

Annual report

for the year ended 30 June 2019



Parliamentary Commissioner for the Environment

Te Kaitiaki Taiao a Te Whare Pāremata

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for the year ended 30 June 2019

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



Parliamentary Commissioner for the Environment

Te Kaitiaki Taiao a Te Whare Pāremata

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

The Rt Hon Trevor Mallard
Speaker
House of Representatives
Parliament Buildings
WELLINGTON

Mr Speaker

In accordance with section 23 of the Environment Act 1986, I am pleased to submit my annual report for the year ended 30 June 2019.

Yours faithfully

A handwritten signature in black ink, consisting of a long, sweeping horizontal stroke followed by a vertical line and a small horizontal tick at the top.

Rt Hon Simon Upton

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

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Overview

This report covers the first full year during which I have been Parliamentary Commissioner for the Environment.

The Government's agenda for climate, biodiversity, water, waste and reform of the Resource Management Act means that a large amount of environmentally important legislation and policies are either before Parliament or coming its way. My role in respect of current legislative and policy initiatives is to provide parliamentarians with independent advice that can contribute to the quality of debate, and help improve public understanding of complex issues.

It was with this in mind that I released a report this year that proposed an approach to emissions reduction targets and climate policies that deals with biological greenhouse gases from farming and carbon uptake by forests together, with a separate target for carbon dioxide emissions from burning fossil fuels. The report also proposed taking a landscape approach to managing New Zealand's climate and environmental issues.

As a contribution to the ongoing debate about improving the quality of fresh water, I completed a review of the Overseer nutrient budgeting model. It is used by farmers to improve nutrient use, and more contentiously by regional councils to help inform regulations around water quality. My report investigated whether Overseer is suitable for use in regulation to help clean up Aotearoa New Zealand's rivers and lakes, and identified areas for improvement that need to be addressed for the model to be used confidently in a regulatory context.

While agriculture has long been under scrutiny, tourism forms a significant part of our economy. It now generates export earnings exceeding that of the dairy industry but has received a fraction of the attention. I have launched an inquiry into tourism to focus attention on tourism's environmental impacts and provide a better evidence base on which to plan for very high levels of projected industry growth. The will be available before the end of this calendar year.

Another area that has not garnered significant policy attention is our marine environment. New Zealand is kaitiaki for an immense marine estate at risk from increasing pressures, including climate change, fishing, aquaculture and various land-based pressures. Estuaries sit at the boundary between the land and marine environments. I am investigating the pressures that estuaries face and the adequacy of current management practices. This report should be completed early in 2020.

This year also marked a significant milestone in New Zealand’s environmental reporting system with the first full cycle of five domain reports and one synthesis report completed since the enactment of the Environmental Reporting Act in 2015. Under the Environmental Reporting Act, the Commissioner has a discretionary role to “report on an environmental report and the processes that produced it.” With the completion of the first full cycle of reports under the Act, I have undertaken a review of the national environmental reporting system. This report will be released later this year.

Alongside investigations, I provide high-quality, independent advice in response to a significant number of policy initiatives and legislative changes that are underway. To provide Parliament with quality advice I rely on a small, highly skilled staff with multi-disciplinary backgrounds, which helps us to see issues from different perspectives and can lead to animated discussions.

The last year has seen significant staff turnover. This is inevitable in a small office that can only offer limited career progression. Changes in personnel are always disruptive to some degree. However, I can report that I have had little difficulty in attracting excellent new staff in place of those who have moved on. This suggests that the office has over time built credibility – and that the environment continues to be a subject that motivates highly skilled people who want to contribute to some of the most pressing issues of our time.

I regard Parliament as the principal audience for my work and take contact with Members of Parliament very seriously. I am always available to provide independent advice to Members of Parliament on the environmental issues that are the subject of my investigations – either via select committee or personal briefings. Over the last year I have focused on meeting as many Members of Parliament as possible to hear from them about the environmental issues they encounter as representatives. I look forward to deepening that contact in the year ahead.



A handwritten signature in black ink, consisting of a stylized 'S' and 'U'.

Simon Upton

Parliamentary Commissioner for the Environment

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Tirohanga whānui

Ka kapi tēnei pūrongo i te tau tuatahi i noho au hei Kaitiaki Taiao a Te Whare Pāremata mō te katoa o te tau.

Ko ngā tikanga o te kaupapa o te Kāwanatanga mō te āhuarangi, te kanorau koiora, te wai, te para me te whakahouhou i te Ture Whakahaere Rawa he maha ngā ture me ngā kaupapa here tino whakahirahira ki te taiao kei mua i te Pāremata, e haere mai ana rānei. Ko te wāhi ki a au e pā ana ki ngā whakamahere ture me te kaupapa here o nāianeī, ko te hoatu ki ngā mema pāremata i te kupu āwhina motuhake e āhei ana ki te tāpae ki te kounga o te taupatupatu, ā, ka āwhina ki te whakapai ake i te māramatanga tūmatanui ki ngā take whīwhiwhi.

Koinei te take i whakaputa ai au i te pūrongo i tēnei tau i marohi ai i te ara ki ngā whāinga whakaheke putanga me ngā kaupapa here āhuarangi e whakaaro ana ki ngā haurehu kati mahana koiora e puta mai ana i te mahi pāmu me te mitihia waro e ngā ngahere, me te whāinga rerekē mō te putanga hauhā i te ngiha koranehe. I marohi hoki te pūrongo i te ara horanuku ki te whakahaere i ngā take mō te āhuarangi me te taiao ki Aotearoa.

Hei tāpaetanga ki te taupatupatu e haere tonu ana mō te kounga wai māori, i oti i a au tētahi arotake o tā Overseer tauira tahua taiora. He mea whakamahi e ngā kaipāmu ki te whakapai ake i te whakamahi taiora, ā, he mea whakawehewehe ake, e ngā kaunihera ā-rohe hei tautoko i te whakarite waeture mō te kounga wai. I rangahau taku pūrongo mēnā e tika ana a Overseer hei whakamahi ki te waeture kia āwhina ki te whakapai ake i ngā awa me ngā roto o Aotearoa, ā, ki ngā wāhi i tautuhia kia whakapaitia ake e tika ana kia tirohia kia māia te whakamahi i te tauira i roto i te horopaki waeture.

Ahakoia kua roa te ahuwhehua e āta whakatātaretia ana, he wāhanga nui nō tō tātou ōhanga te tāpoi. Ināianeī e whakaputaina ana e te tāpoi ngā moni utunga kaweake nui ake i ō te ahumahi kau, engari he iti rawa te arohia. Kua whakarewa au i te tūhuratanga ki te tāpoi hei arotahi i te aronga ki ngā whakaaweawe taiao tāpoi me te hoatu i te pūtake taunaki pai ake hei whakamahere i ngā taumata tino teitei o te tipunga ahumahi e whakaarohia ana. Ka wātea te wāhanga tuatahi o tēnei pūrongo i mua i te whakamutunga o te tau maramataka.

