



PARLIAMENTARY SERVICE

Te Ratonga Whare Pāremata

Annual Report

for the year ended 30 June 2010

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

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Dr The Rt Hon Lockwood Smith

I am pleased to present to you the Annual Report of the Parliamentary Service for the year ended 30 June 2010.

Geoff Thorn
General Manager

17 September 2010

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Foreword from the Speaker of the House of Representatives

The Parliamentary Service had three overall priorities for the year to focus on in order to better fulfil its principal duties, as set out in the *Parliamentary Service Act 2000*, of providing administrative and support services to the House of Representatives and members of Parliament. The three priorities identified were:

- Improving information management, technology and communications capacity;
- Improving services to clients;
- Making Parliament accessible to the public.

As part of achieving these priorities the Service embarked on the upgrade of core business systems to enable more effective and efficient client service delivery through improvements in its technology. These changes will lead to improved productivity and a higher level of service to members of Parliament.

In an environment of funding constraints, I am pleased with the initiatives and investments being made by the Service to improve capability, performance and productivity. The Service is continuing to make changes that will prepare it for the future and better enable it to meet the demands of a general election.

I have appreciated the support the Service has provided my office over the last year to meet the increased demands for transparency of expenses for members of Parliament and changes to the expense regime.

Dr The Rt Hon Lockwood Smith
Speaker of the House of Representatives and
Responsible Vote Minister for the Parliamentary Service
17 September 2010

General Manager's overview

The focus for the Parliamentary Service for 2009/10 has been on improving systems and processes to improve service delivery to its clients. The Service has consulted with its clients to identify those services that will have the most impact on them, and on which we can continue to build in the future.

A significant initiative undertaken during 2009/10 has been the establishment of project Rere Tukutuku, which will upgrade the information systems and technology operating systems, human resources information systems and install a new financial information management system. This project is due for completion by March 2011.

In conjunction with project Rere Tukutuku is the refinement and development of business process and workflow capability to enable more efficient management of requests and access to information by members.

The Service has redefined the corporate structure of the organisation by bringing together functions such as Finance, People Capability and Policy into a new Corporate Group. The Service also established the Member and Party Support Group to assist with improving the level of service provided to Members.

We have consulted extensively with members who have identified their priorities for service delivery. This dialogue has resulted in the development of a Service Catalogue which identifies the services that the Parliamentary Service offers and the standards to which these will be provided. This Service Catalogue will be effective from 1 July 2010.

The provision of security services on the precinct was reviewed to ensure that the service is being provided as effectively as possible. The review recommended a number of solutions which changed the way that the service is provided, and reduced the number of staff required by eight. The next stage of the review is to look at the management structure within the Security Group.

The Parliamentary Service has been seeking ways of reducing the per capita cost of domestic and international air travel for members, and as such has been working with Air New Zealand to secure the best class of fare that has the flexibility necessary for members. During this financial year a reduction of approximately \$500,000 for air travel has been achieved just through active management of fare purchasing.

The Parliamentary Service is responsible for the acquisition and maintenance of a variety of assets, including Crown buildings. How the Service manages these assets was one of the main areas of improvement identified from the 2008 General Election. The Service has responded by undertaking a major organisational project to develop a framework and systems to support the management of assets which will enable more strategic decisions to be made.

Leadership and management continues to be a major focus for the Service. This is an area where early on in the financial year the Service identified further opportunities for improvement. We have since implemented a three year development framework which will improve the capability of the Service's managers.

In the coming year the Service will continue to develop its systems and business processes in preparedness for the 2011 General Election. The Service will prioritise initiatives that will have the greatest impact on the following five strategic objectives:

- Improve Member and Party Satisfaction
- Improve People Capability
- Improve Systems and Processes
- Increase Productivity
- Enhance Stewardship of the Institution of Parliament

The last year has been a busy period for the Service as it seeks to improve its systems and processes and prepare the organisation for the future. I wish to thank all of the staff of the Parliamentary Service for their extra effort and focus during the last year as we implemented considerable change in order to improve the level of service we provide to members of Parliament and our other clients.

Geoff Thorn
General Manager
17 September 2010

Report on activities undertaken during 2009/10

In the 2009 to 2012 Statement of Intent, the Parliamentary Service put forward three strategic objectives to support the key objective of “*Provision of high quality services to Parliament*”. These were:

- Improving information and communications technology
- Improving services to clients
- Making Parliament accessible to the public

The Service has made good progress against these objectives in the 2009/10 year, as detailed below.

Improving information and communications technology

Wide area network completion

The Parliamentary Service completed the roll out of the wide area network to members’ out-of-Parliament offices ensuring that all members and member support staff working in these offices have access to the same technology and support as they do when they reside in the parliamentary precincts. This is being further enhanced in 2010/11 with the implementation of new operating systems, a new financial management system and upgrade of the human resources information system, allowing members and member support staff access to information and service more efficiently.

Joint information and communications technology services with other agencies: Department of Internal Affairs, Executive Government Support

The Parliamentary Service has collaborated with the Department of Internal Affairs, Executive Government Support (EGS) on a shared service initiative to deliver a joint ICT service desk and ICT support services project. The Joint Service Delivery (JSD) project has seen the implementation of a single ICT service desk for both EGS and the Parliamentary Service. The single ICT service desk and ICT support service for EGS and Parliamentary Service is designed to enable greater efficiencies in service delivery to both Ministers and non-executive members of Parliament. The JSD is a project that over the next two years will see improvements in the delivery of services to members, including the reduction of duplication and inconvenience involved in changes to the Executive during a parliamentary term and at a General Election.

Disaster recovery

The Parliamentary Service has been working on upgrading its disaster recovery centre in Auckland to ensure all foundation infrastructure is in place to support not only the Parliamentary Service but other agencies within the parliamentary precincts should the need occur. Infrastructure installation, the final phase of this project, will be completed by September 2010.

Improving the Parliament intranet

Information on Our House, the Parliamentary intranet, is now easier to find after a major refresh. By improving navigation and using personalisation for documents, homepages, tasks,

useful numbers and news items, the five Our House audiences have tailored access to information which is relevant for them.

Information management

Information management has had a continuous business improvement focus this year. Improvements have been made to our electronic documents management system so that it is simpler and more intuitive to use; and also easier to manage and reuse digital images.

Information Systems Strategic Plan and Governance Framework

To progress the Parliamentary Service's wider goal of improved information and telecommunications technology, an information systems strategic plan (ISSP) was commissioned. The purpose of the plan was to ensure close alignment between the Service's objectives and its technology, in order to improve investment decisions and risk management. Also within scope was a proposed governance framework so that management and monitoring against the plan, and resourcing its delivery, would be possible. These reports are expected to be delivered in July 2010. Implementation planning would then begin.

Telecommunications services project

The telecommunications services project was started so that end-to-end telecommunications processes could be developed and implemented. The scope includes all telecommunications entitlements for members. The project has delivered clear service standards for all involved to work to; improved business processes (which include EGS when members transfer to or from the Executive), and established a regular forum of both the Parliamentary Service and EGS where telecommunications services can be modified as necessary. Testing of member/Minister transfers using the new processes is scheduled and a formal agreement with EGS is in draft. The project is expected to be completed in September 2010.

Asset management

The asset management project concerns changes at the strategic and operational levels of asset management, and includes implementation of these changes. It has resolved strategic issues including the model for asset management and has defined the asset management lifecycle. A review of the capitalisation threshold and the definition of minor assets has been completed. A significant amount of business process improvement work has been completed to streamline asset management processes in each of the lifecycle stages. The benefits will be processes which are as consistent and simple as possible, regardless of the asset type. The resulting asset management policy is in draft for consultation, and implementation activities (eg barcoding and stocktaking) are being scoped. The project is scheduled to be completed in December 2010.

Improving services to clients

The Parliamentary Service has focussed on improving services to clients throughout 2009/10, working to embed a strong service culture within the Service. We have worked with members to establish clear priorities for service delivery, and service level descriptions with key performance indicators for measuring quality service provision. Business improvement initiatives will enable accessibility of information for members through interactive web services. The following highlight some of the key activities that the Service has undertaken during this period to effect this objective.

Service catalogue

The Service has worked closely with Whips and Parliamentary Parties to develop a Service Catalogue for the 2010/11 financial year. This details the services to be provided to members and agreed service standards which will be reported against on a quarterly basis.

Member support staff training

The member support staff induction training programme, originally developed for delivery immediately after the 2008 General Election, continues to be a useful and positive tool to induct new support staff to their new roles. This programme has been further enhanced to enable members to choose training programmes most appropriate to their staff needs. The Service has also reallocated funding directly to each member to facilitate this.

Out-of-Parliament offices

All members offices lease arrangements have been reviewed during the year. Duress alarm systems were upgraded at the time of the election to ensure that all systems meet current industry standards. New offices opened have been audited to ensure that any alterations can be made to ensure the health, safety and security of staff and a programme of re-auditing older offices to ensure their ongoing appropriateness has been initiated.

Rere Tututuku

Project Rere Tututuku includes the upgrading of the ICT operating systems, the human resource information system, as well as implementing a new financial system. This is designed to improve service delivery to members and to support the improvement of internal business processes. The Service is aiming to eliminate as much paperwork as possible and streamline many of the transactions with members. This will be particularly relevant during the 2011 General Election process where the Service manages members into and out of their respective offices around the parliamentary precincts and their out-of-Parliament offices seamlessly. Implementation of project Rere Tututuku will continue throughout 2010/11.

Parliamentary Library

This year saw a significant increase in the number of briefing papers written to support MPs travelling to parliaments and parliamentary meetings overseas, and to assist those hosting incoming parliamentary delegations and visitors.

The Library started a new ongoing publication late this year. *Overseas Parliamentary News* is a summary of news about all aspects of Parliament as an institution. Produced monthly, it comprises brief items with links to primary sources. It covers a selection of Commonwealth, Pacific and European parliaments.

Members' document management

From June a new consultancy service, to provide members support staff with support and training on how to manage their documents, has been available.

