



LAW · COMMISSION
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E31

2014–2015

ANNUAL REPORT



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REPORT

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The Law Commission Te Aka Matua o te Ture

Letter of transmittal

Minister Responsible for the Law Commission
Parliament Buildings
WELLINGTON

Dear Minister

I have the honour to present to you the Annual Report of the Law Commission for the year ended 30 June 2015.

This report is prepared under section 150 of the Crown Entities Act 2004.

Yours sincerely



Hon Sir Grant Hammond KNZM
President

President's foreword

2015 marks the 30th anniversary since the establishment of the New Zealand Law Commission. Coincidentally, it is also the 50th anniversary of the England and Wales Law Commission. As part of an occasion held at the United Kingdom Supreme Court in London to mark that event I was asked to present a paper on the legislative implementation of law reform proposals around the Commonwealth. This will be published by Cambridge University in due course.

In that paper, I noted New Zealand compares very favourably. Since the adoption of mandatory government responses post 2004 by the Cabinet Manual, the New Zealand legislative response to Law Commission recommendations has risen to 79 percent. By way of comparison, the average response across 12 other law commissions is 68 percent.

The fundamental impact of this Commission's work can be readily seen in core infrastructure statutes such as the Companies Act 1993, the Evidence Act 2006, the Inquiries Act 2013, the Legislation Act 2012, and many others.

A principles-based approach to the law of New Zealand still remains a fundamental building block to a fair and just society and the Law Commission has a vital and privileged role in contributing to this outcome.

The Law Commission holds a unique place in New Zealand's law reform process as an independent reviewer of New Zealand's law. It is not resourced to deal with all law reform, but concentrates its efforts on law reform issues where the Commission's open review processes, expertise and independence creates a unique advantage.

During the year the Commission has progressed its independent law reform programme. *Pecuniary Penalties: Guidance for Legislative Design* was released on 28 October 2014. Real progress has been made on reviews of the Crown Proceedings Act 1950, measures to protect classified and security sensitive information in the course of criminal and civil proceedings, the Burials and Cremations Act 1964, contempt, extradition and mutual legal assistance and alternative trial process for victims of sexual offences.

The Commission saw real gains for New Zealand during the year from the government advancing some of our previous work: including the Coroners Amendment Bill; Harmful Digital Communications Bill; Evidence Amendment Bill; and the Judicature Modernisation Bill. Additionally the Law Commission assisted Ministry of Business, Innovation and Employment with drafting an Incorporated Societies Bill which is intended to fully implement the Law Commission's 2013 Report. The Commission also assisted Land Information New Zealand with finalising the draft Land Transfer Bill following the Law Commission's 2010 Report recommending a new Act.

More remains to be done. While acknowledging the extent to which the Commission's recommendations are acted upon is a matter for Parliament, I continue to note a concern about the lack of progress on some historic Law Commission recommendations that could deliver significant benefits to New Zealand. The areas of real concern are where Cabinet substantially accepted the Commission's recommendations in areas like compulsory treatment of substance dependence; mental impairment decision-making (all from 2010 reports); the review of privacy law (2011) and a number of recommendations from our 2012 review of official information legislation.

The Law Commission has heretofore had a vital role in improving the quality of new legislation by supporting the Legislation Advisory Committee, which I have chaired. The Legislation Advisory Committee has now been remodelled into the Legislation Design and Advisory Committee, to provide advice to departments and agencies on the design and content of government bills much earlier in their development. The Law Commission's role with the Legislation Advisory Committee ceased on 31 March 2015. That decision reflected a government concern to deal with new legislation at the front end of its evolution, rather than by adjustments at the select committee level; as well as the heavy burden on the Commission in vetting all incoming bills.

In the Law Commission's 2015–2016 Statement of Performance Expectation it is signalled that the Commission would be in a balanced budget position from 1 July 2018. The current financial results reflect the tight fiscal control that has been implemented, and will be maintained, while we work through future operating options for the Commission.

It is with deep sadness that I note the death of Lecretia Seales. Lecretia was an outstanding Senior Adviser at the Commission who made a significant contribution to law reform in New Zealand. Her professionalism, commitment and caring personality is greatly missed at the Commission.

In this, my fifth annual report, I end by acknowledging the Law Commission could not achieve its contribution to a principles-based legal system for New Zealand, which is fundamental to a fair and just society, without the commitment and skill of the staff and Commissioners. Their expertise and dedication ensures the Commission makes a real contribution to New Zealand having clear, fair and modern laws appropriate for a modern democracy.



Hon Sir Grant Hammond KNZM
President

The Law Commission

Who We Are

The Law Commission is an independent, publicly funded, law reform organisation established under the Law Commission Act 1985 as an Independent Crown Entity under the Crown Entities Act 2004.

Its core statutory functions, under the Law Commission Act 1985, are to take and keep under review in a systematic way, the law of New Zealand:

- to make recommendations for the reform and development of the law of New Zealand;
- to advise on the review of any aspect of the law of New Zealand conducted by any government department or organisation and on proposals made as a result of the review; and
- to advise the Minister of Justice and the responsible Minister on ways in which the law of New Zealand can be made as understandable and accessible as is practicable.

In making its recommendations, the Commission shall:

- take into account te ao Māori (the Māori world);
- give consideration to the multicultural character of New Zealand society; and
- have regard to the desirability of simplifying the expression and content of the law, as far as that is practicable.

The Board

The members of the Law Commission's Board as at 30 June 2015 are:¹

- Hon Sir Grant Hammond KNZM (President) (term expires May 2016);²
- Judge Peter Boshier (Commissioner) (Finishing December 2015);
- Hon Dr Wayne Mapp QSO (Commissioner) (term expires March 2017); and
- Professor Geoff McLay (Commissioner) (term expires December 2015).

1 Under section 9 of the Law Commission Act 1985 the Commissioners are the Board for the purposes of the Crown Entities Act 2004 and the President holds office as the Chairperson.

2 Under section 13 of the Law Commission Act 1985 the President is the chief executive of the Law Commission.

Funding

The Law Commission is funded from money appropriated by Parliament through Vote: Justice.

The Organisation

The Law Commission has 4 Commissioners appointed by the Governor-General (2 full-time and 2 part-time). They are all male.

The Law Commission has a small but highly skilled staff. As at 30 June 2015 the Commission had 22 employees (excluding Commissioners and contractors).

Address Details

The office of the Law Commission is located at:
Level 19, 171 Featherston Street, Wellington

The postal address is:
PO Box 2590, Wellington, 6140
DX SP23534

Telephone: (04) 473 3453, Fax: (04) 471 0959
E-mail: com@lawcom.govt.nz

Information about the Law Commission and its work is available via the internet from the Commission's website at: www.lawcom.govt.nz.

What We Do

The Law Commission's key objective is to improve the quality, relevance and effectiveness of New Zealand law. We achieve our objective by producing independent recommendations on clear, fair and modern amendments to the areas of the law referred to the Law Commission by the Minister Responsible for the Law Commission, by:

- promoting open and informed debate on law reform issues and making recommendations to the Minister Responsible for the Law Commission for the improvement of the law (output 1);
- reviewing government bills against the Legislation Advisory Committee (LAC) guidelines on process and content of legislation and providing independent advice to the LAC (output 2);³ and
- providing implementation and ad hoc advice on law reform issues (output 3).

Output 1: Recommendations for law reform

The most significant service we provide is independent recommendations to Parliament, via the Minister Responsible for the Law Commission, on law reform. Our law reform work programme is agreed with the Minister.

At the end of each project, the Commission publishes a report detailing its independent recommendations for law reform. That report is tabled in Parliament by the Minister Responsible for the Law Commission. The extent to which the Commission's recommendations are acted upon is a matter for Parliament.

Appendix A contains a list of all active projects as at 30 June 2015.

Appendix B contains a list of all law reform reports tabled in Parliament from 2010. A list of the Law Commission's reports since 1985 (the year the Law Commission commenced) is available on the Law Commission's website.

