

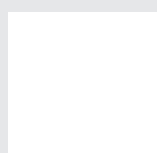


PARLIAMENTARY
COUNSEL OFFICE

TE TARI TOHUTOHU
PĀREMATA

Annual Report

for the year ended 30 June 2016



Annual Report of the
Parliamentary Counsel Office
Te Tari Tohutohu Pāremata
for the year ended 30 June 2016

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The Attorney-General

I am pleased to present to you the Report of the Parliamentary Counsel Office for the year ended 30 June 2016.



Fiona Leonard
Chief Parliamentary Counsel
30 September 2016

CHIEF PARLIAMENTARY COUNSEL'S OVERVIEW

This is the Annual Report of the Parliamentary Counsel Office (PCO) for the 2015/16 year. In preparing the report, the PCO has followed the guidance provided by the Treasury.¹ This report, together with the PCO's Strategic Intentions² and Information Supporting the Estimates,³ form the components of the Managing for Outcomes framework.

The PCO is a non-Public Service department dedicated to drafting and publishing legislation. Its mission is to provide impartial high quality legislative drafting services and advice and to enable easy and free access to the laws of New Zealand.

The PCO's multi-category appropriation consists of two distinct but complementary outputs—Law Drafting Services and Access to Legislation—that deliver different parts of the same service to the Government and Parliament and the wider New Zealand public.

In the Law Drafting Services area, the latest areas of emphasis have been on drafting the first revision Bill, thinking through our stewardship role, increasing the resources to support the Legislation Design and Advisory Committee, ongoing legislative drafting assistance to Pacific Island nations, and delivering Treaty settlement Bills.

In the Access to Legislation area the key points of focus have included the Access to Subordinate Instruments Project (www.pco.parliament.govt.nz/asip), declaring hypertext markup language (HTML) versions of legislation to be official, and making historical legislative documents available online.

¹ *Year End Reporting: Departmental Annual Reports and Reporting Against Appropriations (June 2016)*
www.treasury.govt.nz/publications/guidance/reporting/yearend

² *Strategic Intentions Parliamentary Counsel Office for the period 1 July 2015 to 30 June 2019*
www.pco.parliament.govt.nz/si2015/

³ *Justice Sector—Information Supporting the Estimates 2015/16*
www.treasury.govt.nz/budget/2016/estimates/v7

Highlights of 2015/16

This year has been one of significant achievement and delivery for the PCO. The substantive outcomes and the high quality work involved in delivering them are largely dependent upon the creativity and dedication of those who work for the PCO.

- The PCO drafted 65 Government Bills and 323 Legislative Instruments in the 2015 calendar year.
- The first revision Bill was drafted and introduced, and received its first reading.⁴
- The PCO's Pacific Island desk provided legislative drafting assistance to the Cook Islands, Niue, Tokelau, and the Solomon Islands.
- A dual language Bill (Te Pire mō Te Reo Māori/the Māori Language Bill) was enacted.
- Work started or was in progress for 28 Treaty settlement Bills.
- The PCO has defined what stewardship of the statute book means.
- The Access to Subordinate Instruments Project team was established.
- Public use of the New Zealand Legislation (NZL) website (www.legislation.govt.nz) as a source of New Zealand's legislation has continued to grow.
- HTML versions of legislation published on the NZL website were declared to be official.
- A project to provide access to historical Bills was completed.

⁴ www.beehive.govt.nz/release/contract-and-commercial-law-bill-introduced

STRATEGIC OBJECTIVES

Strategic Objective 1

High Quality Legislative Drafting Services

The goal of this strategic objective is to provide high quality legislative drafting services and advice in a professional, impartial, and responsive manner in delivering the Government's legislation programme and the wider range of drafting work that the PCO now delivers.

Core work

Drafting of Government Bills

It has been the practice of successive governments to adopt a legislation programme for the drafting of Bills in each calendar year (although no formal programme exists for the drafting of Legislative Instruments). Bills are assigned categories on the legislation programme according to their legal and policy importance. The programme changes throughout the year as Bills are added to, or taken off, the programme, and delays in making policy decisions can delay the drafting of Bills.

The categories in the annual legislation programme are:

Category	Description
1	Bills that must be passed or introduced as a matter of law in the 2015 calendar year
2	Bills that must be passed in the 2015 calendar year
3	Bills to be passed if possible in the 2015 calendar year
4	Bills to be passed under extended sitting hours
5	Bills to proceed to a select committee in the 2015 calendar year
6	Bills for which instructions are to be provided to the PCO in the 2015 calendar year

The PCO drafted 65 Government Bills in the 2015 calendar year. Details of the numbers of category 1 and 2 Bills drafted are included in the Statement of Performance (see the table of quantity on page 51).

Drafting amendments for select committees and committee of the whole House

Legislation is scrutinised extensively in parliamentary select committees. With the exception of Appropriation, Imprest Supply, and Bills introduced and passed through all stages under urgency, all Bills are referred to a particular select committee for consideration. The process of select committee scrutiny of Bills usually involves the following features:

- select committees are briefed by departmental advisers about each Bill for which public submissions are called
- witnesses appear and give evidence at hearings that are open to the public
- submissions are analysed and reports recommending changes to a Bill are prepared and considered
- some committees engage independent advisers
- amendments to a Bill required by the committee are drafted by Parliamentary Counsel in consultation with departmental advisers and considered by the committee
- a commentary on the committee's consideration of the Bill is prepared by the committee's advisers and accompanies the Bill when it is reported back to the House.

Select committee consideration of Bills can occupy many months. The Bills may be extensively amended to take account of changes recommended by select committees following from the public submission process and the select committees' overall consideration. Parliamentary Counsel attend meetings of select committees when departmental reports are considered and when the amendments to a Bill are decided upon. They will sometimes attend meetings to hear evidence from key witnesses. The drafting work involved can be considerable, intellectually challenging, and time-consuming.

Parliamentary Counsel also draft all amendments to Bills required by Ministers at the committee of the whole House stage. Considerable change is possible at this stage of the legislative process to give effect to policy changes or technical refinements that are necessary or desirable.

Drafting of Legislative Instruments

In the 2015 calendar year, 323 Legislative Instruments were drafted. In general, Acts of Parliament contain the main policy components of a legislative regime while Legislative Instruments contain much of the essential detail and administrative mechanisms to make the Acts work. It is often through such delegated legislation that a legislative regime has its greatest impact. All proposed Legislative Instruments that are to be made by the Governor-General in Council are considered by the Cabinet Legislation Committee and by Cabinet before they are submitted to the Governor-General in Executive Council. The drafting of Legislative Instruments can give rise to

complex legal questions about whether there is power to make the instrument under the relevant Act. Parliamentary Counsel are required to certify whether proposed Legislative Instruments are in order for submission to Cabinet; that is, whether there is any question about the power to make them and whether there is any ground on which they may be challenged under the Standing Orders of the House or disallowed under the Legislation Act 2012.