The service, comprising an online toolkit; support and assistance; and training, has been well-received, with sessions to out-of-Parliament support staff particularly popular.

Making Parliament accessible to the public

Tours and educational visits to Parliament

Visitors to the precincts continued to increase over the previous two years, as shown in the table below.

	2007/08	2008/09	2009/10
General Visitors	60,448	62,868	64,350
Student Visitors	11,816	13,339	14,281
Total	72,264	76,207	78,631

During 2009/10, there were 2,651 public tours, 192 private groups, 45 VIP tours and 532 educational visits through the precincts. This year has seen slightly more New Zealand visitors than international tourists. Peak visitor numbers continue to be holiday periods during January, April and July, with school holiday periods being very popular with New Zealand families.

Trends show that educational groups are spending a longer time at Parliament. This year 127 groups met with their electorate member of Parliament and 113 groups visited the gallery to watch the House in session. Education numbers peaked in September, November and March 2010.

Both general visitors and student visitors indicated high levels of engagement with the services provided and high levels of satisfaction with their experience at Parliament.

Making Parliament accessible to the public

The Parliamentary Information Service responded to 2,532 enquiries from the public and external agencies. This is 3% less than in the previous year. From 2010 all select committee papers have been published on the Internet so this will be having an impact on enquiry numbers.

A one-day Positively Parliament seminar held in Christchurch proved just as popular as those held in Wellington and Auckland the previous year. The seminar covered the functions of Parliament, the progress of legislation and the value and use of the hardcopy and electronic resources produced by Parliament. Those attending came from law, public, university and government libraries. Staff from the Office of the Clerk and the Parliamentary Counsel Office were also involved.

The Parliamentary Historian has continued to promote public engagement with Parliament via displays, talks, tours, website contributions, publications and broadcast media programmes.

Preserving Parliament's history and heritage

The Parliamentary Library has continued to collect and preserve material relating to Parliament's history and heritage in a variety of formats including books, articles, TV clips, oral history recordings, photos and pamphlets.

The Service has also begun digitising the historic Appendices to the Journals of the House of Representatives which will be made publically available through the Internet. 24 volumes covering the 1860s and 1870s have been digitised with many more to be publicised in out years. These documents contained a crucial part in New Zealand's history – the land wars and the confiscation of land, the discovery of gold and influx of a great many migrants, Vogel's public works and immigration programme involving a mass government-assisted immigration

scheme and the building of railways and roads, and the abolition of the provinces and strengthening of central government.

Improving Parliament's website

Parliament's website attracted just over 4,000 visitors every day last year for a total of 1.5 million visitors, viewing about 11.5 million pages. The single busiest day was budget day and the busiest time of day is question time. In addition over 2,200 users subscribed to Parliament's website alerts.

Improvements to the Parliament website this year included the Office of the Clerk-led initiatives to enable the public to make a submission via the website and the webcasting of simultaneous interpretation of the proceedings of the House.

Members of the public can now also follow Parliament through twitter. The Parliament twitter account (<http://twitter.com/nzparliament>) has close to 1000 followers and provides brief items and updates about Parliament and the legislative process.

Security for the precincts

Security services were provided on the parliamentary precincts on a 24 hour basis, seven days of the week. No major security incidents occurred during the year.

A review into the efficiency and effectiveness of security at parliament was completed in 2009. The 22 recommendations contained within the review were prioritised. One of the key recommendations has resulted in change to the way the security services are delivered. There are less static posts and more roving patrols supported by CCTV coverage.

The Service is continuing with its work to implement the recommendation from the 2008 Threat and Risk Assessment Report. 22 of the 53 recommendations have been fully implemented with the remaining being prioritised for implementation as part of the Parliamentary Service's overall strategic projects prioritisation process.

Buildings and precincts

The Parliamentary Service established a Crown Asset Management Plan in 2008 to cover the next 100 years. For this first five-year segment, there are a number of building projects planned to ensure the buildings in the parliamentary precincts maintain their high visual and functional standards. Project work undertaken during the year included:

Building	Project	Status
Executive Wing (Crown funding)	Tour office and bag store	This project was completed during 2009/10.
Executive Wing (Crown funding)	Improve tour staff room and VIP lounge air conditioning	This project was completed during 2009/10.
Precincts Grounds (Crown funding)	Upgrade of existing lighting	Lighting improvements to the forecourt and the car parking area to the rear of Parliament House have been completed. Further work has been deferred until the 2010/11 financial year.
Executive Wing (Crown funding)	Establishment of translation booth for simultaneous interpretation project	This project was completed during 2009/10.
Executive Wing (Crown funding)	Emergency generator remedial work	Testing of the emergency generator facility revealed the need to upgrade controls and systems. This work began in 2009/10 and will be completed in 2010/11.
Bowen House (Departmental funding)	Refurbishment of Level 5	Level 5 was refurbished during the 2009/10 financial year with the Parliamentary Service occupying the floor from August 2009.
Bowen House (Departmental funding)	Refurbishment of the Ground Floor	The refurbishment of the ground floor has been deferred until the 2010/11 financial year.
Bowen House (Departmental funding)	Reinstatement and refurbishment of Level 1	The majority of Level 1 has been refurbished to house the ICT service delivery provider for the Parliamentary Service and Executive Government Support. The balance of the floor which will contain space for ICT management from Parliamentary Service and Executive Government Support, as well as computer training facilities and additional meeting room facilities for Bowen House will be completed in the first quarter of 2010/11.

Organisational health and capability

Leadership and management development

During 2009/10 the Parliamentary Service has continued to implement its leadership and management development framework. The purpose of the framework remains to grow leadership and management capability to deliver improvements in service delivery for the Parliamentary Service and its stakeholders. In the past year the Parliamentary Service has focussed on developing practical managerial and leadership skills through the provision of training, delivered by both external providers and by in-house subject matter experts.

During the course of the year a detailed self-referral needs analysis survey was conducted, allowing the Parliamentary Service to identify common leadership development needs and target training interventions in areas of high priority. Eight training interventions were delivered to a total of 123 attendees. Training subjects included business process improvement, coaching, leadership in practice, financial management and performance management.

People capability strategy

The People Capability Strategic Framework was finalised in 2009/10 to align to the Service's new vision of Best Service / Timely Solutions, and its five strategic objectives for 2010/11 – 2012/13. The strategy identifies five development areas to enhance the capability of its people which include: workforce planning; the culture of the organisation; leadership capability; people related systems and processes and ensuring the human resource requirements of the 2011 General Election are in place.

Collective Employment Agreement

In June 2010 the Parliamentary Service settled the collective employment agreement which covers its core staff positions. Negotiations towards this agreement were lengthy, with bargaining commencing in February 2009 and settling in June 2010. The new agreement is for a three year term commencing from 1 July 2010.

Engagement

In March 2010 the Parliamentary Service again joined a wider state sector cohort to measure employee engagement. This was the fourth year that the Parliamentary Service surveyed employee engagement as part of a larger business improvement initiative that aims to enhance the services that we provide to our clients.

The 2010 results received May 2010 showed a statistically significant reduction in overall employee engagement. In response to this, the Parliamentary Service has introduced accountability processes which assist managers in finding opportunities to improve engagement through action planning with their teams. 85% of business unit teams have developed action plans for the 2010/11 period with the intention that these plans will be reviewed periodically over the next twelve months. Staff engagement is fundamental for the Parliamentary Service to achieve its ongoing business improvement activities.

Grand mean	2007	2008	2009	2010
Core staff	3.54	3.85	3.85	3.59

Training and development

The Parliamentary Service has continued to invest in the development of its staff as part of a wider programme to improve service to its clients. In the 2009/10 financial year the Parliamentary Service has targeted training in the areas where particular training needs have been identified. This has included developing specific training resources for new employees, improved training for Security staff, and leadership/management development.

The Parliamentary Service has responded to the environmental constraints of the sector during this period by providing developmental opportunities that maximise benefits to individuals and the Service while reducing expenditure. The Service has, and will continue to, identify low cost solutions for staff development, focussing on experiential learning, including secondment opportunities and greater exposure to projects and project management opportunities.

Employee Assistance Programme

The Parliamentary Service's employee assistance programme has successfully been taken up by employees. During the 2009/10 year the programme has continued to develop by providing both early interventions and programmes which seek to resolve common issues before counselling is necessary. This year the Parliamentary Service has successfully enabled access for members' support staff to professional supervision, where the nature of electorate inquires and clientele that the staff member works with can be challenging. As with previous years, those employees and members who used the service and who completed assessments reported that they were extremely satisfied with the counselling and felt the counselling helped more than expected.

Health and safety

The Parliamentary Service had an accident rate for the year ending June 2010 of 25 accidents per 1000 FTE. This is an improvement over the rate of the 2009/10 year of 33 accidents per 1000 FTE and better than the industrial average for similar work of 42-48 accidents per 1000 FTE. Slips and trips are the most common injury, accounting for almost half of the accidents at Parliament. Since our last ACC Workplace Practises Safety audit in 2008 considerable work has been undertaken to strengthen our safety systems and ensure that both managers and employee representatives are involved with safety processes.

Equal employment opportunities

The Parliamentary Service continues to work toward Equal Employment Opportunities (EEO) targets and the objectives of the State Services Commission's Equality and Diversity policy, which is the central policy document for all public service agencies. The Parliamentary Service strongly supports the implementation of this policy by promoting, developing, and monitoring its EEO activities.

The Parliamentary Service had the following indicative breakdown of the EEO groups, collected from those staff who volunteered to give the relevant information.

Target Group*	% 2007	% 2008	% 2009	% 2010
Women	65.2	62.2	63.3	62.6
Maori	4	3.5	3.3	3.3
Pacific Island	1.2	0.8	0.9	0.5
Asian	1.2	0.8	0.8	0.5
Disability	4	3.6	2.7	1.9

* as at 30 June

Staff numbers in the Parliamentary Service for the last four years are as follows:

Staff Numbers*	2007	2008	2009	2010
Actual Number	655	724	709	732
Full-time Equivalent	577	616	601	610.5

* as at 30 June

The Parliamentary Service aims to have a comparable turnover rate to that of the wider public service. Turnover rates for the last four years are detailed in the table below. Turnover continues to drop, which is in line with the sector as the wider economic environment encourages staff to remain with their current employer.