³ The LAC was replaced by the Attorney General from 1 April 2015 with the Legislation Design and Advisory Committee, to provide advice to departments and agencies on the design and content of government bills much earlier in their development. The Law Commission does not have a role in providing advice to the Legislation Design and Advisory Committee.

Output 2: Advice on the quality of legislation

Until 31 March 2015 the Law Commission provided independent advice to the LAC on public law issues and the compliance of government bills with the Cabinet approved guidelines on process and content of legislation.⁴ In addition, the Law Commission drafted submissions to select committees, or prepared other material to follow up on issues that the LAC wished to raise with Ministers, select committees or agencies.

Output 3: Advice on the implementation of law reform

The Law Commission is called upon by Ministers, select committees and departments to provide advice on the implementation of our law reform recommendations, or other legislative proposals involving difficult legal or constitutional issues. This work can include assistance in the preparation of cabinet papers, legislative drafting instructions and attendance at select committees, usually working collaboratively with central government agencies.

Appendix C contains a list of advice provided on the implementation of law reform in the year ended 30 June 2015.

⁴ Note there were some government bills that the Law Commission did not review for the LAC. Examples include taxation Bills, Treaty settlement Bills and bills based on the Law Commission's recommendations.

PART 1

Non-financial reporting

Outcome reporting

Introduction

In the 2014–18 Statement of Intent the Law Commission stated its outcome is to achieve informed engagement from a diverse range of New Zealanders on particular law reform and quality of legislation issues, which produces ongoing informed debate. The Law Commission’s outcome supports the wider outcome for New Zealand, of improved confidence that New Zealand has laws that support a modern democracy, an efficient economy and a just society.

The Commission will know that it is achieving its law reform objectives when there is a high level of informed engagement by the Government, Crown agencies and relevant stakeholders on the Law Commission’s past and current recommendations. This will be demonstrated by the consultation on issues papers creating the appropriate level of informed engagement with all stakeholders who have sufficient interest in the reference and the timely and informed government responses to the Commission’s final reports.⁵

Law Reform

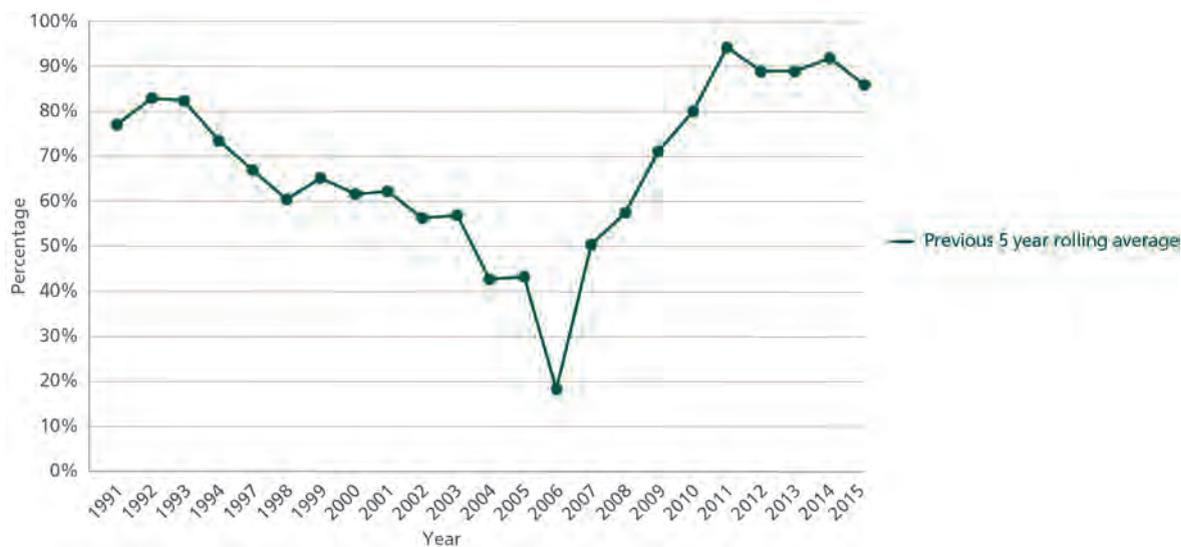
Effective law reform requires the contribution of a range of institutions. While the Law Commission makes recommendations for reform it is the role of Parliament, independent of the Law Commission, to amend the law if they desire to do so.

A measure of the Law Commission’s law reform outcome performance (output 1), over time, is the extent to which its recommendations are advanced into legislation. The following graph provides a trend of Law Commission reports that have been advanced into legislation:⁶

5 The process for the Government to respond to Law Commission reports is set out in the CabGuide. This does not include consideration of whether the Law Commission’s recommendations are actually acted upon as this is a matter for Parliament.

6 The graph is of Law Commission reports where the primary recommendation is new legislation and the resulting legislation reflects the Law Commission recommendations in more than a minor way. The date is the Law Commission report date. There can be significant time lags between the Law Commission report and any future amending legislation. Additionally there can be periods where the Law Commission does not recommend legislative changes, like the year ended 30 June 2015.

Percentage of Law Commission reports advanced into legislation



During the year, evidence of the impacts of the Law Commission’s earlier law reform recommendations was noted as:

- The Harmful Digital Communications Bill passed the second and third reading during the financial year and received Royal assent on 2 July 2015. The Bill followed recommendations by the Law Commission’s Ministerial briefing on harmful digital communications (NZLC MB3, 2012);
- The Veterans’ Support Bill was enacted 7 August 2014. The Bill follows the Law Commission’s 2010 Report, *A New Support Scheme for Veterans: A Report on the Review of the War Pensions Act 1954* (NZLC R115);
- The Coroners Amendment Bill was introduced into Parliament in July 2014. The Bill follows the Law Commission’s Report, *Media Reporting of Suicide* (NZLC R131, 2014);
- The Judicature Modernisation Bill received its second reading in Parliament in May 2015. The Bill follows the Law Commission’s 2012 Report, *Judicature Act 1908 and Consolidation of Courts Legislation* (NZLC, R126);
- The Evidence Amendment Bill was introduced into Parliament in May 2015. The Bill follows the Law Commission’s 2013 Report, *The 2013 Review of the Evidence Act 2006* (NZLC R127); and
- Land Information New Zealand consulted on a draft Land Transfer Bill that included of most of the recommendations in the 2010 Report, *A New Land Transfer Act* (NZLC R116).

Output reporting

Output 1 Law Reform

The Commission progressed its law reform output, consistent with the Responsible Minister's work programme,⁷ during 2014–15 as follows:

Output 1: Current Law Reform References

Reference	2014–15 Activity	2015–16 Projected Activity ⁸
Burial and Cremation	Review of submissions received in relation to <i>The Legal Framework for Burial & Cremation in New Zealand: A First Principles Review</i> .	The Commission is preparing its final report which is due in October 2015.
Crown Civil Proceedings Act	An Issues Paper, <i>A New Crown Civil Proceedings Act for New Zealand</i> was released April 2014. Submissions on the Issues Paper closed in September 2014.	The Commission is preparing its final report which is due in December 2015.
Classified and Security Sensitive Information The Law Commission commenced this reference after the Minister's letter of 24 November 2014.	Commenced a review of the laws that determine how security sensitive information should be dealt with in court proceedings. An Issues Paper, <i>Protection of Classified and Security Sensitive Information</i> , was released May 2015.	The Commission is preparing its final report which is due in December 2015.
Contempt	Review of submissions received in relation to <i>Contempt in Modern New Zealand</i> which proposes the codification of the law of contempt.	The target date for the final report (with an accompanying draft Bill) is March to June 2016.
Pecuniary Penalties	Final report issued, <i>Law Relating to Civil Penalties</i> , October 2014.	
Complainants in sexual offences cases The Law Commission commenced this reference after the Minister's letter of 24 November 2014.	This is a resumption of the suspended reference on alternative pre-trial and trial process with emphasis on sexual offences, to identify best practice for improving the court experience of complainants. The scope of the reference does not include any proposal that would involve reversing the onus of proof in sexual offence cases.	The Commission is preparing its final report which is due in September 2015.