Significant other initiatives

Stewardship of the statute book

The PCO's formal Performance Improvement Framework (PIF) review identified the stewardship of the statute book as a key challenge.

Starting with the definition in the State Sector Act 1988, the PCO considers that stewardship means a proactive duty of care of, and planning in the medium- to long-term interests for, an asset or resource (in this case, the statute book) on behalf of another group.

The PCO undertakes the stewardship function of the statute book on behalf of the following users:

- the public
- Parliament
- the judiciary
- the Executive.

It does so because, for a state's laws to be effective, people must have access to those laws that apply to them and with which they must comply.

The PCO gives effect to its stewardship role by ensuring all the laws it drafts conform to the fundamental principles inherent in the rule of law, and by ensuring accessibility to all current and future users. Accessibility means ensuring that—

- legislation is drafted as clearly as possible, and is readable and can be understood
- legislation is presented and structured in such a way to facilitate understanding
- legislation is available in the form that users wish to access it
- legislation is well designed, with the appropriate allocation between primary and delegated legislation, and
- users can access the complete collection with ease and within it can find the legislation they need.

The PCO's stewardship of the body of statute law must be considered alongside the obligation under the State Sector Act 1988 for chief executives to exercise stewardship over the legislation that their departments administer. That stewardship requires chief executives to ensure that the legislation administered by their departments is fit for purpose for current and future needs. The responsibilities of chief executives and the PCO in relation to the statute book are separate but complementary. The PCO, as steward, provides a whole-of-statute-book perspective and ensures legislation is legally effective and accessible, while chief executives are responsible for the content and currency of their legislation.

Departments are working on how to give effect to their legislative stewardship responsibilities.

The Access to Subordinate Instruments Project (detailed on page 17) is one of the ways the PCO plans to fulfil its stewardship role.

Revision Bill programme

The PCO's statutory functions include revising the Acts on each current revision programme to make them more accessible (as required under Part 2 of the Legislation Act 2012).

The Attorney-General is responsible for preparing, and consulting publicly on, a three-yearly statute revision programme for each new Parliament. The PCO prepares and manages the programme for the Attorney-General, providing administrative support in addition to drafting revision Bills.

During the reporting period, the PCO finished drafting the Contract and Commercial Law Bill, which is the first of seven revision Bills on the 2015 to 2017 revision programme. This Bill revises and consolidates 11 contract and commercial statutes but does not make any substantive changes to the law. The Bill is expected to be enacted during the current parliamentary term. The PCO has been working with the Ministry of Business, Innovation, and Employment to ensure the revision is being undertaken in accordance with the revision powers.

In October 2015, the PCO and the Ministry of Business, Innovation, and Employment jointly released an exposure draft Bill with explanatory material for public and targeted consultation. Eight submissions were received, which informed the final version of the Bill that was provided for certification in May 2016 to the four statutorily-appointed revision certifiers (retired High Court Judge the Honourable John Priestley CNZM QC, the former President of the Law Commission Sir Grant Hammond KNZM, the Solicitor-General Una Jagose QC, and the former Chief Parliamentary Counsel David Noble). As required under the Legislation Act 2012, the certifiers reviewed and certified the Bill before its introduction on 19 May 2016. The PCO supported the certifiers in carrying out their statutory role. The Bill received its first reading on 14 June 2016 and was referred to the Justice and Electoral Committee for consideration.

The PCO is currently preparing the next revision Bill, the Partnerships Bill, with the intention of releasing an exposure draft for consultation.

Legislation Design and Advisory Committee

The Legislation Design and Advisory Committee (LDAC) (www.ldac.org.nz) has been running successfully since it was established at the end of the last reporting year, and the PCO continues to provide secretariat support. The LDAC, which meets every six weeks, has discussed 28 legislative proposals with departments in the reporting year, and has delegated subcommittees to provide further assistance and advice on 20 of those. It has advised on a wide range of issues relating to the LAC Guidelines (2014 edition) and its mandate of promoting good quality legislation, including the allocation of provisions between primary and delegated legislation, access to law, and the use of purpose statements and principles in legislation.

The LDAC has established a standing subcommittee to undertake training and education work. In the reporting year the LDAC held two seminars, and plans to hold several others by the end of 2016. A standing subcommittee has also been established to maintain the LAC Guidelines (2014 edition), review the Guidelines Checklist, and oversee the development of a companion document. The companion document will support the Guidelines with relevant case law, academic discussion, and examples from within the public sector. The PCO recently agreed to recruit, through the Government Legal Network, a secondee for 12 months to develop the companion document. An ad hoc subcommittee has also been established to prepare initial advice on the use of exposure draft legislation. This work will inform the government guidance to be developed on the use of exposure draft legislation.

In February 2016, the LDAC External Subcommittee was established to review Bills after introduction that have not been reviewed by the main LDAC. Its membership is drawn from the private sector and is appointed by the Attorney-General. In the reporting year the External Subcommittee made submissions to select committees on three Bills.

The LAC website was updated and re-launched as the new LDAC website, providing access to the LAC Guidelines (2014 edition) and material about the LDAC and its work. The PCO's senior management team has also approved replacing the current fixed-term LDAC Secretary role with a permanent full-time legal/policy advisor to support the LDAC.

Dual language drafting

Te Ture mō Te Reo Māori/the Māori Language Act 2016 was enacted in both Māori and English in April 2016. This is the first Act to give effect to substantive government administrative policy in both Māori and English.

The PCO worked closely with Te Puni Kōkiri, a translator, a jurilinguist, a team of legal and linguistic experts, and the Office of the Clerk to prepare and progress the Bill as a dual-language Bill through the House, having been directed to do so by the Māori Affairs select committee. This required innovation in both drafting and publication processes. The format adopted enables readers, so far as possible, to read through

the whole Bill in either language (as the PCO does not have available the two-column format of some other countries with dual-language legislation). The PCO is continuing to review the processes and support needed for effective dual language legislation.

Treaty Bills

The PCO continues to work closely with the Office of Treaty Settlements (OTS) and the Minister for Treaty of Waitangi Negotiations to progress the Bills required to implement Treaty settlements. The Deputy Chief Parliamentary Counsel (Director Drafting Legislation) is a member of the OTS Governance Board, which focuses on the overall delivery of the Treaty settlement work programme. In order to further facilitate the progress of these Bills, a senior OTS staff member has been seconded to the PCO to assist with the drafting of various Bills. Using standard clauses to cover those matters common to most Treaty settlement legislation continues to be important so these Bills can be progressed in a timely manner. The PCO confers with the responsible Minister and the Leader of the House over using extended sittings in the House to make progress on these Bills.