Ko tētahi atu wāhi kāore i tino arohia e pā ana ki te kaupapa here ko tō tātou taiao moana. Hei kaitiaki a Aotearoa mō te pānga motuhake nunui ki te moana ka tūraru ki ngā pēhanga e piki ake ana, tae atu ki te panoni āhuarangi, te hī ika, te ahumoana me ētahi pēhanga nō te whenua. Ka noho ngā pūahatanga ki te rohe tauārai i waenga i te whenua me ngā taiao moana. E uiui ana au i ngā pēhanga ki ngā pūahatanga me te rawaka o ngā tikanga whakahaere onāiane. Ko te tūmanako ka oti tēnei pūrongo i te tīmatanga o te tau 2020.

He tohu nui hoki nō tēnei tau mō te pūnaha pūrongo taiao o Aotearoa, arā, ko te otinga tuatahi o te roanga o te hurihanga ki ngā pūrongo whaitua e rima me tētahi pūrongo kōtuitui i muri mai i te whakamanatanga o te Ture Pūrongo Taiao i te tau 2015. I raro i te Ture Pūrongo Taiao, he whakatūnga hiahia tā te Kaikōmihana ki te “pūrongo mō te pūrongo taiao me ngā hātepe nāna i whakaputa ai.” Oti ana te tuatahitanga o te roanga o te hurihanga o ngā pūrongo i raro i te Ture, kua tīmata au ki te arotake i te pūnaha pūrongo taiao ā-motu. Ka whakaputaina tēnei pūrongo ā muri ake nei i tēnei tau.

I tua atu i ngā uiuinga, ka whakarato au i te kupu āwhina motuhake tino kōunga hei urupare ki ngā tini rerekētanga whakamahere kaupapa here me te ture e haere tonu ana. Hei whakarato i te kupu āwhina kōunga ka whakawhirinaki au ki te rōpu kaimahi iti, e whai pūkenga ana ki ngā akoranga huhua, e āwhina ai i a tātou kia kite i ngā take mai i ngā māramatanga rerekē, ā, nā reira ka puta ai ngā kōrerorero kaha.

Kua tino rerekē te āhua o aku kaimahi i te tau kua pahure ake nei. He mea heipū i roto i te tari iti he iti noa te kauneke o te umanga. He mea āhua tutū te whakarerekē kaimahi i ngā wā katoa. Heoi anō, e taea ana te pūrongo kāore e tino uaua te whakamanea i ngā kaimahi hou hei rīwhi mō ngā kaimahi kua wehe. Ko te āhua nei i te wā kua pahure kua piki ake te hāngaitanga o te tari – ā, ko te taiao he kaupapa e whakahihiko tonu ana i ngā tāngata whai pūkenga e pīrangi ana ki te tāpae ki ētahi o ngā take pēhanga nui mō tō tātou whakatipuranga.

Ki ōku nei whakaaro ko te Pāremata te tino kaimātakitaki ki taku mahi, ā, he mea nui ki a au te whakapā atu ki ngā Mema Pāremata. E wātea ana au i ngā wā katoa ki te tuku i te kupu āwhina motuhake ki ngā Mema Pāremata mō ngā take taiao i uru hei kaupapa o aku uiuinga – mā te kōmiti whiriwhiri, mā ngā whakamōhio whaiaro rānei. I te tau kua pahure ake nei kua arotahi au ki te tūtakitaki ki te maha noa atu o ngā Mema Pāremata e āhei ana au kia rongu ki ngā take taiao e kitea ai e rātou hei māngai. E whakataretare ana au kia whakahōhonu i aua whakapānga i roto i te tau e tū mai nei.



Nā Simon Upton
Te Kaitiaki Taiao a Te Whare Pāremata

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My role

By passing the Environment Act 1986, Members of Parliament voted to create the office of Parliamentary Commissioner for the Environment. The office was established to provide Members with independent, high-quality advice about environmental matters.

As an independent Officer of Parliament, I report to Parliament as a whole, not to a government minister. This is both a privilege and a responsibility. I have a unique opportunity to provide both ministers and opposition spokespeople with independent advice on any matters that may have an impact on the quality of the environment. It is up to Members of Parliament what they do with my recommendations and advice.

With the assistance of a small team, I have to focus on issues where I can add value. My broad approach is twofold. I look for those areas that are not yet in the spotlight or may be neglected. Work on these issues can alert relevant agencies and the wider community to problems that may need more sustained attention. I also maintain an engagement with environmental issues such as water quality and climate change that have proved difficult to tackle and seem to be almost permanently on the agenda. In these cases I hope that some independent analysis from a fresh angle can help move the debate forward.

About us

My office is based in Wellington over the road from Parliament. I have 15 analytical staff who possess a wide range of skills and knowledge.

The team is truly multi-disciplinary which enables us to see issues from different perspectives. The current team of advisors spans disciplines as varied as biology, business, chemistry, ecology, economics, forestry, geography, geology, history, law, literature, marine science, physics, planning, policy, politics, soil science and statistics. We are fortunate to be supported by an excellent administrative unit.

I was sworn in as Parliamentary Commissioner for the Environment for a five-year term on 16 October 2017. This followed seven years in Paris at the OECD where I held the post of Environment Director.

I am a Fellow of the Royal Society of New Zealand and a Rhodes Scholar. I hold degrees in English literature, music and law from the University of Auckland and an MLitt in political philosophy from Oxford University. I was sworn in as a member of the Privy Council in 1999.

I was a Member of Parliament between 1981 and 2000, holding a variety of ministerial portfolios, including Environment, Research, Biosecurity, Health and State Services between 1990 and 1999.

Legal functions

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

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

Our mission and values

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

Our mission

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

Our values

Excellence

The questions we raise and the solutions we propose are based on sound science and reasoned argument. We are accountable to the people of New Zealand and deliver value for the funding we receive.

Determination

We bravely and constructively question the status quo. We persist in communicating the results of our work in different ways to maximise its usefulness.

Generosity of spirit

We work together in an open collegial way, sharing our expertise, listening carefully and not rushing to judgment. We actively acknowledge decisions and actions that benefit the environment.

Innovation

Our independence empowers us to think freely and creatively. We strive to get beyond describing problems to proposing solutions.

Effectiveness

Others trust and respond to our advice. Our work has a lasting and tangible impact on the New Zealand environment.