Turnover*	2007	2008	2009	2010
Core-Voluntary	15.7	14.63	11.15	10.5%
Core-Involuntary	1.18	2.72	4.46	1.4%
All Core	16.88	17.35	15.61	11.9%
Events-Based Staff - Voluntary	20.87	14.11	4.64	16.2%
Events-Based Staff - Involuntary	6.36	4.78	48.03	3.3%
All Events-Based	27.23	18.89	52.67	19.5%

* as at 30 June

It should be noted that there was a General Election resulting in a change of Government in November 2008. An election with this result particularly affects events-based staff, who work directly to members.

Project Management Framework

The Parliamentary Service is in the process of developing a project management framework for use across the organisation. The expected benefits include improved project management capability, and consistency of project management methods allowing comparison and prioritisation of projects. The project management policy will be effective from 1 July 2010 and the toolkit and training will be delivered by the end of September.

Sustainability

The Parliamentary Service continues to monitor and measure energy use across the precinct buildings. The automated building management system is actively managed to minimise energy usage while maintaining a comfortable environment for the occupants.

As new energy supply contracts will be tendered in 2010/11 the Service will look to sustaining these efficiencies while undertaking regular auditing of consumption to identify potential savings.

Risk management in the Parliamentary Service

The Parliamentary Service continued its risk maturity journey during the year with the support of the Speaker's Assurance Committee, an independent committee charged with providing advice and support to the General Manager of the Parliamentary Service and the Speaker of the House of Representatives.

The Risk Management Policy was updated to reflect the AS/NZS ISO 31000:2009 standard, a mix of both strategic and operational risk management, and provide tools and templates to support risk management in a day to day context. The changes are part of a wider risk management framework which has been developed to embed risk management practices as part of business as usual.

The Senior Management Team undertook an identification and assessment of the strategic risks which might impact on the delivery of the Service's strategic objectives and is developing a work programme to ensure that these are managed or mitigated appropriately. The work programme is designed to complement the Service's Performance Improvement Programme.

Comprehensive risk-related policies are in place for fraud and a wide range of internal control processes are now in place, having been reviewed by the Speaker's Assurance Committee. The most recent legislative compliance review did not raise any areas of concern. The tool used to confirm legislative compliance will be reviewed over the next year to ensure continued relevance of questions. The internal audit programme completed a review of the effectiveness of payroll; telecommunications; project management; travel (both member entitlement management and staff travel) and scoped a review of finance key controls. Implementation of most of the recommendations is complete with the remaining few dependent on other projects being completed. All activities are monitored and reported to the Speaker's Assurance Committee.

Statement of responsibility

In terms of the *Public Finance Act 1989*, I am responsible, as General Manager of the Parliamentary Service, for the preparation of the Service's financial statements and statement of service performance, and for the judgements made in them.

I have the responsibility for establishing, and I have established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In my opinion, the financial statements and statement of service performance fairly reflect the financial position of the Service as at 30 June 2010 and its operations for the year ended on that date.

Geoff Thorn
General Manager

17 September 2010

Priya Baskaran
Financial Controller

17 September 2010

Audit Report



Audit Report

**To the readers of
The Parliamentary Service's
Financial statements and statement of service performance
For the year ended 30 June 2010**

The Auditor-General is the auditor of the Parliamentary Service (the Service). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements, the schedules of non-departmental activities and statement of service performance included in the annual report of the Service, for the year ended 30 June 2010.

Unqualified opinion

In our opinion:

- The financial statements of the Service on pages 30 to 53:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Service's financial position as at 30 June 2010;
 - the results of its operations and cash flows for the year ended on that date;
 - its expenses and capital expenditure incurred against each appropriation administered by the Service and each class of outputs included in each output expense appropriation for the year ended 30 June 2010; and
 - its unappropriated expenses and capital expenditure for the year ended 30 June 2010.
- The schedules of non-departmental activities on pages 54 to 66 fairly reflect the assets, liabilities, revenues, expenses, contingencies and commitments managed by the Service on behalf of the Crown for the year ended 30 June 2010.
- The statement of service performance of the Service on pages 22 to 27:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards included in the statement of forecast service performance adopted at the start of the financial year; and

- its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses included in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 17 September 2010, and 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 General Manager and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

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

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the General Manager;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

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

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the General Manager and the Auditor

The General Manager is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Service as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date.

The financial statements must also fairly reflect the expenses and capital expenditure incurred against each appropriation administered by the Service and each class of outputs included in each output expense appropriation for the year ended 30 June 2010. The financial statements must also fairly reflect the Service's unappropriated expenses and capital expenditure for the year ended on that date.

In addition, the General Manager is responsible for preparing schedules of non-departmental activities, in accordance with the Treasury Instructions 2009 that must fairly reflect the assets, liabilities, revenues, expenses, contingencies and commitments managed by the Service on behalf of the Crown for the year ended 30 June 2010.

The statement of service performance must fairly reflect, for each class of outputs, the Service's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year.

The General Manager's responsibilities arise from sections 45A and 45B of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of the Public Finance Act 1989.

Independence

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

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

John O'Connell
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Statement of service performance

Vote Parliamentary Service: for the year ended 30 June 2010

Annual Appropriation

Services to Members

Description: This output class involved the provision to members, by the Speaker's Directions, of executive secretarial services in Parliament Buildings and staffing for members' out-of-Parliament offices, including relief overload services.

Services to Offices of the Speaker and Deputy Speaker

Performance measure	Performance result
The Speaker is satisfied with the provision of resources and services to the Speaker's Office.	A letter from the Speaker (dated 27 July 2010) confirms that the Speaker is satisfied with the provision of resources and services to the Speaker's Office.

Support services to members

Performance measure	Performance result
Party whips and members are satisfied with the provision of support staff.	The results of a survey issued show an average rating of 3.81 indicating that members are more than <i>satisfied with the provision of support staff</i> from a scale of 1-5 (where 1 means <i>not satisfied at all</i> and 5 indicates <i>very satisfied</i>).

Financial Performance (Figures are GST exclusive)

30/06/09 Actual		30/06/10 Actual	30/06/10 Main Estimates	30/06/10 Supp. Estimates
\$000		\$000	\$000	\$000
18,094	Revenue Crown	17,300	17,671	17,300
249	Revenue Other	285	396	396
18,343	Total Revenue	17,585	18,067	17,696
17,187	Total Expenditure	17,085	18,067	17,696
1,156	Net Surplus	500	-	-

Multi Output Class Appropriation

Operations, Information and Advisory Services

Description: This output class involved the provision of parliamentary information services, building and operations management, policy advice, and personnel and accounting services to members and other agencies. More detail is provided with each specific output.

Parliamentary Information Services

Description: This output class involved the provision of library and electronic information services through the Parliamentary Library; the provision of computing facilities at Parliament; and computing and telecommunications advisory services associated with these.

Answering Information Requests

Performance measure	Performance result
Users of information and research services give it at least a 90% satisfaction rating.	The results of a survey issued show an average rating of 4.24 (84.8%) out of a scale of 1-5 (where 1 means <i>not satisfied at all</i> and 5 indicates <i>very satisfied</i>), which indicates users may not be wholly satisfied with the information and research services provided. However as the responses represents a small sample of users the results are statistically invalid.

Desktop Research Tools

Performance measure	Performance result
Users of the Parliamentary Service Internet/Intranet site rate the usability of the site favourably with at least a 90% or better success rating for basic and medium level tasks.	The Parliamentary Service has not undertaken usability testing as part of its year end process as it has only recently completed a major refreshment of the website. Usability testing will be undertaken as part of the project review to test whether the changes have achieved improved usability and findability of information.

Computing and Information Technology Services

Performance measure	Performance result																				
Network availability for e-mail services, file and print services, intranet access and Internet access will be at least 99.5%.	<p>Network availability was:</p> <table><tr><th>Server type</th><th>Availability (%)</th><th>Maintenance (%)</th><th>Outage (%)</th></tr><tr><td>E-mail</td><td>99.9*</td><td>Nil</td><td>0.1</td></tr><tr><td>File and print</td><td>99.9</td><td>1.9%**</td><td>0.1</td></tr><tr><td>Intranet</td><td>99.99</td><td>0.02**</td><td>0.01</td></tr><tr><td>Internet</td><td></td><td></td><td>0.09</td></tr></table> <p>*email server reports only available from 13th March 2010</p> <p>**maintenance is included in availability as the services were still available during this time</p>	Server type	Availability (%)	Maintenance (%)	Outage (%)	E-mail	99.9*	Nil	0.1	File and print	99.9	1.9%**	0.1	Intranet	99.99	0.02**	0.01	Internet			0.09
Server type	Availability (%)	Maintenance (%)	Outage (%)																		
E-mail	99.9*	Nil	0.1																		
File and print	99.9	1.9%**	0.1																		
Intranet	99.99	0.02**	0.01																		
Internet			0.09																		

Financial Performance (figures are GST exclusive)

30/06/09 Actual		30/06/10 Actual	30/06/10 Main Estimates	30/06/10 Supp. Estimates
\$000		\$000	\$000	\$000
12,777	Revenue Crown	13,290	13,009	13,290
303	Revenue Other	856	236	724
13,080	Total Revenue	14,146	13,245	14,014
13,177	Total Expenditure	13,648	13,245	14,014
(97)	Net Surplus	498	-	-

Building and Operations Management

Description: This output class involved the provision of building maintenance and operational services for the parliamentary precincts.

Buildings Management Services

Performance measure	Performance result
Essential building maintenance services to members and staff are maintained 24 hours of the day.	Essential building maintenance services were maintained 24 hours of the day. The results of a satisfaction survey issued show an average rating was 3.86, indicating that members are more than satisfied with the Service's performance of this measure from a scale of 1-5 (where 1 means <i>not satisfied at all</i> and 5 indicates <i>very satisfied</i>).
Maintenance of the buildings of the parliamentary precincts as set out in the Asset Management Plan for the Parliamentary Precinct.	Approved projects were completed in accordance with the Asset Management Plan for the Parliamentary Precinct.