Assistance to departments and the Government Legal Network

The PCO's *Guide to Working with the Parliamentary Counsel Office*, a regular newsletter, and a dedicated section of the PCO website are designed to assist departments in working effectively with the PCO, particularly when giving instructions and responding to drafts. Parliamentary Counsel have presented seminars on the subject to departmental officials and wider audiences this year. In addition, the PCO gave a joint presentation with the Select Committee Office for new instructors three times over the reporting year, attended in total by 250 people.

Parliamentary Counsel provide advice to departments:

- in the course of the development of policy for legislation to assist with legislative design
- in the pre-instruction phase
- during the drafting phase
- at other times when required.

The PCO, having been actively and financially engaged in the formation of the Government Legal Network (GLN), has continued to contribute to its development and delivery. During the reporting year, it has employed two GLN graduate lawyer trainees each for six months. A further two GLN graduate lawyer trainees will be placed with the PCO in the next year.

Contributing internationally

In 2011, the PCO established a Pacific Island desk to provide legislative drafting assistance to Pacific Island nations. The desk has operated from 2011/12 to 2015/16 with the assistance of funding from the Ministry of Foreign Affairs and Trade. This period of funding has now been extended until December 2016. Alternative funding options are currently being explored with the Ministry of Foreign Affairs and Trade, as the expected ongoing assistance provided by the Pacific Island desk does not fit well within the requirements of the new contested funding model.

The assistance is focused on the Cook Islands, Niue, and Tokelau, being the three nations within the Realm of New Zealand. Assistance has been extended to other Pacific Island nations where resources permit (in particular, to the Solomon Islands to peer review fisheries legislation). Further demands from other Pacific Island nations and administrations are being assessed for their impact on capacity as currently funded.

The work includes drafting legislation for nations in order to increase their drafting capacity, providing and maintaining a Guide to Preparing Instructions for the Drafting of Legislation, a set of Legislative Drafting Directives, and an electronic drafting template for Bills and for Legislative Instruments, as well as training and mentoring on-island officials.

In October 2015, an independent assessment of this service was done for the Ministry of Foreign Affairs and Trade, which confirmed the benefits it is delivering in the region. In particular, the assessment highlighted:

- the ongoing need for assistance and the alignment of the assistance with the legislative priorities of the assisted countries
- that the assistance is effective, efficient, and sustainable
- that there is scope to reorient the focus of the assistance to include a greater capability-building component.

A key focus in the future period will be on building the internal drafting capacity for the Pacific Island nations.

The PCO has also been proactively engaging with other legislative drafting assistance providers around the world, and forums and agencies across the Pacific, to coordinate the work that is being done in the Pacific. Channels include the Pacific Islands Forum Secretariat, the Pacific Islands Law Officers' Network, and the Commonwealth Secretariat.

The Chief Parliamentary Counsel has participated in the Australasian Parliamentary Counsel's Committee on issues relating to trans-Tasman legislation, access to legislation, and legislative drafting and publishing systems and practices.

The PCO continues its strong involvement with the Commonwealth Association of Legislative Counsel (CALC). Katy Le Roy, Parliamentary Counsel, is the CALC Vice President and Ross Carter, Parliamentary Counsel, is the CALC Secretary.

Law Commission

The PCO continues to maintain a very constructive relationship with the Law Commission and is currently helping it with an Extradition Bill and a Mutual Assistance in Criminal Matters and for the Recovery of Criminal Proceeds Bill. With the recent appointment of three new Commissioners, the PCO is also discussing with the Commission the assistance it could usefully provide to future projects.

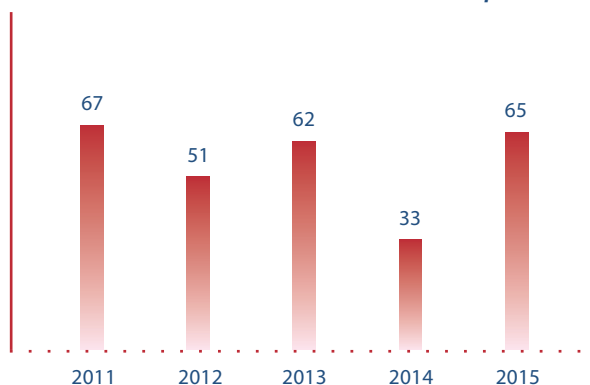
Drafting for the (Judicial) Rules Committee

The PCO assists the Rules Committee, established under section 51B of the Judicature Act 1908. Rules of practice and procedure for the Supreme Court, Court of Appeal, High Court, and District Courts are made by the Governor-General by Order in Council with the concurrence of appropriate members of the judiciary and members of the Rules Committee. In the period under review, the PCO provided advice and legislative drafting services to the Rules Committee, including amendments made to both the High Court Rules and the District Courts Rules and advice on the effect of the Judicature Modernisation Bill on the practice and procedure of the courts.

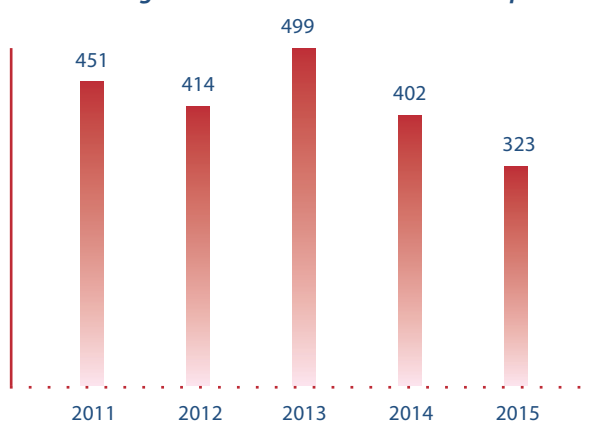
Quantity of legislation

The following graphs compare the numbers of Government Bills drafted and published and Legislative Instruments made and published, plus the numbers of Supplementary Order Papers (SOPs) drafted and published, in the calendar years from 2011 to 2015.⁵

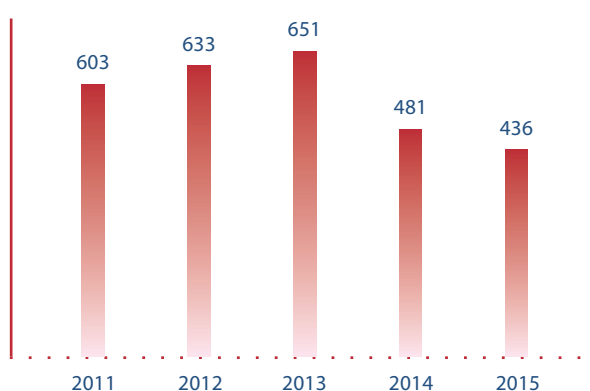
Number of Government Bills drafted and published



Number of Legislative Instruments made and published



Number of Government Bills and SOPs drafted and published and Legislative Instruments made and published



⁵ 2014 was a general election year with the 50th Parliament sitting for the last time on 31 July and the State opening of the 51st Parliament taking place on 21 October 2014; 2014 was therefore a very truncated sitting year.