Tā mātau koromaki me ā mātau uara

Tā mātau koromaki

He pupuri, he whakapai ake i te taiao ki tērā e tika ana mā te tuku tohutohu motuhake whai kaha e mārama ai ngā whakatau.

Ā mātau uara

Hiranga

Ko ā mātau pātai me ngā whakautu he ū ki te putaiao matatau, he mārama hoki. Ka noho haepapa mātau ki te iwi o Aotearoa me te tuku uara mō ngā pūtea ka whakawhiwhia mai.

Manawa nui

He kaha te tuku pātai kia pai ake ngā āhuatanga. Ka ngana mātau ki te whakaputa i ngā hua o ā mātau mahi mā ngā tikanga rerekē kia kaha ai te whai take.

Te wairua manaaki

Ka mahi tahi mātau i runga i te mana ōrite, te whakawhiti whakaaro, te āta whakarongo, ā, kia kaua e pukā te whakawā. Ka whakaae ki ngā whakataunga me ngā mahi e hua ai te taiao.

Auahatanga

Nā te pararau kore e tuwhera, e auaha te whakaaro. Ka ngana ki te whakatika raruraru, kaua te noho i roto i te pouri.

Tōtikatanga

Ka pono, ka ora hoki te tangata i ā mātau tohutohu. Ko ngā pānga, he pūmau te whai hua ki te taiao o Aotearoa.

3



Reports, advice and other activities

Maintaining or improving the quality of New Zealand's environment is an important goal. The core work of my office is undertaking investigations, producing reports and providing advice that contributes to this goal.

Investigations arise in a variety of ways. They may be raised by Members of Parliament, prompted by letters from the public or flow from issues uncovered in earlier investigations. The result of an investigation takes the form of a report tabled in Parliament. Reports may contain recommendations to ministers or be purely informative. My staff and I work hard to ensure reports are accurate and that any recommendations are both practical and likely to be effective.

While formal reporting is fundamental, we also use a variety of other means to communicate our work to parliamentarians and the public, including presentations and speeches, regular meetings with Members of Parliament, media comment and material such as animations on our website.

Advice is generally provided in one of two ways: either as submissions on proposed law changes to select committees, or as comment on policy proposals to government agencies.

Reports

Environmental investigations form the backbone of our work programme and ensure that my advice is founded on a strong evidence base.

This year I tabled two investigative reports in Parliament:

- *Overseer and regulatory oversight: Models, uncertainty and cleaning up our waterways*
- *Farms, forests and fossil fuels: The next great landscape transformation?*

In addition to these major reports, I released some work to help consumers navigate the terminology and claims around biodegradable and compostable plastics.

Overseer and regulatory oversight: Models, uncertainty and cleaning up our waterways

The report on Overseer was released in December 2018. This report investigated whether Overseer is suitable for use in regulation to help clean up Aotearoa New Zealand's rivers and lakes. Overseer was originally developed as a farm management tool to calculate nutrient loss but is increasingly being used by councils in regulation. Excessive nutrient run-off from farms pollutes waterways.

The investigation had a very clearly defined focus: Overseer's suitability for use in a regulatory context – and specifically, regulation pertaining to nutrient loss and water quality. The assessment revealed that important gaps and shortcomings in peer review, model calibration, model documentation and transparency, must be addressed to provide the confidence needed for Overseer to be used in its current regulatory application.

My report contained detailed advice to Parliament and I made ten recommendations that the Government needs to address if it wants Overseer to be used as a tool in the regulation of water. These recommendations covered a number of issues, including:

- commissioning a comprehensive evaluation to ensure the Overseer model is independently peer reviewed, and is subject to sensitivity and uncertainty analysis
- providing greater transparency around how the model works
- aligning Overseer's ownership, governance and funding arrangements with the transparency required for it to be used as a regulatory tool
- providing official guidance on how Overseer should be used by regional councils.

The Minister of Agriculture, the Minister for the Environment and the Minister for Climate Change confirmed that Overseer is a preferred tool in the regulation of water quality, and stated: "We agree with each of your recommendations in principle". Steps to implement the recommendations are underway.

Money has been budgeted for a formal uncertainty and sensitivity analysis, a whole-model peer review, improved calibration and improving some supporting databases. Advice is being sought on Overseer's ownership, governance and funding arrangements, which will help the Government determine a position on shifting Overseer to an open source model.

I will be following actions taken on each of my recommendations closely.

Farms, forests and fossil fuels: The next great landscape transformation?

The *Farms, forests and fossil fuels* report was released in March 2019. I initiated this investigation because of my concerns about the then-current approach to emissions reduction targets and climate change policy that pursued a least cost objective where all sources and sinks are treated as fully substitutable with one another.

The report highlighted that there are real risks with an approach assuming full substitutability. For example, such an approach results in a mismatch between the warming effects of fossil carbon dioxide, which last for centuries to millennia, and the shorter lifespan of forest sinks, which are also at risk from fire, disease and climate change itself.

Considering these risks led me to develop an alternative approach whereby fossil emissions are managed separately from biological sources and sinks. This approach ensures closer alignment between the warming impact of emissions and the longevity of forest sinks that offset them.

Each approach was modelled for its impacts. The most striking difference was the extent of land use change between the approaches. Unconstrained access to forest sinks would lead to significantly higher levels of forest planting, which would have long-lasting impacts on communities and the landscapes they live in.

By managing forest sinks and biological emissions together with other environmental issues, a landscape-based approach was also proposed in the report. This approach would give communities the ability to address climate and other environmental challenges (e.g. soil erosion, biodiversity and water quality) together.

The report made three recommendations to Parliament:

- Develop two separate targets for the second half of the century: a zero gross fossil emissions target to be legislated as part of the establishment of the new Climate Change Commission; and a reduction target for biological emissions to be recommended by the new Commission and subsequently legislated. A later date than 2050 would still be consistent with the Paris Agreement and should not be ruled out if that is considered to be a more credible and achievable time frame within which to effect such a significant economic transformation.
- Allow access to forest sinks as offsets only for biological emissions on a basis to be advised by the Climate Change Commission.
- Develop the tools needed to manage biological sources and sinks in the context of a landscape-based approach that embraces water, soil and biodiversity objectives.

The Minister for Climate Change welcomed the report as a thought-provoking contribution to the debate. He agreed that actual gross reductions in emissions needed to be the priority and accepted that trees only retain sequestered carbon for the life of the tree, whereas emitted carbon dioxide remains in the atmosphere much longer. However, he said forestry made sense given the small time frame to mitigate climate change and rejected my recommendation to stop fossil emitters from using forest sinks. Other political parties also welcomed the report and it received significant media coverage.