⁷ On 24 November 2014 the Minister issued a new work programme with new priorities of:

- Reviewing measures to protect classified and security sensitive information in the course of criminal and civil proceedings;
- Complainants in sexual offence cases;
- Creation of a separate crime of non-fatal strangulation; and
- Changes to the law of self-defence and introduction of partial-defence, for victims of family violence who are facing homicide charges.

⁸ Projected activity was not subject to audit by Audit New Zealand.

Reference	2014–15 Activity	2015–16 Projected Activity
Extradition and Mutual Legal Assistance	An issues paper was released December 2014, <i>Extradition and Mutual Assistance in Criminal Matters</i> , and submissions closed March 2015.	The Commission is preparing its final report which is due in December 2015.

Appendix B contains a list of all the Commission’s Reports since January 2010 and shows what the government response was for each Report. Under Cabinet Circular CO (09) 1 *Law Commission: Processes for Setting the Work Programme and Government Response to Reports* the government either provides a formal response to each project’s recommendations, or may simply commence implementation if it accepts all or most recommendations from a Report. While most of the Law Commission’s recommendations that were accepted have been implemented there remain some Reports that were accepted but are unimplemented.⁹ This is a concern, and the Commission considers these reports continue to present opportunities to improve New Zealand’s legal and policy settings, which should be taken up.

Output 2 Quality of Legislation

The quality of new legislation introduced into Parliament was reviewed by the LAC until 31 March 2015 when LAC was disestablished.

The Law Commission supported LAC by providing advice on whether government bills comply with LAC Guidelines for Legislation. The Law Commission prepared submissions for LAC to the appropriate select committee, if LAC concludes that a bill does not comply with the Guidelines, in a material way. An element of the Commission’s support for LAC was the updating of the *Guidelines on Process and Content of Legislation* (2014 edition) and assisting with the LAC website development.

In the year ended 30 June 2015, the Commission provided advice on 9 bills for LAC, and drafted 7 submissions to select committees where LAC wished to raise public law issues with the bills.

Output 3 Law Reform Implementation

The Commission supported other agencies with law reform initiatives. Appendix C contains a list of advice provided on the implementation of law reform in the year ended 30 June 2015.

⁹ Major subject areas include recommendations for a new Land Transfer Act NZLC R116 (2010), compulsory treatment of substance dependence NZLC R118 (2010), mental impairment decision-making and the insanity defence NZLC R120 (2010), and various Official Information Act recommendations from NZLC R125 (2012).

Operational focus

During 2014–15 an ongoing significant operating focus has been on moving towards a financial break-even position by 1 July 2016,¹⁰ while maintaining the operating capacity of the Commission. The key initiatives during 2014–15 have been:

- staff: rebalance the ratio between direct and indirect staff while reducing overall staff numbers by 12 %;
- website: complete the upgrade of the Commission’s website to support its objective of informed engagement; and
- productivity: continue to implement productivity tools like online reference material and dictation software that provide both operational cost saving and efficiencies.

Good employer

To remain a high functioning organisation delivering consistently high quality advice the Law Commission complies with the principles of being a good employer. The Commission:

- operates an equal employment opportunities policy where the best person for the job is employed consistent with operational constraints;
- provides good and safe working conditions for all employees;
- seeks cost-effective opportunities for staff development that align with their individual development needs and the Commission’s strategic objectives. The Commission operates in a severely constrained financial environment and this has affected development opportunities; and
- is committed to a flexible workplace where staff can enjoy a balance between work and home. The Commission provides opportunities for part-time work and working away from the office by providing remote access to the Commission’s systems.

The Law Commission has a small but highly skilled staff. As a small organisation, it can be difficult to ensure workplace diversity across multiple dimensions that may be important for larger organisations. The key principle applied when recruiting staff is to employ the best person for the role.

As at 30 June 2015 the Commission had 22 employees (excluding Commissioners), including 2 on maternity leave.¹¹

10 As part of the Statement of Performance Expectation 2015–2016 process it was agreed that the financial break-even date would be 1 July 2018.

11 The Law Commission has 4 Commissioners appointed by the Governor-General (2 full-time and 2 part-time). They are all male.

	Number of Employees	Full-time	Part-time	Maternity Leave	Directly Contribute to Outputs	Support Roles (incl law clerks)
Female	15	6	7	2	9	6
Male	7	4	3	0	3	4
Total	22	10	10	2	12	10

Ethnic profile	Female	Male
Asian – NZ European	1	0
NZ European	13	6
Māori – Pākehā	1	0
Māori – Samoan – Pākehā	0	1
Total	15	7

PART 2

Statement of Performance and Financial Statements for the year ending 30 June 2015

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Statement of Responsibility

We are responsible for the preparation of the Law Commission's statement of performance, financial statements and the judgements made herein.

We are responsible for any end-of-year performance information provided by the Law Commission under section 19A of the Public Finance Act 1989.

We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion the financial statements and statement of performance fairly reflect the financial position and operations of the Law Commission for the year ended 30 June 2015.

Signed on behalf of the Board:



Hon Sir Grant Hammond KNZM
President
30 October 2015



Hon Dr Wayne Mapp QSO
Commissioner
30 October 2015

Statement of Performance for the year ended 30 June 2015

This section provides the end of year performance information for the year ending 30 June 2015.

Outcome Measure

The outcome for the Law Commission is to achieve informed engagement from a diverse range of New Zealanders on law reform and quality of legislation issues that produced high-quality, independent recommendations and ongoing informed debate.

Outcome: Performance Measures

Outcome Performance Measure		Standard (Planned for 2014/2015)	Actual Performance Year Ended 30 June 2015
There is a high level of informed engagement by the Government, Crown agencies and relevant stakeholders on the Law Commission's past and current references	The consultation processes for issues papers create the appropriate level of informed engagement with all stakeholders who have sufficient interest in the reference	Board agrees consultation creates appropriate level of informed engagement	Board agreed consultation creates appropriate level of informed engagement
	There are timely and informed government responses to the Law Commission's final reports	Board agrees there are timely and informed government responses	Board agreed there are timely and informed government responses
There is an improvement in the legislative quality of government bills		There is a decrease in percentage of bills that have an LAC submission to a Select Committee	Due to the introduction of a triage process and LAC ceasing from 1 April 2015 a time series comparison was not relevant

Strategy: Performance Measures

Strategy To Deliver The Outcome		Standard (Planned for 2014/2015)	Actual Performance Year Ended 30 June 2015
Agree a review programme with the Minister		Work programme agreed prior to 30 June 2014	Achieved
Producing independent, high-quality evidence based analysis of the law reform issues that is accessible to all interested parties	All Law Commission issues papers and final reports are approved by the Board prior to either publishing or being sent to the Minister for tabling in the House	Commission's Board minute approval of each report	Achieved – there is a Board minute for the final report
	The Commission's papers being referenced by New Zealand's appeal courts in their judgments	There is no decrease in the Commission's papers being referenced by New Zealand's appeal courts in their judgments	Achieved – there was a 22% increase in the Commission's reports being referenced by New Zealand's appeal courts in their judgments.
	All issues papers and final reports are accessible to the public via its website so that there is open and public scrutiny of the Commission's work	All issues papers and final reports are accessible to the public via its website	Achieved
Promoting informed debate on the Commission's law reform references	The Commission's papers being referenced in a wide range of media The quantitative trend of Law Commission 'hits' in the media does not decrease for: <ul style="list-style-type: none"> • Law Talk and NZ Lawyer (being the professional media of the legal profession); • NZ Herald (being print media); • NZ Law Journal (being an academic journal); and • Kiwiblog (being social media) 	There is no quantitative decrease of Law Commission 'hits' in the media	Partially achieved – Measure was achieved for Law Talk, New Zealand Lawyer and the New Zealand Law Journal, but not for the New Zealand Herald or Kiwiblog.
	Timely and informed government responses to final reports	Government responses are received within six months of the final report release	Achieved
Using an open and consultative review process	The Commission's issues papers being referenced in a wide range of specialist media	At least one material reference within three months of the release of the issues paper	Achieved

Output classes

Output 1 Advice: Law Reform

This output focuses on providing advice, and recommendations to the government at the conclusion of law reform projects, in the form of reports to be presented to the House, Ministerial briefing papers, and published study and occasional papers. The advice is based on analyses of existing areas of law, informed by consultation with interested parties, legal research and determination of the policy outcomes that the law should be striving to achieve.

