government agencies, non-government organisations and individuals, and support services to government agencies.

Revenue and Output Expenses (\$000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
-	Revenue Crown	-	-	-
833	Revenue Third Parties	908	958	962
833	Total Revenue	908	958	962
818	Expenses	908	958	957
15	Net Surplus/(Deficit)	-	-	5

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$50,000 was due to additional demand for translation services.

Translation Services

Performance Information	Standard	2009/10 Actual	2010/11 Actual
Percentage of respondents to a customer survey who rate their satisfaction with the quality of translation services at 3 or above on a scale of 1 to 5 is no less than:	99%	100%	98.6%
Percentage of translations meeting timeframes agreed with customers is no less than:	99%	99%	99.2%

OUTPUT APPROPRIATION: **Government Technology Services**

This appropriation is limited to the development, deployment and operation of technology services across the State sector.

Revenue and Output Expenses (\$000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
11,335	Revenue Crown	11,252	6,328	6,328
1,265	Revenue Third Parties	335	3,270	1,492
12,600	Total Revenue	11,587	9,598	7,820
11,511	Expenses	11,587	9,598	8,536
1,089	Net Surplus/(Deficit)	-	-	(716)

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$1.989 million was due to a transfer of functions relating to the Identity Management Web Infrastructure to the output expense Identity Services (\$6.000 million), a net decrease in attributable one-off shared services costs (\$265,000), an expense transfer from 2010/11 to 2011/12 for the Government Infrastructure as a Service initiative (\$200,000), partially offset by an increase in funding for the operational costs associated with the Government Infrastructure as a Service initiative (\$2.000 million), an increase in demand for information technology services by other agencies (\$1.135 million), an expense transfer from 2009/10 to 2010/11 to continue work on the development of all-of-government common information and communications technologies (\$1.003 million), an increase in funding due to the transfer of functions of the Government Chief Information Officer from the State Services Commission to the Department, including the stewardship of the New Zealand Interoperability Framework (\$251,000) and an increase in funding for the transfer of responsibility for the jobs.govt.nz website from the State Services Commission (\$87,000).

Actual expenditure was 11 percent lower than the Supplementary Estimates due to slower progress than anticipated on the establishment of the Government Infrastructure as a Service initiative and a number of projects to build common information and communications technology capability as a result of the reallocation of technical resources to Canterbury earthquake related activities, for example work to support or develop websites and social media across other government agencies. An in-principle expense transfer from 2010/11 to 2011/12 of up to a maximum of \$0.400 million was approved for the development of common information and communication technology capability.

Government Technology Services

Performance Information	Standard	2009/10	2010/11
Percentage increase in the number of connections to shared network service (one.govt) is at least:	30%	New measure	136%
Percentage increase in the number of visits to newzealand.govt.nz is at least:	10%	New measure	1%
Percentage increase in the number of agency datasets accessed from data.govt.nz is at least:	30%	New measure	49%
Number of web advisory engagements delivered to other agencies	10	New measure	10
Percentage increase in the number of visits to the public sector intranet is at least:	10%	New measure	5.9%
Percentage of public sector websites that comply with web standards	25%	New measure	Not measured

VOTE INTERNAL AFFAIRS

The percentage of connections to the shared network service (one.govt) has significantly exceeded expectations. We have had a successful second year of operation, growing the syndicate to 27 agencies and delivering annual savings in excess of \$1.5 million per annum. This growth is expected to continue with the recent addition of new services to the service catalogue and more planned in out-years.

As search engine optimisation has improved the .government web domain, meaning users are more likely to go directly to agency websites as opposed to finding them via newzealand.govt.nz. This is a positive development, showing that agencies are improving their web delivery and consequently we are seeing a reduction in visits to newzealand.govt.nz. Options for enhancing newzealand.govt.nz will be considered as part of the implementation of our Rethink Online Strategy. This is in addition to reviewing the lower than expected percentage increase in visits to the public sector intranet and the lower than expected percentage of public sector websites that comply with web standards.

OUTPUT APPROPRIATION: Identity Services

This appropriation is limited to the provision of effective management of New Zealand's records of identity including: issuing New Zealand passports; processing citizenship applications; registering births, deaths, marriages and civil unions; developing authorised information-matching programmes with specified government agencies; providing data or data verification to government agencies, to enhance border processes and facilitate travel; and working across government to develop systems and processes for the verification and authentication of identity and to facilitate good practice based on the Evidence of Identity Standard.

Revenue and Output Expenses (\$000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
16,986	Revenue Crown	8,937	15,737	15,738
79,801	Revenue Third Parties	96,175	94,617	99,731
96,787	Total Revenue	105,112	110,354	115,469
96,484	Expenses	104,841	113,246	108,437
303	Net Surplus/(Deficit)	271	[2,892]	7,032

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$8.405 million was due to a transfer of functions relating to the Identity Management Web Infrastructure from the output expense Government Technology Services (\$6.000 million), a net increase in attributable one-off shared services costs (\$2.746 million), an expense transfer from 2009/10 to 2010/11 to investigate the possibility of a partnership arrangement for the delivery of igovt logon and Identity Verification Services and the applicability of private sector use of the services (\$800,000) and a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$467,000), partially offset by a decrease in demand for identity products (\$1.500 million), a decrease in funding for State Sector Retirement Savings Scheme costs (\$66,000) and a decrease in funding for KiwiSaver costs (\$42,000).

Citizenship

Activity Information	Standard	2009/10	2010/11
Number of applications for grant of citizenship to foreign nationals recommended to the Minister	21,000–25,000	15,623	16,964
Number of registrations of citizenship by descent for New Zealanders born abroad	7,000–9,000	8,552	8,814
Number of certificates of citizenship status issued	2,500–4,000	4,028	4,557

Performance Information	Standard	2009/10	2010/11
Percentage of citizenship documents issued without error is no less than:	99%	99.7%	99.7%
Percentage of customers that are pleased with the citizenship service received is at least:	85%	New measure	93%
Percentage of applications for grant of citizenship recommended to the Minister within four months of receipt of a correctly completed application is no less than:	80%	91.0%	97.2%
Percentage of applications for registration of citizenship, not involving adoption, processed within 20 working days of receiving a correctly completed application is no less than:	95%	99.1%	99.0%
Percentage of certificates of citizenship status issued within 15 working days of receipt of a correctly completed application is no less than:	95%	Revised measure	99.8%

VOTE INTERNAL AFFAIRS

The lower than forecast number of people who applied for the grant of citizenship was primarily due to the 2005 amendments to the Citizenship Act 1977, which came into force on 21 April 2005. The amendment changes the residence requirement for applicants from three to five years, subsequently increasing the time required before applicants are eligible for citizenship. This demand is forecast to return to expected levels over the next three years.

Passports

Activity Information	Standard	2009/10	2010/11
Number of passports issued in standard service	437,000–531,000	396,048	512,017
Number of passports issued in urgent service	45,000–65,000	36,841	45,073
Number of other travel documents issued	1,000–1,400	1,255	1,469

Performance Information	Standard	2009/10	2010/11
Percentage of passports, certificates and other identity documents issued without error is no less than:	99%	99.9%	99.9%
Percentage of customers that are pleased with the passport service received is at least:	85%	New measure	88%
Percentage of passports issued within 10 working days for standard passports, and three working days for urgent passports, on receipt of a correctly completed application is no less than:	99%	99.4%	99.7%

Births, Deaths, Marriages and Civil Unions

Activity Information	Standard	2009/10	2010/11
Number of birth registrations	58,000–64,000	65,387	63,910
Number of death registrations	27,000–31,000	29,002	29,528
Number of marriage and civil union registrations	22,000–26,000	23,720	23,074
Number of birth, death, marriage and civil union certificates issued	200,000–230,000	246,702	263,360
Number of printouts issued	30,000–40,000	42,053	35,576

Performance Information	Standard	2009/10	2010/11
Percentage of birth, death, marriage and civil union information registered without error is no less than:	99%	99.6%	99.7%
Percentage of customers that are pleased with the birth, death, marriage and civil union service received is at least:	85%	New measure	91%
Percentage of birth, death, marriage and civil union certificates issued without error is no less than:	99%	99.7%	99.7%
Percentage of deaths registered within three working days of receipt of a correctly completed notification is no less than:	98%	100%	99.8%
Percentage of births, marriages and civil unions registered within four working days of receipt of a correctly completed notification or application is no less than:	98%	100%	99.9%
Percentage of certificates from fully computerised registrations issued within one working day of receipt of a correctly completed application is no less than:	99%	99.9%	99.8%
Percentage of certificates from partially computerised registrations issued within eight working days of receipt of a correctly completed application is no less than:	98%	100%	99.9%
Percentage of birth, death, marriage and civil union printouts issued within eight working days of a correctly completed application is no less than:	97%	100%	99.9%

Identity and Authentication Services

Activity Information	Standard	2009/10	2010/11
Number of logons issued for igovt logon service	100,000–200,000	New measure	239,330
Number of agencies connecting to igovt logon service	15–25	New measure	12

Initial delays integrating agencies with igovt have now been overcome, and the number of logons issued has exceeded the estimated standard. The number of agencies connecting to the igovt logon service is below the estimated standard because of recent public sector mergers as a result of machinery of government changes.

VOTE INTERNAL AFFAIRS

MULTI-CLASS OUTPUT APPROPRIATION: **Policy and Advisory Services**

Both Output Appropriations under this Multi-class Appropriation contribute to better public services and maintaining trust in government:

- » Information and Advisory Services
- » Policy Advice – Internal Affairs.

OUTPUT APPROPRIATION: **Information and Advisory Services**

This appropriation is limited to publishing the New Zealand Gazette; authenticating official documents; supporting commissions of inquiry and similar bodies; and coordinating the congratulatory message service.

Revenue and Output Expenses (\$000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
2,179	Revenue Crown	1,677	4,184	4,185
1,573	Revenue Third Parties	1,343	1,401	1,530
3,752	Total Revenue	3,020	5,585	5,715
2,816	Expenses	3,018	5,585	4,450
936	Net Surplus/(Deficit)	2	-	1,265

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$2.567 million was due to an increase in funding for the Royal Commission of Inquiry on the Pike River Coal Mine Tragedy (\$1.898 million), an increase in funding for the Royal Commission of Inquiry into the Canterbury earthquakes (\$489,000), an increase in funding for the establishment and initial administration costs of the Christchurch Earthquake Appeal Trust (\$400,000), an increase in the provision of financial services to the Ministry of Pacific Island Affairs to October 2010 (\$41,000), an expense transfer from 2009/10 to 2010/11 for the Forum for Complainants of Police Misconduct (\$20,000), an increase in demand for Authentication services (\$17,000) and a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$7,000), partially offset by net savings relating to the Forum for Complainants of Police Misconduct and the Confidential Listening and Assistance Service and a transfer of funding to Votes Emergency Management and Ministerial Services for net increases in attributable one-off shared services costs (\$250,000) and a net decrease in attributable one-off shared services costs (\$55,000).

Actual expenditure was 20 percent lower than the Supplementary Estimates, primarily reflecting the deferral of expenditure for the Royal Commission of Inquiry into the Pike River Mine Tragedy and the Royal Commission of Inquiry on the Canterbury Earthquake, as result of change in the assumed timing of the Commissions' work programmes. In-principle expense transfers from 2010/11 to 2011/12 were approved for the under-expenditure for both Commissions of Inquiry.

New Zealand Gazette

Performance Information	Standard	2009/10	2010/11
Percentage of complaints where published text is inconsistent with text supplied by client is no more than:	1%	New measure	0.01%

Authentications Unit and Congratulatory Message Service

Activity Information	Standard	2009/10	2010/11
Number of requests for congratulatory messages	1,100–1,200	New measure	1,226
Number of documents received for authentication	15,000–17,000	New measure	18,723

Performance Information	Standard	2009/10	2010/11
Percentage of Authentications delivered to customers within agreed timeframes is no less than:	98%	99.9%	99.9%
Percentage of congratulatory messages delivered to customers within agreed timeframes is no less than:	98%	100%	100%
Percentage of Authentication confirmations returned by the customer as inaccurate is, on average, no more than:	1%	New measure	0.01%
Percentage of congratulatory messages returned by the customer as inaccurate is no more than:	1%	New measure	0%

Commissions of Inquiry and Similar Bodies

Performance Information	Standard	2009/10	2010/11
Commissioners' rating of the timeliness of services provided on a scale of 1 to 5 is:	3 or above	3	3
Commissioners' rating of the quality of services provided on a scale of 1 to 5 is:	3 or above	3	3

VOTE INTERNAL AFFAIRS

OUTPUT APPROPRIATION: **Policy Advice – Internal Affairs**

This appropriation is limited to the provision of policy advice on matters relating to: gaming, censorship, fire, identity, public inquiries, daylight saving and the Significant Community Based Projects Fund; the performance of and appointments to Crown entities; appointments to statutory bodies; and drafting ministerial correspondence and questions.

Revenue and Output Expenses (\$'000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
4,520	Revenue Crown	3,992	3,674	3,674
65	Revenue Third Parties	154	154	69
4,585	Total Revenue	4,146	3,828	3,743
4,021	Expenses	4,145	3,828	3,453
564	Net Surplus/(Deficit)	1	-	290

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$317,000 was due to net savings relating to vacancies and a transfer of funding to Votes Ministerial Services and Community and Voluntary Sector for net increases in attributable shared services costs (\$300,000) and a net decrease in attributable one-off shared services costs (\$50,000), partially offset by a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$33,000).

Actual expenditure was 10 percent lower than the Supplementary Estimates, primarily reflecting lower personnel costs due to vacancies held during the Department's restructure following the integration with the National Library and Archives New Zealand, together with efficiency gains resulting from the restructure of policy resources within the Department.

Internal Affairs Policy Advice

Performance Information	Standard	2009/10	2010/11
Percentage of policy advice that is delivered in accordance with agreed policy quality criteria	100%	100%	100%
The Minister's rating of his/her level of satisfaction with the quality of policy advice	Satisfied or better	Good – very good	Very good

Ministerial Correspondence and Questions

Activity Information	Standard	2009/10	2010/11
Number of replies to ministerial correspondence, Official Information Act 1982 requests and Ombudsman's inquiries, and answers to parliamentary questions	600-700	716	613

Performance Information	Standard	2009/10	2010/11
Percentage of first versions of replies to ministerial correspondence, Official Information Act 1982 requests, Ombudsman's inquiries and parliamentary questions accepted by the Minister is no less than:	95%	99.9%	99.5%
Percentage of draft responses to ministerial correspondence returned to the Minister's office for signature within 15 working days of receipt from the Minister's office or such other deadlines as may be specifically agreed is no less than:	95%	99.3%	99.3%
Percentage of draft responses to Official Information Act 1982 requests and Ombudsman's inquiries returned to the Minister's office for signature five days prior to the statutory deadline for reply is no less than:	100%	92.9%	100%
Percentage of draft replies to parliamentary questions completed within the timeframes specified by the Minister is no less than:	100%	96.6%	100%

VOTE INTERNAL AFFAIRS

OUTPUT APPROPRIATION: **Regulatory Services**

This appropriation is limited to operational policy advice and services to regulate gambling activity, objectionable material, unsolicited electronic messages and anti-money laundering and countering financing of terrorism.