On the basis of my work on the *Farms, forests and fossil fuels* report and related analyses, the Environment Select Committee invited my office to provide it with independent scientific advice as it considered the Climate Change Response (Zero Carbon) Amendment Bill.

Biodegradable and compostable plastics in the environment

Due to the complexity of the science behind biodegradable and compostable plastics, and potential misunderstandings arising from the array of environmental claims, I published an online information resource in July 2018. I also wrote to the Associate Minister for the Environment calling for the Government to take a lead in clarifying the facts for businesses and consumers. The letter identified research questions for the ministry in four key areas requiring urgent attention: terminology, standards and labelling, end of life infrastructure and clarity of environmental goals (i.e. coherence with a circular economy).

The Minister replied in September 2018 expressing her shared concern around such plastics in the environment. She commended my work and its value to the public, and responded to specific areas highlighted in my letter, including:

- noting that the Ministry for the Environment’s website had been updated with a link to the Parliamentary Commissioner for the Environment web-resource, and now clarifies the terms ‘compostable’ and ‘biodegradable’
- tasking officials to work with industry to develop a compostability standard, and to report back on the appropriateness of this standard to be used in regulation
- noting that the ban on plastic bags would include compostable and biodegradable bags (single-use plastic bags, including compostable and biodegradable bags were subsequently banned from 1 July 2019)
- referring to broader efforts in the ministry to accelerate a transition to a circular economy.

My call for research and clarity was also immediately supported by Consumer New Zealand. The online resource has since been included as a link in information pages published by central government, local government, industry and the Commonwealth Scientific and Industrial Research Organisation (CSIRO) in Australia. My resource was also referred to as additional reading for a Circular Economy Accelerator report (November 2018), and for best practice guidelines for the advertising of compostable products and packaging (May 2019).

Advice

A note on New Zealand's methane emissions from livestock

In August 2018, I released a note to assist understanding of the contribution that continued emissions of methane from New Zealand's ruminant livestock (mostly cows and sheep) at its current rate would make to global warming. The analysis also investigated what reduction in methane emissions from livestock would be needed to achieve no additional contribution to warming. I hoped that this analysis would help inform discussions over the split gas target as proposed in the Zero Carbon Bill discussion document.

The main finding of the analysis was that although methane is a short-lived greenhouse gas, once emitted into the atmosphere it causes a lingering warming effect long after the methane itself has gone. The analysis also found that if New Zealand wished to ensure that livestock methane contributed no additional warming beyond the 2016 level, emissions would need to be reduced by at least 10–22 per cent below 2016 levels by 2050, with further reductions by 2100.

A note on New Zealand's emissions reduction target

In May 2019, I published a note to support understanding of the rationale and implications of the introduced Climate Change Response (Zero Carbon) Amendment Bill.

This note drew from previous analysis I had undertaken, especially the methane note described above. To clear up some misinterpretations, I reaffirmed in this note that I did not make any recommendations in previous work regarding what the level of an emissions target for biological methane should be.

Submission on the Climate Change Response (Zero Carbon) Amendment Bill

In July 2019, I made a submission on the Climate Change Response (Zero Carbon) Amendment Bill. This submission drew on previous climate change analyses and, in particular, my *Farms, forests and fossil fuels* report. The key points I raised in the submission were that the Bill needs cross-party support, and that the best way of securing this support was for the newly established Climate Change Commission to review the proposed 2050 target using a robust framework. I also reiterated my concern about forest offsetting, and stated that careful consideration should be given to the extent to which forest sinks are used to offset fossil emissions.

Letter to Ministers concerning Pollutant Release and Transfer Register

In April 2019, I wrote to the Ministers for the Environment suggesting that the ministry examine the merits of establishing a Pollutant Release and Transfer Registers (PRTR) in New Zealand. PRTRs have been developed by most OECD countries to collect and facilitate public access to information on hazardous substances reaching the environment via land, air or water.

Over the last fifteen years, national environmental standards have contributed to consistent monitoring and management of air quality and soil contamination across New Zealand. However, there are no standardised methods to estimate and track hazardous substances and waste released to the environment. Six hazardous substances were used as examples to illustrate the type of data collected and the information gaps in our current monitoring system.

As a result of my letter, Minister Sage and the Environment Protection Authority acknowledged the importance of a pollutant register and agreed to assess the case for a PRTR in New Zealand. My call for a PRTR has been noted by environmental law firms, and backed by the Citizens Environmental Advisory Centre.

Commentary on Environmental Reporting

Under the Environmental Reporting Act 2015, I have a discretionary role to comment on any aspect of environmental reporting. I may produce commentaries on the national domain and synthesis reports produced by the Secretary for the Environment and the Government Statistician. I may also consider the implications of environmental reports, and recommend responses to the findings in those reports.

In line with my broad role under the Act, in October 2018, I wrote to the Secretary for the Environment and the Government Statistician to provide commentary on the *Our land 2018* domain report. I assessed the structure and content of the report finding it well-defined, logical and easy to understand. I also made recommendations for ongoing development. These recommendations included undertaking an assessment of the causes of data gaps, identifying potential solutions and making this assessment available publicly.

In February 2019, I wrote to the Secretary for the Environment and the Government Statistician to provide commentary on the *Our air 2018* domain report. I commended the structure of the report and the inclusion of chapters on air pollution, climate interaction, quality of life impacts, emerging issues and data gaps. I also noted and welcomed the review of the National Environmental Standard for Air Quality and recommended that the review included:

- the development of both an annual average and a 24-hour national standard for PM_{2.5} (which is a measure of air pollution, ie, particulate matter in the air that has a diameter less than 2.5 micrometres)
- the development of an annual average national standard for nitrogen dioxide
- realignment of the current national standards for sulphur dioxide with World Health Organization guidelines.

I highlighted three further areas for careful consideration: a national standard for black carbon, addressing a knowledge gap on indoor air quality and the scarcity of data on air emission sources.

In May 2019, I wrote to the Secretary for the Environment and the Government Statistician to provide a brief response to *Environment Aotearoa 2019* – a synthesis report. My letter commended the step-change improvement from the previous report. I acknowledged the engaging and structured presentation of material that made the report accessible to a wide audience. In particular, I commended the identification of cross-cutting themes and key environmental issues that allowed the report to escape the somewhat artificial constraints of the five domains around which environmental reporting is organised.

In offering only brief comments, I noted that I would be publishing a detailed investigation into the performance of the national state of the environment reporting system before the end of 2019.

Other activities

Undertaking investigations and preparing advice take up most of my and my staff's time. However, it is important to take opportunities to visit different regions of the country, learn about environmental issues from those on the ground and communicate our work. My staff and I speak to many community and sector groups around the country building relationships over environmental issues. For example, to help inform my *Farms, forests and fossil fuels* investigation, my staff visited the Hurunui district to meet landowners, farmers, scientists, iwi and local authorities.