Budgeted total output revenue: \$2,832,000

Actual total output revenue: \$ 2,915,960

Budgeted total output cost: \$2,949,000

Actual total output cost: \$ 3,012,261

Output 1: Performance Measures

Output Performance Measure	Standard (Planned for 2014/2015)	Actual Performance Year Ended 30 June 2015
Number of open references as at 30 June	7	6
Number of completed references	7	1
All final reports are completed in the timeframe agreed with the responsible Minister	100%	The final report published in 2014–15 did not have an agreed timeframe
All final reports are approved for publication by the Law Commission Board	100%	100%
All issues papers and final reports are on the Law Commission's website in an easily assessable format	100%	100%
Provision consistent with Budgeted Total Output Cost	Within +/- 5%	Achieved (+2%)

Output 2 Advice: Quality of Legislation

This output focused on three areas relating to work that is outside the Commission's law reform work programme:

- advice to the Legislation Advisory Committee (LAC);
- advice to the Legislation Design Committee (LDC); and
- ad hoc advice in response to specific requests from select committees, Ministers and officials, in particular relating to legislation unrelated to the Commission's law reform work.

The LAC and LDC was replaced by the Attorney General from 1 April 2015 with the Legislation Design and Advisory Committee, to provide advice to departments and agencies on the design and content of government bills much earlier in their development. The Law Commission does not have a role in providing advice to the Legislation Design and Advisory Committee. Therefore this output ceased 1 April 2015.

Budgeted total output revenue: \$808,500

Actual total output revenue: \$ 832,469

Budgeted total output cost: \$842,000

Actual total output cost: \$ 509,700

Output 2: Performance Measures

Output Performance Measure	Standard (Planned for 2014/2015)	Actual Performance Year Ended 30 June 2015
Referred government bills reviewed against the LAC Guidelines	100%	100% - until 31 March 2015
All advice to LAC approved by the lead Commissioner prior to submission	100%	100% - until 31 March 2015
All advice to LAC is provided within the agreed time	100%	100% - until 31 March 2015
Provision consistent with Budgeted Total Output Cost.	Within +/- 10%	Not achieved (-39%)

Note 1: Issues could have been referred to the LAC at any time, although the committee generally met ten times a year only.

Output 3 Advice: Law Reform Implementation

This output focuses on providing advice following publication of law reform reports, during and after the government's response to reports, by supporting implementation of the recommendations from law reform projects if requested.

Budgeted total output revenue: \$404,250

Actual total output revenue: \$ 416,235

Budgeted total output cost: \$421,000

Actual total output cost: \$ 405,823

Output 3: Performance Measures

Output Performance Measure	Standard (Planned for 2014/2015)	Actual Performance Year Ended 30 June 2015
Implementation advice provided within agreed timeframes	100%	100%
Provision consistent with Budgeted Total Output Cost	Within +/- 20%	Achieved (-4%)

Overall Output

To comply with our responsibilities under the Public Finance Act, the activities funded through the Crown from Vote Justice¹² and how performance is measured from the Information Supporting the Estimates for each activity are set out in the tables above.

Crown funding is included in Outputs 1,2 and 3 above.

Output Class Financials	Actual 2014/15	Budget 2014/15
Crown Funding (Vote Justice – Services provided)	3,993,000	3,993,000

12 The intent of the appropriation is to achieve the provisions of justice advocacy, advice and promotion services through funding of the work performed by the Law Commission, the Human Rights Commission, the Independent Police Conduct Authority, the Privacy Commission, and the Inspector-General of Intelligence and Security.

Financial Statements for the year ended 30 June 2015

Statement of Comprehensive Revenue and Expense for the year ended 30 June 2015

	Note	2015	2015	2014
		Actual	Budget	Actual
		\$	\$	\$
Revenue				
Funding from the Crown		3,993,000	3,993,000	3,993,000
Interest revenue		125,785	15,000	49,014
Sale of publications		1,727	12,000	17,319
Other revenue		44,152	24,420	78,397
Total revenue		4,164,664	4,044,420	4,137,730
Expenditure				
Personnel costs	2	2,733,588	2,862,452	2,750,605
Direct project costs		50,533	129,500	79,997
Library		34,307	180,108	275,681
Occupancy	4	593,607	624,311	903,097
Amortisation	9	2,565	9,305	14,914
Depreciation	8	134,696	136,000	121,543
Audit		27,668	35,000	27,113
Other operating	3	350,820	235,700	194,320
Total expenditure		3,927,784	4,212,376	4,367,270
Net surplus/(deficit)		236,880	(167,956)	(229,540)
Other comprehensive revenue and expense				
<i>Total other comprehensive revenue and expense</i>		(32,122)	0	0
Total comprehensive revenue		204,758	(167,956)	(229,540)

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are detailed in note 20.

Statement of Financial Position as at 30 June 2015

	Note	2015		2014
		Actual	Budget	Actual
		\$	\$	\$
Assets				
Current assets				
Cash and cash equivalents	5	2,108,296	195,325	1,485,921
Receivables & prepayments	7	52,368	128,120	164,705
Investments	6	0	1,105,895	359,107
Total current assets		2,160,664	1,429,340	2,009,733
Non-current assets				
Property, plant and equipment	8	168,654	345,414	360,012
Intangible assets	9	979	4,000	3,696
Total non-current assets		169,633	349,414	363,708
Total assets		2,330,297	1,778,754	2,373,441
Liabilities				
Current liabilities				
Payables	10	234,857	400,000	401,328
Employee entitlements	11	111,000	140,159	190,018
Provisions	12	98,351	145,615	66,110
Total current liabilities		444,208	685,774	657,456
Non-current liabilities				
Provisions	12	186,436	245,396	221,090
Total non-current liabilities		186,436	245,396	221,090
Total liabilities		630,644	931,169	878,546
Net Assets		1,699,653	847,584	1,494,895
Equity				
Accumulated surplus/(deficit)	13	1,699,653	590,940	1,238,251
Revaluation reserves	13	0	256,644	256,644
Total equity		1,699,653	847,584	1,494,895

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are detailed in note 20.

Statement of Changes in Equity for the year ended 30 June 2015

	Note	2015	2015	2014
		Actual	Budget	Actual
		\$	\$	\$
Balance at 1 July		1,494,895	1,015,540	1,724,435
Surplus/(deficit)		236,880	(167,956)	(229,540)
Other comprehensive revenue		(32,122)	0	0
Total comprehensive revenue and expense for the year		204,758	(167,956)	(229,540)
Balance at 30 June	13	1,699,653	847,584	1,494,895

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2015

	Note	2015	2015	2014
		Actual	Budget	Actual
		\$	\$	\$
Cash flows from operating activities				
Receipts from the Crown		3,993,000	3,993,000	3,993,000
Interest received		125,374	15,000	49,014
Sale of publications and other income		45,879	36,420	77,623
Payments to employees		(2,812,606)	(2,862,452)	(2,706,339)
Payments to suppliers		(1,145,567)	(1,299,308)	(1,027,829)
Goods and services tax (net)		67,059	(45,000)	(46,775)
Net cash flow from operating activities		273,139	(162,340)	338,694
Cash flows from investing activities				
Placement of funds on term deposits		(396,110)	0	(1,749,625)
Maturity of funds on term deposits		755,217	215,290	1,390,518
Purchase of property, plant and equipment		(7,000)	(52,950)	(45,791)
Purchase of intangible assets		(2,871)	0	0
Net cash flow from investing activities		349,236	162,340	(404,898)
Net (decrease)/increase in cash and cash equivalents		622,375	0	(66,204)
Cash and cash equivalents at the beginning of the year	5	1,485,921	195,325	1,552,125
Cash and cash equivalents at the end of the year	5	2,108,296	195,325	1,485,921

The accompanying notes form part of these financial statements.