Revenue and Output Expenses (\$000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
3,639	Revenue Crown	3,639	4,260	4,260
22,808	Revenue Third Parties	23,732	22,732	21,918
26,447	Total Revenue	27,371	26,992	26,178
24,910	Expenses	25,687	26,509	25,313
1,537	Net Surplus/(Deficit)	1,684	483	865

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$822,000 was due to a net increase in attributable one-off shared services costs (\$406,000), a transfer of funding from Vote Courts for the establishment of a Complaints, Investigations and Prosecutions unit due to the enactment of the Private Security Personnel and Private Investigators Act 2010 (\$250,000), an increase in funding for implementing the Private Security Personnel and Private Investigators Act 2010 (\$214,000) and a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$132,000), partially offset by a decrease in the level of gambling activities (\$180,000).

Regulatory Services – Gambling

Activity Information	Standard	2009/10	2010/11
Number of club and non-club licence renewal applications processed	350–400	440	324
Number of other class 3 and 4 licence applications and Certificates of Approval processed	5,500–6,000	4,292	4,734
Number of clubs and non-clubs audited	17–40	70	4
Number of venue inspections	200–300	292	319

Performance Information	Standard	2009/10	2010/11
Percentage of audits of club gaming machine societies completed within two months is no less than:	80%	94.6%	0%
Percentage of audits of non-club gaming machine societies completed within three months is no less than:	80%	64.3%	0%
Percentage of gambling prosecution cases dismissed where prima facie case is not established is no more than:	5%	0%	0%
Percentage of respondents to a survey of gambling sector organisations and operators who rate their satisfaction with how information services provided by the Department support their ability to comply with relevant laws, conditions and rules at 3 or above on a scale of 1 to 5 is no less than:	85%	94%	96%

The number of club and non-club licence renewal applications was slightly lower than forecast, primarily due to a number of renewals being withheld while compliance action was resolved as well as a decline in the number of clubs. The number of other class 3 and 4 licence applications and Certificates of Approval processed was slightly lower than forecast. This measure is demand driven and applications are based on the sector making applications due to changes in their business and can vary widely from year to year.

The number of non-clubs audited was lower than expected due to various issues including the length of time taken for the resolution of significant compliance issues. Staff were also diverted to other compliance priorities, such as investigations and projects, directly related to achieving best gambling outcomes. The primary tool used for club compliance was that of a club inspection and where circumstances indicated, for example systematic non-compliance, club audits were conducted.

Gambling Commission

Performance Information	Standard	2009/10	2010/11
The Gambling Commission's satisfaction with the services provided by the secretariat is 4 or above on a scale of 1 to 5	4 or above	Revised measure	5

Regulatory Services – Censorship

Activity Information	Standard	2009/10	2010/11
Number of inspections of publications/videos/films/electronic sites undertaken	1,500	1,980	1,615
Number of censorship complaints and proactive investigations of publications/videos/films and on the Internet responded to	600	902	761
Number of censorship prosecutions undertaken	20–40	39	22

Performance Information	Standard	2009/10	2010/11
Percentage of non-compliant practices identified during inspection processes or as a result of complaints are dealt with during the inspection or within three months, and the balance dealt with within 12 months	75% within 3 months	86%	83%
	25% within 12 months	14%	17%
Percentage of censorship prosecution cases dismissed where prima facie case is not established is no more than:	5%	0%	0%
Percentage of respondents to a survey who rate their satisfaction with the quality of the educational talk at 3 or above on a scale of 1 to 5 is no less than:	80%	New measure	100%
Percentage of advice and information provided within five working days of the request is no less than:	90%	New measure	99%

Regulatory Services – Unsolicited Electronic Messages

Activity Information	Standard	2009/10	2010/11
Number of New Zealand-linked complaints (including complaints about electronic messages containing unsolicited sexual content) responded to	600–700	827	1,409
Number of public enquiries responded to	600–1,200	2,129	2,398
Percentage of public enquiries responded to within 10 working days is no less than:	70%	New measure	100%
Number of civil liability proceedings undertaken	As required	5	143

Performance Information	Standard	2009/10	2010/11
Percentage of New Zealand-linked complaints which are dealt with within three months of receipt and the balance dealt with within 12 months is no less than:	75% within 3 months	77%	75%
	25% within 12 months	23%	25%

A dedicated media campaign relating to scams resulted in a larger than estimated volume of complaints, enquiries and civil liability proceedings. All enquiries were responded to within target timeframes.

VOTE INTERNAL AFFAIRS

OUTPUT APPROPRIATION: **Services for Ethnic Affairs**

This appropriation is limited to the provision of policy advice on ethnic affairs and provision of advisory and information services to ethnic communities; drafting ministerial correspondence and questions; management of the contract for the telephone interpreting service (Language Line); and provision of information and training to ethnic communities and agencies using Language Line.

Revenue and Output Expenses (\$'000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
4,718	Revenue Crown	4,726	5,037	5,037
949	Revenue Third Parties	1,255	1,045	737
5,667	Total Revenue	5,981	6,082	5,774
5,651	Expenses	5,982	6,082	5,671
16	Net Surplus/(Deficit)	[1]	-	103

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$100,000 was due to a net increase in attributable one-off shared services costs (\$242,000) and a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$68,000), partially offset by a decrease in demand for Language Line services (\$210,000).

Actual expenditure was seven percent lower than the Supplementary Estimates, primarily reflecting reduced demand for Language Line services.

Ethnic Affairs Policy Advice

Performance Information	Standard	2009/10	2010/11
Percentage of policy advice that is delivered in accordance with agreed policy quality criteria	100%	100%	100%
The Minister's rating of his/her level of satisfaction with the quality of policy advice	Satisfied or better	Good	Very good

Ministerial Correspondence and Questions

Activity Information	Standard	2009/10	2010/11
Number of replies to ministerial correspondence, Official Information Act 1982 requests and Ombudsman's inquiries and answers to parliamentary questions	40	29	94

Performance Information	Standard	2009/10	2010/11
Percentage of first versions of replies to ministerial correspondence, Official Information Act 1982 requests, Ombudsman's inquiries and parliamentary questions accepted by the Minister is no less than:	95%	100%	100%
Percentage of draft responses to ministerial correspondence returned to the Minister's office for signature within 15 working days of receipt from the Minister's office or such other deadlines as may be specifically agreed is no less than:	95%	100%	100%
Percentage of draft responses to Official Information Act 1982 requests and Ombudsman's inquiries returned to the Minister's office for signature five days prior to the statutory deadline for reply is no less than:	100%	100%	100%
Percentage of draft replies to parliamentary questions completed within the timeframes specified by the Minister is no less than:	100%	100%	100%

Advisory and Information Services To Ethnic Communities

Activity Information	Standard	2009/10	2010/11
Number of requests from communities, local and central government, and NGOs for information or advice responded to	8,500–9,000	New measure	11,920
Number of interpreting calls provided through Language Line	50,000–52,000	New measure	32,308

Performance Information	Standard	2009/10	2010/11
Percentage of respondents to a customer survey who rate the quality of advisory services as satisfactory or better	85%	New measure	96%
Percentage of respondents to a customer survey who rate the effectiveness of advisory services as satisfactory or better	85%	New Measure	96%
Percentage of respondents to a customer survey who are satisfied that the advice received helped them achieve their purpose	85%	New measure	100%
Percentage of respondents to a customer survey who are satisfied the advice and support received enable ethnic community groups to help themselves and participate in their community	85%	New measure	100%
Number of central government policy staff trained to use the Ethnic Perspectives in Policy Framework as part of their policy development process	40	New measure	0
Number of people who attended training sessions on the Intercultural Awareness and Communication programme	400–450	New measure	268
Number of forums and workshops run for ethnic communities	40	New measure	58
Number of agencies providing telephone interpreting services through Language Line	85	New measure	77

The Ethnic Perspectives in Policy Framework training was not run during 2010/11 as the Framework underwent review and redevelopment. An updated format for the training will be released in the 2011/12 year.

Participation in Intercultural Awareness and Communication training was reduced due to the postponement of some training with the Auckland Council until the 2011/12 financial year.

Due to the nationwide consolidation of Primary Health Organisations, the number of agencies provided with Language Line services has reduced. However, the overall reach of the Language Line service has increased. Following the Canterbury earthquake in February 2011, Language Line is being offered through the Wellington office to all organisations that have been affected in the region.

Vote Local Government

OUTPUT APPROPRIATION: **Implementation of Auckland Governance Reforms**

This appropriation is limited to the implementation of the government's decisions on the recommendations of the Royal Commission on Auckland Governance.

Revenue and Output Expenses (\$'000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
-	Revenue Crown	-	-	-
464	Revenue Third Parties	183	210	168
464	Total Revenue	183	210	168
379	Expenses	183	210	158
85	Net Surplus/(Deficit)	-	-	10

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$27,000 was due to an increase in demand for services delivered by the Department of Internal Affairs to the Auckland Transition Agency.

Actual expenditure was 24 percent lower than the Supplementary Estimates primarily reflecting lower demand than anticipated for financial and IT services from the Auckland Transition Agency.

Implementation of Auckland Governance Reforms

Performance Information	Standard	2009/10	2010/11
Monitor progress of the Auckland Transition Agency and prepare monitoring reports on time to Responsible Ministers	All reports are prepared on time. Ministers are satisfied with the quality of reports.	New measure	Achieved
Monitoring to ensure Auckland Transition Agency is dissolved 31 October 2010 and arrangements for transferring assets and liabilities are effected in accordance with legislation	Achieved in accordance with legislation	New measure	Achieved
A project close out report will be prepared in respect of the monitoring associated with the Auckland Transition Agency by 31 December 2010	Achieved on time	New measure	Achieved
An Auckland Governance Reforms impact evaluation framework is established	Achieved by 31 December 2010	New measure	Achieved

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

Both Output Appropriations under this Multi-class Appropriation contribute to the effective governance and support for New Zealand's local government sector:

- » Information Support and Regulatory Services – Local Government
- » Policy Advice – Local Government.

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

This appropriation is limited to the provision of advisory and support services to the Local Government Commission in respect of its statutory functions, providing information to and about local government, administering the Local Government Act 2002 and other statutes, providing operational advice and support to the Minister of Local Government, administering the Local Electoral Act 2001, administering the Rates Rebate Scheme, providing regulatory and boating services for Lake Taupo, including providing the Harbourmaster and managing the Lake Taupo Landing Reserve, and governance and management of the National Dog Control Information Database.

Revenue and Output Expenses (\$000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
3,277	Revenue Crown	2,676	2,661	2,661
682	Revenue Third Parties	817	817	698
3,959	Total Revenue	3,493	3,478	3,359
4,067	Expenses	3,513	3,499	3,462
(108)	Net Surplus/(Deficit)	(20)	(21)	(103)

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$14,000 was due to a net decrease in attributable one-off shared services costs.

Local Government Commission Advice and Support

Performance Information	Standard	2009/10	2010/11
Local Government Commission's satisfaction with the quality of advice and support services provided on a scale of 1 to 5 is:	3 or above	4	4
Percentage of Local Government Commission decisions dispatched to parties within 10 working days of decision, or to such other timetable as instructed by the Commission is:	100%	100%	No notified decisions made

VOTE LOCAL GOVERNMENT

Local Government Services

Activity Information	Standard	2009/10	2010/11
Number of responses to requests for information from the public about the Rates Rebate Scheme	300–600	473	632
Number of rates rebate claims received for processing	100,000–140,000	109,695	111,598

Performance Information	Standard	2009/10	2010/11
Percentage of requests for information from the public about the Rates Rebate Scheme responded to within 15 working days is no less than:	100%	98%	100%
Percentage of eligible claims for rates rebates processed within 20 working days is no less than:	100%	98%	100%
Percentage of system availability for the National Dog Control Information Database is no less than:	99%	99%	99%

Regulatory and Boating Services for Lake Taupo

Activity Information	Standard	2009/11	2010/11
Number of downloaded resources from the localcouncils.govt.nz website	4,000–6,000	New measure	1,563

Performance Information	Standard	2009/10	2010/11
Percentage of boating facilities and navigational safety equipment to be inspected in accordance with an annual programme to ensure compliance with health and safety standards and Maritime New Zealand (MNZ) regulations respectively will be no less than:	100%	New measure	100%
Compliance with an asset management plan for Lake Taupo will be monitored at least every six months	Achieved	New measure	Achieved
Percentage of respondents to a survey of key stakeholders who rate their satisfaction with the quality of Lake Taupo regulatory services at 3 or above on a scale of 1 to 5 is no less than:	85%	100%	100%
The Lake Taupo Navigational Safety Bylaw including provision for Infringement Fees will be approved and publicly promulgated by the Lake Taupo Harbourmaster by 1 December 2010	Achieved	New measure	Achieved

The measure of usage of the localcouncils.govt.nz website was revised for the 2010/11 year, based on resources downloaded during the 2009/10 year. However, during the year fewer new items were added to the website, and subsequently fewer resources than anticipated were downloaded.

OUTPUT APPROPRIATION: Policy Advice – Local Government

This appropriation is limited to the provision of policy advice on, and information relating to, local government issues, including ministerial correspondence and questions.

Revenue and Output Expenses (\$000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
7,358	Revenue Crown	6,571	6,892	6,892
86	Revenue Third Parties	69	69	100
7,444	Total Revenue	6,640	6,961	6,992
7,258	Expenses	6,641	6,961	6,563
186	Net Surplus/(Deficit)	(1)	-	429

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$320,000 was due to a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$116,000), an expense transfer from 2009/10 to 2010/11 for the completion of Auckland Governance policy and legislation work and stakeholder management in the lead-up to the establishment of the Auckland Council (\$103,000), and a net increase in attributable one-off shared services costs (\$101,000).

Actual expenditure was six percent lower than the Supplementary Estimates, primarily reflecting lower personnel costs due to vacancies held during the Department's restructure following the integration with the National Library and Archives New Zealand, together with efficiency gains resulting from the restructure of policy resources within the Department.

Local Government Policy Advice

Performance Information	Standard	2009/10	2010/11
Percentage of policy advice that is delivered in accordance with the agreed policy quality criteria	100%	100%	100%
The Minister's rating of his/her level of satisfaction with the quality of policy advice	Satisfied or better	Very good	Very good

Ministerial Correspondence and Questions

Activity Information	Standard	2009/10	2010/11
Number of replies to ministerial correspondence, Official Information Act 1982 requests and Ombudsman's inquiries, and answers to parliamentary questions	2,200–2,700	1,877	766

Performance Information	Standard	2009/10	2010/11
Percentage of first versions of replies to ministerial correspondence, Official Information Act 1982 requests, Ombudsman's inquiries and parliamentary questions accepted by the Minister is no less than:	95%	100%	100%
Percentage of draft responses to ministerial correspondence returned to the Minister's office for signature within 15 working days of receipt from the Minister's office or such other deadlines as may be specifically agreed is no less than:	95%	100%	99.7%
Percentage of draft responses to Official Information Act 1982 requests and Ombudsman's inquiries returned to the Minister's office for signature five days prior to the statutory deadline for reply is no less than:	100%	100%	100%
Percentage of draft replies to parliamentary questions completed within the timeframes specified by the Minister is no less than:	100%	100%	100%

The anticipated volume of ministerial correspondence and questions as a result of high-profile local government portfolio initiatives did not eventuate. The standard has been amended for out-years to reflect actual volumes.