Security

Performance measure	Performance result
Security and safety services are provided 24 hours of the day.	Security and safety services were provided at all times during 2009/10. The results of a satisfaction survey issued show an average rating was 3.86, indicating that members are more than satisfied with the Service's performance of this measure from a scale of 1-5 (where 1 means <i>not satisfied at all</i> and 5 indicates <i>very satisfied</i>).

Financial Performance (figures are GST exclusive)

30/06/09 Actual		30/06/10 Actual	30/06/10 Main Estimates	30/06/10 Supp. Estimates
\$000		\$000	\$000	\$000
26,861	Revenue Crown	26,917	27,167	26,917
588	Revenue Other	893	666	661
27,449	Total Revenue	27,810	27,833	27,578
27,414	Total Expenditure	27,651	27,833	27,578
35	Net Surplus	159	-	-

Policy Advice

Description: This output class involved the provision of information, analysis and advice to the Speaker, the Parliamentary Service Commission, and the Parliamentary Corporation.

Policy Advice

Performance measure	Performance result
The Speaker will indicate satisfaction with the quality and timeliness of advice received.	A letter from the Speaker (dated 27 July 2010) confirms that the Speaker is satisfied with the quality and timeliness of advice received.

The Parliamentary Service Commission publishes, as a parliamentary paper¹, its own annual report setting out its membership, committees and activities for a given year.

Financial Performance (figures are GST exclusive)

30/06/09 Actual		30/06/10 Actual	30/06/10 Main Estimates	30/06/10 Supp. Estimates
\$000		\$000	\$000	\$000
890	Revenue Crown	1,131	831	1,131
-	Revenue Other	5	-	5
890	Total Revenue	1,136	831	1,136
866	Total Expenditure	998	831	1,136
24	Net Surplus	138	-	-

¹ The latest published report is *Annual report for the year ended 30 June 2009*. Parliamentary Service Commission / Te Komihana O Te Whare Pāremata, 2009. AJHR A.2.

Personnel and Accounting Services to Members and Other Agencies

Description: This output expense involved the provision of services to members, Leader and Whip offices, providing travel, accounting, staffing advice and support, health, safety and wellness, payroll services; and, bureau accounting and payroll services to other parliamentary agencies.

Accounting Services

Performance measure	Performance result
Members' claims to reimbursements are processed in a timely and accurate manner and in accordance with the Directions set out by the Speaker.	All allowances and reimbursements were processed in a timely and accurate manner and in accordance with the Speaker's Directions, except for travel relating to children under 5 and a former member. These expenses have since been validated under S26c and the Speaker's Direction amendment.
Accurate and timely financial, staffing and general advice and support is provided to party and members' offices when sought.	The results of a survey issued show an average rating of 3.29 for financial advice and support, and 3.81 for the provision of advice regarding support staff out of a scale of 1-5 (where 1 means <i>not satisfied at all</i> and 5 indicates <i>very satisfied</i>), indicating that members are more than satisfied with the Service's performance of this measure.
Complaints, concerns and issues are logged, with active identification of items and early resolution where possible without resort to formal processes. The standard was to resolve at least 80% of complaints, concerns and issues within three days, and 95% within ten days.	The Parliamentary Service has moved from logging complaints, concerns and issues into a register to managing the requirements of clients and to understanding their needs. The Service upgraded its CRM system in early 2009/10 with a focus on delivering quality service relevant to contact type and to set new standards for service provision, which were signed off in June 2010 for implementation in the new financial year. These include measureable standards for each service type.

Financial Performance (figures are GST exclusive)

30/06/09 Actual		30/06/10 Actual	30/06/10 Main Estimates	30/06/10 Supp. Estimates
\$000		\$000	\$000	\$000
6,702	Revenue Crown	5,649	5,648	5,649
684	Revenue Other	728	672	672
7,386	Total Revenue	6,377	6,320	6,321
6,713	Total Expenditure	5,485	6,320	6,321
673	Net Surplus	892	-	-

Measuring service satisfaction

In past years the Parliamentary Service used several methods for measuring service satisfaction, however at the beginning of the financial year the Parliamentary Service received a request from the Parliamentary Service / Whips Liaison Committee to stop issuing surveys to members of Parliament and to member support staff. The Committee agreed to receive an annual survey of limited targeted questions and that individually, the party whips would manage the collection of responses. The survey issued for 2009/10 solicited satisfaction ratings, on a scale of 1 (*not at all satisfied*) to 5 (*very satisfied*) with the following services provided by the Parliamentary Service:

- information and research services provided;
- precinct building maintenance services and security and safety services have been provided at all times;
- accuracy and timeliness of financial advice and support provided to you;
- the provision and advice regarding support staff.

The survey also captured information, on a scale of 1 -10, on how likely members would recommend using "Member and Staff Services" to a colleague in order to use the results as a baseline for future improvements.

Outside of this process has been the satisfaction surveys pertaining to Desktop Research Tools.

Desktop Research Tools

To measure the effectiveness of the Intranet website, the Service has selected a range of tasks, from basic tasks that all users should be able to complete, to advanced tasks more likely to be used by experienced researchers. Users are selected from the major client groups to perform the range of tasks without guidance. A rating is produced by scoring successful and unsuccessful completion of tasks. The measure uses the usability methodology of Jakob Nielsen (www.useit.com).

Financial information

for the year ended 30 June 2010

Statement of Comprehensive Income for the year ended 30 June 2010
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30/06/09			30/06/10	30/06/10 Main	30/06/10 Supp.
Actual		Note	Actual	Estimates	Estimates
\$000			\$000	\$000	\$000
	Income				
65,324	Crown		64,287	64,326	64,287
931	Departments	2	1,582	1,020	1,508
893	Other revenue	2	1,185	950	950
<u>67,148</u>	Total income		<u>67,054</u>	<u>66,296</u>	<u>66,745</u>
	Expenses				
36,632	Personnel	3	35,398	37,367	37,367
22,460	Operating	4	22,959	21,317	22,467
4,424	Depreciation and amortisation	5	4,610	6,041	5,011
1,841	Capital charge	6	1,900	1,571	1,900
<u>65,357</u>	Total expenses		<u>64,867</u>	<u>66,296</u>	<u>66,745</u>
1,791	Net Surplus		2,187	-	-
-	Other comprehensive income		-	-	-
<u>1,791</u>	Total comprehensive income		<u>2,187</u>	<u>-</u>	<u>-</u>

For information on major variances against budget, refer to Note 18.

Statement of changes in taxpayers' funds for the year ended 30 June 2010

30/06/09		30/06/10	30/06/10 Main	30/06/10 Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
24,544	Balance at 1 July	25,339	25,339	25,339
1,791	Total comprehensive income	2,187	-	-
795	Capital injection	421	447	421
(1,791)	Return of operating surplus to the Crown	(2,187)	-	-
<u>25,339</u>	Balance at 30 June	<u>25,760</u>	<u>25,786</u>	<u>25,760</u>

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2010

30/06/09			30/06/10	30/06/10	30/06/10
Actual		Note	Actual	Main	Supp.
\$000			\$000	Estimates	Estimates
				\$000	\$000
	Taxpayers' funds				
25,339	General funds		25,760	25,786	25,760
25,339	Total taxpayers' funds		25,760	25,786	25,760
	Represented by:				
	Assets				
	Current assets				
9,467	Cash and cash equivalents		11,299	3,965	9,717
3,570	Debtors and other receivables	7	4,322	2,500	2,500
62	Inventories	8	44	90	62
13,099	Total current assets		15,665	6,555	12,279
	Non-current assets				
20,328	Property, plant and equipment	9	20,146	24,139	21,201
1,290	Intangible assets	10	816	1,981	989
21,618	Total non-current assets		20,962	26,120	22,190
34,717	Total assets		36,627	32,675	34,469
	Liabilities				
	Current liabilities				
5,166	Creditors and accruals	11	5,709	4,221	5,720
1,791	Provision for payment of net surplus		2,187	-	-
2,052	Provision for employee entitlements	12	2,557	2,120	2,520
9,009	Total current liabilities		10,453	6,341	8,240
	Non-current liabilities				
369	Provision for employee entitlements	12	414	548	469
9,378	Total liabilities		10,867	6,889	8,709
25,339	Net assets		25,760	25,786	25,760

For information on major variances against budget, refer to Note 18.

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2010
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30/06/09		30/06/10	30/06/10	30/06/10
Actual		Actual	Main	Supp.
\$000	Notes	\$000	Estimates	Estimates
			\$000	\$000
Cash flows from operating activities				
Cash provided from:				
Supply of outputs				
65,324	- Crown	64,287	64,326	64,737
3,441	- Other	2,493	1,970	2,158
<u>68,765</u>	Total	<u>66,780</u>	<u>66,296</u>	<u>66,895</u>
Cash disbursed to:				
Producing outputs:				
36,659	- Personnel	34,705	37,190	37,190
24,031	- Suppliers	22,749	21,450	20,570
(118)	- Goods and services tax (net)	246	-	-
1,841	- Capital charge	1,900	1,571	1,933
<u>62,413</u>	Total	<u>59,600</u>	<u>60,211</u>	<u>59,693</u>
<u>6,352</u>	Net cash flows from operating activities	<u>7,180</u>	<u>6,085</u>	<u>7,202</u>
Cash flows from investing activities				
Cash provided from:				
37	Sale of Property, plant and equipment and intangibles	-	-	-
Cash disbursed to:				
(6,679)	Purchase of Property, plant and equipment and intangibles	(3,978)	(5,232)	(5,582)
<u>(6,642)</u>	Net cash flow from investing activities	<u>(3,978)</u>	<u>(5,232)</u>	<u>(5,582)</u>
Cash flows from financing activities				
Cash provided from:				
795	Capital injection	421	447	421
Cash disbursed to:				
(2,974)	Return of operating surplus	(1,791)	-	(1,791)
<u>(2,179)</u>	Net cash flow from financing activities	<u>(1,370)</u>	<u>447</u>	<u>(1,370)</u>
<u>(2,469)</u>	Net increase (decrease) in cash held	<u>1,832</u>	<u>1,300</u>	<u>250</u>
11,936	Cash at the beginning of the year	9,467	2,665	9,467
<u>9,467</u>	Cash at the end of the year	<u>11,299</u>	<u>3,965</u>	<u>9,717</u>

For information on major variances against budget, refer to Note 18.