Significant Bills

In the financial year under review, the following significant Bills were introduced. This PCO-drafted legislation can be viewed on the NZL website (www.legislation.govt.nz).

- Canterbury Property Boundaries and Related Matters Bill
- Child Protection (Child Sex Offender Register) Bill
- Children, Young Persons, and Their Families (Advocacy, Workforce, and Age Settings) Amendment Bill
- Contract and Commercial Law Bill
- Employment Standards Legislation Bill
- Environment Canterbury (Transitional Governance Arrangements) Bill
- Fire and Emergency New Zealand Bill
- Food Safety Law Reform Bill
- Greater Christchurch Regeneration Bill
- Home and Community Support (Payment for Travel Between Clients) Settlement Bill
- Kermadec Ocean Sanctuary Bill
- Land Transfer Bill
- Land Transport (Speed Limits Validation and Other Matters) Bill
- Local Government (Auckland Transitional Provisions) Amendment Bill
- Māori Purposes Bill
- New Zealand Flag Referendums Amendment Bill
- Ngāruahine Claims Settlement Bill
- Resource Legislation Amendment Bill
- Returning Offenders (Management and Information) Bill
- Riccarton Racecourse Development Enabling Bill
- Social Security Legislation Rewrite Bill
- Taranaki Iwi Claims Settlement Bill
- Tauranga Moana Iwi Collective Redress and Ngā Hapū o Ngāti Ranginui Claims Settlement Bill
- Te Atiawa Claims Settlement Bill
- Te Ture Whenua Māori Bill
- Te Awa Tupua (Whanganui River Claims Settlement) Bill
- Trans-Pacific Partnership Agreement Amendment Bill

Strategic Objective 2

Ready Access to New Zealand Legislation

The specific outcome of this objective is to ensure that New Zealand legislation is easily accessible at no cost to the public in a timely manner and in an accurate and authoritative form.

Access to Subordinate Instruments Project (ASIP)

The PCO has established the Access to Subordinate Instruments Project. The objective of ASIP is to improve access to legislation by publishing all subordinate instruments on the NZL website.

Subordinate instruments are made under the delegated law-making authority of Parliament. Those that are drafted by the PCO are published in full on the NZL website. Those that are drafted by agencies other than the PCO are published in the *Gazette*, or on a variety of different websites, or are not readily available to the public. There are thousands of subordinate instruments drafted and published by agencies, none of which are published on a single website. This has a direct impact on the cost of doing business in New Zealand, people's ability to comply with the law, and people's rights.

ASIP aims to resolve this problem by requiring all subordinate instruments (regardless of who drafted them) to be published in full on the NZL website. The result will be a single, comprehensive, official, public source of all New Zealand's legislation.

The research and design work carried out to date has identified three main components that will likely be required for ASIP's implementation:

- legal and procedural changes to align, modernise, and simplify the statute book and legislative and House processes
- development of an authoring and publication system for drafting, lodging, and publishing subordinate instruments
- collecting subordinate instruments and modifying the PCO's publishing system and the NZL website to cater for the publication of externally-drafted subordinate instruments, reflect the changes that are made to the structure of the statute book, and to simplify, broaden, and improve access to legislation on the NZL website.

The project was announced by the former Chief Parliamentary Counsel, David Noble, on 29 September 2015. Two stages of development were completed during the reporting year:

- an informal concept development stage, which focused on assessing the high level project scope, exploring legal and procedural consequences, document design, and discussions with key stakeholders
- an informal design stage, which entailed analysis, testing, refining, and documenting the project design, as well as further contact with key stakeholders.

The project commenced its first formal stage in May 2016, with the approval of the project mandate. Formal governance and assurance processes are in place and the project is currently preparing the ASIP business case and the first anticipated Cabinet paper.

The development of the ASIP business case is following the Treasury's Better Business Case approach. The first Cabinet paper is due in November 2016 and will seek approval for the project to proceed within the parameters defined, and for approval of the drafting of a Bill to implement ASIP. A second Cabinet paper will follow completion of the ASIP business case in February 2017. That paper will seek approval for the preferred solution, funding, and an implementation timetable.

Through the early months of the 2016/17 financial year, the project team is focused on finalising the ASIP design, and engaging with agencies that are empowered to make subordinate instruments, and preparing the ASIP business case and the first Cabinet paper.

Access to Subordinate Instruments Project (ASIP)	
Objective: To improve access to legislation by publishing all subordinate instruments on the New Zealand Legislation website	
What is a subordinate instrument?	Subordinate instruments are: - Legislative Instruments published on the New Zealand Legislation website - agency instruments drafted by an agency and not published on the New Zealand Legislation website.
What is the current process?	There is no single place where people can see all of New Zealand's legislation. The diagram shows two parallel processes. The top process for 'Acts & Legislative Instruments' shows a document icon leading to 'Drafted by the PCO' (pencil icon) and then to 'Published on www.legislation.govt.nz' (computer monitor icon). The bottom process for 'Agency instruments' shows a document icon leading to 'Drafted by over 100 agencies' (pencil icon), which then leads to a series of icons representing various publication channels: a cursor, an eye, a parliament building, a newspaper, and a crossed-out circle, indicating fragmented and incomplete publication.
What will change?	All of New Zealand's legislation will be on one website. The diagram shows a unified process where both 'Acts & Legislative Instruments' and 'Agency instruments' are drafted (by the PCO and over 100 agencies respectively) and then published on a single website, 'www.legislation.govt.nz', represented by a computer monitor icon.

In total ASIP will impact over 100 agencies that are empowered to make subordinate instruments. Each of these agencies are being engaged and provided with information about the project design. They have been invited to provide information about their own processes and systems for making subordinate instruments to ensure their needs are reflected in the ASIP business case and on-going project design.

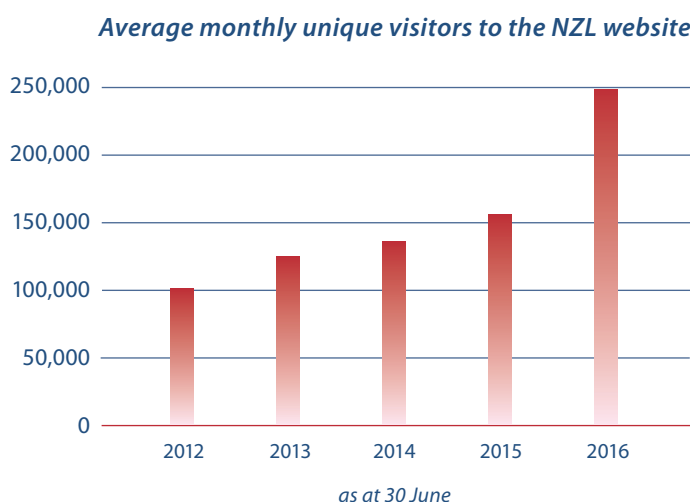
New Zealand Legislation system

The NZL system is a complete drafting and publishing system. The system provides public access to up-to-date official legislation on the NZL website at www.legislation.govt.nz

Over the past year a number of components have been upgraded to ensure they remain supported. The PCO developed new web services architecture, and had the technology stack validated by Gartner Inc (a leading information technology research and advisory company). Work has been done to upgrade components and migrate them onto this new stack, along with a continued effort to identify and retire technically obsolete components.