While time limits the number of speaking engagements I can fulfil, I have made a number of public presentations. These include:

- keynote address – Packaging Council AGM, Auckland, July 2018
- address – Environmental Defence Society Conference, Auckland, August 2018
- address – New Zealand Institute of Agricultural & Horticultural Science Inc. Forum, Wellington, September 2018
- panel discussion – 3rd International Conference on Well-being and Public Policy, Wellington, September 2018
- keynote address – Regional Councils Science and Research Strategy Workshop, Wellington, October 2018
- address – NZ Grassland Association Annual Conference, Twizel, November 2018
- keynote address – New Zealand Society of Soil Science Conference, Napier, December 2018
- address – Local Government New Zealand Regional Sector Meeting, Wellington, February 2019
- address – Wind Energy Conference, Wellington, May 2019
- keynote address – Crazy and Ambitious 2 Symposium, Wellington, May 2019
- address – EMANZ/TSS Conference, Wellington, May 2019.

Current and future work

My functions are broad and there are numerous environmental issues worthy of investigation. For that reason it is important that future work is carefully prioritised and planned to ensure it is pertinent and ‘adds value’ for Members of Parliament and the wider public.

To add value I am especially wary of duplicating the work of others. Instead, I seek out areas where my independence can enable progress on difficult or contested topics, or where I can shine a light on emerging issues that may have a comparatively low profile.

One area that has received comparatively little policy attention in the past is tourism – a topic one of my predecessors tackled in 1997. I am currently investigating the environmental impacts of tourism growth, particularly the projected growth in visitor numbers to 2025 and beyond. To do this, I will review the evolution of the New Zealand tourism system, how it has traditionally operated within the wider environmental management system, and what the future could hold in the face of changing environmental concerns and climate change. It is vital that management strategies ensure that the physical environment is protected, infrastructure can cope and tourism retains its social licence to operate in the communities where it occurs. The first part of the report will be available before the end of this calendar year.

I am also currently working on an investigation concerning estuaries. New Zealand’s estuarine habitats are the receiving environment for much of what we do on land, and are also affected by what we do at sea. Centuries of forest clearance have resulted in greatly increased sediment loads entering our waterways, while in recent decades, intensive farming practices and urban growth have resulted in unprecedented nutrient levels in our streams and rivers. These factors often combine to change the physical and chemical properties of the water in the more than 400 estuaries that dot our coastline.

Along with fishing pressure, climate change and marine pollution, these pressures threaten the future health and wellbeing of estuarine ecosystems. Unless we can better account for and manage these stressors, we risk losing the rich and varied ecosystem services and cultural values that estuarine habitats provide us. My investigation into estuaries will be completed in 2020.

Finally, I am working on a review of the way New Zealand reports on the state of the environment under the Environmental Reporting Act 2015. After one full cycle of domain reports followed by a synthesis report (*Environment Aotearoa 2019*) it is timely to review the performance of the system and examine the data and knowledge gaps that the first round of reporting has revealed. The report will be published in November 2019.

Future possible areas of focus for the office include weeds, biosecurity, climate impacts, waste and further work in the marine space.

My office will continue to respond to letters from members of the public raising particular environmental concerns and requesting information. I receive information and many letters and suggestions from members of the public. While not all the issues raised can be formally investigated, all are considered.

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The office

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

Training and development

Staff members are encouraged, with the support of their managers, to plan for their own professional and personal development. In 2018/19, an amount equal to two per cent of the total personnel budget was spent on training and development. This included management courses, ongoing professional development, writing skills, attendance at conferences and seminars and communications training.

Organisational health

As at 30 June 2019, there were 20 staff employed within the office (table 1). As at 30 June 2019, there are two full time positions vacant.

Table 1: Number and diversity of staff as at 30 June 2019

	2017/18 Staff	2017/18 FTEs	2018/19 Staff	2018/19 FTE
Gender				
Female	10	8.63	13	11.24
Male	8	7.85	7	6.85
Total employees	18	16.48	20	18.09
Ethnicity				
Pākehā	18		12	60%
Māori	-		2	10%
Polynesian	-		-	
Other	-		6	30%
Total employees	18		20	

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



Financial statements and statement of service performance

Statement of responsibility

As the Parliamentary Commissioner for the Environment, I am responsible for:

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

In my opinion:

- the financial statements fairly reflect the financial position of the Parliamentary Commissioner for the Environment as at 30 June 2019 and its operations for the year ended on that date
- the 2019/20 forecast financial statements fairly reflect the forecast financial position of the Parliamentary Commissioner for the Environment as at 30 June 2020, and its operations for the year ending on that date.

Rt Hon Simon Upton

Parliamentary Commissioner for the Environment

Te Kaitiaki Taiao a Te Whare Pāremata

26 September 2019

Independent Auditor's Report

To the readers of the Parliamentary Commissioner for the Environment's annual report for the year ended 30 June 2019

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

- the financial statements of the Commissioner on pages 30 to 46, that comprise the statement of financial position, statement of commitments, and statement of contingent liabilities and contingent assets as at 30 June 2019, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Commissioner for the year ended 30 June 2019 on pages 28 to 30; and
- the statements of expenses and capital expenditure of the Commissioner for the year ended 30 June 2019 on pages 47 to 48.

Opinion

In our opinion:

- the financial statements of the Commissioner:
 - o present fairly, in all material respects:
 - its financial position as at 30 June 2019; and
 - its financial performance and cash flows for the year ended on that date; and
 - o comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime.
- the performance information of the Commissioner:
 - o presents fairly, in all material respects, for the year ended 30 June 2019:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
 - o complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Commissioner are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

Our audit was completed on 26 September 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Commissioner and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Commissioner for the information to be audited

The Commissioner is responsible for preparing:

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

The Commissioner is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Commissioner is responsible for assessing his office's ability to continue as a going concern. The Commissioner is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Commissioner, or there is no realistic alternative but to do so.

The Commissioner's responsibilities arise from the Environment Act 1986 the Public Finance Act 1989.

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Commissioner's Strategic Intentions 2017-2021, the relevant Estimates and Supplementary Estimates of Appropriations 2018/19, and the 2018/19 forecast figures included in the Commissioner's 2017/18 Annual Report.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commissioner's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner.
- We evaluate the appropriateness of the reported performance information within the Commissioner's framework for reporting performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Commissioner and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on his office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw

attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office of the Commissioner to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Commissioner is responsible for the other information. The other information comprises the information included on pages 1 to 48, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Commissioner in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Office of the Commissioner.