The accompanying notes form part of these financial statements.

Reconciliation of net surplus to net cash flows from operating activities for the year ended 30 June 2010
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30/06/09		30/06/10	30/06/10 Main	30/06/10 Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
1,791	Net surplus	2,187	-	-
	Add/ (less) non-cash items			
4,424	Depreciation and amortisation	4,610	6,041	5,011
(179)	Inc/ (Dec) in non-current employee entitlements	44	-	-
4,245	Total non-cash items	4,654	6,041	5,011
	Add/ (less) movements in deferrals and accruals			
2,409	(Inc)/Dec in debtors and other prepayments	(752)	-	1,070
67	Dec in inventory	18	30	-
(2,254)	Inc/(Dec) in creditors and accruals	543	-	1,121
(40)	Inc/(Dec) in current employee entitlements	506	14	-
182	Total net movement in working capital items	315	44	2,191
	Add/(less) investing activity items			
133	Loss/(Gain) on disposal of property, plant and equipment and Intangibles	24	-	-
6,351	Net cash flows from operating activities	7,180	6,085	7,202

The accompanying notes form part of these financial statements.

Statement of commitments as at 30 June 2010
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Non-cancellable operating lease commitments

The Service has long-term leases on its premises in Wellington. The annual lease payments are subject to three yearly reviews. The amount disclosed below as future commitments are based on the current rental rates.

30/06/09 Actual \$000		30/06/10 Actual \$000
	Non-cancellable operating lease commitments	
7,665	Not later than one year	7,710
30,622	One to five years	30,577
39,922	More than five years	34,181
<u>78,209</u>	Total non-cancellable operating lease commitments	<u>72,468</u>
	Other non-cancellable commitments	
1,289	Not later than one year	2,899
1,263	One to five years	8,913
-	More than five years	-
<u>2,552</u>	Total other non-cancellable lease commitments	<u>11,812</u>
<u>80,761</u>	Total commitments	<u>84,280</u>

Bowen House is a lease covering levels Ground to 21 for office accommodation, two residential units and car parks. No. 1 the Terrace is for select committee and meeting room accommodation. The Thorndon Store is used for an off-site storage facility only and is a gross lease.

There are no contingent rents; they are all fixed term. There are no restrictions imposed by the lease arrangements and only the No. 1 the Terrace leases are cancellable after 24 years.

There is an escalation clause on No. 1 the Terrace of an annual fixed increase in rent at 3% compounding as well as regular market-rate reviews. There are no escalation clauses on the Bowen House or Thorndon Store.

Bowen House has two rights of lease renewal dates of every eight years with a final expiry of 14 December 2034. The Thorndon Store lease renewal date is 30 April 2014. The No. 1 the Terrace has no lease renewal dates. None of the leases has purchase options, so are operational leases by nature.

Lease Revenue

Property	Rent per annum (excl GST)
Business in Parliament Trust	\$5,333 pa
Residential units	\$48,005 pa

The residential units on level 21 of Bowen House are for accommodation tenancy agreements based on General Election dates in the terms for renewal.

The New Zealand Business in Parliament Trust occupies office space in the Library building.

The accompanying notes form part of these financial statements.

Other non-cancellable commitments

The Service has entered into non-cancellable contracts for computer support, building services and other contracts for services.

Statement of contingent assets and contingent liabilities as at 30 June 2010

The Service does not have any contingent assets and liabilities as at 30 June 2010 (2009: nil).

Statement of departmental expenses and capital expenditure against appropriations for the year ended 30 June 2010

Vote Parliamentary Service	30/06/10 Expenditure Actual \$000	30/06/10 Main Estimates \$000	30/06/10 Supp. Estimates \$000
Appropriations for outputs expenses			
<i>Annual appropriations</i>			
Services to Members	17,085	18,067	17,696
<i>Multi-output class appropriations</i>			
Operations, Information and Advisory Services			
Parliamentary Information Services	13,648	13,245	14,014
Building and Operations Management	27,651	27,833	27,578
Policy Advice	998	831	1,136
Personnel and Accounting Services to Members and Other Agencies	5,485	6,320	6,321
Total operations, information and advisory services	47,782	48,229	49,049
Total appropriation for output expenses	64,867	66,296	66,745
Parliamentary Service – Capital expenditure - PLA	3,978	5,582	5,582

Statement of departmental unappropriated expenditure and capital expenditure for the year ended 30 June 2010

There was no Departmental unappropriated expenditure and capital expenditure. (2009: nil)

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Accounting Policies

Reporting entity

Parliamentary Service (the “Service”) is a Government Department as defined by the *Public Finance Act 1989* and is domiciled in New Zealand.

The primary objective of the Service is to provide services to members of Parliament rather than making a financial return.

Accordingly, the Service has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Service are for the year ended 30 June 2010. The financial statements were authorised for issue by the General Manager and the Financial Controller on 17 September 2010.

Basis of preparation

Statement of compliance

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

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.

Measurement base

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

Functional and presentation currency

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

Changes in accounting policies

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

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

- NZ IAS 1 *Presentation of Financial Statements (Revised 2007)* replaces NZ IAS 1 *Presentation of Financial Statements (Issued 2004)*. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The

statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The Service has decided to prepare a single statement of comprehensive income for the year ended 30 June 2010 under the revised standard. Financial statement information for the year ended 30 June 2009 has been restated accordingly. Items of other comprehensive income presented in the statement of comprehensive income were previously recognised directly in the statement of changes in equity.

- Amendments to NZ IFRS 7 *Financial Instruments: Disclosures*. The amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of valuation inputs used, and requires the maturity analysis of derivative liabilities to be presented separately from non-derivative financial liability contractual maturity analysis. This new information is disclosed in note 16. The transitional provisions of the amendments do not require disclosure of comparative information in the first year of application. The Service has elected to disclose comparative information.

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

- NZ IAS 24 *Related Party Disclosures (Revised 2009)* replaces NZ IAS 24 *Related Party Disclosures (Issued 2004)* and is effective for reporting periods commencing on or after 1 January 2011. The revised standard:
 - i. Removes the previous disclosure concessions applied by the Service for arms-length transactions between the Service and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between the Service and entities controlled or significantly influenced by the Crown.
 - ii. Provides clarity on the disclosure of related party transactions with Ministers of the Crown. Further, with the exception of the Speaker of the House of Representatives, the Service will be provided with an exemption from certain disclosure requirements relating to transactions with other Ministers of the Crown. The clarification could result in additional disclosures should there be any related party transactions with Ministers of the Crown.
 - iii. Clarifies that related party transactions include commitments with related parties.

The Service expects it will early adopt the revised standard for the year ended 30 June 2011.

Significant accounting policies

Revenue

Revenue is measured at the fair value of consideration received or receivable. The Service derives revenue through:

Revenue Crown

Revenue earned from the supply of outputs to the Crown is recognised as revenue when earned.

Rental income

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

Capital Charge

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

Foreign Currency

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Financial Instruments

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit.

Leases

Finance Leases

A finance lease is a lease that transfers to the Service the substantial risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the Service recognises finance leases as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Service will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease terms, or its useful life.

Operating Leases

The Service leases premises. As the lessor retains the substantial risks and rewards of ownership, these leases are classified as operating leases. Operating lease costs are expensed in the period in which they are incurred. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and Cash Equivalents

Cash includes cash on hand and funds on deposit with banks and is measured at its face value.

Debtors and Other Receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less impairment charges.

Impairment of a receivable is established when there is objective evidence that the Service will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired.

Inventory

Inventory held for sale is valued at the lower of cost and net realisable value. The Service applies the weighted average cost method.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Property, Plant and Equipment & Intangible Assets

Property, plant, and equipment consists of furniture, plant and equipment, office equipment, computers, motor vehicles, leasehold improvements, and telecom equipment.

Property, plant, and equipment is measured at cost or valuation, less accumulated depreciation and impairment losses.

All property, plant and equipment costing more than \$1,000 plus GST are capitalised and recorded at historical cost.

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 Service and the cost of the item can be measured reliably.

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

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 Service and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment at rates that will write-off the cost of the assets to their estimated residual values over

their useful lives. The useful lives and associated depreciation rates of major classes of property, plant, and equipment have been estimated as follows:

Furniture	5 years	20%
Plant and equipment	3-7 years	14.3% - 33.3%
Office equipment	5 years	20%
Computer systems	3-5 years	20% - 33.3%
Motor vehicles	5 years	20%
Leasehold property improvements	3-34 years	2.9% - 33.3%
Telecommunications equipment	3-7 years	14.3% - 33.3%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives 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 end.

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.

Costs that are directly associated with the development of software for internal use by the Service are recognised as an intangible asset. Direct costs include the software development, employee costs, and an appropriate portion of relevant overheads. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software 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 major classes of intangible assets have been estimated as follows:

Acquired computer software	3-5 years	20% - 33.3%
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Impairment of property, plant, and equipment and intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment.

Property, plant, and equipment and intangible assets 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 amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is 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 Service would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is 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.

Donated Assets

Donated assets, with or without conditions, are valued at fair market value and recognised as revenue when control over the asset is obtained.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Employee entitlements

Short-term employee entitlements

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values based on 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, retiring and long service leave entitlements expected to be settled within 12 months, 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 past history of sick leave taken by all employees for the last three years to derive the average amount of accrued sick leave taken over and above the entitlement for the year.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the reporting period in which the employee renders the related service, such as long service leave and retiring leave, are calculated using the Treasury guidance. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlements information; and
- the present value of the estimated future cash flows.

Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.