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department.

Explanations of major variances against budget are detailed in note 20.

Notes to the Financial Statements

1 Statement of accounting policies for the year ended 30 June 2015

Reporting entity

The Law Commission is an independent Crown entity for legislative purposes, established by the Law Commission Act 1985. The Commission is domiciled and operates in New Zealand. The Law Commission's ultimate parent is the New Zealand Crown.

The Law Commission's primary objective is to review areas of the law that need updating, reforming or developing and to make recommendations to the New Zealand Parliament.

The Law Commission is accordingly a public benefit entity for financial reporting purposes.

The financial statements for the Law Commission are for the year ended 30 June 2015 and were approved by the Board on 30 October 2015.

Basis of Preparation

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

Statement of compliance

These financial statements have been prepared in accordance with the Law Commission Act 1985 and the Crown Entities Act 2004 which includes the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP").

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards.

They comply with PBE accounting standards.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. The material adjustments arising on transition to the new PBE accounting standards are explained in note 21.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

Summary of Significant Accounting Policies

Revenue

The Law Commission derives revenue from the provision of outputs to the Crown, the sale of its publications to third parties, provision of specialist services and income from investments and renting.

Funding from the Crown

The Law Commission is primarily funded from the Crown. This funding is restricted in its use for the purpose of the Law Commission meeting its objectives as specified in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, the Law Commission considers there are no unfulfilled conditions or contingencies attached to the funding and it is recognised as revenue at the point of entitlement. This is recognised as non-exchange revenue.

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

Interest revenue

Interest revenue is recognised using the effective interest rate method.

Rental revenue

Lease receipts under an operating sublease are recognised as revenue on a straight-line basis over the lease term.

Sale of publications

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

Provision of services

Services provided to third parties on commercial terms are exchange transactions. Revenue from these services is recognised in proportion to the stage of completion at balance sheet date.

Leases

Operating leases

An operating lease is a lease that does not transfer substantially all the 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 period of the lease.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with banks, and other short-term highly liquid investments with maturities of three months or less.

Receivables

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

A receivable is considered impaired when there is evidence that the Law Commission 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.

Investments

Bank term deposits

Investments in bank deposits are initially measured at fair value and subsequently at fair value less any provision for impairment. Impairment is established when there is objective evidence that the Law Commission will not be able to collect any amounts due according to the original terms of the deposit.

Property, plant and equipment

Property, plant and equipment consists of the following asset classes: library collection, furniture and fittings, computer hardware and office equipment.

All classes are initially recorded at cost. Library collections are stated at fair value. Fair value is determined using market based evidence by an independent valuer.

The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

Revaluations

Library collections are valued every four years. Additions between revaluations are recorded at cost.

The Commission accounts for revaluations of property, plant and equipment on a class-of-assets basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

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

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

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to general funds.

Subsequent costs

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

The costs of day-to-day servicing of property, plant and equipment are 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 other than land, at rates that will write off the cost (or valuation) 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:

Computer equipment	3 years	33.33%
Office equipment	5 years	20%
Furniture and fittings	10 years	10%
Library collection	5 years	20%

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

Intangible assets

Software acquisition

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

Staff training costs are recognised as an expense when incurred.

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

Costs associated with the development and maintenance of the Law Commission's website are recognised as an expense when incurred.

Amortisation

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

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

Computer Software	3 years	33.33%
Website	3 years	33.33%

Impairment of property, plant, equipment and intangible assets

The Law Commission does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

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

Value in use is determined using an approach based on a depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Law Commission would, if deprived of the asset, replace its remaining future economic benefits or service potential.

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. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is recognised in the surplus or deficit.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the surplus or deficit.

Payables

Short-term payables are recorded at their face value.

Employee entitlements

Short term employee entitlements

Employee benefits that are due to be settled within 12 months of the end of the period in which the employee renders the related service are measured at accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date to the extent that it will be used by staff to cover those future absences.

Presentation of employee entitlements

Sick leave and annual leave are classified as a current liability.

Superannuation schemes

Defined contribution schemes

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

Provisions

A provision is recognised for future expenditure of uncertain amount or timing where there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

Onerous contract

The Law Commission has a non-cancellable contract to lease office space that is partially no longer used by the Law Commission. The lease does not expire until 24 April 2018. The surplus space has been partially sublet. However the rental expense is greater than the rental income received from subleasing. A provision has been recognised for the obligation of the future discounted rental payments net of anticipated assumed rental income.

A provision for an onerous contract is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting the obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- accumulated surplus/(deficit);
- property revaluation reserves

Property revaluation reserve

This reserve relates to the revaluation of property, plant and equipment to fair value.

Goods and Services Tax

All items in the financial 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 an input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from or payable to the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

The Law Commission is a public authority in terms of the Income Tax Act 2007 and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Budget Figures

The budget figures are derived from the statement of performance expectations as approved by the Board at the beginning of the financial year.

The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Cost allocation

The Law Commission has determined the cost of outputs using the cost allocation system outlined below.

Direct costs are those costs directly attributable to specific projects and are charged directly to those projects. Indirect costs are charged to specific projects in proportion to the direct labour hours recorded against those projects. Personnel costs are charged on the basis of actual time incurred.

There have been no changes to the cost allocation methodology since the date of the last audited financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements the Law Commission 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 amounts 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 by the Commission, 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 Law Commission minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes; and
- analysis of prior asset sales.

The Law Commission has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 8.

Critical judgements made in applying accounting policies

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

Onerous contract

See note about assumptions and judgements relating to the onerous contract in the accounting policies note above.

Lease classification

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

Based on the above assumptions we have classified all lease agreements as operating leases.

2 Personnel costs

	2015	2014
	Actual	Actual
	\$	\$
Salaries and Wages	2,769,198	2,645,930
Defined contribution plan employer contributions	43,408	60,409
Increase/(decrease) in employee entitlements (note 11)	(79,018)	44,266
Total personnel costs	2,733,588	2,750,605

Employer contributions to defined contribution plans are employer contributions to KiwiSaver only.

3 Other operating

	2015	2014
	Actual	Actual
	\$	\$
Staff travel	24,578	13,072
Repairs and maintenance	7,842	29,290
Professional services	80,244	2,399
Communications	31,520	26,732
Loss on disposal	34,563	32,383
Other expenses	172,073	90,444
Total other operating	350,820	194,320

4 Occupancy costs

	2015	2014
	Actual	Actual
	\$	\$
Rent	520,264	520,897
Operating lease expense – premises	75,756	95,000
Onerous lease	(2,413)	287,200
Total accommodation costs	593,607	903,097

5 Cash and cash equivalents

	2015	2014
	Actual	Actual
	\$	\$
Cash on hand and at bank	2,108,296	1,485,921
Total cash and cash equivalents	2,108,296	1,485,921

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.

6 Investments

	2015	2014
	Actual	Actual
	\$	\$
Current portion		
Term deposits greater than 3 months	0	359,107
Non-current portion	0	0
Total investments	0	359,107

There is no impairment provision for investments.

7 Receivables

	2015	2014
	Actual	Actual
	\$	\$
Exchange Receivables		
Trade debtors	9,734	22,383
Less: provision for impairment	0	(257)
Accrued interest	411	0
Non-Exchange Receivables		
GST receivable	24,609	91,668
Prepayments	17,614	50,911
Total receivables	52,368	164,705

The carrying value of receivables approximates their fair value. At 30 June 2015 all overdue receivables have been assessed for impairment and if necessary, adjustments to existing provisions applied.