The NZL website

There continues to be good public use of the NZL website. The graph below shows the average monthly number of unique visitors to the NZL website in each of the past five years.



In March 2015, the PCO changed the software used to gather the information, which partially explains the increase in the numbers of unique visitors from 2015 to 2016. Notwithstanding this change, the number of unique visitors continues to grow.

Work has been undertaken to identify further improvements to the website. Areas to be targeted include enhancements to the search functionality, improving the relationships between legislation on the site and content on other websites, and making the site more useable on mobile devices. The PCO has begun website user experience testing to help inform what changes should be made to the site, and their priority.

Declaration on Open and Transparent Government

In accordance with the Declaration on Open and Transparent Government, the PCO continues to actively release data publicly. In addition to publishing on the NZL website, legislative data is made available through data.govt.nz as reusable XML.

Non-legislative data is also released in reusable form.

NZL Website User Group

The PCO has established an external user group, the NZL Website User Group. The group is made up of volunteers who represent a wide cross-section of the PCO's user community. The PCO consults with the group on proposed changes to the NZL website. Members are also encouraged to provide feedback and suggestions to the PCO about improvements to the NZL website.

Disclosure statement website

Disclosure statements are being published by the PCO to disclosure.legislation.govt.nz, a website separate from the NZL website, as part of an administrative trial that is being run by the Treasury. Disclosure statements are provided for all Government Bills and substantive SOPs introduced or released since 29 July 2013.

Publishing

The PCO publishes:

- new Acts
- new Legislative Instruments
- Bills (both new Bills introduced to the House and subsequent versions of Bills)
- SOPs
- reprints of Acts and Legislative Instruments (versions of Acts and Legislative Instruments that incorporate all amendments made to them as at the date of publication of the reprint).

These documents are published in HTML and PDF formats to the NZL website. They are also available in hard copy at specified bookshops and to subscribers, and are available for purchase via the NZL website. On 5 January 2016, HTML versions of legislation published on the website were declared to be official legislation, alongside the declaration already made for PDF versions. This change means that website users do not have to download a PDF in order to view an official version of the legislation.

The PCO completed a project to provide access to historical Bills by scanning the bound volumes of Bills. The PCO have provided the collection to the New Zealand Legal Information Institute (NZLII) for hosting at www.nzlii.org. This is the same approach that the PCO took with the as-made collection of Statutory Regulations (which NZLII made available online during the reporting year) and the as-enacted historical statutes collection.

Departmental Capital Expenditure

The PCO continued with a programme of work to improve its main asset, the NZL system. Work was undertaken to develop a tool to improve the consistency and visibility of how system changes are made and deployed. That tool was used to validate the PCO's updated architectural principles and standards, and serves as a reference for future system developments. Work also began on a replacement solution for the link management component. In the reporting year, a NZL website user experience testing project also commenced. The results of that project will help inform what changes should be made to the website and the priority with which those changes should be addressed.

There was a delay in undertaking a significant refurbishment of the PCO's premises. This project will now be completed in the 2016/17 financial year.

Organisational Health and Capability

Progress towards achieving the key deliverables identified in the Strategic Intentions for 1 July 2015 to 30 June 2019 was made during the 2015/16 year as follows:

Recruitment and retention of skilled and experienced staff

Staff turnover in the past four years, compared with the maximum turnover rates, was as follows:

	2015/16 Maximum target turnover	2015/16 Actual	2015/16 Actual (number)	2014/15 Actual	2013/14 Actual	2012/13 Actual
Parliamentary Counsel	7%	10%	3	9%	6%	19%
Technical staff	12%	10%	2	17%	24%	0%
Corporate staff	10%	23%	5	6%	0%	6%
Total staff turnover	10%	13%	10*	12%	12%	9%

* Of the ten staff that left the PCO in the 2015/16 year, four retired, four resigned to pursue other opportunities, and there was one redundancy following a restructure. Chief Parliamentary Counsel David Noble's term of office also ended.

Succession planning continues to be a key feature of the PCO's efforts in organisational health and capability. There was successful recruitment of counsel at all levels over the course of the year to ensure that capacity and capability were maintained following the retirement of senior members of the office.

Training (enhanced leadership and staff capability)

All levels of management continued to develop their leadership skills by participating in management seminars and conferences. Counsel continued to attend in-house forums, workshops, and courses for their development and to meet their NZ Law Society continuing professional development requirements.

A comprehensive training programme for new counsel continues to be monitored, enhanced, and applied.

Training and development for all PCO staff continued in accordance with individual training plans and manager-assessed training and development needs.

The PCO also encourages staff to act in senior roles as opportunities arise, and take on secondments, both internally and externally, to give them development opportunities. During the reporting year an incoming secondee took up a senior management role, a counsel was seconded from Victoria, Australia, and two PCO staff were seconded

internally to other roles—one management and one a project lead role. In addition, an international counsel exchange arrangement commenced in 2016 between the PCO and the Scottish Parliamentary Counsel Office.

Performance management

The performance management system continues to operate well. Managers and staff agree on annual objectives at the beginning of the financial year, review progress throughout the year, and summarise achievements at the end of the year. Results from this, and other criteria, are reflected in remuneration decisions.

HR processes and administrative systems

HR policies continued to be reviewed, updated where necessary, and made available to staff via the PCO intranet to ensure up-to-date policies and procedures are publicised.

The PCO's flexible work arrangements have been utilised by staff for work/life balance, childcare responsibilities, and phased retirement purposes.

The reporting of HR statistics continues to be enhanced. Valuable information is gained as trends against previous years become available.

Equal employment opportunities

Equal employment opportunities (EEO) have been incorporated into a number of policies and processes to ensure consistency and to ensure that EEO is integrated into everyday business. The PCO has had for a number of years, and continues to have, an appropriate representation of women in managerial and Audit and Risk Committee positions. All PCO managers continue to focus on equity issues as part of their HR responsibilities.