Presentation of employee entitlements

Sick leave, annual leave and long service leave expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined benefit schemes

The Service makes contributions to the Government Superannuation Fund. Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme the extent to which the surplus or deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Defined contribution schemes

Obligations for contributions to the State Sector Retirement Savings Scheme, Kiwisaver, and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit as incurred.

Taxpayer's Funds

Taxpayers' funds is the Crown's investment in the Service and is measured as the difference between total assets and total liabilities.

Commitments

Expenses yet to be incurred on non-cancellable contracts that have been entered into on or before balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Goods and Services Tax (GST)

The Financial Statements, including appropriation statements, are exclusive of GST, except for Creditors and Debtors, which are GST inclusive. All other statements and notes are GST exclusive.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Creditors or Debtors, as appropriate.

Commitments and contingencies are disclosed excluding GST.

Income Tax

Government Departments are exempt from the payment of income tax in terms of the *Income Tax Act 2007*. Accordingly, there is no charge for income tax.

Budget Figures

The budget figures are those included in the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2010, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Statement of Cost Accounting Policies

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

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

Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on a proportion of direct staff costs used for each output. Depreciation and capital charges are charged on the basis of asset utilisation. Personnel costs are charged on the basis of actual time incurred.

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

Retirement and long service leave

An analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities is disclosed in note 12.

Critical judgements in applying accounting policies

Management has not exercised any significant critical judgements in applying accounting policies for the year ended 30 June 2010.

Note 2: Departments and other revenue

30/06/09		30/06/10	30/06/10 Main	30/06/10 Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
27	Services to Office of the Clerk	515	27	515
204	Core network support	246	171	171
178	Parliament shop trading	137	90	90
219	Rental income	558	381	381
33	Messenger services to other agencies	40	40	40
525	State Services Retirement Saving	460	467	467
62	Kiwi Saver tax credits	-	-	-
65	Kiwi Saver subsidy from State Services Commission	295	299	299
498	Recovery of depreciation	491	479	479
13	Health and safety services to other agencies	25	16	16
<u>1,824</u>	Total revenue other	<u>2,767</u>	<u>1,970</u>	<u>2,458</u>

Note 3: Personnel

30/06/09		30/06/10	30/06/10 Main	30/06/10 Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
36,876	Salaries and wages	34,848	37,367	37,367
(244)	Increase/ (decrease) in employee entitlements	550	-	-
<u>36,632</u>	Total personnel	<u>35,398</u>	<u>37,367</u>	<u>37,367</u>

Note 4: Operating

30/06/09		30/06/10	30/06/10 Main	30/06/10 Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
2,119	Consultancy	2,356	1,290	1,290
133	Loss on disposal of property, plant and equipment and intangibles	24	-	-
	Fees for audit of the			
80	Financial statements	83	98	98
5,292	Operating lease rentals	5,818	6,118	6,118
681	Building and equipment maintenance	475	1,080	1,080
1,710	Premises costs	1,871	1,449	1,449
4,494	Repairs and maintenance	4,278	3,961	3,961
1,856	Computer support & maintenance	2,523	1,934	2,434
1,342	Telecommunication	1,223	1,150	1,236
1,298	Power, gas and fuel	1,539	1,242	1,242
3,455	Other operating costs	2,769	2,995	3,559
<u>22,460</u>	Total operating	<u>22,959</u>	<u>21,317</u>	<u>22,467</u>

Note 5: Depreciation and amortisation charges

30/06/09		30/06/10	30/06/10 Main	30/06/10 Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
1,304	Computer systems	1,340	3,257	1,876
464	Furniture	408	275	464
1,218	Leasehold property improvements	1,359	725	1,204
13	Motor vehicles	27	12	13
210	Office equipment	207	234	110
592	Plant and equipment	639	1,013	636
85	Telecommunications	128	225	156
<u>3,886</u>	Total depreciation	<u>4,108</u>	<u>5,741</u>	<u>4,459</u>
538	Intangible assets	502	300	552
<u>4,424</u>	Total depreciation and amortisation charges	<u>4,610</u>	<u>6,041</u>	<u>5,011</u>

Note 6: Capital charge

The Service pays a capital charge to the Crown on taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2010 was 7.5 percent (2009: 7.5 percent).

Note 7: Debtors and other receivables

30/06/09		30/06/10
Actual		Actual
\$000		\$000
2,698	Due from Offices of Parliament	2,875
263	Other debtors	362
609	Prepayments	1,085
<u>3,570</u>	Total debtors and receivables	<u>4,322</u>

"Due from Offices of Parliament" incorporates payments made on behalf of Parliamentary Service Crown activity, the Parliamentary Counsel Office and the Office of the Clerk.

The Service had not yet been reimbursed for these payments at balance date.

The carrying value of debtors and other receivables approximates their fair value.

The amounts outstanding are current (less than 30 days).

Note 8: Inventory

Inventory consists of items held for resale in the Parliamentary Shop. Inventory is carried at the lower of cost or net realisable value. The Parliamentary Service applies a weighted average cost formula. Inventory is tested for impairment annually.

During the year, there was an increase in the provision for non-moving stock of \$5,000.

No inventories are pledged as security for liabilities or subject to retention of title clauses.

30/06/09		30/06/10
Actual		Actual
\$000	Cost of goods sold reconciliation	\$000
129	Opening Stock	62
100	Add purchases	80
(17)	Less stock write off	-
(33)	Less provision for non moving stock	(5)
(62)	Less closing stock	(44)
<u>117</u>	Cost of goods sold	<u>93</u>

Note 9: Property, plant and equipment

Cost or valuation	Furniture \$'000	Computers \$'000	Office Equipment \$'000	Leasehold Property Improvements \$'000	Motor Vehicles \$'000	Plant & Equipment \$'000	Telecomm Equipment \$'000	Work in Progress \$'000	TOTAL \$'000
Balance at 1 July 2008	2,698	7,421	1,620	15,056	72	3,736	962	263	31,828
Additions	327	2,658	138	2,433	81	276	93	431	6,437
Transfers from WIP	-	-	-	120	-	138	-	(263)	(5)
Disposals	(4)	(860)	(248)	(12)	(72)	(83)	(100)	-	(1,379)
Balance at 30 June 2009	3,021	9,219	1,510	17,597	81	4,067	955	431	36,881
Balance at 1 July 2009	3,021	9,219	1,510	17,597	81	4,067	955	431	36,881
Additions	118	641	71	589	66	443	506	1,514	3,948
Transfers from WIP	-	10	-	421	-	-	-	(431)	-
Disposals	(1)	(205)	(116)	(16)	-	-	-	-	(338)
Balance at 30 June 2010	3,138	9,665	1,465	18,591	147	4,510	1,461	1,514	40,491
Accumulated depreciation and impairment losses									
Balance at 1 July 2008	(1,592)	(5,576)	(1,031)	(3,936)	(37)	(874)	(831)	-	(13,877)
Depreciation expense	(464)	(1,304)	(210)	(1,218)	(13)	(592)	(85)	-	(3,886)
Eliminate on disposal	2	785	221	4	43	83	72	-	1,210
Balance at 30 June 2009	(2,054)	(6,095)	(1,020)	(5,150)	(7)	(1,383)	(844)	-	(16,553)
Balance at 1 July 2009	(2,054)	(6,095)	(1,020)	(5,150)	(7)	(1,383)	(844)	-	(16,553)
Depreciation expense	(407)	(1,341)	(207)	(1,359)	(27)	(638)	(129)	-	(4,108)
Eliminate on disposal	-	198	108	10	-	-	-	-	316
Balance at 30 June 2010	(2,461)	(7,238)	(1,119)	(6,499)	(34)	(2,021)	(973)	-	(20,345)
Carrying amounts									
At 1 July 2008	1,106	1,845	589	11,120	35	2,862	131	263	17,951
At 30 June and 1 July 2009	967	3,124	490	12,447	74	2,684	111	431	20,328
At 30 June 2010	677	2,427	346	12,092	113	2,489	488	1,514	20,146

Note 10: Intangibles

Cost or valuation	Intangibles \$'000	TOTAL \$'000
Balance at 1 July 2008	2,118	2,118
Additions	242	242
Transfers from WIP	5	5
Balance at 30 June 2009	2,365	2,365
Balance at 1 July 2009	2,365	2,365
Additions	30	30
Disposals	(17)	(17)
Balance at 30 June 2010	2,378	2,378
Accumulated depreciation and impairment losses		
Balance at 1 July 2008	(537)	(537)
Depreciation expense	(538)	(538)
Balance at 30 June 2009	(1,075)	(1,075)
Balance at 1 July 2009	(1,075)	(1,075)
Depreciation expense	(502)	(502)
Eliminate on disposal	15	15
Balance at 30 June 2010	(1,562)	(1,562)
Carrying amounts		
At 1 July 2008	1,581	1,581
At 30 June and 1 July 2009	1,290	1,290
At 30 June 2010	816	816

Note 11: Creditors and accruals

30/06/09 Actual \$000		30/06/10 Actual \$000
3,792	Trade creditors	3,844
1,000	Accrued expenses	1,738
374	GST payable	127
<u>5,166</u>	Total creditors and accruals	<u>5,709</u>

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.

Note 12: Provision for employee entitlements

30/06/09 Actual \$000		30/06/10 Actual \$000
	Current liabilities	
178	Retirement and long service leave	249
1,795	Annual leave	2,240
79	Sick leave	68
<u>2,052</u>	Total current portion	<u>2,557</u>
	Non current liabilities	
369	Retirement and long service leave	414
<u>2,421</u>	Total provision for employee entitlements	<u>2,971</u>

Employee Benefits

Treasury guidance were used to estimate the value of long service leave, retirement leave and sick leave as at 30 June 2010. The major economic assumptions adopted in the valuation process for long service and retirement leave were:

- Salary increase rate: 3.5% per annum (30 June 2009: 3%)
- Discount Rate: 6% per annum (30 June 2008: 3.01%)

For sick leave, the methodology was calculated according to Treasury guidance and assumes that sick leave is a short-term compensated absence, as defined in NZIAS 19.