8 Property, plant and equipment

Movements for each class of property, plant and equipment are as follows:

	Computer equipment	Furniture and fittings	Office equipment	Library collection	Total
	\$	\$	\$	\$	\$
Cost or valuation					
Balance at 1 July 2013	151,893	579,815	58,946	367,714	1,158,368
Additions	6,555	420	3,658	35,158	45,791
Adjustments/Disposals	0	0	0	(53,947)	(53,947)
Revaluation increase	0	0	0	4	4
Balance at 30 June 2014/ 1 July 2014	158,448	580,235	62,604	348,929	1,150,216
Additions	5,509	0	999	492	7,000
Adjustments/Disposals	(599)	0	(2,249)	(18,006)	(20,854)
Revaluation increase/(decrease)	0	0	0	(286,653)	(286,653)
Balance at 30 June 2015	163,358	580,235	61,354	44,762	849,709
Accumulated depreciation and impairment losses					
Balance at 1 July 2013	132,392	359,031	56,657	142,142	690,222
Depreciation expense	12,190	47,590	885	60,878	121,543
Elimination on revaluation	0	0	0	0	0
Elimination on disposal	0	0	0	(21,561)	(21,561)
Balance at 30 June 2014/ 1 July 2014	144,582	406,621	57,542	181,459	790,204
Depreciation expense	9,622	57,112	1,044	66,918	134,696
Elimination on revaluation	0	0	0	(254,531)	(254,531)
Adjustment/Elimination on disposal	0	4,763	(231)	6,154	10,686
Balance at 30 June 2015	154,204	468,496	58,355	0	681,055
Carrying amounts					
At 1 July 2013	19,501	220,784	2,289	225,572	468,146
At 30 June 2014/ 1 July 2014	13,866	173,614	5,062	167,470	360,012
At 30 June 2015	9,154	111,739	2,999	44,762	168,654

The Library collection was revalued as at 30 June 2015 by independent valuer, S Lambert of Lamberts Library Services. There are no restrictions over the title of the Law Commission's property, plant and equipment, nor are any PPE pledged as security for any liability.

9 Intangible assets

	Website	Acquired software	Total
	\$	\$	\$
Cost			
Balance at 1 July 2013	187,659	70,008	257,667
Additions	0	0	0
Disposal	0	0	0
Balance at 30 June 2014/ 1 July 2014	187,659	70,008	257,667
Additions	0	2,871	2,871
Adjustments/ Disposals	(187,659)	0	(187,659)
Balance at 30 June 2015	0	72,879	72,879
Accumulated amortisation and impairment losses			
Balance at 1 July 2013	176,646	62,411	239,057
Amortisation expense	8,000	6,914	14,914
Disposal	0	0	0
Impairment Losses			
Balance at 30 June 2014/ 1 July 2014	184,646	69,325	253,971
Amortisation expense	0	2,565	2,565
Adjustments/ Elimination of Disposal	(184,646)	10	(184,636)
Impairment losses	0	0	0
Balance at 30 June 2015	0	71,900	71,900
Carrying amount			
At 30 June 2013	11,013	7,597	18,610
At 30 June 2014 and 1 July 2014	3,013	683	3,696
At 30 June 2015	0	979	979

There are no restrictions over the title of the Law Commission's intangible assets, nor are any intangible assets pledged as security for any liability.

10 Payables

	2015		2014	
	Actual		Actual	
	\$		\$	
Payables under exchange transactions				
Income received in advance	2,124		0	
Creditors	153,190		318,658	
Accrued expenses	79,543		82,670	
Total payables	234,857		401,328	

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 values.

11 Employee entitlements

	2015		2014	
	Actual		Actual	
	\$		\$	
Current portion				
Accrued salaries and wages	0		85,043	
Annual leave	96,000		98,138	
Sick leave	15,000		6,837	
Total employee entitlements	111,000		190,018	

12 Provisions

	2015	2014
	Actual	Actual
	\$	\$
Current portion:		
Onerous contract	98,351	66,110
Total current portion	98,351	66,110
Non-current portion		
Onerous contract	186,436	221,090
Total non-current portion	186,436	221,090

Movement in the onerous contract class of provision:

	\$
Cost	
Balance at 1 July 2013	0
Additional provision made	287,200
Amounts used	0
Discount unwind	0
Balance at 30 June 2014/ 1 July 2014	287,200
Additional provision made	
Amounts used	(2,413)
Discount unwind	0
Balance at 30 June 2015	284,787

Onerous contract

The Law Commission has a non-cancellable contract to lease office space that is partially no longer used by the Law Commission. The lease does not expire until 24 April 2018. The surplus space has been partially sublet. However the rental expense is greater than the rental income received from subleasing. A provision has been recognised for the obligation of the future discounted rental payments net of anticipated assumed rental income.

13 Equity

	2015		2014	
	Actual		Actual	
	\$		\$	
Accumulated Surplus/(Deficit)				
Balance at 1 July 2014	1,238,251		1,467,791	
Surplus/(deficit)	236,880		(229,540)	
Revaluation Reserve Movement	224,522		0	
<i>Balance at 30 June 2015</i>	<i>1,699,653</i>		<i>1,238,251</i>	
Property, plant and equipment (Library) revaluation reserves				
Balance at 1 July 2014	256,644		256,644	
Revaluation	(32,122)		0	
Accumulated Surplus movement	(224,522)		0	
<i>Balance at 30 June 2015</i>	<i>0</i>		<i>256,644</i>	
Total equity at 30 June 2015	1,699,653		1,494,895	

Due to the revaluation of the library and a lot of the library moving to electronic subscriptions the Law Commission decided the revaluation reserve was no longer relevant. Therefore it has been absorbed into the Accumulated surplus.

14 Capital commitments & operating lease

There are no capital expenditure commitments (2014: none).

Operating lease as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2015		2014	
	Actual		Actual	
	\$		\$	
Not later than one year	613,727		637,396	
Later than one year and not later than five years	1,114,117		1,796,263	
Later than five years	0		0	
Total non-cancellable operating lease	1,727,844		2,433,659	

Contract for the supply of library information

	2015	2014
	Actual	Actual
	\$	\$
Not later than one year	0	40,370
Later than one year and not later than five years	0	0
Total contract for the supply of library information	0	40,370

The Law Commission leases property, plant, and equipment in the normal course of its business. The majority of these leases are for premises and photocopiers, which have a non-cancellable leasing period ranging from three to ten years.

The Law Commission's non-cancellable operating leases have varying terms, escalation clauses, and renewal rights.

There are no restrictions placed on the Law Commission by any of its leasing arrangements.

15 Contingencies

The Law Commission has no contingent liabilities or assets at balance date 30 June 2015 (2014 \$ nil).

16 Related party transactions

Related party transactions

The Law Commission is a wholly owned entity of the Crown. 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 arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

In conducting its activities, the Commission is required to pay various taxes and levies (such as GST, FBT, PAYE, and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Law Commission is exempt from paying income tax. Transactions with State Owned Enterprises were arm's length transactions.

Key management personnel compensation

	2015		2014	
	Actual		Actual	
	\$		\$	
Remuneration and other short-term employee benefits	1,361,381		1,121,521	
Total key management personnel compensation	1,361,381		1,121,521	
Total full time equivalent personnel	4.39		3.94	

Key management personnel include the President, three Commissioners and the General Manager.

Full time equivalents are calculated on the basis of hours worked.

There were no transactions entered into during the year with key management personnel.

17 Employee remuneration

Remuneration range

	2015		2014	
	Actual		Actual	
Between \$100,000 and \$109,999	0		2	
Between \$110,000 and \$119,999	1		1	
Between \$160,000 and \$169,999	0		0	
Between \$170,000 and \$179,999	1		1	
Total employees	2		4	

18 Board member remuneration

	2015		2014	
	Actual		Actual	
	\$		\$	
Hon Sir Grant Hammond KNZM LLD (President from 1 December 2010)	447,059		241,135	
Professor Geoff McLay (Commissioner from 1 December 2010)	301,154		291,473	
Hon Dr Wayne Mapp QSO (Commissioner from 5 March 2012)	222,112		210,266	
Judge Peter Boshier (Commissioner from 15 December 2012)	208,364		204,031	
Total Board Member Remuneration	1,178,689		946,905	

In terms of the Law Commission Act 1985, the President of the Law Commission is the Chairperson and Chief Executive. The current President was a Judge of the Court of Appeal until 14 May 2014 and was paid by the Ministry of Justice. As the role finished in the May 2014 the Law Commission was not reimbursed on account of this during the year ended 30 June 2015 (2014 \$182,375). In determining the amount reimbursed, consideration has been given to the fact that the President had retained his judicial warrant and was required

to sit in the Court of Appeal. From 15 May 2014 the President's remuneration has been paid by the Law Commission.