Vote Ministerial Services

OUTPUT APPROPRIATION: **Support Services to Ministers**

This appropriation is limited to providing support services for Members of the Executive including office administration; accounting, personnel, information and communications technology; facilities management; media and other advisory services; and provision of residential accommodation services.

Revenue and Output Expenses (\$000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
26,710	Revenue Crown	26,879	26,612	26,613
448	Revenue Third Parties	382	382	382
-	Gain on Sale of Property, Plant and Equipment	-	-	9
27,158	Total Revenue	27,261	26,994	27,004
26,758	Expenses	27,260	26,994	26,475
400	Net Surplus/(Deficit)	1	-	529

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$266,000 was due to a transfer of funding to the non-departmental other expense Members of the Executive's Internal and External Travel to reflect an increase in ministerial travel costs (\$350,000) and a net decrease in attributable one-off shared services costs (\$131,000), partially offset by an expense transfer from 2009/10 to 2010/11 for the exterior repaint of Premier House (\$110,000) and a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$105,000).

Support Services to Ministers

Results Information

	Standard	2009/10	2010/11
The average rating by Members of the Executive responding to the annual survey of their satisfaction with the support services provided to them on a scale of 1 to 5 is no less than:	3.5 out of 5	New measure	4.25
The Minister Responsible for Ministerial Services is requested to indicate his/her satisfaction with the level of administration of support services provided to the Executive	Satisfied or better	Very good	Very good

OUTPUT APPROPRIATION: **VIP Transport**

This appropriation is limited to the provision of chauffeur-driven vehicle services for Members of the Executive, the Leader of the Opposition, former Prime Ministers and their spouses, former Governors-General and their spouses, the judiciary and distinguished visitors; and self-drive vehicles for Members of the Executive.

Revenue and Output Expenses (\$'000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
-	Revenue Crown	-	-	-
7,242	Revenue Third Parties	7,925	7,468	7,246
7,242	Total Revenue	7,925	7,468	7,246
7,178	Expenses	7,925	7,468	7,214
64	Net Surplus/(Deficit)	-	-	32

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$457,000 was due to a decrease in demand for VIP Transport services.

VIP Transport

Performance Information	Standard	2009/10	2010/11
The average rating of Members of the Executive responding to the annual survey of their satisfaction with the transport services provided to them on a scale of 1 to 5 is no less than:	3 out of 5	New measure	4.5
The fuel efficiency recorded for chauffeur-driven vehicles as an annual average is no less than:	11 litres per 100km	New measure	9.5
Percentage of chauffeur-driven services provision failures is no more than:	5% of jobs booked	New measure	0.0015

VOTE MINISTERIAL SERVICES

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

This appropriation is limited to the provision of services to manage programmes for visiting guests-of-government; receptions at international airports for the Governor-General, Members of the Executive and guests-of-government; State and ministerial functions; commemorative events; and national anniversaries.

Revenue and Output Expenses (\$'000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
4,698	Revenue Crown	4,388	5,378	5,378
36	Revenue Third Parties	42	42	32
4,734	Total Revenue	4,430	5,420	5,410
4,472	Expenses	4,430	5,420	5,361
262	Net Surplus/(Deficit)	-	-	49

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$990,000 was due to funding for the National Memorial Service for the victims of the 22 February 2011 Canterbury earthquake and the visit of HRH Prince William (\$868,000), a net increase in attributable one-off shared services costs (\$115,000) and a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$7,000).

Visits and Official Events Coordination

Performance Information	Standard	2009/10	2010/11
Percentage of visit programme content and logistics arranged to reflect visit objectives is:	100%	100%	100%
Percentage of Ministers who rate their satisfaction with the quality of arrangements for ministerial and State functions at 3 or above on a scale of 1 to 5 is no less than: <i>(Only Ministers sponsoring ministerial and State functions are surveyed)</i>	90%	100%	100%
Percentage of Members of the Executive who rate their satisfaction with the coordination and management of official events at 3 or above on a scale of 1 to 5 is no less than: <i>(Only Ministers with responsibility for hosting events are surveyed)</i>	90%	100%	100%

Vote National Archives

OUTPUT APPROPRIATION: **National Archival Services**

This appropriation is limited to the assessment, collection, storage, preservation and provision of access to public archives. This also includes policy advice and conducting programmes aimed at improving government recordkeeping.

Revenue and Output Expenses (\$000)

2009/10 Actual	Mains	2010/11 Supps.	Actual
- Revenue Crown	-	9,205	9,205
- Revenue Third Parties	-	469	323
- Total Revenue	-	9,674	9,528
- Expenses	-	9,680	9,442
- Net Surplus/(Deficit)	-	(6)	86

The increase in this appropriation reflects the integration of Archives New Zealand into the Department of Internal Affairs with effect from 1 February 2011.

Full and Accurate Records are Kept by Public Sector Agencies

Performance Information	Standard	2009/10	1 Feb – 30 June 2011	2010/11
Number of public offices that have transferred records to Archives New Zealand	25	28	20	29
Number of recordkeeping advice queries responded to by the Government Recordkeeping Group	900	1,021	274	607
Over a five-year period commencing 1 July 2010 conduct 200 audits (in accordance with Archives New Zealand auditing standards and procedures) of public offices' recordkeeping to ensure good information management across government that supports accountability and good business practice	40 audits of public offices	New measure	32	38

The number of recordkeeping advice queries received has reduced in the last year. This is potentially due to a reduction in specific queries made due to the increasing availability of recordkeeping guidelines, standards and factsheets online.

Two public offices requested to have their audits re-scheduled to 2011/12 and this was approved by the Chief Archivist.

Public Archives are Preserved and Well Managed

Performance Information	Performance Standard	2009/10 Actual	1 Feb – 30 June 2011	2010/11 Actual
Quantity of archives held in storage (metres)	97,500	96,215	957	97,922
Number of attendees at Government Recordkeeping Forums	800	805	406	730
Number of approved items added to Archives New Zealand's online index to the archives (Archway)	400,000	313,422	325,003	454,922
An increasing proportion of contextual documentation, which describes archived records, will be assessed as meeting quality standards	50%	42%	46%	48%
Number of pages of records digitised	200,000	196,673	235,164	351,831

One government recordkeeping forum to be held in Christchurch was cancelled due to the Canterbury earthquakes.

Public Archives are Accessible and Used

Performance Information	Standard	2009/10	1 Feb – 30 June 2011	2010/11
Implement the capability to measure the number of times a digital item is viewed online	30 June 2011	New measure	N/A	No
Number of customers served in Archives New Zealand's reading rooms	16,500	16,294	5,348	14,263
Number of records provided in Archives New Zealand's reading rooms	55,000	61,600	20,303	51,815
Number of remote written access request services provided	14,000	15,978	6,036	14,375
Number of people who use Archives New Zealand's online index to the archives (Archway)	100,000	145,254	58,031	142,325
Number of searches conducted on Archives New Zealand's online index to the archives (Archway)	700,000	833,568	389,217	905,290

The Department has deferred the implementation of the capability to measure access to digital items to coincide with development of the Government Digital Archive. This is a more efficient and cost-effective option than adding the capability to the Interim Digital Archive, which is scheduled to be replaced in the first half of 2011/12.

The Christchurch reading room has been largely closed since the Canterbury earthquake on 22 February. Subsequently, the number of reading room visitors and the number of archives issued to researchers have reduced.

The Archiving Community is Coordinated and Well Led

Performance Information	Standard	2009/10	1 Feb – 30 June 2011	2010/11
Number of contributor institutions to The Community Archive	320	355	0	359
Number of Community Archives quarterly newsletters produced	4	5	3	4
Number of Community Archives training courses delivered	5	7	4	5
Average number of people attending each Community Archives training course	20	13	15	17

The performance measure for the average number of attendees at Community Archives training courses was revised upwards from 15 to 20 for 2010/11. However, some courses were not suitable for larger groups of attendees and so numbers were restricted, meaning that the average was not reached.

Policy Advice

Performance Information	Standard	2009/10	1 Feb – 30 June 2011	2010/11
Percentage of policy papers that the Minister is satisfied with in regard to the following characteristics: Purpose, Logic, Accuracy, Options, Consultation, Practicality, Timeliness, Presentation	95%	99%	100%	100%
Percentage of questions and other requests completed within statutory and other agreed timeframes	95%	99%	100%	100%
Support is provided to the Archives Council that meets the satisfaction of the Chair of the Council	The Chair is satisfied with the support provided	100%	n/a	70%

The Minister has accepted all briefings. All parliamentary questions, Official Information Act requests and other time-bound documents have been delivered within specific timeframes.

Vote National Library

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

The four Output Appropriations under this Multi-class Appropriation align the outcome and service delivery of multiple outputs under a single appropriation.

- » Access to Information
- » Collection and Preserving Information
- » Library and Information Services to Schools
- » Policy Advice and Statutory Servicing.

OUTPUT APPROPRIATION: **Access to Information**

This appropriation is limited to the provision of services which assist access to library collections and other information, including cataloguing and describing, the provision of tools and finding aids, providing access to the collections, and the purchase of information; and administration of the Public Lending Right for New Zealand Authors scheme.

Revenue and Output Expenses (\$000)

2009/10 Actual	Mains	2010/11 Supps.	Actual
- Revenue Crown	-	9,273	9,273
- Revenue Third Parties	-	3,075	2,387
- Total Revenue	-	12,348	11,660
- Expenses	-	13,502	9,664
- Net Surplus/(Deficit)	-	(1,154)	1,996

The increase in this appropriation reflects the integration of the National Library of New Zealand into the Department of Internal Affairs with effect from 1 February 2011.

Actual expenditure was 28 percent lower than the Supplementary Estimates, primarily reflecting delays in a number of projects, including Building a National Library for the 21st Century, Aotearoa People's Network Kaharoa, and Digitisation of the Appendices to the Journals of the House of Representatives, for which in-principle expense transfers from 2010/11 to 2011/12, of up to a maximum of \$4.500 million (a combined total with all other output expenses within the Vote), \$0.700 million and \$0.073 million were approved respectively. The under-expenditure is also attributable to a favourable exchange rate that resulted in a lower level of expenditure for Electronic Procurement in Collaboration and a lower level of activities than anticipated for Digital New Zealand Shared Research Repository.

Maintaining and Building Databases and Access Tools

Performance Information	Standard	2009/10	1 Feb – 30 June 2011	2010/11
The number of descriptive records added to the TAPUHI database of unpublished heritage collection items making them searchable online will be at least:	252,000	New measure	48,748	94,657
The number of items digitised and made available online will be at least:	585,000	605,190	351,590	756,052
Percentage of catalogue records created for newly published material added to the heritage and general collections and items accessible within 15 working days	90%	88%	91%	91%

The annual target for adding records to TAPUHI was based on the implementation of an optimal workflow for the Pictures Online project, which was not possible due to the temporary relocation of the National Library.

The target for the number of items digitised was exceeded as the number of items made available was increased by digitised materials from third-party sources (Papers Past and the Appendices to the Journals of the House of Representatives).

Providing Access to the Collections

Performance Information	Standard	2009/10	1 Feb – 30 June 2011	2010/11
Deliver on the agreed service models for Services for Researchers and Visitor Experience	Achieved/not achieved	New measure	Achieved	Achieved
The availability of National Library of New Zealand websites will be a minimum of:	95%	97%	n/a	99%

Advice and Support for New Zealand Libraries and Information Organisations

Performance Information	Standard	2009/10	1 Feb – 30 June 2011	2010/11
Percentage of document supply service requests (non-school) completed within two working days will be at least:	95%	New measure	99%	99%

User Satisfaction and Access

Results Information	Standard	2009/10	1 Feb – 30 June 2011	2010/11
Develop a set of surveys to measure the satisfaction of customers with the assistance and facilities provided for access to collections	Achieved	New measure	n/a	Achieved

OUTPUT APPROPRIATION: **Collecting and Preserving Information**

Collecting and preserving published and unpublished items for the National Library and Alexander Turnbull Library collections.

Revenue and Output Expenses (\$'000)

2009/10 Actual	Mains	2010/11 Supps.	Actual
- Revenue Crown	-	9,153	9,153
- Revenue Third Parties	-	593	261
- Total Revenue	-	9,746	9,414
- Expenses	-	12,623	12,382
- Net Surplus/(Deficit)	-	(2,877)	(2,968)

The increase in this appropriation reflects the integration of the National Library of New Zealand into the Department of Internal Affairs with effect from 1 February 2011.

Collecting and Preserving Information

Performance Information	Standard	2009/10	1 Feb – 30 June 2011	2010/11
Percentage of accession records completed within 10 days of material arriving in the Library will be at least:	95%	New measure	n/a	98%

Preservation and Conservation Activities

Performance Information	Standard	2009/10	1 Feb – 30 June 2011	2010/11
The number of at-risk items copied to digital formats and preserved in the National Digital Heritage Archive will be at least:	1,000	New measure	591	1,332
Programme manage the building construction to fully address the scope of works as agreed by Cabinet, to schedule and within budget	Achieved	New measure	n/a	Achieved

OUTPUT APPROPRIATION: **Library and Information Services to Schools**

This appropriation is limited to the provision of library and information services and products to schools, in support of the National Curriculum.

Revenue and Output Expenses (\$000)

2009/10 Actual	Mains	2010/11 Supps.	Actual
- Revenue Crown	-	5,493	5,493
- Revenue Third Parties	-	252	86
- Total Revenue	-	5,745	5,579
- Expenses	-	6,647	5,244
- Net Surplus/(Deficit)	-	[902]	335

The increase in this appropriation reflects the integration of the National Library of New Zealand into the Department of Internal Affairs with effect from 1 February 2011.

Actual expenditure was 21 percent lower than the Supplementary Estimates, primarily reflecting delays in the Building a National Library for the 21st Century project and deferral of expenditure for Public Programme World Cup. In-principle expense transfers of up to a maximum of \$4.500 million (a combined total with all other output expenses within the Vote) and \$0.050 million were approved respectively.