If the discount rate were to differ by 1% from the Service's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$25,000 higher/ lower.

If the salary inflation factor were to differ by 1% from the Service's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$30,000 higher/ lower.

Note 13: Related Party Transactions

The Service is a wholly owned entity of the Crown. The Government significantly influences the role of the Service as well as being the major source of revenue.

The Service enters into numerous transactions with other Government departments, Crown agencies and state-owned enterprises on an “arm’s-length” basis. These transactions are not considered related party transactions.

Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Service would have adopted if dealing with that entity at arm’s length in the same circumstance are not disclosed.

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

The Service has not entered into any related party transactions.

Key management personnel compensation

30/06/09		30/06/10
Actual		Actual
\$000		\$000
1,347	Salaries and other short-term employee benefits	1,278
78	Termination benefits	-
<u>1,425</u>	Total key management personnel compensation	<u>1,278</u>

There are no other employee benefits.

Key management personnel include the General Manager and the six members of the Senior Management Team.

Note 14: Events after the Balance Date

On 4 September 2010 the Canterbury area suffered a major earthquake which has potentially affected the Service’s assets and operations. There is damage to office equipment and chattels in the Members’ constituent offices. Costs associated with clean-up, property replacement and business interruption are likely to be covered by insurance. The approximate costs cannot be accurately estimated at this time.
(2008/2009: Nil)

Note 15: Cash Flow

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

Note 16: Financial Instruments Risks

The Service is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, accounts receivable, and accounts payable. The fair value of the Service’s financial instruments is the same as the carrying value.

The Service does not have any gains or losses on its financial instruments and no impairments have been recognised to date.

All financial assets and liabilities are non-derivative in form and function and are neither available for sale nor held to maturity.

The fair value of the financial instruments is deemed not materially different from valuation at Amortised Cost. As a result, the carrying value of the instruments is at fair value.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Service, causing the Service to incur a loss.

In the normal course of its business, credit risk arises from debtors.

The maximum exposure from trade debtors is the value of the non-Government debtors, i.e. \$155,000. Default is considered by management to be unlikely and the probable exposure has been determined as negligible. There were no changes in receivables or payables during the year that can be attributed to credit risk.

The Service is only permitted to deposit funds with Westpac Banking Corporation (Westpac), a registered bank, and enter into foreign exchange forward contracts with the New Zealand Debt Management Office (NZDMO).

The Service holds cash with Westpac. Westpac is part of the Crown Retail Deposit Guarantee Scheme and so all deposits up to \$1 million held with Westpac are guaranteed by the Crown.

The Service does not require any collateral or security to support financial instruments with financial institutions that it deals with, or with the NZDMO, as these entities have high credit ratings. For its other financial instruments, the Service does not have significant concentrations of credit risk.

	30/06/10	30/06/09
	Actual	Actual
	\$000	\$000
Bank balances	11,299	9,467
Other debtors (non-Government)	154	38

The Service is not exposed to any other concentrations of credit risk.

Credit facilities

The Service does not have bank overdraft facilities as at 30 June 2010. The Service has a letter of credit with Westpac for \$10,000 for the purpose of staff cashing pay and expense reimbursement cheques.

Currency risk

The Service has no significant exposure to currency rate risk on its financial instruments.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate or, the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The Service has no interest bearing financial instruments and, accordingly, has no exposure to interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Service will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the Service closely monitors its forecast cash requirements with expected cash drawdowns from the NZDMO. The Service maintains a target level of available cash to meet liquidity requirements.

The Service considers that it does not have a significant liquidity risk as it ensures it has adequate working capital coverage at all times.

Exposure to risk

The Service is not aware of any exposure to risk regarding financial instruments that would have a significant impact on operations.

Note 17: Capital Management

The Service's capital is its equity (or taxpayer's funds), which comprise general funds. Equity is represented by net assets.

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

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

Note 18: Explanation of Major Variances Against Budget

Statement of comprehensive income

The original appropriation of \$66.296m was revised to \$66.745m in the Supplementary Estimates budget. The adjustments were:

- expense transfers from 2008/2009 to 2009/10 – increase of \$500,000
- additional funding for website development – increase of \$488,000
- expense transfer from 2009/10 to 2010/11 – decrease of \$450,000
- funding reduction for Identity Verification – decrease of \$89,000

Other revenue has increased due to higher than expected recovery for the core network services, website development and rent for Bowen House plus the trading revenue from the Parliament Shop.

Expenses have reduced in personnel due to no market adjustment for salaries and delays in recruitment process.

Operation costs have marginally increased due to:

- Consultancy across many projects undertaken by the Service over the year;
- Maintenance costs were higher than expected; and
- Higher premises costs due to rent and OPEX increases.

Depreciation costs were less than estimated due to delays in the completion of capital projects. These projects are due to be completed in the 2010/2011 year.

Statement of Financial Position

Debtors and other receivables fluctuate due to the level of debt between Parliamentary Service and other agencies.

The level of cash and lower level of property, plant and equipment and intangibles reflect the delay in spend on capital projects.

NON-DEPARTMENT STATEMENTS AND SCHEDULES

FOR THE YEAR ENDED 30 JUNE 2010

The following non-department statements and schedules record the income, expenses, assets, liabilities, commitments, contingent liabilities, and contingent assets that the Service manages on behalf of the Crown.

Statement of non-departmental expenditure and capital expenditure against appropriations for the year ended 30 June 2010

Actual 2009	Appropriations for other expenses to be incurred by the Crown		Actual 2010	Main Estimates 2010	Supp. Estimates 2010
\$000		Notes	\$000	\$000	\$000
10,787	Depreciation Expense on Parliamentary Complex	2	10,782	11,274	11,274
1,673	Members' Communications		2,301	2,426	2,426
10,803	Travel of Members and Others		8,996	11,000	11,000
495	Party and Member Support – Act		625	631	631
1,076	Party and Member Support – Green		1,244	1,246	1,246
5,712	Party and Member Support – Labour		6,137	6,144	6,144
657	Party and Member Support – Maori		821	889	889
6,058	Party and Member Support – National		7,033	7,122	7,122
411	Party and Member Support – New Zealand First		-	-	-
215	Party and Member Support – Progressive Coalition		250	251	251
202	Party and Member Support – United Future		128	187	187
47	Member Support – Independent		-	-	-
<u>38,136</u>	Sub-total		<u>38,317</u>	<u>41,170</u>	<u>41,170</u>
Appropriations for other expenses to be incurred by the Crown – other					
17,282	Members of the House of Representatives' Salaries and Allowances		16,709	17,022	17,022
Purchase or development of capital assets by the Crown					
1,981	Crown Asset Management Parliamentary complex –		307	1,525	1,744
694	minor capital works		-	-	-
<u>58,093</u>			<u>55,333</u>	<u>59,717</u>	<u>59,936</u>

The accompanying notes form part of the financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2010.

Schedule of non-departmental income for the year ended 30 June 2010
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Actual 2009 \$000		Actual 2010 \$000	Main Estimates 2010 \$000	Supp. Estimates 2010 \$000
1	Income	-	-	-
<u>1</u>	Total non-departmental income	<u>-</u>	<u>-</u>	<u>-</u>

Schedule of non-departmental expenses for the year ended 30 June 2010
--

Actual 2009 \$000		Actual 2010 \$000	Main Estimates 2010 \$000	Supp. Estimates 2010 \$000
	Expenditure			
	Other expenses to be incurred by the Crown			
38,136	- Annual	38,317	41,170	41,170
17,282	- Other	16,709	17,022	17,022
2,675	Purchase or development of capital assets by the Crown	307	1,525	1,744
<u>2,544</u>	GST expensed	<u>2,432</u>	<u>2,038</u>	<u>2,038</u>
<u>60,637</u>	Total non-departmental expenses	<u>57,765</u>	<u>61,755</u>	<u>61,974</u>

The accompanying notes form part of the financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2010.

Schedule of non-departmental assets as at 30 June 2010

Actual 2009 \$000		Notes	Actual 2010 \$000	Main Estimates 2010 \$000	Supp. Estimates 2010 \$000
	Assets				
	<i>Current assets -</i>				
7,343	Cash and cash equivalents		8,465	7,385	7,385
72	Debtors and prepayments	4	226	72	72
	<i>Non current assets</i>				
427,150	Property, plant and equipment	3	433,007	417,620	417,620
<u>434,565</u>	Total non-departmental assets		<u>441,698</u>	<u>425,077</u>	<u>425,077</u>

Schedule of non-departmental liabilities and revaluation reserves as at 30 June 2010

Actual 2009 \$000		Actual 2010 \$000	Main Estimates 2010 \$000	Supp. Estimates 2010 \$000
	Liabilities			
	<i>Current liabilities</i>			
1,723	Accrued expenses	1,878	500	500
133	Provisions	245	-	-
26	GST payable	21	-	-
339	Property, plant and equipment creditors	-	-	-
1,518	Due to departments	1,504	3,500	3,500
3,739	Total current liabilities	3,648	4,000	4,000
	Revaluation Reserve			
83,000	Land revaluation reserve	68,000	83,000	83,000
89,604	Building revaluation reserve	120,442	89,604	89,604
6,053	Antique and art revaluation reserve	6,053	6,053	6,053
22,504	Library collection revaluation reserve	22,998	26,447	22,504
201,161	Total revaluation reserve	217,493	205,104	201,161
204,900	Total non-departmental liabilities and revaluation reserve	221,141	209,104	205,161

Non-departmental liabilities are non-interest bearing and are settled on 30-day terms. Therefore, the carrying value of non-departmental liabilities approximates their fair value.

The accompanying notes form part of the financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2010.

Statement of non-departmental commitments for the year ended 30 June 2010
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There is no non-departmental operating commitments. (2009: nil)

Statement of non-departmental contingent liabilities and contingent assets as at 30 June 2010
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30/06/09 Actual \$000		30/06/10 Actual \$000
230	Contingency Superannuation	230
<u>230</u>	Total contingency	<u>230</u>

The Service on behalf of the Crown has no contingent assets (2009:nil).