During the year ended 30 June 2015 no board member received compensation and other benefits in relation to cessation.

19 Financial instruments

Categories of financial assets and liabilities

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

	2015		2014	
	Actual		Actual	
	\$		\$	
Loans and receivables				
Cash and cash equivalents (note 5)	2,108,296		1,485,921	
Receivables (note 7)	52,368		113,794	
Investments – term deposits (note 6)	0		359,107	
Total loans and receivables	2,160,664		1,958,822	

Financial liabilities measured at amortised cost

Payables (note 10)	234,857	401,328
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20 Explanation of major variances against budget

Explanations for significant variances from the Law Commission's budgeted figures in the Statement of Intent (SOI) are as follows:

Statement of comprehensive revenue and expenses

The interest income was larger due to higher bank balances and due to interest received in 2015 which related to a prior year. Personnel costs were lower than budgeted but were very similar to the 2014 value. The library costs were lower than budgeted due to a large invoice paid in the 2014 year.

Statement of financial position

The library asset was revalued in 2015 and as such the revaluation reserves were written off and the value of property, plant and equipment decreased.

The increase in both investments and cash and cash equivalents resulted from reduced capital expenditure during the year and an improved comprehensive income position.

Statement of changes in cash flows

Improved net cash flow due to improved comprehensive income position and reduced capital expenditure programme.

21 Adjustments arising on transition to the new PBE accounting standards

Reclassification adjustments

There have not been reclassifications on the face of the financial statements in adoption the new PBE accounting standards.

Recognition and measurement adjustments

The Law Commission has no funding arrangements with unfulfilled conditions. Therefore, no adjustment to payables and equity has occurred.

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of the Law Commission's financial statements and performance information for the year ended 30 June 2015

The Auditor-General is the auditor of the Law Commission (the Commission). The Auditor-General has appointed me, Chrissie Murray, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for an appropriation, of the Commission on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Commission on pages 22 to 45 that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive revenue and expenditure, 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; and
- the performance information of the Commission on pages 9 to 12 and pages 15 to 21.

In our opinion:

- the financial statements of the Commission:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015;
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity (PBE) Standards with reduced disclosure requirements;
- the performance information:
 - presents fairly, in all material respects, the Commission's performance for the year ended 30 June 2015, including:
 - for each class of reportable outputs:
 - its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;

- its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
 - what has been achieved with the appropriation;
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 30 October 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and 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 and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. 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 and the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Commission's financial statements and performance information 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 Commission'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 Board;
- the appropriateness of the reported performance information within the Commission's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and the performance information; and
- the overall presentation of the financial statements and the performance information.

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

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

Responsibilities of the Board

The Board is responsible for preparing financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand;
- present fairly the Commission's financial position, financial performance and cash flows; and
- present fairly the Commission's performance.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

The Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

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

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Commission.



Chrissie Murray
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Crown Entities Act 2004

Reporting

Report on equal employment opportunities programme in terms of section 151(1)(g)

The Law Commission complies with the principles of being a good employer. It operates personnel policies generally accepted as necessary for the fair and proper treatment of its employees in all aspects of their employment. It provides good and safe working conditions to its employees. It provides, within available funding, opportunities for the enhancement of the abilities of individual employees. The Commission also recognises the aims and aspirations and employment requirements and cultural differences of ethnic or minority groups.

The Commission operates an equal employment opportunities policy where the best person for the job is employed consistent with operational constraints. It operates flexible employment arrangements.

Report on acts in breach of statute in terms of section 20(3)

The Law Commission did not carry out any act that is contrary to, or outside the authority of an Act. All its actions were for the purpose of performing its functions.

Appendix A

Output 1 – Active law reform projects as at 30 June 2015

Project	Date begun	Description	Activity during 2014/15 and target dates ¹³
Review of the Crown Proceedings Act 1950	2010 (July)	The Crown Proceedings Act 1950, modelled on a 1947 United Kingdom statute, no longer reflects New Zealand's governance or court practice, and presents difficulties for plaintiffs and the Crown. The review aims to clarify the legislation and its relationship with other provisions that immunise or indemnify the Crown and/or its servants. It will not review the substantive law.	An Issues Paper, <i>A New Crown Civil Proceedings Act for New Zealand</i> was released April 2014. Submissions on the Issues Paper closed in September 2014. The Commission is preparing its final report which is due in December 2015.
Protection of Classified and Security Sensitive Information	2014 (Dec)	This project reviews the laws that determine how security sensitive information should be dealt with in court proceedings. The review looks at how to protect information that may prejudice New Zealand's security. It also considers whether the current rules governing disclosure of such information in court, and the use of that information by the Crown or another party in the proceedings, need to be reformed. The review includes consideration of the use of such information in administrative proceedings that determine individuals' rights, such as those governing a person's immigration status and eligibility for a New Zealand passport.	Commenced the review December 2014. An Issues Paper, <i>Protection of Classified and Security Sensitive Information</i> , was released May 2015. The Commission is preparing its final report which is due in December 2015.
Review of Burial and Cremation Law	2010 (July)	This 1964 Act is substantially unchanged since enactment. This review will consider whether the Act is meeting public expectations and needs. The review is being undertaken in two parts: Part 1: Death certification; and Part 2: The second Issues Paper <i>The Legal Framework for Burial and Cremation in New Zealand: A First Principles Review</i> (NZLC IP34) was published in October 2013.	Review of submissions received in relation to <i>The Legal Framework for Burial & Cremation in New Zealand: A First Principles Review</i> . The Commission is preparing its final report which is due in October 2015.

¹³ Target date is the date of a resolution by the Commission approving completed papers, but the paper may not be tabled in Parliament or printed until later.

Project	Date begun	Description	Activity during 2014/15 and target dates
Review of Contempt of Court	2013 (April)	<p>This is a first principles review of the law of contempt of court, which is intended to protect the integrity of the justice system and a defendant's right to a fair trial. The law was developed prior to the internet age and enactment of the New Zealand Bill of Rights Act 1990.</p> <p>An Issues Paper <i>Contempt in Modern New Zealand</i> (NZLC IP36) was released on 16 April 2014.</p>	<p>Review of submissions received in relation to <i>Contempt in Modern New Zealand</i> which proposes the codification of the law of contempt.</p> <p>The target date for the final report (with an accompanying draft Bill) is March to June 2016.</p>
Extradition and Mutual Assistance in Criminal Matters	2013 (Nov)	<p>This reference covers a review of the Extradition Act 1999 and the Mutual Assistance in Criminal Matters Act 1992.</p> <p>The legislation needs to be reviewed in light of developments in the international context, including globalisation, technological change and increasing travel, transnational crime and cooperation between countries.</p>	<p>An issues paper was released December 2014, <i>Extradition and Mutual Assistance in Criminal Matters</i>, and submissions closed March 2015.</p> <p>The Commission is preparing its final report which is due in December 2015.</p>
Complainants in Sexual Offences Cases	2009 (July) 2014 (Nov) resumed	<p>This reference involves a review of pre-trial and trial processes in criminal cases, with a particular focus on sexual offence cases. It aims to identify best practice for improving the court experience of complainants, but will not include any proposal that would involve reversing the onus of proof.</p> <p>An Issues Paper was published in February 2012.</p>	<p>Work on the project was resumed in November 2014.</p> <p>The Commission is preparing its final report which is due in September 2015.</p>