As at 30 June 2016, the staff gender breakdown is:

	Male	Female	Total
Total staff	34	45	79
Senior Management (tier 1 and 2)	1	2	3
Tier 3 managers	4	5	9
Parliamentary Counsel	12	18	30
Other Drafting Services staff	0	4	4
Access to Legislation staff	9	8	17
Corporate Services staff	8	8	16

The above table includes three fixed-term staff and one staff member currently on an overseas secondment. At 30 June 2016 one senior management position was vacant (appointee yet to take up position) and one tier 3 management position was temporarily vacant due to an internal secondment.

Performance Improvement Framework

The PCO's formal Performance Improvement Framework (PIF) review was completed in 2014. Its purpose was to review the PCO's capability, performance, and ability to deliver on Government priorities, its core business, and a range of organisational management elements.

The PCO has engaged a contractor to assist in developing a high-level plan to address the proposals contained in the formal PIF review which, with support from the central agencies and other key sectoral agency leads, the Government supports and adopts.

To give effect to the recommendations in the PIF, PCO is actively working on:

- offering advice early in the policy process. While this occurs regularly with the larger regulatory agencies, the PCO is working on how to inform those agencies whose contact with legislation is more infrequent
- preparing an education strategy and material/courses for instructing departments. This will include recasting the PCO's guidance (Working with the PCO) to be more user friendly
- a professional services model that provides an end-to-end view of drafting and publishing legislation, encouraging more consistency in the advice the PCO provides and in the approach taken by staff
- using standard provisions in legislation where possible.

Organisational structure

See page 65 for the PCO's organisational structure.

Risk management

The PCO maintains a risk register that is reviewed throughout the year (with major risks also reviewed by the Audit and Risk Committee—see below). Its purpose is to help manage and mitigate the PCO's major risks and achieve its outputs and deliverables. The framework includes procedures and practices designed to protect and enhance resources and enable the achievement of objectives.

Risk-based approach to simplification and consolidation

In the reporting year, the PCO followed a risk-based approach to its information technology work programme. Work has been undertaken to ensure technology components are running supported versions, and where possible components have been rationalised or moved to more easily maintained platforms. A highlight was upgrading the content management system used as part of the NZL system, along with migrating the underlying operating system and databases to new platforms. The PCO has also undertaken a number of assurance activities to ensure the technology services offered are well supported and reliable, including adopting the Government

Chief Information Officer's Information and Communications Technology (ICT) Operations Assurance framework.

Use of ICT Common Capabilities

The PCO has adopted a number of All-of-Government ICT Common Capabilities (including Infrastructure as a Service, Desktop as a Service, and the Common Web Platform). During the 2015/16 year work was done to migrate the disclosure statements and PCO corporate websites to the Common Web Platform. Work was begun on migrating PCO's email solution to Microsoft Exchange, as part of a staged approach to adopting Office Productivity as a Service.

Audit and Risk Committee

The PCO's Audit and Risk Committee met four times during the 2015/16 year. The committee consists of two external independent members (including the chair) and one internal member. It provides independent advice and assurance to the Chief Parliamentary Counsel on the PCO's systems of governance and internal control, risk management and compliance, and external accountability responsibilities.

Business continuity

Business continuity plans continue to be tested, reviewed, and updated where necessary. This ensures essential services provided by the PCO will continue or quickly recover during periods of business disruption or emergency. In October 2015, an exercise confirmed that most staff could work remotely if a disruptive event took place.

The PCO attended meetings of the Inter-Agency Business Continuity Committee. Its primary objective is to provide coordination and alignment of parliamentary precinct agency business continuity arrangements within the overarching framework of the Parliamentary Complex Contingency Plan.

The PCO also attended meetings of the Government Sector Business Continuity Group and was represented on the group's steering committee.

One PCO staff member attended the Australasian Business Continuity and Resilience Summit. This included a one-day workshop on writing better business continuity plans.

Protective Security Requirements

On 8 December 2014, Cabinet approved a new framework to provide guidance and support for government departments to improve the security of their people, information, and assets. The Protective Security Requirements (PSR) is designed to help agencies:

- identify their individual levels of security risk tolerance
- achieve the mandatory requirements for protective security expected by Government
- develop an appropriate security culture to securely and effectively meet their business goals.

As part of the Five Agencies of Parliament Group, the PCO contributed to the development of the inaugural Protective Security Requirements (PSR) self-assessment report, which focused on the 29 mandatory requirements. The PCO provided representatives for the Chief Security Officer and the Security Reference Groups to assist with this report.

Privacy

The PCO prepared its inaugural agency privacy self-assessment report for the Government Chief Privacy Officer (GCPO). This self-assessment report replaced the Government Chief Information Officer review reporting requirement, which had an ICT focus. The self-assessment report process is intended to assist agencies plan and measure progress in lifting privacy practice and capability.

Office refit

The PCO has negotiated a new lease to remain in the Reserve Bank building and will refurbish its accommodation in the 2016/17 financial year. This will address earthquake risks from the existing fit-out, and make better, more efficient and productive use of the office space. The PCO's refurbishment project will coincide with work being carried out by its landlord (the Reserve Bank) on the ceilings, lighting, and air conditioning.

FINANCIAL INFORMATION

FINANCIAL STATEMENTS OF THE PARLIAMENTARY COUNSEL OFFICE

FOR THE YEAR ENDED 30 JUNE 2016

Introduction to the Financial Statements

The Parliamentary Counsel Office (PCO) is responsible for discharging the functions set out in the Legislation Act 2012.

The PCO is funded by appropriation of money by Parliament.

The financial statements of the PCO for the year ended 30 June 2016, including the Statement of Performance, now follow.

Statement of Responsibility

I am responsible, as Chief Executive of the PCO, for:

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

In my opinion:

- the financial statements fairly reflect the financial position of the PCO as at 30 June 2016 and its operations for the year ended on that date
- the forecast financial statements fairly reflect the forecast financial position of the PCO as at 30 June 2017 and its operations for the year ending on that date.



Fiona Leonard
Chief Parliamentary Counsel
30 September 2016

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2016

2015			2016	Unaudited		
				2016	2016	2017
Actual			Actual	Main	Supp.	Forecast
\$000		Notes	\$000	Estimates	Estimates	\$000
	Revenue					
19,255	Crown		20,525	20,525	20,525	20,525
371	Other revenue	2	337	80	276	200
19,626	Total revenue		20,862	20,605	20,801	20,725
	Expenses					
9,390	Personnel	3	9,740	9,785	9,739	9,875
5,361	Operating	4	5,982	4,989	6,105	5,824
2,163	Depreciation and amortisation	7/8	1,898	2,660	1,906	2,091
1,207	Capital charge	5	1,207	1,207	1,207	1,207
18,121	Total expenses		18,827	18,641	18,957	18,997
1,505	Net surplus		2,035	1,964	1,844	1,728
0	Other comprehensive revenue and expense		0	0	0	0
1,505	Total comprehensive revenue and expense		2,035	1,964	1,844	1,728

Explanations of major variances against the original 2015/16 budget are provided in Note 15.
The notes to the accounts form part of and are to be read in conjunction with these financial statements.