Rehan Badar
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Statement of objectives and service performance

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

Output: Reports and advice

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

- reports of investigations
- presentations to select committees on investigations and other matters
- provision of advice and/or briefings to Members of Parliament (MPs) on investigations and other matters
- advice and submissions on Bills and Inquiries to select committees
- submissions on proposed regulations
- follow up on responses to recommendations made by the Commissioner
- support for inter-Parliamentary delegations
- presentations on environmental issues to a wide variety of groups
- responses to concerns and enquiries from members of the public.

Budgeted and actual expenditure relating to the above output is detailed on page 47.

Performance

One of the main functions of the Commissioner is to provide advice to Members of Parliament. The key indicator of the effectiveness of the Commissioner's work is the proportion of recommendations made that are adopted by Governments over the period of the Commissioner's tenure.

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

The measure relates to recommendations made during the current Commissioner's tenure. There is no 'right' answer for this indicator. A high percentage of recommendations adopted could indicate too many 'easy' recommendations. A low percentage could indicate a lack of pragmatism.

This year the Commissioner has issued 32 recommendations.

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

Table 2: Performance measures and targets

Measure	Target	Performance 2018/19	Performance 2017/18
Number of briefings given to Members of Parliament during the year	30	44	25
Proportion of recommendations that are adopted or partially adopted during the tenure of the current Commissioner	65%	81%	0%
Number of reports, commentaries and submissions published during the year	6-8	9	3
Other advice to Parliament	4-8	13	1
Provision of follow-up report within required time frame	100%	0%*	0%
Reports and commentaries externally peer reviewed and 'content checked'	100%	100%	100%
Response to public concerns and information requests within required time frames	100%	98%	96%
Capital expenditure is in accordance with capital asset management plan	Achieved	Achieved	Achieved

Quality assurance

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

Response to public concerns and requests

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

- all correspondence is to be acknowledged within ten working days
- all public concerns and requests for investigations are to receive a response within nine months
- all requests for official information are to be responded to within the statutory time frame of 20 working days.

In 2018/19, 98 per cent of public concerns were responded to within required timeframes. Seven official information requests were received, five of which required an official response. All of these five were responded to within the statutory timeframe. We regularly review our processes with a view to continued improvement in this area

* Follow up reports may be done 18 months to 2 years after the release of a report, to track response to recommendations.

Statement of comprehensive revenue and expense for the year ended 30 June 2019

Actual 2018 \$ (000)	Note	Actual 2019 \$ (000)	Unaudited Budget 2019 \$ (000)	Unaudited Forecast 2020 \$ (000)
Revenue				
3,311 Revenue Crown		3,696	3,695	3,696
- Revenue Other		-	3	3
3,311 Total Revenue		3,696	3,698	3,699
Expenses				
2,142 Personnel costs	(2)	2,186	2,567	2,568
62 Depreciation and amortisation	(6,7)	71	63	62
37 Capital charge	(3)	37	-	-
1,029 Other operating expenses	(4)	1,193	1,068	1,069
3,270 Total Expenses		3,487	3,698	3,699
41 Net Surplus/(Deficit)		209	-	-
- Other Comprehensive Revenue and Expenses		-	-	-
41 Total comprehensive revenue and expenses		209	-	-

Explanations of major variances against the original 2018/19 budget are detailed in note 14.

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2019

Actual 2018 \$ (000)	Note	Actual 2019 \$ (000)	Unaudited Budget 2019 \$ (000)	Unaudited Forecast 2020 \$ (000)
Assets				
Current Assets				
722	Cash and cash equivalents	1,000	491	508
277	Debtors and other receivables (5)	277	292	292
999	Total Current Assets	1,277	783	800
Non-Current Assets				
113	Property, plant and equipment (6)	131	124	143
20	Intangible assets (7)	6	19	15
133	Total Non-Current Assets	137	143	158
1,132	Total Assets	1,414	926	958
Liabilities				
Current Liabilities				
395	Creditors and other payables (8)	442	217	251
41	Repayment of surplus (9)	250	-	-
85	Employee entitlements (10)	111	97	97
521	Total Current Liabilities	803	314	348
521	Total Liabilities	803	314	348
611	Net Assets	611	612	610
Equity				
611	Taxpayers' Fund	611	612	610
611	Total Equity	611	612	610

Statement of changes in equity for the year ended 30 June 2019

Actual 2018 \$ (000)		Actual 2019 \$ (000)	Unaudited Budget 2019 \$ (000)	Unaudited Forecast 2020 \$ (000)
611	Opening Balance	611	611	611
41	Total comprehensive revenue and expense	209	-	-
(41)	Return of operating surplus to the Crown	(209)	-	-
611	Closing Balance	611	611	611

Explanations of major variances against the original 2018/19 budget are detailed in note 14.

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2019

Actual 2018 \$ (000)	Actual 2019 \$ (000)	Unaudited Budget 2019 \$ (000)	Unaudited Forecast 2020 \$ (000)
Cash flows from operating activities			
3,311 Receipts from Crown	3,696	3,695	3,695
Receipts from revenue other		3	3
(920) Payments to suppliers	(1,159)	(1,028)	(1,032)
(2,164) Payments to employees	(2,160)	(2,595)	(2,567)
(37) Payments for capital charge	(37)	(37)	(37)
(3) Goods and services tax (net)	13	-	-
187 Net cash from operating activities	353	38	62
Cash flows from investing activities			
(66) Purchase of property, plant and equipment	(75)	(72)	(72)
(66) Net cash from investing activities	(75)	(72)	(72)
Cash flows from financing activities			
(33) Payment of surplus to Crown	-	-	-
(33) Net cash from financing activities	-	-	-
88 Net (decrease)/increase in cash	278	(34)	(10)
634 Cash at the beginning of the year	722	525	518
722 Cash at the end of the year	1,000	491	508

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

Explanations of major variances against the original 2018/19 budget are detailed in note 14.

The accompanying notes form part of these financial statements.

Statement of commitments

As at 30 June 2019, the Parliamentary Commissioner for the Environment has no capital commitments (2018: Nil).

Non-cancellable operating lease commitments

The Parliamentary Commissioner for the Environment has exercised a right of renewal on its office lease for a further period of three years until 30 April 2020.

Other non-cancellable commitments

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

Actual 2018 \$ (000)	Actual 2019 \$ (000)
Non-cancellable operating lease commitments	
271 No later than one year	227
227 Later than one year and no later than five years	0
498 Total operating lease commitments	227
Other non-cancellable commitments	
2 No later than one year	0
0 Later than one year and no later than five years	0
2 Total other commitments	0

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

The accompanying notes form part of these financial statements.