Curriculum and Library Information Support to Schools

Performance Information	Standard	1 Feb – 30 June		2010/11
		2009/10	2011	
Number of advisory contacts and engagements with schools	1,900	3,708	1,444	3,555
Percentage of Document Supply Service Requests for schools completed in four working days will be at least:	95%	100%	100%	100%
Percentage of requests to Curriculum Information Services completed within five working days will be at least:	85%	81%	69%	70%
User satisfaction with access advice for services for young New Zealanders in schools will be at least:	95%	86%	90%	90%

Increases in the number of advisory contacts and engagements with schools are due to the 0800 services introduced in 2010; access to advisory support via the new Services to Schools website; and heightened awareness of the Library's services to schools arising from the new National Library Auckland centre. Performance measures have been re-scoped for future years to factor in these developments and our commitment to targeted advisory contacts.

The Canterbury earthquakes impacted on our ability to reach target for requests to Curriculum Information Services completed within five working days as services to the South Island that are usually undertaken at the Christchurch centre continue to be diverted to Palmerston North.

While user satisfaction with access advice for services for young New Zealanders in schools is below the performance standard, response rates remain relatively high with an average of 20 percent of participants.

OUTPUT APPROPRIATION: **Policy Advice and Statutory Servicing**

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, and the support of 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.

Revenue and Output Expenses (\$'000)

2009/10 Actual	Mains	2010/11 Supps.	Actual
- Revenue Crown	-	372	372
- Revenue Third Parties	-	33	4
- Total Revenue	-	405	376
- Expenses	-	477	374
- Net Surplus/(Deficit)	-	(72)	2

The increase in this appropriation reflects the integration of the National Library of New Zealand into the Department of Internal Affairs with effect from 1 February 2011.

Actual expenditure was 22 percent lower than the Supplementary Estimates, primarily due to lower personnel costs resulting from the restructure of resources within the Policy unit, and delays in the Building a National Library for the 21st Century project, for which an in-principle expense transfer of up to a maximum of \$4.500 million (a combined total with all other output expenses within the Vote).

Policy Advice to Government

Results Information	Standard	1 Feb – 30 June		2010/11
		2009/10	2011	
Percentage of policy papers that the Minister is satisfied with in regard to the following characteristics: Purpose, Logic, Accuracy, Options, Consultation, Practicality, Timeliness, Presentation	95%	100%	100%	100%
Percentage of questions and other requests completed within statutory and other agreed timeframes	95%	100%	100%	100%
Satisfaction of the Chair of the Library and Information Advisory Committee with the quality of support	Satisfactory or above	Satisfactory	n/a	Satisfactory

Vote Racing

OUTPUT APPROPRIATION: **Policy Advice – Racing**

This appropriation is limited to the provision of 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.

Revenue and Output Expenses (\$000)

2009/10 Actual		Mains	2010/11 Supps.	Actual
357	Revenue Crown	354	263	262
6	Revenue Third Parties	4	4	6
363	Total Revenue	358	267	268
246	Expenses	359	267	195
117	Net Surplus/(Deficit)	(1)	-	73

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$92,000 was due to net savings from efficiencies in the administration of Racing sponsorship funds and a transfer to Vote Emergency Management for net increases in attributable shared services costs (\$93,000) and a net decrease in attributable one-off shared services costs (\$2,000), partially offset by a net increase in costs due to the integration of new functions and consequent restructuring of the Department of Internal Affairs (\$3,000).

Actual expenditure was 27 percent lower than the Supplementary Estimates, primarily due to lower personnel costs reflecting vacancies held during the Department's restructure following the integration with the National Library and Archives New Zealand, together with efficiency gains resulting from the restructure of policy resources within the Department.

Racing Policy Advice

Results Information	Standard	2009/10	2010/11
Policy advice that is delivered in accordance with agreed policy quality criteria	100%	100%	100%
The Minister is requested to indicate his/her level of satisfaction with the quality of policy advice	Satisfied or better	Very good	Very good

Ministerial Correspondence and Questions

Activity Information	Standard	2009/10	2010/11
Number of replies to ministerial correspondence, Official Information Act 1982 requests and Ombudsman's inquiries, and answers to parliamentary questions	30-50	55	48

VOTE RACING

Performance Information

	Standard	2009/10	2010/11
Percentage of first versions of replies to ministerial correspondence, Official Information Act 1982 requests, Ombudsman's inquiries and parliamentary questions accepted by the Minister is no less than:	95%	100%	100%
Percentage of draft responses to ministerial correspondence returned to the Minister's office for signature within 15 working days of receipt from the Minister's office or such other deadlines as may be specifically agreed is no less than:	95%	97.4%	100%
Percentage of draft responses to Official Information Act 1982 requests and Ombudsman's inquiries returned to the Minister's office for signature five days prior to the statutory deadline for reply is no less than:	100%	100%	100%
Percentage of draft replies to parliamentary questions completed within the timeframes specified by the Minister is no less than:	100%	100%	100%

PART C:
FINANCIAL STATEMENTS
DEPARTMENTAL

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Comprehensive Income

Statement of Comprehensive Income for the year ended 30 June

ACTUAL 2009/10 \$000		NOTE	ACTUAL 2010/11 \$000	MAIN EST 2010/11 \$000	SUPP EST 2010/11 \$000
Revenue					
109,526	Crown		141,695	98,464	141,693
126,138	Third Parties	2	147,570	143,360	147,350
33	Gain on Sale of Property, Plant and Equipment		9	-	-
235,697	Total Revenue		289,274	241,824	289,043
Expenses					
119,701	Personnel	3	136,327	121,117	137,294
86,606	Operating	4	105,433	97,521	118,638
156	Financing	5	67	-	-
15,832	Depreciation and Amortisation	11,12	23,116	15,272	29,847
5,646	Capital Charge	6	11,835	5,981	10,705
-	- Christchurch Earthquake Costs		896	-	3,100
-	- Loss on Sale of Property, Plant and Equipment		711	-	-
227,941	Total Expenses	19	278,385	239,891	299,584
7,756	Net Surplus/(Deficit)		10,889	1,933	(10,541)
Other Comprehensive Income					
(741)	Revaluation Gain (Loss)	20	(2,173)	-	-
7,015	Total Comprehensive Income		8,716	1,933	(10,541)

Explanation 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 2009/10 \$000		NOTE	ACTUAL 2010/11 \$000	MAIN EST 2010/11 \$000	SUPP EST 2010/11 \$000
Assets					
<i>Current Assets</i>					
42,843	Cash and Cash Equivalents	7	51,721	31,959	61,452
3,592	Accounts Receivable	8	25,271	4,238	3,700
1,444	Inventories	9	1,419	1,190	1,551
463	Prepayments		4,654	5,062	4,322
-	Derivative Financial Instruments	24	15	-	-
-	Property, Plant and Equipment Held for Sale	11	1,100	-	-
48,342	Total Current Assets		84,180	42,449	71,025
<i>Non-Current Assets</i>					
28,386	Property, Plant and Equipment	11	192,929	25,589	188,787
53,338	Intangible Assets	12	59,973	67,828	85,624
81,724	Total Non-Current Assets		252,902	93,417	274,411
130,066	Total Assets		337,082	135,866	345,436
Liabilities and Taxpayers' Funds					
<i>Current Liabilities</i>					
19,288	Accounts Payable	13	30,284	19,019	28,791
1,600	Provisions	14	3,468	1,266	3,422
5,490	Revenue Received in Advance	15	8,141	6,757	5,776
7,924	Employee Entitlements	16	10,106	6,899	12,223
1,322	Finance Leases	17	1,322	1,322	1,322
7,777	Provision for Repayment of Surplus	18	16,600	1,933	-
21	Derivative Financial Instruments	24	81	-	-
43,422	Total Current Liabilities		70,002	37,196	51,534
<i>Non-Current Liabilities</i>					
1,124	Employee Entitlements	16	1,632	1,239	1,313
4,515	Finance Leases	17	3,194	2,906	3,193
5,639	Total Non-Current Liabilities		4,826	4,145	4,506
49,061	Total Liabilities		74,828	41,341	56,040
<i>Taxpayers' Funds</i>					
79,297	General Funds		233,776	92,076	258,745
1,708	Revaluation Reserve	20	28,478	2,449	30,651
81,005	Total Taxpayers' Funds		262,254	94,525	289,396
130,066	Total Liabilities and Taxpayers' Funds		337,082	135,866	345,436

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

The accompanying notes form part of these financial statements.

Movements in Taxpayers' Funds

Statement of Movements in Taxpayers' Funds for the year ended 30 June

ACTUAL 2009/10 \$000		NOTE	ACTUAL 2010/11 \$000	MAIN EST 2010/11 \$000	SUPP EST 2010/11 \$000
7,015	Total Comprehensive Income		8,716	1,933	(10,541)
(7,777)	Provision for Payment of Surplus	18	(16,600)	(1,933)	-
(1,360)	Transfers to Crown		-	-	-
12,843	Capital Contribution	21	-	11,400	36,064
-	Other Movements in Taxpayers' Funds		-	-	318
	Transfers of General Funds and Revaluation Reserves between Government Departments				
15,404	Government Technology Services		-	-	-
-	National Library		115,689	-	110,880
-	Archives New Zealand		73,444	-	71,670
15,404	Total Transfers of General Funds and Revaluation Reserves between Government Departments		189,133	-	182,550
26,125	Movement in Taxpayers' Funds for the year		181,249	11,400	208,391
-					
54,880	Add Taxpayers' Funds as at 1 July		81,005	83,125	81,005
81,005	Taxpayers' Funds as at 30 June		262,254	94,525	289,396

Explanation of significant variances against budget are 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 2009/10 \$000		NOTE	ACTUAL 2010/11 \$000	MAIN EST 2010/11 \$000	SUPP EST 2010/11 \$000
Cash Flows from Operating Activities					
<i>Cash was Provided from:</i>					
109,526	Supply of Outputs to the Crown		127,374	98,464	141,693
125,469	Supply of Outputs to Third Parties		140,287	143,360	147,066
234,995	Total Cash was Provided from:		267,661	241,824	288,759
<i>Cash was Disbursed to:</i>					
(206,594)	Suppliers and Employees		(238,062)	(223,687)	(244,433)
(5,646)	Capital Charge	6	(11,835)	(5,981)	(10,705)
(557)	Goods and Services Tax (Net)		2,289	-	-
(212,797)	Total Cash was Disbursed to:		(247,608)	(229,668)	(255,138)
22,198	Net Cash Flows from Operating Activities		20,053	12,156	33,621
Cash Flows from Investing Activities					
<i>Cash was Provided from:</i>					
660	Sale of Property, Plant and Equipment		-	395	910
660	Total Cash was Provided from:		-	395	910
<i>Cash was Disbursed to:</i>					
(4,849)	Purchase of Property, Plant and Equipment		(25,797)	(3,165)	(8,007)
(17,381)	Purchase of Intangibles		(6,417)	(20,425)	(36,202)
(22,230)	Total Cash was Disbursed to:		(32,214)	(23,590)	(44,209)
(21,570)	Net Cash Flows from Investing Activities		(32,214)	(23,195)	(43,299)
Cash Flows from Financing Activities					
<i>Cash was Provided from:</i>					
12,843	Capital Contribution	21	-	11,400	36,064
-	Transfers from Government Departments		30,204	-	-
12,843	Total Cash was Provided from:		30,204	11,400	36,064
<i>Cash was Disbursed to:</i>					
(7,267)	Repayment of Net Surplus		(7,777)	(2,279)	(7,777)
(771)	Payment of Finance Leases		(1,388)	-	-
(8,038)	Total Cash was Disbursed to:		(9,165)	(2,279)	(7,777)
4,805	Net Cash Flows from Financing Activities		21,039	9,121	28,287
Movement in Cash					
37,410	Opening Cash and Cash Equivalents		42,843	33,877	42,843
5,433	Add Net Increase/(Decrease) in Cash Held		8,878	(1,918)	18,609
42,843	Closing Cash and Cash Equivalents		51,721	31,959	61,452

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 2009/10 \$000		ACTUAL 2010/11 \$000	MAIN EST 2010/11 \$000	SUPP EST 2010/11 \$000
7,015	Total Comprehensive Income	8,716	1,933	(10,541)
	<i>Add/(Deduct) Non-Cash Items</i>			
15,832	Depreciation and Amortisation	23,116	15,272	29,847
21	Net Losses/(Gains) on Derivative Financial Instruments	(66)	-	-
-	Revenue from Collection Donations and Legal Donations	(161)	-	-
-	Interest Unwind on Leased Premises	(200)	-	-
18	Net Foreign Exchange Losses	7	-	-
15,871		22,696	15,272	29,847
	<i>Add/(Deduct) Items Classified as Investing Activities</i>			
(33)	Loss/(Gain) on Sale of Property, Plant and Equipment	702	-	3,100
(33)		702	-	3,100
	<i>Add/(Deduct) Movements in Working Capital Items</i>			
875	(Increase)/Decrease in Accounts Receivable	(21,614)	-	(108)
160	(Increase)/Decrease in Inventories	72	20	(107)
(332)	(Increase)/Decrease in Prepayments	(4,191)	(4,060)	(3,859)
(1,771)	Increase/(Decrease) in Accounts Payable	12,097	(1,021)	8,181
434	Increase /(Decrease) in Provisions	(9)	1	2,334
(1,544)	Increase/(Decrease) in Revenue Received in Advance	1,225	7	286
1,523	Increase /(Decrease) in Employee Entitlements	359	4	4,488
(655)		(12,061)	(5,049)	11,215
22,198	Net Cash Flows from Operating Activities	20,053	12,156	33,621

The accompanying notes form part of these financial statements.

Commitments

Statement of Commitments as at 30 June

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
	Capital Commitments	
	<i>Capital Contracts for Goods and Services</i>	
11,094	Less than one year	19,442
4,756	One to two years	3,852
167	Two to five years	167
16,017	Total Capital Contracts for Goods and Services	23,461
16,017	Total Capital Commitments	23,461
	Operating Commitments	
	<i>Non-Cancellable Accommodation Leases</i>	
9,131	Less than one year	13,655
6,075	One to two years	10,964
3,630	Two to five years	23,227
614	Over five years	20,274
19,450	Total Non-Cancellable Accommodation Leases	68,120
	<i>Other Non-Cancellable Leases</i>	
10,424	Less than one year	11,097
7,076	One to two years	8,450
611	Two to five years	22,871
-	Over five years	20,667
18,111	Total Other Non-Cancellable Leases	63,085
	<i>Non-Cancellable Contracts for Goods and Services</i>	
244	Less than one year	20,534
2	One to two years	18,862
-	Two to five years	33,888
-	Over five years	-
246	Total Non-Cancellable Contracts for Goods and Services	73,284
37,807	Total Operating Commitments	204,489
53,824	Total Commitments	227,950

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 2009/10 \$000		ACTUAL 2010/11 \$000
144	Legal Disputes	124
144	Total Contingent Liabilities	124

Unquantified Contingent Liabilities

There is one new personal grievance case pending against the Department that cannot be reliably quantified due to uncertainty around the outcome. Management believes the resolution of this case will not have a materially adverse effect on the financial statements of the Department.

The Department had two personal grievance cases in 2009/10.

Unquantified Contingent Assets

The Department has 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.

The Department had no unquantified contingent assets in 2009/10.

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 2011. (2009/10: \$Nil.)