Statement of Financial Position

As at 30 June 2016

2015			2016	Unaudited		
				2016	2016	2017
Actual			Actual	Main	Supp.	Forecast
\$000		Notes	\$000	Estimates	Estimates	\$000
	Taxpayers' funds					
15,091	Taxpayers' funds		15,091	15,091	15,091	15,091
15,091	Total taxpayers' funds		15,091	15,091	15,091	15,091
	Represented by:					
	Current assets					
4,279	Cash and cash equivalents		2,580	7,400	5,826	4,971
9,134	Debtors and other receivables	6	12,125	5,987	9,134	9,134
335	Prepayments		435	350	335	335
13,748	Total current assets		15,140	13,737	15,295	14,440
	Non-current assets					
73	Property, plant, and equipment	7	150	1,178	34	2,294
4,693	Intangible assets	8	3,053	4,040	3,526	2,005
4,766	Total non-current assets		3,203	5,218	3,560	4,299
18,514	TOTAL ASSETS		18,343	18,955	18,855	18,739
	Current liabilities					
1,329	Creditors and other payables	9	688	1,105	1,265	1,265
1,505	Provision for payment of net surplus	10	2,035	1,964	1,844	1,728
546	Employee entitlements	11	473	745	612	612
3,380	Total current liabilities		3,196	3,814	3,721	3,605
	Non-current liabilities					
43	Employee entitlements	11	56	50	43	43
3,423	TOTAL LIABILITIES		3,252	3,864	3,764	3,648
15,091	Net assets		15,091	15,091	15,091	15,091

Explanations of major variances against the original 2015/16 budget are provided in Note 15.
The notes to the accounts form part of and are to be read in conjunction with these financial statements.

Statement of Changes in Taxpayers' Funds

For the year ended 30 June 2016

2015			2016	Unaudited		
				2016	2016	2017
Actual			Actual	Main Estimates	Supp. Estimates	Forecast
\$000		Notes	\$000	\$000	\$000	\$000
15,091	Balance as at 1 July		15,091	15,091	15,091	15,091
1,505	Total comprehensive revenue/expense		2,035	1,964	1,844	1,728
	Owner transactions					
(1,505)	Return of operating surplus to the Crown	10	(2,035)	(1,964)	(1,844)	(1,728)
15,091	Balance as at 30 June		15,091	15,091	15,091	15,091

Explanations of major variances against the original 2015/16 budget are provided in Note 15.
The notes to the accounts form part of and are to be read in conjunction with these financial statements.

Statement of Cash Flows

For the year ended 30 June 2016

2015		2016	Unaudited		
			2016	2016	2017
Actual		Actual	Main Estimates	Supp. Estimates	Forecast
\$000		\$000	\$000	\$000	\$000
	Cash flows from operating activities				
	Cash was provided from:				
	Supply of outputs:				
17,112	—Crown	17,521	21,025	20,525	20,525
357	—Departments	249	80	275	200
102	—Net GST received	0	0	0	0
15	—Other	1	0	1	0
17,586	Subtotal	17,771	21,105	20,801	20,725
	Cash was disbursed to:				
	Produce outputs:				
(9,376)	—Personnel	(9,836)	(9,681)	(9,709)	(9,838)
(5,335)	—Operating	(6,473)	(5,003)	(6,135)	(5,861)
0	—Net GST paid	(113)	0	0	0
(1,207)	—Capital charge	(1,207)	(1,207)	(1,207)	(1,207)
(15,918)	Subtotal	(17,629)	(15,891)	(17,051)	(16,906)
1,668	Net cash flows from operating activities	142	5,214	3,750	3,819
	Cash flows from investing activities				
	Cash was disbursed to:				
(28)	Purchase of property, plant, and equipment	(123)	(1,420)	0	(2,500)
(493)	Purchase of intangible assets	(213)	(1,410)	(700)	(330)
(521)	Net cash flows from investing activities	(336)	(2,830)	(700)	(2,830)
	Cash flows from financing activities				
	Cash was disbursed to:				
(2,105)	Payment of net surplus to Crown	(1,505)	0	(1,503)	0
(2,105)	Net cash flows from financing activities	(1,505)	0	(1,503)	0
(958)	Net increase/(decrease) in cash held	(1,699)	2,384	1,547	989
5,237	Add opening cash brought forward	4,279	5,016	4,279	3,982
4,279	Closing cash to carry forward	2,580	7,400	5,826	4,971

Explanations of major variances against the original 2015/16 budget are provided in Note 15.
The notes to the accounts form part of and are to be read in conjunction with these financial statements.

Statement of Commitments

As at 30 June 2016

2015		2016
Actual \$000		Actual \$000
	Non-cancellable operating lease commitments	
539	Less than one year	582
0	One to two years	716
0	Two to five years	2,122
0	Over five years	1,290
539	Total non-cancellable operating lease commitments	4,710

There are no capital commitments (2015: nil).

Note: The PCO has accommodation and car park leases with the Reserve Bank.

Reserve Bank office lease: This lease is for the rental of office space on floors 4, 12, and 13 in the Reserve Bank building. The lease has a make-good provision where the lessee can either surrender the fit-outs and alterations to the lessor or remove these and make good. This lease is non-cancellable. There are no escalation clauses on the office lease.

Reserve Bank car park lease: This lease is for the rental of car park spaces in the Reserve Bank building. This lease is cancellable on the anniversary date.

There are no contingent rents on the above leases; they are all fixed term. There are no restrictions imposed by the lease arrangements.

The Reserve Bank office lease for level 4 has an expiry date of 30 April 2020.

The Reserve Bank office lease for levels 12 and 13 has an expiry date of 8 May 2023.

The Reserve Bank car park lease has an expiry date of 14 April 2017 and is automatically renewed unless a notice to cancel is provided.

Statement of Contingent Assets and Liabilities

As at 30 June 2016

As at 30 June 2016, there are no contingent assets (2015: nil).

As at 30 June 2016, there are no contingent liabilities (2015: nil).

As at 30 June 2016, there are no guarantees or indemnities given under the Public Finance Act (PFA) 1989 in respect of the activities of the PCO (2015: nil).

The notes to the accounts form part of and are to be read in conjunction with these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2016

Note 1 Statement of Accounting Policies

Reporting entity

The PCO is a government department as defined by section 2 of the Public Finance Act 1989. For financial reporting purposes the PCO has defined itself as a Public Benefit Entity (PBE).

The financial statements of the PCO are for the year ended 30 June 2016, and were approved for issue by the Chief Parliamentary Counsel on 30 September 2016.

Basis of preparation

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

Statement of compliance

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

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards. The criteria for choosing to be a Tier 2 entity is the PCO's total expenditure being less than \$30 million per annum.