Statement of contingent liabilities and contingent assets

The Parliamentary Commissioner for the Environment had no known quantifiable or unquantifiable contingent liabilities as at 30 June 2019 (2018: nil).

The Parliamentary Commissioner for the Environment had no contingent assets as at 30 June 2019 (2018: nil).

Notes to the financial statements

1. Statement of accounting policies

Reporting entity

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

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

The financial statements for the Parliamentary Commissioner for the Environment are for the year ended 30 June 2019 and were authorised for issue on 26 September 2019.

Basis of preparation

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

Statement of compliance

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

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

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

Presentation currency and rounding

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

Summary of significant accounting policies

Revenue

Revenue from the Crown is measured based on the Parliamentary Commissioner for the Environment's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

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

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

Capital charge

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

Operating leases

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

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

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

Cash and cash equivalents

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

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

Receivables

Short-term receivables are recorded at the amount due, less any provision for uncollectibility.

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

Property, plant and equipment

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

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

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

Additions

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

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

Disposals

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

Subsequent costs

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

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

Depreciation

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

Furniture and fittings	10 years	10%
Computer hardware	4 years	25%
Office equipment	3–5 years	20–33%

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

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

Intangible assets

Software acquisition and development

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

Staff training costs are recognised as an expense when incurred.

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

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

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

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use

and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

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

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

Impairment of plant, property and equipment and intangible assets

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

Non-cash generating assets

Property, plant and equipment and intangible assets held at cost and that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

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

Payables

Short-term payables are recorded at the amount payable.

Employee entitlements

Short-term employee entitlements

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

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

Presentation of employee entitlements

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

Superannuation schemes

Defined contribution schemes

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

Equity

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

Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into on or before the financial year end (30 June). Information on non-cancellable capital and lease commitments are reported in the statement of commitments.

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

Goods and services tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Statement of cost accounting policies

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

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

Critical accounting estimates and assumptions

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

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

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

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

- physical inspection of assets
- asset replacement programmes.

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

Critical judgments in applying accounting policies

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

Lease classification

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

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

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

Budget and forecast figures

Basis of the budget and forecast figures

The unaudited forecast 2018/19 was published in the 2017/18 annual report. It is consistent with the Parliamentary Commissioner for the Environment's financial budget as set out in the Government's original estimates of appropriations for the year ending 2018/19. It does not include changes brought about in the Supplementary Estimates process for 2018/19 as part of Budget 2020.

The 2019/20 unaudited forecast figures are for the year ending 30 June 2020. They are consistent with the Parliamentary Commissioner for the Environment's financial budget as set out in the Government's Estimates of Appropriations for the year ending 2019/20.

The budget financial statements have been reported as required by the Public Finance Act 1989 to communicate forecast financial information for accountability purposes.

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

The 2018/19 and 2019/20 budget figures were prepared in accordance with PBE FRS 42 *Prospective Financial Statements* and comply with PBE FRS 42.

The 2019/20 budget financial statements were approved for issue by the Commissioner on 8 April 2019. The Commissioner is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

The forecast 2019/20 statement of financial position and statement of cash flows have been updated to reflect actual year-end information as at 30 June 2019 in order to set meaningful opening positions for the bank balance and the surplus repayable to Treasury as at 30 June 2019.

Significant assumptions used in preparing the forecast financials

The forecast figures contained in these financial statements reflect the Parliamentary Commissioner for the Environment's purpose and activities and are based on a number of assumptions on what may occur during the 2019/20 year.

The main assumptions, which were adopted as at 8 April 2019, were as follows:

- The Parliamentary Commissioner for the Environment's activities and output expectations will remain substantially the same as the previous year.
- Personnel costs are based on 21 full-time equivalent staff positions plus the Commissioner.
- Operating costs are based on historical experience and other factors that are believed to be reasonable in the circumstances. Remuneration rates are based on current wage and salary costs, adjusted for anticipated remuneration changes.

The actual financial results achieved for 30 June 2019 are likely to vary from the forecast information presented, and the variations may be material.

2. Personnel costs

Actual 2018 \$ (000)	Actual 2019 \$ (000)
2,058 Salaries and wages	2,096
65 Employer contributions to defined contribution plans	64
19 Increase/(decrease) in employee entitlements	26
2,142 Total personnel costs	2,186

3. Capital charge

The Parliamentary Commissioner for the Environment pays a capital charge to the Crown on its equity as at 31 December and 30 June each year. The capital charge rate is set by Treasury during the year and it was amended twice:

- for the six months ended 31 December 2018 it was set at 6.0 per cent (2018 year: 6.0 per cent)
- for the six months ended 30 June 2019 it was set at 6.0 per cent (2018 year: 6.0 per cent).

4. Other operating expenses

Included within other operating costs are:

Actual 2018 \$ (000)	Actual 2019 \$ (000)
23 Audit fees for the annual report audit	24
268 Operating leases	241
384 Consultancy	581
70 Maintenance	87
39 Accommodation (excluding office lease)	35
72 Communication	47
66 Travel	51
21 Consumables	16
36 Professional fees and development	44
22 Library acquisitions	15
28 General expenses	52
1,029 Total	1,193

5. Debtors and other receivables

Actual 2018 \$ (000)	Actual 2019 \$ (000)
Non Exchange	
277 Debtor Crown	277
277 Total Debtors and other receivables	277

All debtors and other receivables are current and no provision for impairment is required.

6. Property, plant and equipment

	Furniture & fittings \$ (000)	Computer hardware \$ (000)	Office equipment \$ (000)	Leasehold improvements \$ (000)	Total \$ (000)
Cost					
Balance at 30 June 2018	231	108	47	489	875
Additions	5	69	-	-	74
Balance at 30 June 2019	236	177	47	489	949
Accumulated Depreciation					
Balance at 30 June 2018	188	85	45	444	762
Depreciation expense	12	18	-	26	56
Balance at 30 June 2019	200	103	45	470	818
Carrying amounts					
At 30 June 2018	43	23	2	45	113
Balance at 30 June 2019	36	74	2	19	131

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

7. Intangible assets

	Acquired software \$ (000)	Developed software \$ (000)	Total \$ (000)
Cost			
Balance at 30 June 2018	98	65	163
Additions	-	-	-
Disposals	-	-	-
Balance at 30 June 2019	98	65	163
Accumulated amortisation and impairment losses			
Balance at 30 June 2018	96	47	143
Amortisation expense	1	13	14
Disposals	-	-	-
Balance at 30 June 2019	97	60	157
Carrying amounts			
At 30 June 2018	2	18	20
At 30 June 2019	1	5	6

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

8. Creditors and other payables

Actual 2018 \$ (000)	Actual 2019 \$ (000)
Exchange	
361 Creditors	345
24 Accrued expenses	72
Non Exchange	
10 GST payable	25
395 Total creditors and other payables	442

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

9. Repayment of surplus

Actual 2018 \$ (000)	Actual 2019 \$ (000)
41 Net surplus	209
- Prior year surplus unpaid	41
41 Total repayment of surplus	250

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

10. Employee entitlements

Actual 2018 \$ (000)	Actual 2019 \$ (000)
72 Annual leave	96
13 Accrued Salaries	15
85 Total employee entitlements	111

The Parliamentary Commissioner for the Environment has no retirement leave or long service leave obligations. The annual leave liability is calculated from the actual leave days owing to the Commissioner and employees as at 30 June 2019.