The accompanying notes form part of these financial statements.

Memorandum Accounts

Memorandum Accounts for the year ended 30 June

Memorandum accounts are notional 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.

Memorandum Account	OPENING BALANCE 2009/10 \$000	REVENUE MOVEMENT 2010/11 \$000	EXPENSE MOVEMENT 2010/11 \$000	CLOSING BALANCE 2010/11 \$000
New Zealand Gazette	469	998	847	620
Use of facilities and access to Lake Taupo by boat users	(45)	305	385	(125)
Passport products	9,457	79,799	71,831	17,425
Citizenship products	(1,490)	9,223	8,048	(315)
Marriage products	(417)	2,984	3,098	(531)
Issue of Birth, Death and Marriage certifications and other products	1,505	7,450	8,683	272
Administration of non-casino gaming	(6,276)	16,564	15,826	(5,538)
Kotui library services	-	-	-	-
Infrastructure as a Service (IaaS)	-	-	1,071	(1,071)

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 December 2011.

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 lower levels of fees were recovered due to reduced usage of lake facilities as a result of the continued economic environment. A review of fees is scheduled in 2011/12.

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. Passport fees will be reviewed following the completion of the Passport Redevelopment Programme 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 2010/11 movement mainly reflected the timing of expenditure on Passport Redevelopment Programme developments and higher revenue than forecast. Productivity improvements achieved through system enhancements implemented in 2010/11 also resulted in the ability to handle the 2010/11 passport volume increase with a modest increase in staff.

The accompanying notes form part of these financial statements.

The Passport Redevelopment Programme that is expected to be completed in 2012/13 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.

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 2010/11 favourable movement reflected lower levels of expenditure resulting from the Department's performance and productivity initiatives and lower business support costs as a result of the Department's restructure, together with higher revenues than forecast.

Citizenship 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. Citizenship fees will be reviewed in 2011/12 and will incorporate the results of the foregoing initiatives and the impact of volume changes.

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 2010/11 is expected to continue in 2011/12 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 2011/12 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 adverse movement in 2010/11 is lower than expected efficiency savings resulting from the Department's Performance and Productivity Improvement Programme, together with lower business support costs. The shortfall mainly reflects additional expenditure associated with the implementation of the Births, Deaths, Marriages and Relationships Registration legislation. A deficit is still expected to continue in 2011/12 and accordingly the accumulated surplus is likely to be exhausted. Births, Deaths and Marriages 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. Births, Deaths and Marriages Certificates, and Other Products fees will be reviewed in 2011/12 and will incorporate the results of the foregoing initiatives and the impact of volume changes.

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 accumulated deficit resulted from uncertainties surrounding the introduction of the Gambling Act 2003 and the electronic monitoring system in 2006, in particular around volumes and activity. The current fees schedule was approved with effect from 1 February 2008, and a further review is planned in 2011/12 due to permanent reductions to the bases of revenue recovery for gaming machines and associated activity.

The accompanying notes form part of these financial statements.

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: There has been no activity in the Kotui memorandum account in the five months to 30 June 2011.

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 IaaS will be recovered through fees charged to Government agencies for use of the service.

Actions: The IaaS will go live by 31 December 2011. The cost of establishing and managing the IaaS 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. Cabinet has directed the Department to repay the establishment costs within a four year period.

Departmental Appropriations and Expenditure

Statement of Departmental Expenditure and Capital Appropriations for the year ended 30 June

ACTUAL 2009/10 \$000	NOTE	ACTUAL 2010/11 \$000	MAIN EST 2010/11 \$000	SUPP EST 2010/11 \$000
Appropriations for Output Expenses				
Vote Community and Voluntary Sector				
<i>Multi-Class Output Appropriation</i>				
Community and Voluntary Sector Services				
1,610	Policy Advice – Community	1,679	1,408	1,891
14,508	Administration of Grants	13,355	14,123	13,967
5,308	Community Advisory Services	5,398	5,303	6,031
21,426	Total Community and Voluntary Sector Services	20,432	20,834	21,889
21,426	Total Vote Community and Voluntary Sector	20,432	20,834	21,889
Vote Emergency Management				
<i>Multi-Class Output Appropriation</i>				
Emergency Management Services				
846	Policy Advice – Emergency Management	774	970	993
5,458	Support Services, Information and Education	6,105	5,830	7,116
3,875	Management of National Emergency Readiness, Response and Recovery	5,715	4,243	5,473
10,179	Total Emergency Management Services (MCOA)	12,594	11,043	13,582
10,179	Total Vote Emergency Management	12,594	11,043	13,582
Vote Internal Affairs				
<i>Multi-Class Output Appropriation</i>				
Policy and Advisory Services				
4,021	Policy Advice- Internal Affairs	3,453	4,145	3,828
2,816	Information and Advisory Services	4,450	3,018	5,585
6,837	Total Policy and Advisory Services (MCOA)	7,903	7,163	9,413
<i>Departmental Output Expenses</i>				
353	Anti-Money Laundering and Countering Financing of Terrorism	969	1,535	1,459
11,511	Government Technology Services	8,536	11,587	9,598
96,484	Identity Services	108,437	104,841	113,246
24,910	Regulatory Services	25,313	25,687	26,509
5,651	Services for Ethnic Affairs	5,671	5,982	6,082
818	Contestable Services	957	908	958
146,564	Total Vote Internal Affairs	157,786	157,703	167,265

The accompanying notes form part of these financial statements.

Statement of Departmental Expenditure and Capital Appropriations (continued)

ACTUAL 2009/10 \$000		NOTE	ACTUAL 2010/11 \$000	MAIN EST 2010/11 \$000	SUPP EST 2010/11 \$000
	Vote Local Government				
	<i>Multi-Class Output Appropriation</i>				
	Services for Local Government				
7,258	Policy Advice – Local Government		6,563	6,641	6,961
4,067	Information, Support and Regulatory Services – Local Government		3,462	3,513	3,499
11,325	Total Services for Local Government		10,025	10,154	10,460
	<i>Departmental Output Expenses</i>				
379	Implementation of Auckland Governance Reforms		158	183	210
11,704	Total Vote Local Government		10,183	10,337	10,670
	Vote Ministerial Services				
	Departmental Output Expenses				
26,758	Support Services to Members of the Executive		26,475	27,260	26,994
4,472	Visits and Official Events Co-ordination		5,361	4,430	5,420
7,178	VIP Transport		7,214	7,925	7,468
38,408	Total Vote Ministerial Services		39,050	39,615	39,882
	Vote Racing				
	<i>Departmental Output Expenses</i>				
246	Policy Advice – Racing		195	359	267
246	Total Vote Racing		195	359	267
	Vote National Library				
	<i>Multi-Class Output Appropriation</i>				
-	Access to Information		9,664	-	13,502
-	Collecting and Preserving Information		12,382	-	12,623
-	Policy Advice and Statutory Servicing		374	-	477
-	Library and Information Services to Schools		5,244	-	6,647
-	Total Vote National Library		27,664	-	33,249
	Vote National Archives				
-	Archives Services		9,442	-	9,680
-	Total Vote National Archives		9,442	-	9,680
228,527	Total Department Appropriation for Output Expenses	19,27	277,346	239,891	299,584
	Other Expenses				
-	Recovery from February 2011 Christchurch Earthquake		896	-	3,100
-	Total Other Expenses		896	-	3,100
	Appropriation for Capital Expenditure				
22,974	Department of Internal Affairs		35,487	23,590	44,209
22,974	Total Department Appropriation for Capital Expenditure		35,487	23,590	44,209
251,501	Total Department Appropriations		312,833	263,481	343,793

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

The Department of Internal Affairs (Department) was established as a result of the integration of the National Library of New Zealand, Archives New Zealand and the Department of Internal Affairs on 1 February 2011. Financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989. Section 2 of this Act defines the Department of Internal Affairs as a Government Department. For the purposes of financial reporting the Department of Internal Affairs is a public benefit entity.

The financial information for the year ended 30 June 2011 includes the financial information:

- » for the former National Library of New Zealand and Archives New Zealand since the merger date on 1 February 2011 i.e. for the five month period from 1 February 2011 to 30 June 2011
- » the information for the Department of Internal Affairs for the full 12 month period from 1 July 2010 to 30 June 2011.

The comparative values for 30 June 2010 are those of the Department of Internal Affairs prior to the merger and do not include the financial information for the former National Library of New Zealand or Archives New Zealand.

In addition, the Department has reported the Crown activities and trust money, which it administers.

Transfer of Assets from other Government Departments

The National Library of New Zealand and Archives New Zealand merged with the Department of Internal Affairs on 1 February 2011. On that date, the assets and liabilities of the National Library of New Zealand and Archives New Zealand were transferred to the Department at their carrying values which was considered to equate to fair value.

Government Technology Services was transferred from the State Services Commission on 1 July 2009.

The effect on the Departments' accounts, at the date of transfer, is summarised below.

DEPARTMENT	FIXED ASSETS \$000	CURRENT ASSETS \$000	LIABILITIES \$000	TAXPAYERS' FUNDS \$000
2010/11				
National Library of New Zealand	100,033	24,443	8,787	115,689
Archives New Zealand	66,029	9,619	2,204	73,444
2009/10				
Government Technology Services	14,091	4,390	3,077	15,404

The value of Taxpayers' Funds includes the value of General Funds, Revaluation Reserves and Net Surplus Repayments.

Transfer of Other Functions from Other Government Departments

The functions relating to the Office of the Community and Voluntary Sector and the Government Chief Information Officer were transferred into the Department on 1 February 2011. The Office of the Community and Voluntary Sector was transferred from the Ministry of Social Development and the Government Chief Information Officer was transferred from the State Services Commission. Other than employee entitlements, neither of these transfers carried any transfer of assets or liabilities.

Reporting Period

The reporting period for these financial statements is the year ended 30 June 2011. The financial statements were authorised for issue by the Chief Executive of the Department on 30 September 2011.

Basis of Preparation

Statement of Compliance

These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Budget Figures

The budget figures are those presented in the Budget Estimates of Appropriation (Main Est) for the Department. These budgets do not include the National Library of New Zealand or Archives New Zealand.

The Supplementary Estimates (Supp Est) figures include the Department's full year estimates from the former Department and five months of the former National Library of New Zealand and Archives New Zealand. The budgets also include other amendments made through the course of the Supplementary Estimates process.

Changes in Accounting Policies

This is the first period of operation of the newly merged Department. The accounting policies stated below have been consistently applied throughout the period and correspond to the accounting policies specified in the Statement of Intent for the Department for the year ended 30 June 2011 and, where applicable, the Statements of Intent for the National Library of New Zealand and Archives New Zealand for the year ended 30 June 2011.

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 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.

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:

NZ IAS 24 *Related Party Disclosures (Revised 2009)* replaces NZ IAS 24 *Related Party Disclosures (Issued 2004)* and is effective for reporting periods on or after 1 January 2011. The revised standard:

- » removes the previous disclosure concessions applied by the Department for arm's length transactions between the Department and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between the Department and entities controlled or significantly influenced by the Crown
- » provides clarity on the disclosure of related party transactions with Ministers of the Crown
- » clarifies that related party transactions include commitments with related parties.

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 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 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:

Indirect Costs are allocated 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 2011, 85 percent of output costs were direct costs (2009/10: 85 percent).

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 2011, indirect costs accounted for 15 percent of the Department's costs (2009/10: 15 percent).

Cash and Cash Equivalents

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

Accounts Receivable

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 are 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.

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	33–90 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	3–50 Years
Plant and Equipment	5–100 Years
Furniture and Fittings	5–30 Years
Office Equipment	5–10 Years
Motor Vehicles	2–6 Years
IT Equipment	3–5 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.

All pre-integration assets held by the Department and all fixed assets post-integration were initially recorded at the cost of purchase.

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.

The Department currently holds one finance 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. 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.

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.

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.

2. Revenue Third Parties

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
60,909	Passport Fees	78,796
7,963	Citizenship Fees	9,073
10,283	Birth, Death, Marriage and Civil Union Fees	10,345
17,231	Gambling Licences	16,264
5,244	Casino Operators' Levies	5,352
6,630	VIP Transport	7,142
10,027	Recovery from New Zealand Lottery Grants Board	8,976
1,013	New Zealand Gazette	952
1,183	e-Government Development and Operations	1,340
5,655	Other Third Party Revenue	9,330
126,138	Total Revenue Third Parties	147,570

3. Personnel Expense

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
113,644	Salaries, Wages and Contractors	127,812
2,671	Employer Contribution to Defined Contribution Plans	2,736
965	Increase in Employee Entitlements	2,690
2,421	Other Personnel Costs	3,089
119,701	Total Personnel Costs	136,327

4. Operating Expenses

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
10,157	Agency Fees	10,427
15,023	Computer Costs	19,140
3,600	Consultants	4,633
13,669	Inventory Costs	15,819
12,415	Office Expenses	13,981
4,534	Professional Fees	7,647
2,182	Publicity and Promotion	1,623
11,409	Rental and Leasing Costs	12,322
2,370	Staff Development	2,298
-	Library Resources and Subscriptions	1,957
4,400	Travel Expenses	5,806
195	Fee for Auditor (for the Financial Statement Audit)	325
32	Fees to Auditor (for Assurance and Related Services)	34
(19)	Increase/(Decrease) in Provision for Doubtful Debts	3
18	Realised Foreign Exchange Losses	36
21	Unrealised Foreign Exchange Losses/(Gains)	(29)
6,600	Other Departmental Operating Costs	9,411
86,606	Total Operating Expenses	105,433

5. Financing Expense

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
156	Interest on Finance Leases	267
-	Make Good on Lease Premises	(200)
156	Total Finance Costs	67

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 2010/11 was 7.5 percent (2009/10: 7.5 percent).

7. Cash and Cash Equivalents

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
41,665	New Zealand Bank Accounts	50,197
	Overseas Bank Accounts	
814	Australian Bank Accounts	374
364	UK Bank Accounts	864
-	US Bank Accounts	286
42,843	Total Cash and Cash Equivalents	51,721

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

8. Accounts Receivable

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
3,610	Trade Receivables	10,902
-	- Debtor Crown	14,390
(18)	Less Provision for Doubtful Debts	(21)
3,592	Total Accounts Receivable	25,271

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 2009/10				ACTUAL 2010/11		
GROSS \$000	IMPAIRMENT \$000	NET \$000		GROSS \$000	IMPAIRMENT \$000	NET \$000
3,514	(16)	3,498	Not past due	24,450	-	24,450
84	(1)	83	Past due 1-30 days	105	-	105
8	-	8	Past due 31-60 days	194	-	194
1	-	1	Past due 61-90 days	218	-	218
3	(1)	2	Past due → 91 days	325	(21)	304
3,610	(18)	3,592	Total Accounts Receivable	25,292	(21)	25,271

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 2009/10 \$000		ACTUAL 2010/11 \$000
(37)	Opening Doubtful Debts as at 1 July	(18)
19	Additional Provisions Made During the Year	(3)
-	- Trade Receivables Written Off	-
(18)	Closing Doubtful Debts as at 30 June	(21)

9. Inventories

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
	Birth, Death and Marriage Certificates	
24	Stock on Hand	22
	Citizenship	
49	Stock on Hand	18
566	Work in Progress	534
	Civil Defence and Emergency Management	
20	Guides to National CDEM Plan	-
	National Library	
-	Stock on Hand	48
	Passports	
12	Stock on Hand	11
773	Work in Progress	786
1,444	Total Inventories	1,419

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 2009/10 000		ACTUAL 2010/11 000
1,650	Australian dollars \$	2,700
120	UK Sterling £	210
-	United States dollars \$	1,353

The fair value of forward exchange contracts has been determined using a discounted cash flows valuation technique based on stated market rates.