Appendix B

Output 1 – Tabled Law Reform Reports 1 January 2010 – 30 June 2015

Report name	Report reference	Government Response ¹⁴	Current Status
Invasion of Privacy: Penalties and Remedies: Review of the Law of Privacy: Stage 3	NZLC R113 (2010)	Part of Government response to multi stage review: see R123 (2011), below	Cabinet has approved a consultation process on a review of the Privacy Act 1993 in advance of introducing a bill to Parliament.
Alcohol in our Lives: Curbing the Harm	NZLC R114 (2010)	Substantially accepted	Alcohol reforms passed into law in 2012.
A New Support Scheme for Veterans: Review of the War Pensions Act 1954	NZLC R115 (2010)	Substantially accepted	The Veterans' Support Bill was enacted July 2014.
A New Land Transfer Act	NZLC R116 (2010)	Substantially accepted	Cabinet has accepted the Law Commission's recommendations. Land Information New Zealand consulted on a draft Land Transfer Bill that included most of the recommendations in the 2010 Report.
Compulsory Treatment for Substance Dependence: A Review of the Alcoholism and Drug Addiction Act 1966	NZLC R118 (2010)	Substantially accepted	Awaiting finalisation of a draft Bill, prepared by PCO. Introduction into the House will depend on the Bill's legislative priority.
A Review of the Civil List Act 1979 – Members Of Parliament and Ministers	NZLC R119 (2010)	Partially accepted	Members of Parliament (Remuneration and Services) Act has been enacted.
Mental Impairment Decision Making and the Insanity Defence	NZLC R120 (2010)	Substantially accepted	Law Commission recommendations agreed in principle in 2011 but implementation requires work to be undertaken by Ministry of Health officials on proposed legislation.
Compensating Crime Victims	NZLC R121 (2010)	Not accepted	Government decisions on victims' compensation made before the report was published. Government response rejected further recommendations.

¹⁴ This refers to the extent to which the government accepted the Commission's recommendations in its formal response to the report as per Cabinet Circular CO (09)1 *Law Commission: Processes for Setting the Work Programme and Government Response to Reports*.

Report name	Report reference	Government Response	Current Status
Controlling and Regulating Drugs – A Review of the Misuse of Drugs	NZLC R122 (2011)	Partially accepted	Psychoactive Substances Act 2013 given assent July 2013, five year Drug Court pilot implemented, recommendations relating to criminal justice aspects not accepted.
Review of the Privacy Act 1993: Review of the Law of Privacy Stage 4	NZLC R123 (2011) (See also NZLC SP19, R101 and R113).	Substantially accepted	Cabinet has approved a consultation process on a review of the Privacy Act 1993 in advance of introducing a bill to Parliament.
Consumers and Repossession: A Review of the Credit (Repossession) Act 1997	NZLC R124 (2012)	Substantially accepted	A raft of consumer credit reforms passed into law in June 2014, previously contained in the Credit Contracts and Financial Services Reform Bill. This included a number of substantial changes to consumer credit repossession laws, reflecting recommendations made by the Law Commission.
The Public's Right to Know: Review of the Official Information Legislation	NZLC R125 (2012)	Partially accepted	A number of recommendations have been accepted and are awaiting legislative vehicles. Some recommendation in Final Report, re extending OIA to Parliamentary Service and redrafting OIA, not accepted.
Review of the Judicature Act 1908: towards a new Courts Act	NZLC R126 (2012)	Substantially accepted	The Judicature Modernisation Bill, implementing the Commission's recommendations, received its second reading in Parliament in May 2015.
The 2013 Review of the Evidence Act 2006	NZLC R127 (2013)	Substantially accepted	The Evidence Amendment Bill was introduced into Parliament in May 2015. The Bill follows the Law Commission's 2013 Report.
The news media meets 'New Media': Rights, responsibilities and regulation in the digital age	NZLC R128 (2013)	Part 1: Ministerial briefing substantially accepted Part 2: Final Report not accepted	Ministerial Briefing <i>Harmful Digital Communications: The Adequacy of the Current Sanctions and Remedies</i> (August 2012) resulted in introduction of the Harmful Digital Communications Bill which received Royal assent in July 2015.
A New Act for Incorporated Societies	NZLC R129 (2013)	Accepted	Government has drafted a bill, but it has not yet been introduced.
Review of the Law of Trusts: A Trusts Act for New Zealand	NZLC R130 (2013)	Core recommendations substantially accepted	The government is currently analysing the potential scope of the new Act based on the Commission's core recommendations, as well as considering the Commission's further recommendations, in anticipation of legislation being drafted.

Report name	Report reference	Government Response	Current Status
Suicide Reporting	NZLC R131 (2014)	Substantially accepted	The Coroners Amendment Bill was introduced in July 2014, which reflects the Commission's recommendations. Its first reading was in February 2015, where it was referred to the Justice and Electoral Committee. The Select Committee reported back in August 2015.
Liability of Multiple Defendants	NZLC R132 (2014)	Substantially accepted	The Government accepted the Law Commission's principal recommendation, that the rule of joint and several liability remain the applicable rule where two or more defendants are liable to a plaintiff for the same, indivisible damage. The Government has requested that the Ministries of Justice and Business, Innovation and Employment consider and carry out further work on the Law Commission's other recommendations.
Pecuniary Penalties: Guidance for Legislative Design	NZLC R 133 (2015)	Substantially accepted	Government response substantially accepted the recommendations.

Appendix C

Output 3 – Advice on the implementation of law reform

Implementation Advice relating to a Law Commission Reports	Description of Law Commission's involvement
Reform of the Evidence Act 2006	The Commission gave advice to the Ministry of Justice about possible amendments to section 28 of the Evidence Act suggested by Crown Law.
Joint & Several Liability	The Commission has provided ongoing advice to Ministry of Business, Innovation and Employment following the Law Commission Report. This includes advice in relation to capping Building Consent Authority liability.
Land Transfer Act	The Commission has provided ongoing advice on the drafting of the Land Transfer Act to Land Information New Zealand since May 2014.
Incorporated Societies	Ongoing advice is provided to the Ministry of Business, Innovation and Employment regarding the drafting of a New Incorporated Societies Bill.
Coroners Amendment Bill	Provided advice to the Select Committee on media reporting of suicides.
Other Reform Advice (excluding advice to LAC)	Description of Law Commission's involvement
Whole of Government Action Plan on Tackling Gangs	The Law Commission provided assistance to the Ministry of Justice and Police in relation the Whole of Government Action Plan on Tackling Gangs as request by Cabinet
Alternative Dispute Resolution	In February 2015 the Commission collaborated with Government Centre for Dispute Resolution on alternative dispute resolution clauses in bills.
Taking of DNA samples under the Criminal Investigations (Bodily Samples) Act 1995	Advice was given to the New Zealand Police regarding the enabling of authorised Police Officers to take DNA samples from May – July 2014.
Burials and Cremation	Attendance at the Maori Affairs Select Committee on 24 June 2015 to provide advice on the proposal to begin an inquiry into the return of bodies to whanau.

Appendix D

Commissioners and Staff of the Law Commission as at 30 June 2015

President	Hon Sir Grant Hammond KNZM (until May 2016)
Commissioners	Judge Peter Boshier (until 2 December 2015) Hon Dr Wayne Mapp QSO (until March 2017) Professor Geoff McLay (until December 2015)
General Manager	Roland Daysh
Senior Legal & Policy Advisers	Marion Clifford Jo Dinsdale Linda McIver Kate McKenzie-Bridle Mihia Pirini Eliza Prestidge-Oldfield Kristen Ross Adam Rossiter Kate Salmond
Legal and Policy Advisors	Paul Comrie-Thomson Lisa Yarwood
IT & Communications Manager	Brett Turner (contractor)
Finance Manager	Sandra Swainson
Information Services Manager	Peter Adamson
Information Advisor	Nicole Cottrell Louise Norton
Personal Assistants	Catriona Boyes Lydia McCullough
Law Clerks	Rebekah Gerry Henry Hillind Jacob Meagher Pita Roycroft