11. Related party transactions and key management personnel

The Parliamentary Commissioner for the Environment is a wholly owned entity of the Crown.

Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier, or client/recipient, relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Parliamentary Commissioner for the Environment would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangement between government agencies and undertaken on the normal terms and conditions for such transactions.

Related party transactions required to be disclosed

Parliament significantly influences the work of the Parliamentary Commissioner for the Environment as well as being its major source of revenue.

There were no transactions carried out with other related parties requiring disclosure.

Key management personnel compensation

Actual 2018 \$ (000)	Actual 2019 \$ (000)
Leadership team, including the Commissioner	
788 Remuneration	967
4 Full-time equivalent staff	6

Key management personnel are the senior management team, which comprises the Commissioner, Chief Advisor Economics, Chief Advisor Legal, Chief Advisor Outreach, Chief Advisor Science, Chief Operating Officer and Director of Research & Analysis (2018: Commissioner, Chief Advisor Economics, Chief Advisor Legislation, Public Policy and Operations, Chief Advisor Science and Chief Operating Officer).

12. Events after the balance date

There have been no significant events after the balance date.

13. Categories of financial instruments

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

Actual 2018 \$ (000)	Actual 2019 \$ (000)
Financial assets measured at amortised cost	
722 Cash and cash equivalents	1,000
277 Receivables (excluding prepayments)	277
999 Total financial assets measured at amortised cost	1,277
Financial liabilities measured at amortised cost	
395 Creditors and other payables (note 8)	442

The early adoption of PBE IFRS 9 Financial Instruments has resulted in some changes to the recognition and measurement of financial assets and financial liabilities for financial statements prepared for periods beginning on or after 1 January 2018. Cash and cash equivalents, and debtor and other receivables were previously disclosed under loans and receivables which is no longer a category under PBE IFRS 9. This has now been changed to financial assets measured at amortised cost. However, there are no changes in the measurements of these financial assets for the Parliamentary Commissioner for the Environment in 2018/19 arising from the implementation of PBE IFRS 9.

In adopting this standard, the Parliamentary Commissioner for the Environment is required to apply the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs (such as debtor and other receivables). The only debtor the Parliamentary Commissioner for the Environment has is Debtor Crown, which is a receivable from the Government. The adoption of PBE IFRS 9 has had no material impact on the financial statements and comparative figures have not been restated.

14. Explanations of major variances against budget

Explanations of major variances from the Parliamentary Commissioner for the Environment's budget figures are as follows:

Statement of comprehensive revenue and expense

Personnel costs

Personnel costs were lower than budget by \$381,000 mainly because staff turnover meant that there were multiple positions and required time to fill the vacant positions. This resulted in higher variances to normally anticipated within the budget.

Other operating expenditure

Other operating expenditure was higher than budget by \$125,000, mainly due to higher consultancy costs. Staff turnover and the need for increased specialist knowledge for short term projects resulted in a need for higher consultancy costs which partially offset lower personnel spend than originally budgeted.

Statement of financial position

Current assets

Current assets as at 30 June 2019 are \$494,000 higher than budget. A surplus of \$209,000, driven by lower personnel costs, and costs incurred in relation to the final reports produced by the Commissioner were incurred closer to the end of the financial year than originally expected. While expenses have been recognised in the statement of comprehensive revenue and expense, payments to suppliers were not made until after the 30 June 2019 balance date increasing cash-on-hand.

Current liabilities

Current liabilities are higher by \$489,000 because of some project related costs falling close to year-end and the liability for those costs being recognised in the 2018/19 year.

Statement of cash flows

Lower personnel costs and accumulation of annual leave resulted in a decrease in payments to employees than originally budgeted by \$435,000. This resulted in a favourable cash flow from operating activities in the year to 30 June 2019.

Appropriation statements

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by the Parliamentary Commissioner for the Environment for the year ended 30 June 2019. They are prepared on a GST-exclusive basis.

Statement of budgeted and actual expenses and capital expenditure incurred against appropriations for the year ended 30 June 2019

Annual and permanent appropriations for Vote Parliamentary Commissioner for the Environment

Actual 2018 \$ (000)		Actual 2019 \$ (000)	Appropriation Voted 2019* \$ (000)
Output expenses			
2,908	Parliamentary Commissioner for the Environment – Reports and Advice	3,150	3,362
2,908	Total output expenses	3,150	3,362
Appropriation for other expenses			
362	Remuneration of the Parliamentary Commissioner for the Environment (Permanent Legislative Authority)	337	337
362	Total other expenses	337	337
Capital expenditure			
66	Parliamentary Commissioner for the Environment – Capital Expenditure (Permanent Legislative Authority)	75	72
66	Total capital expenditure	75	72
3,336	Total annual and permanent appropriations	3,562	3,771

* This includes adjustments made in the Supplementary Estimates.

End-of-year output performance information has been reported in the statement of objectives and service performance (page 28) of this annual report.

The Parliamentary Commissioner for the Environment leads the performance of the office. The performance of the Commissioner is reflected in the output performance measures and targets of the office as detailed in table 2 (page 29).

Capital expenditure is based on the replacement of assets required in order for the office of the Parliamentary Commissioner to operate effectively. Performance measures for capital expenditure are reflected in the output performance measures of the office as detailed in statement of objectives and service performance (page 28).

Statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority for the year ended 30 June 2019

The Parliamentary Commissioner for the Environment has not incurred any expenses or capital expenditure without, or in excess of, appropriation or other authority (2017/18: nil).

Statement of capital injections for the year ended 30 June 2019

The Parliamentary Commissioner for the Environment has not received any capital injections during the year (2017/18: nil).

Statement of capital injections without, or in excess of, authority for the year ended 30 June 2019

The Parliamentary Commissioner for the Environment has not received any capital injections during the year without, or in excess of, authority (2017/18: nil).

**Parliamentary Commissioner for the Environment
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