The nominal value of these 11 contracts was \$NZD 5.628 m (2009/10: 6 contracts valued at \$NZD 2.262 m).

11. Property, Plant and Equipment

2010/11

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.

2009/10

Cost

Asset Class	Balance 1 July \$000	Additions \$000	Revaluations/ Impairments \$000	Disposals \$000	Transfers*	Balance 30 June \$000
Land	5,350	-	(723)	-	(977)	3,650
Buildings	3,397	-	(18)	-	(407)	2,972
Leasehold Improvements	10,060	868	-	(123)	110	10,915
Antiques and Works of Art	456	-	-	-	-	456
Furniture and Fittings	639	175	-	(31)	200	983
General Collections	-	-	-	-	-	-
School Collections	-	-	-	-	-	-
Office Equipment	1,198	74	-	(262)	46	1,056
Motor Vehicles	6,628	629	-	(693)	-	6,564
Plant and Equipment	1,028	11	-	(153)	-	886
IT Equipment	11,094	3,833	-	(785)	2,698	16,840
Leased Assets	6,608	-	-	-	-	6,608
Total cost	46,458	5,590	(741)	(2,047)	1,670	50,930

Accumulated Depreciation

Asset Class	Balance 1 July \$000	Depreciation \$000	Revaluations/ Impairments \$000	Disposals \$000	Transfers*	Balance 30 June \$000
Land	-	-	-	-	-	-
Buildings	98	97	-	-	(26)	169
Leasehold Improvements	5,328	2,313	-	(123)	-	7,518
Antiques and Works of Art	-	-	-	-	-	-
Furniture and Fittings	420	94	-	(23)	84	575
General Collections	-	-	-	-	-	-
School Collections	-	-	-	-	-	-
Office Equipment	840	168	-	(262)	10	756
Motor Vehicles	1,419	1,044	-	(416)	-	2,047
Plant and Equipment	745	106	-	(153)	-	698
IT Equipment	7,037	2,462	-	(239)	750	10,010
Leased Assets	-	771	-	-	-	771
Total Accumulated Depreciation	15,887	7,055	-	(1,216)	818	22,544

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

Summary of Property, Plant and Equipment

2009/10				2010/11		
Cost of Valuation	Accumulated Depreciation	Carrying Value	Asset Class	Cost or Valuation	Accumulated Depreciation	Carrying Value
\$000	\$000	\$000		\$000	\$000	\$000
3,650	–	3,650	Land	53,025	–	53,025
2,972	169	2,803	Buildings	84,157	5,085	79,072
10,915	7,518	3,397	Lease Improvements	12,776	7,527	5,249
456	–	456	Antiques and Works of Art	1,186	–	1,186
983	575	408	Furniture and Fittings	12,495	7,383	5,112
–	–	–	General Collections	26,378	13,764	12,614
–	–	–	School Collections	12,290	9,326	2,964
1,056	756	300	Office Equipment	5,355	4,816	539
6,564	2,047	4,517	Motor Vehicles	7,505	3,476	4,029
886	698	188	Plant and Equipment	8,873	4,426	4,447
16,840	10,010	6,830	IT Equipment	44,612	24,435	20,177
6,608	771	5,837	Leased Assets	6,608	2,093	4,515
50,930	22,544	28,386	Total Property, Plant and Equipment	275,260	82,331	192,929

Leased Assets

The net carrying amount of the leased assets (Passport Printers) held under finance lease is \$4.515 m (2009/10: \$5.837 m).

Capital Work in Progress

The total amount of property, plant and equipment in the course of construction is \$17.254 m (2009/10: \$0.014 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.

There were no impairment losses in 2009/10.

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

A Department owned building has been classified as current Property, Plant and Equipment held for sale following the approval to sell the premises, as it will provide no future use to the Department. The completion date of the sale is expected by October 2011.

12. Intangible Assets

2010/11

ASSET CLASS	BALANCE 1 JULY \$000	ADDITIONS/ DEPRE- CIATION \$000	RECLASSIFIED \$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

2009/10

ASSET CLASS	BALANCE 1 JULY \$000	ADDITIONS/ DEPRE- CIATION \$000	RECLASSIFIED \$000	DISPOSALS \$000	TRANSFERS \$000	BALANCE 30 JUNE \$000
Cost						
Computer Software	53,797	17,381	1,278	(125)	15,385	87,716
Less Accumulated Depreciation						
Computer Software	22,443	8,777	-	(125)	3,283	34,378
Net Book Value	31,354	8,604	1,278	-	12,102	53,338

Capital Work in Progress

The total amount of intangibles in the course of construction is \$20.734 m (2009/10: \$18.926 m).

Impairment Losses

There were no impairment losses (2009/10: \$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. Accounts Payable

	ACTUAL 2009/10 \$000	ACTUAL 2010/11 \$000
6,193 Accounts Payable		11,882
10,493 Accrued Expenses		12,300
2,214 Accrued Salaries		3,425
388 GST Payable		2,677
19,288 Total Accounts Payable		30,284

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

ACTUAL 2009/10				ACTUAL 2010/11			
LEASE MAKE GOOD \$000	RESTRUC- TURING \$000	OTHER \$000	TOTAL \$000	LEASE MAKE GOOD \$000	RESTRUC- TURING \$000	OTHER \$000	TOTAL \$000
-	-	1,166	1,166	320	-	1,280	1,600
							Opening Provisions as at 1 July
320	-	471	791	675	1,184	962	2,821
							Additional provisions made during the year
-	-	(338)	(338)	-	(263)	(189)	(452)
							Charge against provision for the year
-	-	(19)	(19)	-	-	(501)	(501)
							Unused provisions reversed
320	-	1,280	1,600	995	921	1,552	3,468
							Closing Provisions as at 30 June

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.

Restructuring Provision

Provision has been made for one-off costs for the realignment of the National Library of New Zealand and Archives New Zealand's services through the integration with the Department of Internal Affairs.

Other Provision

A staff development programme is the major component of the other provision.

15. Revenue Received in Advance

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
3,250	Identity Products	3,183
2,120	Licensing Fees	2,034
-	- Te Puna Subscriptions	329
-	- Electronic Procurement in Collaboration (EPIC)	1,993
120	Other	602
5,490	Total Revenue Received in Advance	8,141

16. Employee Entitlements

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
	Current Entitlements	
6,720	Annual Leave	9,185
239	Sick Leave	142
965	Long Service and Retirement Leave	779
7,924	Total Current Entitlements	10,106
	Term Entitlements	
1,124	Long Service and Retirement Leave	1,632
9,048	Total Entitlements	11,738

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.

	2009/10	2010/11
Discount Rate		
Long Service Leave	4.45%	6.19%
Retiring Leave	3.33%	6.19%
Salary Inflation Factor		
Salary Inflation Factor	3.50%	3.50%

17. Finance Leases

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
	Minimum Lease Payments Payable	
1,589	Not later than one year	1,589
5,429	Later than one year and not later than five years	3,840
7,018	Total Minimum Lease Payments	5,429
(1,181)	Future Finance Charges	(913)
5,837	Total Present Value of Minimum Lease Payments	4,516
1,322	Not later than one year	1,322
4,515	Later than one year and not later than five years	3,194
5,837	Total Present Value of Minimum Lease Payments	4,516
	Represented by:	
1,322	Current	1,322
4,515	Non-Current	3,194
5,837	Total Present Value of Minimum Lease Payments	4,516

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 percent.

18. Provision for Repayment of Surplus

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

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
7,756	Total Comprehensive Income	8,716
-	Add Revaluation Loss/(Gain)	2,173
21	Less/Add Unrealised Foreign Exchange (Gains)/Loss	(29)
-	Add Repayment of Other Expenses from Recovery from February 2011 Christchurch Earthquake	896
-	Add Repayment of National Library of New Zealand Net Surplus as at 31/1/11	4,837
-	Add Repayment Net Surplus from Archives New Zealand*	7
7,777	Total Current Entitlements	16,600

* 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 not repaid to/from Treasury but were transferred into the Department of Internal Affairs Taxpayers' Funds. These funds are due for repayment to the Crown by 31 October.

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 2009/10 \$000		ACTUAL 2010/11 \$000
227,941	Total Operating Expenses in Statement of Comprehensive Income	278,385
-	Remeasurement of Long Service Leave	(143)
-	Other Expenses	(896)
586	Intra-entity Expenditure	-
228,527	Total Appropriations in Statement of Departmental Appropriations and Expenditure	277,346

20. Revaluation Reserve

ACTUAL 2009/10				ACTUAL 2010/11			
LAND \$000	BUILDINGS \$000	ANTIQUES AND ART \$000	TOTAL \$000	LAND \$000	BUILDINGS \$000	ANTIQUES AND ART \$000	TOTAL \$000
2,167	48	234	2,449	1,444	30	234	1,708
-	-	-	-	14,392	14,323	228	28,943
(723)	(18)	-	(741)	(1,162)	(1,334)	323	(2,173)
1,444	30	234	1,708	14,674	13,019	785	28,478

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 2009/10 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.

21. Capital Contributions

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
6,000	Passport System Redevelopment	-
4,443	Government Technology Services	-
2,400	Backup Emergency Operations Facilities	-
12,843	Total Capital Contributions	-

22. Related Parties Transactions and Key Management Personnel

The Department of Internal Affairs is a government department and wholly owned and controlled by the Crown. 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.

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.

All material transactions are on an arm's length basis, with the interests of each party being completely independent.

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 also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these Government-related entities are set out in the table below:

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
1,789	Air New Zealand	2,353
795	New Zealand Post	1,036
2	Meridian Energy	22
14	Genesis Energy	-
2,600	Total Government-Related Transactions	3,411

The Department also receives third party revenue from administering the Lottery Grants Board grants. See note 2.

Key Management Personnel Compensation

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
2,579	Salaries and Other Short-term Employee Benefits	2,345
89	Post-employment Benefits	–
35	Other Long-term Benefits	5
–	Termination Benefits	126
2,703	Total Key Management Personnel Compensation	2,476

Key management personnel included thirteen members during 2010/11 as the Executive Leadership Team transitioned from ten members, pre 1 February, to seven members post 1 February. These numbers include the Chief Executive.

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 Pansy Wong, Hon Tariana Turia, Hon Rodney Hide, Hon Craig Foss, Hon Hekia Parata 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.

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 percent 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
2010/11				
5% Lower (New Zealand dollar weakened)	(289)	(182)	(21)	(86)
5% Higher (New Zealand dollar strengthened)	262	165	19	78
2009/10				
5% Lower (New Zealand dollar weakened)	(120)	(106)	(14)	–
5% Higher (New Zealand dollar strengthened)	108	96	12	–

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 2009/10 \$000		ACTUAL 2010/11 \$000
42,843	Cash and Cash Equivalents	51,721
3,592	Accounts Receivable	25,271
46,435	Total Exposure to Credit Risk	76,992

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
2010/11					
Accounts Payable	30,284	30,284	-	-	-
Derivative Financial Instruments – Assets	15	15	-	-	-
Derivative Financial Instruments – Liabilities	81	81	-	-	-
2009/10					
Accounts Payable	19,288	19,288	-	-	-
Derivative Financial Instruments – Liabilities	21	21	-	-	-

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 2009/10 \$000		ACTUAL 2010/11 \$000
Loans and receivables		
42,843	Cash and Cash Equivalents	51,721
3,592	Accounts Receivable	25,271
46,435	Total Loans and Receivables	76,992
Fair Value Through Profit and Loss		
21	Derivative Financial Instrument Liabilities	(81)
-	Derivative Financial Instrument Assets	15
21	Total Fair Value Through Profit and Loss	(66)
Financial Liabilities Measured at Amortised Cost		
19,288	Accounts Payable	30,284

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
2010/11				
Financial Assets				
Foreign Exchange Derivatives	15	-	15	-
Financial Liabilities				
Foreign Exchange Derivatives	81	-	81	-
2009/10				
Financial Assets				
Foreign Exchange Derivatives	-	-	-	-
Financial Liabilities				
Foreign Exchange Derivatives	21	-	21	-

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 \$59.693 m include:

REASON FOR BUDGET CHANGE	\$000
Expense transfers from 2009/10 to 2010/11	3,536
Expense transfers from 2010/11 to 2011/12	(3,265)
Transfer of funding from Vote National Archives and Vote National Library	45,683
New funding in 2010/11	12,285
Decreased demand for passport and citizenship products	(1,500)
Increased demand for information technology services	1,135
Other changes	1,819
Total Budget Change	59,693

Variance between Actual 2010/11 and the Supplementary Estimates

Actual expenditure was 7 percent lower than the Supplementary Estimates. The overall under-expenditure of \$21.199 m is primarily attributable to the following factors:

- » in principle expense transfers (\$9.471 m), which represent delayed expenditure in a number of work programmes, including the Building a Library for the 21st Century project, Aotearoa People's Network Kaharoa, the Get Ready, Get Thru Public Education Programme and the work programmes of the Royal Commissions of Inquiry on the Pike River Mine Tragedy and the Building Failure Caused by the Canterbury Earthquakes
- » under-expenditure in third party funded activities (\$8.483 m) reflecting reduced demand in some areas, e.g. Electronic Procurement in Collaboration, VIP transport and Language Line, together with savings in other areas, primarily identity products and gaming regulations, mainly due to efficiencies and delayed expenditure on projects
- » lower levels of expenditure on Crown funded activities across the Department (\$1.040 m) primarily due to the impact of vacancies, lower travel costs and unutilised legal costs, together with efficiency savings from productivity initiatives
- » lower level of write-off of assets damaged by the Canterbury earthquakes than anticipated (\$2.204 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

The primary factors contributing to the increase in general funds between the Main Estimates and the Supplementary Estimates of \$166.669 m include:

REASON FOR BUDGET CHANGE	\$000
1 July 2010 used in the Main Estimates, which assumed the drawdown of additional capital injections in 2009/10	(1,313)
An increase in capital contributions in 2010/11	24,664
Transfer of general funds from Vote National Archives and Vote National Library	153,607
Forecast net deficit for 2010/11	(10,541)
Prior period adjustment for restatement of Vote National Library assets	318
Other changes	(66)
Total Budget Change	166,669

28. Significant Events after Balance Date

On 1 August 2011, Cabinet decided to disestablish the Charities Commission and transfer its functions to the Department. It is anticipated that this transfer will take effect from 1 July 2012, subject to the progress of legislation. An estimate of the costs of the integration with the Commission and the transfer of its functions to the Department cannot be made at this time.