Statement of unappropriated non-departmental expenditure for the year ended 30 June 2010

Unappropriated expenditure - Travel of Members and Others

The Parliamentary Service has incurred unappropriated expenses by applying funds outside the scope of this appropriation.

Since 2007, the Parliamentary Service has met certain travel costs that were inconsistent with the entitlements set out in the Directions and Specifications for Services and Funding Entitlements for the House of Representatives, its members, former members and certain electoral candidates (the Speaker's Directions). In particular, costs were met for the following:

- Domestic air travel by dependent children under 5 anywhere in New Zealand where they are accompanied by the member or the member's spouse or partner. This operational practice was inconsistent with clause 3.28 of the Speaker's Directions, which only allowed for travel between the child's primary place of residence and Wellington unless the Speaker approved travel from another place. The cost of this travel was \$18,000. The Speaker's Directions were amended in May 2010 to allow for member's children under the age of 5 to travel anywhere in New Zealand when accompanied by the member or the member's spouse or partner.
- Domestic and international air travel by a former member and their spouse who was not eligible to claim the entitlement. The former member was given incorrect advice by the Parliamentary Service that he was eligible for former members' travel entitlements, including a 60% rebate for domestic and international air travel. It was subsequently noted that the former member had not met the minimum service required for this entitlement (which is three complete terms of Parliament, unless having served as a Speaker or a Minister). The cost of this travel was \$9,000. The former member has been advised that he is not eligible to claim the travel rebate.

The travel expenses in both instances were outside the scope of the appropriation because they were inconsistent with the rules for funding entitlements set out in the Speaker's Directions. However, this did not lead to a monetary breach of the appropriation – Travel of Members and Others in any of the financial years.

The accompanying notes form part of the financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2010.

Notes to the non-departmental financial statements

Note 1: Statement of Accounting Policies

Reporting Entity

These non-department schedules and statements present financial information on public funds managed by the Service on behalf of the Crown. Further details of the department's management of these Crown assets and liabilities are provided in the output performance sections of this report. These non-department balances are consolidated into the Financial Statements of the Government for the year ended 30 June 2010.

Basis of Preparation

The non-departmental schedules and statements have been prepared in accordance with the accounting policies of the Financial Statements of the Government, Treasury Instructions, and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice as appropriate for public benefit entities.

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

Significant Accounting Policies

Foreign exchange

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the schedule of non-departmental income or expenses.

Goods and services tax

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. In accordance with Treasury Instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the Financial Statements of the Government.

Debtors

Receivables are initially recorded at fair value, and are subsequently measures at amortised cost using the effective method less any provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Service will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the schedule of non-departmental expenses. When a debtor is uncollectible, it is written off against the allowance account for debtors. Overdue receivables that are renegotiated are reclassified as current (i.e. not past due).

Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired.

Property, Plant and Equipment

The initial cost of property, plant and equipment is the value of the consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use.

All property, plant and equipment costing more than \$1,000 plus GST are capitalised and recorded at historical cost.

Capital Work in Progress

Capital work in progress is not depreciated. The total cost of this work is transferred to the relevant asset category on its completion.

Depreciation

Depreciation of property, plant and equipment is provided on a straight-line basis to allocate the cost of assets, less any estimated residual value, over their useful lives.

The estimated economic useful lives and associated depreciation rates of major classes of assets are:

Furniture	15 years
Antiques and Art Collection	Not depreciated
Buildings	100 years
Fit-out	30-40 years
Land	Not depreciated
Library Collection – reference	10-50 years
Library Collection – heritage	Not depreciated

Valuation

Land and buildings are valued on a three-yearly basis by independent registered valuers to ensure that the carrying amounts do not differ materially from the assets' fair values. Land is valued at current market value, with reference to its highest and best use, subject to its current zoning and Heritage designation. Buildings are valued at depreciated replacement cost less allowance for physical deterioration, optimisation and relevant surplus capacity.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued. Additions between revaluations are recorded at cost.

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

The antique and art collections are valued at fair market value on a three-yearly basis by independent registered valuers.

The Library heritage collection is valued at current market value on an annual basis by the Service's library staff in accordance with guidelines released by the Library and Information Association of New Zealand Aotearoa and the National Library of New Zealand. The guidelines assign a standard unit price to books, which are used for the valuation of the collection.

The net revaluation results are credited or debited to other comprehensive income 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 income 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 income.

Library Reference Collections is held at historic standard unit cost and depreciated over the assigned useful economic life.

Additions

Library Heritage Collection – Additions between valuations are recorded in their standard unit price as determined at the last valuation.

Library Reference Collection – Additions to the reference collection are recorded at the standard unit price as determined at the last valuation.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the schedule of revenue and expenses. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to taxpayers' funds.

Impairment of property, plant, and equipment

Property, plant, and equipment 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 amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is 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 Service would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is 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 a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also 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.

Donated Assets

Donated assets, with or without conditions, are valued at fair market value and recognised as revenue when control over the asset is obtained.

Commitments

Future expenses and liabilities to be incurred on non-cancellable contracts that have been entered into at balance date are disclosed as commitments to the extent that they are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the statement of commitments at the value of that penalty or exit cost.

Contingent Liabilities

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

Note 2: Depreciation Charges

30/06/09		30/06/10
Actual		Actual
\$000		\$000
8,096	Buildings	8,138
1,378	Furniture	1,389
1,313	Library Reference collection	1,255
<u>10,787</u>	Total depreciation	<u>10,782</u>

Note 3: Property, Plant and Equipment

Cost or Valuation	Land	Buildings	Furniture	Antiques and Art Collection	Library Collection	Work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2008	120,000	285,723	20,515	10,728	39,358	3,201	479,525
Additions	-	2,359	315	-	-	-	2,674
Transfers to PPE	-	3,201	-	-	-	(3,201)	-
Revaluation increase	-	-	-	-	(3,943)	-	(3,943)
Balance at 30 June 2009	120,000	291,283	20,830	10,728	35,415	-	478,256
Balance at 1 July 2009	120,000	291,283	20,830	10,728	35,415	-	478,256
Additions	-	288	19	-	-	-	307
Revaluation increase	(15,000)	30,838	-	-	494	-	16,332
Depreciation write back on revaluation	-	(24,409)	-	-	-	-	(24,409)
Balance at 30 June 2010	105,000	298,000	20,849	10,728	35,909	-	470,486
Accumulated depreciation and impairment losses							
Balance at 1 July 2008	-	(8,175)	(17,076)	-	(15,068)	-	(40,319)
Depreciation expense	-	(8,096)	(1,378)	-	(1,313)	-	(10,787)
Balance at 30 June 2009	-	(16,271)	(18,454)	-	(16,381)	-	(51,106)
Balance at 1 July 2009	-	(16,271)	(18,454)	-	(16,381)	-	(51,106)
Depreciation expense	-	(8,138)	(1,389)	-	(1,255)	-	(10,782)
Eliminate on revaluation	-	24,409	-	-	-	-	24,409
Balance at 30 June 2010	-	-	(19,843)	-	(17,636)	-	(37,479)
Carrying amounts							
At 1 July 2008	120,000	277,548	3,439	10,728	24,290	3,201	439,206
At 30 June and 1 July 2009	120,000	275,012	2,376	10,728	19,034	3,201	427,150
At 30 June 2010	105,000	298,000	1,006	10,728	18,273	-	433,007

Note 4: Assets Held for Sale and Impairment

The Crown does not have any items of property, plant and equipment classified as held for sale. There were no impairment losses incurred during the year.

There are no restrictions on title and no assets pledged as security for liabilities.

Revalued Assets - Land and Buildings

Land and buildings are valued as at 30 June 2010 by AG Stewart (FNZPI), Registered Valuer, Darroch Limited on 10 May 2010.

The asset valuation was completed in accordance with the following standards:

- The New Zealand International Accounting Standard 16: Property, Plant and Equipment (NZ IAS 16), and
- The New Zealand Property Institute Valuation Standard 3 – Valuations for Financial Statements.

The land has been assessed at market value in its highest and best use, subject to its current zoning and Heritage designation. In assessing the market value, land sales within the general area have been considered as a starting point. The parliamentary site comprises a large land area, and hence adjustments have been made for location and size.

The basis for the fair value assessment for the buildings is depreciated replacement cost less allowance for physical deterioration, optimisation and relevant surplus capacity, as NZIAS 16 requires this for specialised assets. The buildings are considered specialised assets due to their size and scale and the absence of any directly comparable sales of similar properties as going concerns.

Antique and Art Collections

Antique and art collections are valued as at 30 June 2008 by A Grigg and P Neal of Dunbar Sloane Limited.

Library

Library heritage collections are valued as at 30 June 2010 by Parliamentary Service library staff. The valuation was carried out in accordance with the guidelines provided by the Library and Information Association of New Zealand Aotearoa and the National Library of New Zealand.

Note 5: Debtors and Prepayments

30/06/2009		30/06/10
Actual		Actual
\$000		\$000
72	Miscellaneous	226
<u>72</u>	Total debtors and prepayments	<u>226</u>

The carrying value of debtors and prepayments approximates their fair value.

Note 6: Financial Instruments

The Crown does not have any gains or losses on its financial instruments and no impairments have been recognised to date.

The fair value of the financial instruments is deemed not materially different from valuation at amortised cost. As a result, the carrying value of the instruments is at fair value.

Credit Risk

The Crown has nil trade debtors and therefore has no credit risk.

Liquidity Risk

The Crown considers that it does not have a significant liquidity risk as it ensures it has adequate working capital coverage at all times.

Exposure to Risk

The Crown is not aware of any exposure to risk regarding financial instruments that would have a significant impact on operations.

Note 7: Events after the Balance Date

On 4 September 2010 the Canterbury area suffered a major earthquake which has potentially affected the Crown's assets and operations. There is damage to office equipment and chattels in the Members' constituent offices. Costs associated with clean-up, property replacement and business interruption are likely to be covered by insurance. The approximate costs cannot be accurately estimated at this time.
(2008/2009: Nil)

Structure of the Parliamentary Service