There were no other 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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Revenue and Expenditure

Non-Departmental Schedule of Revenue for the year ended 30 June

ACTUAL 2009/10 \$000	VOTE	NOTE	ACTUAL 2010/11 \$000	MAIN EST 2010/11 \$000	SUPP EST 2010/11 \$000
Revenue					
357	Community and Voluntary Sector		249	-	-
1,139	Emergency Management		43	-	-
107	Internal Affairs		-	-	-
125	Local Government		380	125	125
-	Ministerial Services		83	-	-
-	Archives		10,162	-	-
-	National Library		484	-	530
1,728	Total Revenue		11,401	125	655

Explanation of significant variances against budget are detailed in note 7.

Non-Departmental Schedule of Expenditure for the year ended 30 June

ACTUAL 2009/10 \$000	VOTE	NOTE	ACTUAL 2010/11 \$000	MAIN EST 2010/11 \$000	SUPP EST 2010/11 \$000
Expenses					
22,597	Community and Voluntary Sector		25,329	25,491	25,491
2,694	Emergency Management		161,604	2,889	31,653
2,422	Internal Affairs		3,027	2,125	3,873
47,289	Local Government		55,742	60,844	61,998
20,158	Ministerial Services		20,838	20,912	21,860
-	Archives		82,884	-	-
-	National Library		6	-	7
3,923	Racing		3,967	4,000	4,000
99,083	Total Appropriation Expenses		353,397	116,261	148,882

Explanation of significant variances against budget are detailed in note 7.

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 Expenditure and Capital Expenditure Appropriations

Schedule of Non-Departmental Expenditure and Capital Expenditure against Appropriations for the year ended 30 June

ACTUAL 2009/10 \$000	VOTE	NOTE	ACTUAL 2010/11 \$000	MAIN EST 2010/11 \$000	SUPP EST 2010/11 \$000
Non-Departmental Expenses					
Vote Community and Voluntary Sector					
<i>Non-Departmental Output Expenses</i>					
4,886	Charities Administration		4,992	5,066	5,066
	Other Expenses to be Incurred by the Crown				
2,560	Community Development Scheme		2,560	2,560	2,560
406	Community Internship Programme		258	331	331
13,861	Community Organisation Grants Scheme		13,988	14,000	14,000
	– Digital Literacy and Connection		2,782	2,782	2,782
151	Debt Write-Downs		–	–	–
150	Disarmament Education Grants		150	150	150
402	Support for Volunteering		402	402	402
181	Youth Workers Training Scheme		197	200	200
22,597	Total Appropriations		25,329	25,491	25,491
Vote Emergency Management					
<i>Other Expenses to be Incurred by the Crown</i>					
1,805	Emergency Expenses	8	16,355	2,000	21,664
	February 2011 Christchurch Earthquake				
	– National Controller Costs	8	3,324	–	4,100
	Canterbury Earthquake Payments in respect of Indemnity for Response and Recovery Costs – Section 65ZG Public Finance Act 1989	8	108,457	–	–
	– Emergency Expenditure – Section 25 Public Finance Act 1989	8	27,976	–	–
	– Ex Gratia Payment for Canterbury Earthquake Appeal		5,000	–	5,000
889	Subsidies to Local Government		492	889	889
2,694	Total Appropriations		161,604	2,889	31,653
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

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 2009/10 \$000	VOTE	NOTE	ACTUAL 2010/11 \$000	MAIN EST 2010/11 \$000	SUPP EST 2010/11 \$000
	<i>Other Expenses to be Incurred by the crown</i>				
103	Miscellaneous Grants (Internal Affairs)		71	49	109
-	Pike River Royal Commission of Inquiry – Legal Representation and Assistance		551	-	1,077
25	Public Inquiries		329	-	611
218	Reimbursing of Holding Costs		-	-	-
2,422	Total Appropriations		3,027	2,125	3,873
	Vote Local Government				
	<i>Benefits and Other Unrequited Expenses</i>				
44,039	Rates Rebate Scheme		51,907	57,000	57,800
	<i>Other Expenses to be Incurred by the Crown</i>				
1,613	Chatham Islands Council		2,197	2,197	2,551
137	Depreciation (Local Government)		138	147	147
1,500	Tuwharetoa Māori Trust Board		1,500	1,500	1,500
47,289	Total Appropriations		55,742	60,844	61,998
	Vote Ministerial Services				
	<i>Benefits and Other Unrequited Expenses</i>				
520	Annuities to Former Governors-General, Prime Ministers and their Surviving Spouses		464	475	1,100
	<i>Other Expenses to be Incurred by the Crown</i>				
132	Depreciation on Official Residences		144	137	147
7,868	Executive Council and Ministers' Salaries and Allowances		8,326	8,320	8,400
15	Governors-General Pension Arrangements		19	20	23
11,509	Members of the Executive's Internal and External Travel		11,299	11,440	11,790
114	Travel for Former Governors-General and Prime Ministers		252	520	400
20,158	Total Appropriations		20,504	20,912	21,860
	Vote: National Library				
	<i>Non-Departmental Output Expenses</i>				
-	Public Lending Rights		6	-	7
-	Total Appropriations		6	-	7
	Vote Racing				
	<i>Other Expenses to be Incurred by the Crown</i>				
3,000	Racing Promotion and Sponsorship Scheme		2,968	3,000	3,000
923	Racing Safety Development Fund		999	1,000	1,000
3,923	Total Appropriations		3,967	4,000	4,000
99,083	Total Non-Departmental Expenditure		270,179	116,261	148,882

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 2009/10 \$000	VOTE	NOTE	ACTUAL 2010/11 \$000	MAIN EST 2010/11 \$000	SUPP EST 2010/11 \$000
Non-Departmental Capital Expenditure					
Vote National Library					
<i>Non-Departmental Capital Expenditure</i>					
	-	Alexander Turnbull Library Heritage Collection	602	-	762
	-	Total Appropriations	602	-	762
Vote Local Government					
<i>Non-Departmental Capital Expenditure</i>					
24,239		Loan to the Auckland Transition Authority	58,260	40,793	69,827
34		Capital Investments Lake Taupo	-	34	34
	-	Local Government Debt Vehicle	450	5,000	5,000
24,273		Total Appropriations	58,710	45,827	74,861
24,273		Total Non-Departmental Capital Expenditure	59,312	45,827	75,623
123,356		Total Non-Departmental Appropriations	329,491	162,088	224,505

Explanation of significant variances against budget are detailed in note 7.

Reconciliation between the Non-Departmental Expenditure and Capital Expenditure against Appropriations Schedule and the Non-Departmental Schedule of Expenditure

ACTUAL 2009/10 \$000	VOTE	ACTUAL 2010/11 \$000
99,083	Total Expenses in Schedule of Expenditure	353,397
	-	Travel for Former Governors-General and Prime Ministers Annuity Re-measurement
		300
	-	Annuities to Former Governors-General, Prime Ministers and their Surviving Spouses
	-	Annuity Re-measurement
		(631)
	-	Governors-General Pension Arrangements Annuity Re-measurement
		(3)
	-	Archives Collection Acquisitions Revaluation
		(82,884)
99,083	Total Expenses in Schedule of Non-Departmental Expenditure and Capital Expenditure against Appropriation	270,179

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.

2010/11 Unappropriated Expenditure against Main Estimates

There was no unappropriated expenditure against Main Estimates for the year ended 30 June 2011. (2009/10: \$Nil)

2010/11 Unappropriated Expenditure against Supplementary Estimates

There was unappropriated expenditure of \$0.105 m between the period of March Baseline Update and Supplementary Estimates for Travel for Former Governors-General and Prime Ministers. The appropriation was incorrectly reduced for a forecast change relating to a downward adjustment in actuarial changes in the provision for future payments. This was corrected at Supplementary Estimates and has been included in the 2010/11 Appropriations (Financial Review) Bill.

There was no unappropriated expenditure for the year ended 30 June 2010.

Section 25 Public Finance Act Expenditure

The Minister of Finance approved expenses to meet emergency costs under Section 25 of the Public Finance Act 1989. This approval was given as 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. \$27.976 m of Expenses were incurred under this approval.

Details of the costs incurred under Section 25 of the Public Finance Act are 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 Schedule of 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.

RESTATED ACTUAL 2009/10 \$000		NOTE	ACTUAL 2010/11 \$000	MAIN EST 2010/11 \$000	SUPP EST 2010/11 \$000
Assets					
<i>Current Assets</i>					
30,563	Cash		35,056	22,908	14,442
735	Accounts Receivable		174	147	420
8,125	Loan to Auckland Transition Authority		8,504	76,266	13,125
39,423	Total Current Assets		43,734	99,321	27,987
<i>Non-Current Assets</i>					
1,793	Loan to Charities Commission		1,796	1,793	1,793
-	Loans for Local Authority Debt Vehicle		450	-	-
19,935	Non-Current Plant, Property and Equipment	2	21,845	17,677	19,675
-	Non-Current Collections	2	1,283,982	-	1,492,220
21,728	Total Non-Current Assets		1,308,073	19,470	1,513,688
61,151	Total Assets		1,351,807	118,791	1,541,675

Explanation of significant variances against budget are detailed in note 7.

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 Liabilities and Revaluation Reserves as at 30 June

This schedule summarises the Liabilities and Revaluation Reserves the Department administers on behalf of the Crown.

RESTARTED ACTUAL 2009/10 \$000		NOTE	ACTUAL 2010/11 \$000	MAIN EST 2010/11 \$000	SUPP EST 2010/11 \$000
Liabilities					
<i>Current Liabilities</i>					
11,072	Payables	3	142,081	7,977	10,737
11,072	Total Current Liabilities		142,081	7,977	10,737
<i>Non-Current Liabilities</i>					
10,343	Provisions		10,675	10,251	10,343
10,343	Total Non-Current Liabilities		10,675	10,251	10,343
21,415	Total Liabilities		152,756	18,228	21,080
Revaluation Reserves					
<i>Revaluation Reserves</i>					
8,543	Revaluation Reserve	4	296,123	8,543	435,110
8,543	Total Revaluation Reserves		296,123	8,543	435,110

Explanation of significant variances against budget are detailed in note 7.

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

for the year ended 30 June

ACTUAL 2009/10 \$000		ACTUAL 2010/11 \$000
	Other Operating Commitments	
796	Less than one year	1,741
908	One to two years	908
1,534	Two to five years	627
3,238	Total Other Operating Commitments	3,276
3,238	Total Commitments	3,276

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 Contingent Assets and Liabilities

Schedule of Non-Departmental Contingent Assets and Liabilities as at 30 June

Quantified Contingent Liabilities

There were no quantified contingent liabilities for the year ended 30 June 2011.

There was one quantified contingent liability of \$0.191 m in 2009/10 for Annuities.

Unquantified Contingent Liabilities

Civil Defence Emergency Management – Canterbury Earthquakes Unquantified Contingent Liability 2010/11

There is one unquantified contingent liability as at 30 June 2011. This relates to the Canterbury earthquakes of 4 September 2010, 22 February and 13 June 2011 where the Crown, at present, has assumed liability for 60 percent of damages with regard to essential infrastructure (fresh water, storm water, waste water, and river management systems) as advised to it by Christchurch City Council, Selwyn Council, Waimakariri District Council and Environment Canterbury or the Department directly. The assumptions and variances are at present too wide and varied to give a reliable quantification of the Crown's liability.

Any costs that can be reliably estimated have been recognised as payables. See notes 3 and 8.

Unquantified Contingent Liabilities 2009/10

There were no unquantified contingent liabilities for the year ended 30 June 2010.

Civil Defence Emergency Management – General Liability to New Zealand Local Authorities

The Guide to the National Civil Defence Emergency Management Plan ('the Guide') states that the Government will reimburse local authorities, in whole or in part, for certain types of response and recovery costs incurred as a result of a local or national emergency. The Guide is issued by the Director of Civil Defence Emergency Management (CDEM) under Section 9 of the Civil Defence Emergency Management Act 2002. Examples of emergencies covered by the Guide include:

- » natural disasters, such as flood, storm, cyclone, snowstorm, earthquake, volcanic, geothermal incident, tsunami, landslide, and lahar, and
- » non-natural events, such as certain lifeline utility failure.

Under current policy as set out in the Guide, local authorities may be eligible for reimbursement of cost categories as follows:

- » 100 percent of "direct response" costs (these are costs associated with caring for displaced people)
- » 60 percent of "other response" costs (temporary repairs to essential infrastructure and precautionary measures to reduce immediate damage), and
- » 60 percent of "recovery" costs (these relate to restoration of local authority essential infrastructure (fresh water, storm water and waste water) and river management systems, where there is major community disruption or continuing risk to life).

For the second and third categories above, reimbursement is above an individualised threshold based on the capital value of the affected district or region (i.e. an excess applies).

Contingent Assets

There were no contingent assets for the year ended 30 June 2011. (2009/10: \$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

Notes to the Non-Departmental Financial Schedules

for the year ended 30 June

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 (Department) on behalf of the Crown.

These Non-Departmental balances are consolidated into the Financial Statements of the Government. 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.

Reporting Period

The reporting period for these financial schedules is for the year ended 30 June 2011.

Basis of Preparation

Statement of Compliance

These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to IFRS (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Budget Figures

The budget figures are those presented in the Budget Estimates of Appropriation (Main Est) for the Department. These budgets do not contain financials for Votes National Library and National Archives.

The Supplementary Estimates (Supp Est) figures incorporate the Department's full year estimates from the former Department of Internal Affairs and five months of the former National Library and Archives New Zealand. The budgets also include other amendments made through the course of the Supplementary Estimates process.

Comparatives

When presentation or classification 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).

Accounting Policies

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.

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.

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.

Accounts Receivable and Loans

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 a 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 Non-Departmental Schedule of Expenses.

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 CPI 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 Governor-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 schedules are reported exclusive of GST except for accounts receivable and accounts payable. GST input tax on non-departmental expenditure is expensed.

Section 6 of the Public Finance Act 1989 provides authority for GST expenditure in relation to appropriated expenditure.

2. Fixed Assets

2010/11

Asset Class	Balance 1 July \$000	Additions/ Depreciation \$000	Revaluations/ Impairments \$000	Disposals \$000	Transfers*	Balance 30 June \$000
Cost or Valuation						
Property, Plant and Equipment						
Land	9,950	-	850	-	-	10,800
Buildings – Residential	5,574	-	1,267	-	-	6,841
Buildings – Commercial	4,886	-	(371)	-	-	4,515
Total Cost of Property, Plant and Equipment	20,410	-	1,746	-	-	22,156
Collections						
<i>Archives Heritage Collection</i>						
Archives Heritage Collection	-	10,162	(98,491)	-	528,433	440,104
<i>Alexander Turnbull Library Heritage Collections</i>						
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						
Non-Current Property, Plant and Equipment						
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 include transfers made to Non-Departmental accounts and transfers between Government Departments.

2009/10

Asset Class	Balance 1 July \$000	Additions/ Depreciation \$000	Revaluations/ Impairments \$000	Disposals \$000	Transfers* \$000	Balance 30 June \$000
Cost						
Property, Plant and Equipment						
Land	8,250	-	-	-	1,700	9,950
Buildings – Residential	5,149	-	-	-	425	5,574
Buildings – Commercial	4,852	34	-	-	-	4,886
Total Cost of Property, Plant and Equipment	18,251	34	-	-	2,125	20,410
Accumulated Depreciation						
Property, Plant and Equipment						
Buildings – Residential	131	133	-	-	25	289
Buildings – Commercial	50	136	-	-	-	186
Total Accumulated Depreciation of Property, Plant and Equipment	181	269	-	-	25	475
Net Book Value of Property, Plant and Equipment	18,070	(235)	-	-	2,100	19,935

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

3. Payables

ACTUAL 2009/10 \$000	ACTUAL 2010/11 \$000
11,072 Other Payables	33,332
- Accrued Canterbury Earthquake Expenses	108,457
- Accrued Heritage Collection Purchases	292
11,072 Total Payables	142,081

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 2011/12.

4. Revaluation of Property, Plant and Equipment

ACTUAL 2009/11				ACTUAL 2010/11			
ATL COLLEC- TIONS \$000	ARCHIVES COLLEC- TION \$000	LAND AND BUILDINGS \$000	TOTAL \$000	ATL COLLEC- TIONS \$000	ARCHIVES COLLEC- TION \$000	LAND AND BUILDINGS \$000	TOTAL \$000
-	-	8,543	8,543	-	-	8,543	8,543
							Opening Balance
-	-	-	-	410,960	15,607	-	426,567
							Transfers from Other Government Departments
-	-	-	-	(125,572)	(15,607)	2,192	(138,987)
							Revaluation Movement
-	-	8,543	8,543	285,388	-	10,735	296,123
							Closing Revaluation Reserves

Land and Buildings

Ministerial Properties

Darroch Ltd, a Licensed Real Estate Agent (REAA 2008), 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 \$15.200 m (2009/10 \$13.072 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, conducted a valuation during May 2011 with valuations effective 30 June 2011.

Boating Facilities

Boating facilities were valued by DTZ New Zealand Ltd (MREINZ), 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. This resulted in a valuation decrease of \$98.491 m which resulted in the full balance of the revaluation reserves being reversed.

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.

5. 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.

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.

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 2009/10 \$000		ACTUAL 2010/11 \$000
30,563	Cash and Cash Equivalents	35,056
735	Accounts Receivable	174
8,125	Loan to Auckland Transition Authority	8,504
–	Loans for Local Authority Debt Vehicle	450
39,423	Total Exposure to Credit Risk	44,184

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
2010/11					
Payables	139,658	33,423	106,235	–	–
2009/10					
Payables	11,072	11,072	–	–	–

6. 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 2009/10 \$000		ACTUAL 2010/11 \$000
	Loans and Receivables	
30,563	Cash and Cash Equivalents	35,056
735	Accounts Receivable	174
8,125	Current Loan to Auckland Transition Authority	8,504
1,793	Non-Current Loan to Charities Commission	1,796
-	Non-Current Loans for Local Authority Debt Vehicle	450
41,216	Total Loans and Receivables	45,980
	Financial Liabilities Measured at Amortised Cost	
11,072	Payables	142,081

7. Explanation of Significant Variances against Budget

Non-Departmental Appropriations

The significant variances for Appropriated Expenditure are explained below:

Vote Emergency Management

February 2011 Christchurch Earthquake National Controller Costs

This appropriation was created in 2010/11 to provide for expenditure incurred at the direction of the National Controller Civil Defence for response activities incurred after 21 March 2011 as part of the response to the 22 February 2011 Canterbury Earthquake.

Actual expenditure was \$0.545 m lower than the Supplementary Estimates, primarily due to some expenses relating to the response activities being paid for by the Councils in the Canterbury region.

Emergency Expenses

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$19.664 m was due to an increase in funding to reimburse local authorities for response costs incurred as a result of the earthquake in Canterbury on 4 September 2010 (\$10.926 m), an increase in funding for the reimbursement of response and recovery costs incurred by local authorities as a result of the Canterbury earthquake in September 2010 (\$5.000 m) and expense transfers from 2009/10 to 2010/11 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 \$3.238 m) and to provide assistance to homeowners affected by flooding in Kaeo (increase of \$0.500 m).

Actual expenditure was \$6.251 m lower than the Supplementary Estimates and is mainly due to:

- » slower progress than anticipated on the hazard mitigation works in the Whakatane District, for which an in principle expense transfer from 2010/11 to 2011/12 was approved
- » delays in the completion of the long-term mitigation plan to relocate or raise vulnerable houses in the Kaeo catchment and township, for which an in principle expense transfer from 2010/11 to 2011/12 was approved, and
- » the majority of the contingency funding for emergency expenses was not required.

Ex Gratia Payment for Canterbury Earthquake Appeal

This appropriation was created in 2010/11 to provide assistance to individuals and families affected by the Canterbury Earthquake of 4 September 2010.

Vote Internal Affairs

Pike River Royal Commission of Inquiry – Legal representation and assistance

This new appropriation was created in 2010/11 to provide funding for legal representation and assistance in respect of the Royal Commission of Inquiry on the Pike River Coal Mine Tragedy.

Actual expenditure was \$0.526 m lower than the Supplementary Estimates, and this is mainly due to delays in the commencement of hearings programme of the Royal Commission of Inquiry on the Pike River Mine Tragedy, for which an in principle expense transfer from 2010/11 to 2011/12 was approved.

Public Inquiries

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$0.611 m was due to an increase in funding for Commissioner's fees for the Royal Commission of Inquiry on the Pike River Coal Mine Tragedy (\$0.456 m) and an increase in funding for Commissioner's fees for the Royal Commission of Inquiry on the Canterbury Earthquake (\$0.155 m).

Actual expenditure was \$0.282 m lower than the Supplementary Estimates, and primarily reflecting the deferral of expenditure for the Royal Commission of Inquiry on the Pike River Mine Tragedy and the Royal Commission of Inquiry on the Canterbury Earthquake as a result of change in the assumed timing of the Commissions' work programmes. In principle expense transfers from 2010/11 to 2011/12 were approved for the under-expenditure for both Commissions.

Vote Local Government

Benefits and Other Unrequited Expenses

Rates Rebate Scheme

Actual expenditure was \$5.893 m lower than the Supplementary Estimates, reflecting lower than anticipated take-up of the scheme in 2010/11.

Other Expense to be Incurred by the Crown

Chatham Islands Council

Actual expenditure was \$0.354 m lower than the Supplementary Estimates, reflecting delays in identifying suitable waste management sites, for which an in principle expense transfer from 2010/11 to 2011/12 was approved.

Non-Departmental Capital Expenditure

Loan to the Auckland Transition Agency

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$29.034 m was due to an increase in funding to provide the Auckland Transition Agency with an increased loan facility (\$22.800 m) and an increase in funding to recognise a capital transfer from 2009/10 to 2010/11 due to changes in the funding requirements for the Auckland Transition Agency (\$6.234 m).

Actual expenditure was \$11.567 m lower than the Supplementary Estimates due to the Auckland Transition Agency's loan requirements being lower than anticipated.

Local Government Debt Vehicle

Actual expenditure was \$4.550 m lower than the Supplementary Estimates, reflecting a change in the assumed timing of the passage of legislation to allow establishment of the Local Government Funding Agency, for which an in principle expense transfer from 2010/11 to 2011/12 was approved.

Vote Ministerial Services

Benefits and Other Unrequited Expenses

Annuities to Former Governors-General, Prime Ministers and their Surviving Spouses PLA

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$0.625 m was due to the recalculation of the actuarial valuation for annuities to Former Governors-General, Prime Ministers and their surviving spouses.

Vote National Library

Heritage Collections – Annual

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$0.762 m reflects the integration of the National Library of New Zealand into the Department of Internal Affairs with effect from 1 February 2011. The appropriation provides for the purchase of material for the Alexander Turnbull Library Collections held and managed by the National Library.

Non-Departmental Schedule of Revenue

The significant variances within the Non-Departmental Schedule of Revenue are explained below:

The increase in the budget between Main Estimates and Supplementary Estimates of \$0.530 m for Vote National Library reflects the recognition of items received for the Heritage Collections below fair value.

Actual revenue and receipts were \$10.746 m higher than the Supplementary Estimates, primarily reflecting donations to Archives Heritage Collection.

Schedule of Non-Departmental Assets

The significant variances within the Schedule of Non-Departmental Assets are explained below:

The decrease in Loans of \$63.141 m between the Main Estimates and the Supplementary reflects the anticipated repayment of the loan to the Auckland Transition Agency. This did not eventuate. The increase in the budget between the Main Estimates and the Supplementary Estimates for heritage collections of \$1.492 m reflects the expected value of the National Archives and National Library heritage collections as a result of the integration of the National Library of New Zealand and Archives New Zealand into the Department of Internal Affairs with effect from 1 February 2011.

The actual cash balance as at 30 June 2011 was \$20.614 m higher than the Supplementary Estimates, primarily reflecting a lower level of expenditure than anticipated.

Schedule of Non-Departmental Liabilities

The significant variance within the Schedule of Non-Departmental Assets is explained below:

The increase in Payables of \$77.474 m primarily reflects the anticipated claims from the four Councils in the Canterbury region for the response and recovery costs incurred as a result of the 22 February 2011 Canterbury Earthquake, and the anticipated payables for the Rates Rebate Scheme and community grants.

8. Emergency Expenditure for Canterbury earthquakes

The Canterbury region experienced two major earthquakes during the reporting period, on 4 September 2010 and 22 February 2011 (of magnitudes 7.1 and 6.3 respectively) in addition to a number of aftershocks (including a significant earthquake on 26 December 2010 and two significant earthquakes on 13 June 2011). These earthquakes caused significant damage to property and infrastructure.

These non-departmental financial statements report expenses in relation to these earthquakes under Vote Emergency Management Expenses.

	ACTUAL 2010/11 \$000
National Controller Direct Response Expenses	
February 2011 Christchurch Earthquake National Controller Costs	3,324
Section 25 Public Finance Act	19,281
Total National Controller Direct Response Expenses	22,605
Canterbury Local Authorities' Response and Recovery Expenses	
Payments in respect of indemnity for Response and Recovery Costs – Section 65ZG Public Finance Act	108,457
Emergency Expenses	15,850
Section 25 Public Finance Act	8,695
Total Canterbury Local Authorities' Response and Recovery Expenses	133,002
Total Canterbury Earthquake Expenses	155,607

The Canterbury Local Authorities' Response and Recovery expenses includes an advance of \$8.695 m paid under the Public Finance Act, Section 25 on 23 February 2011.

There is a significant unquantified liability that has not yet been able to be recognised with relation to recovery costs for waste water, storm water and fresh water in the Canterbury region. This is because the costs are unable to be reliably measured.

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. 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. The balance of the expenditure was approved under a separate \$4.100 m appropriation for expenditure incurred from 21 March 2011.

Canterbury Local Authorities' Response and Recovery Expenses

Under the current Government policy setting, outlined in the National Civil Defence Emergency Management Plan ('the Plan') and Guide to the National Civil Defence Emergency Management Plan ('the Guide'), four 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. The Government has provided an indemnity under the Public Finance Act 1989 Section 65ZG which enables the Department to recognise this obligation with respect to Canterbury earthquakes without further appropriation. The indemnity, in favour of the four affected Canterbury authorities, formalises the implicit guarantee under the Guide.

Response Costs

Under the Guide the standard financial support policy is for the Government to:

- » fully reimburse response costs associated with caring for displaced people, and
- » reimburse 60 percent of response costs associated with precautionary measures to reduce immediate danger and temporary repairs to essential infrastructure.

The Government subsequently decided to fully reimburse Christchurch City Council for costs associated with temporary repairs to essential infrastructure because of the earthquakes.

Of the \$133.002 m response and recovery expenses recorded, \$108.457 m is based on our estimates from unpaid claims and \$24.545 m was approved and paid to local authorities before 30 June 2011. The breakdown of response expenses grouped by the four local authorities is:

	2010/11		
	CLAIMS ACCRUED \$000	CLAIMS PAID \$000	TOTAL CLAIMS \$000
Estimated Response Costs			
Christchurch City Council	98,956	20,408	119,364
Waimakariri District Council	714	3,774	4,488
Environment Canterbury	1,584	182	1,766
Selwyn District Council	2,267	181	2,448
Total Response Costs	103,521	24,545	128,066
Estimated Response Costs			
Environment Canterbury	4,936	-	4,936
Total Response and Recovery Costs	108,457	24,545	133,002

The Department is not aware of any other Canterbury local authority claims or expenses for response costs at this point.

Recovery Costs

The Government's standard financial support under the Plan and Guide is to reimburse local authorities 60 percent of recovery repairs to essential infrastructure (waste water, storm water and fresh water), and river management systems. Recovery repairs are permanent repairs to restore the essential infrastructure to pre-emergency condition.

No expense has been recorded in the financial statements at 30 June 2011 for the Government's obligation to fund its share of the Canterbury recovery costs under the Guide. The earthquakes have resulted in an extremely rare situation where the current recovery estimate is not sufficiently reliable to be recorded as a liability at this point. The unreliability of the estimate is mainly because there is fundamental uncertainty over:

- » how badly damaged the infrastructure under the ground is
- » the impact of repair costs resulting from red zone decisions
- » the basis for restoring the infrastructure, be it like-for-like, or some other method or configuration.

The current estimate from local authorities is that the Government's 60 percent share of permanent recovery costs may be in the range of between \$348.000 m and \$610.000 m. This is based on a number of local authorities' working assumptions to determine a repair bill to restore the essential infrastructure on a like-for-like basis. The majority of the recovery estimates provided relate to Christchurch City Council and the Waimakariri District Council essential infrastructure.

An expense for the Government's share of the Canterbury recovery cost under the Guide will be recorded when a clearer picture on the extent of damage emerges, along with a better understanding on how the essential infrastructure will be permanently restored.

Trust Money Administered on Behalf of the Crown

Schedule of Trust Money Administered on Behalf of the Crown for the year ended 30 June 2011

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, archive 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*	Contributions	Distributions	Revenue	Expenses	Closing Balance 2010/11
Vogel House	-	-	-	-	-	-
Christchurch Earthquake Appeal Fund	-	45,374	-	303	-	45,677
New Zealand 1990 Scholarships	687	-	-	19	-	706
Macklin Bequest Fund	241	-	-	11	-	252
Interloans Billing System	-	414	411	-	-	3
Total Trust	928	45,788	411	333	-	46,638

* The opening balance date for Macklin Bequest Fund and Interloans Billing System was 1 February 2011. For other Trusts the opening balance date was 1 July 2010.



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