These financial statements comply with PBE accounting standards.

Presentation currency and rounding

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

Summary of significant accounting policies

Revenue

Revenue Crown

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

There are no conditions attached to the funding from the Crown; however, the PCO can incur expenses only within the scope and limits of its appropriations.

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

Capital charge

The capital charge is recognised as an expense in the financial year in which it is incurred.

Financial instruments

Revenue and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Revenue and Expense. Where the PCO enters into foreign currency forward contracts to hedge foreign currency transactions, any exposure to gains or losses on these contracts is generally offset by a related loss or gain on the item being hedged.

Leases

Operating leases

All the PCO's leases are operating leases. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

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

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

Cash and cash equivalents

The PCO is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

Debtors and other receivables

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

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

Property, plant, and equipment (PPE)

Property, plant, and equipment (PPE) consists of furniture, office equipment, and leasehold property improvements. The initial cost of PPE 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. PPE is measured at cost less accumulated depreciation and impairment losses.

Individual assets, or group assets, are capitalised if their cost is greater than \$2,000 excl. GST.

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

Work in progress is recognised at cost less impairment and is not depreciated. The total cost of this work is transferred to the relevant asset category on its completion.

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are 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 PCO and the cost of the item can be measured reliably.

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

Depreciation

Depreciation of property, plant, and equipment and amortisation of software costs begins when the asset is available for use. It is provided on a straight-line basis so as to allocate the cost of assets, less any estimated residual value, over their useful lives. These charges for each financial year are recognised in the surplus or deficit for that year.

The estimated economic useful lives and associated depreciation rates of property, plant, and equipment are:

• Computers	3 years	33.3%
• Furniture	3 to 10 years	33.3% to 10%
• Office equipment	3 to 10 years	33.3% to 10%
• Leasehold property improvements	6 years	16.67%

The cost of leasehold improvements is capitalised and amortised over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

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 unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

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 on an actuarial basis. 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.

Presentation of employee entitlements

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

Superannuation schemes

Defined contribution schemes

Obligations for contributions to the State Sector Retirement Savings Scheme, Kiwi Saver, 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.

Provisions

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

Provisions are measured at the present value of the expenditure and are discounted using market yields on government bonds at balance date with the terms to maturity that match, as closely as possible, the estimated timing of the future cash flows. The increase in the provision due to the passage of time is recognised as an interest expense and is included in “finance costs”.

Restructuring

A provision for restructuring is recognised when an approved detailed formal plan for the restructuring has either been announced publicly to those affected, or for which implementation has already commenced.

Taxpayers' funds

This is the Crown's net investment in the PCO. Taxpayers' funds are measured as the difference between total assets and total liabilities.

Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into as at balance date. Information on non-cancellable capital and lease commitments are reported in the statement of commitments.

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

Goods and services tax (GST)

The financial statements are exclusive of GST, except for creditors and payables and debtors and receivables which are GST inclusive. All other statements are GST exclusive. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The amount of GST owing to or from the Inland Revenue Department (IRD) at balance date, being the difference between output GST and input GST, is included in creditors and payables or debtors and receivables (as appropriate).

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Statement of cost accounting policies

The PCO has derived the costs of outputs using a cost allocation system outlined below. Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activities/usage information.

Criteria for direct and indirect costs

Direct costs are those costs directly attributed to an output.

Indirect costs are those costs that cannot be identified, in an economically feasible manner, with a specific output.

Direct costs assigned to outputs

Direct costs are charged directly to outputs. Depreciation and capital charge are charged on the basis of asset utilisation. Personnel costs are charged by actual time incurred. Property and other premises expenses, such as maintenance, are allocated on the basis of floor area occupied for the production of each output.

Basis for assigning indirect and corporate costs to outputs

Indirect costs are assigned to outputs based on a proportion of direct staff costs used for each output.

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are referred to below.

Critical accounting estimates and assumptions

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

Useful lives of software

The useful life of software is determined at the time the software is acquired and brought into use and is reviewed at each reporting date for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the PCO will receive benefits from the software, but not exceeding the licence term. For internally generated software developed by the PCO, the life is based on historical experience with similar systems as well as anticipation of future events which may impact their useful life, such as changes in technology.

Long service leave and retirement gratuities

An analysis of the exposure in relation to estimates and uncertainties surrounding long service leave and retirement gratuities liabilities is disclosed in Note 11.

Budget and forecast figures

The 2016 budget figures are for the year ended 30 June 2016 and were published in the 2014/15 annual report. They are consistent with the PCO's best estimate financial forecast information submitted to Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 30 June 2016.

The 2017 forecast figures are for the year ending 30 June 2017, which are consistent with the best estimate financial forecast information submitted to Treasury for the BEFU for the year ending 30 June 2017.

The forecast financial statements have been prepared as required by the Public Finance Act (PFA) to communicate forecast financial information for accountability purposes.

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

The 30 June 2017 forecast figures have been prepared in accordance with PBE FRS 42 Prospective Financial Statements and comply with PBE FRS 42.

The forecast financial statements were approved for issue by the Chief Parliamentary Counsel on 4 April 2016. The Chief Parliamentary Counsel is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

While the PCO regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2017 will not be published.

Significant assumptions used in preparing the forecast financials

The forecast financial figures contained in these financial statements reflect the PCO's purpose and activities and are based on a number of assumptions on what may occur during the 2016/17 year. The forecast figures have been compiled on the basis of existing Government policies and Ministerial expectations at the time the Main Estimates were finalised.

These assumptions were adopted as at 2 February 2016.

The main assumptions are as follows:

- PCO activities will remain substantially the same as for the previous year. Our primary objective is the drafting of Government Bills and publishing legislation.
- Personnel costs are based on 82 staff positions (76.5 full time equivalents).
- Operating costs are based on historical experience. The general historical pattern is expected to continue.
- Estimated year end information for 2015/16 is used as the opening position for the 2016/17 forecasts.

The actual financial results achieved for 30 June 2017 are likely to vary from the forecast information presented, and the variations may be material.

Note 2 Other revenue

2015		2016
Actual \$000		Actual \$000
371	Other departmental revenue	336
0	Other third party revenue	1
371	Total other revenue	337

Note 3 Personnel costs

2015		2016	Unaudited	
			2016	2017
Actual \$000		Actual \$000	Main Estimates \$000	Forecast \$000
8,907	Salaries and wages	9,397	9,254	9,372
(87)	Annual, retirement, long service, and sick leave	(74)	4	4
471	Employer contributions to defined contribution plans*	439	262	252
66	Restructuring costs	(49)	0	0
33	Other	27	265	247
9,390	Total personnel expenses	9,740	9,785	9,875

* Employer contributions to defined contribution plans include contributions to the State Sector Retirement Savings Scheme, KiwiSaver, and the Government Superannuation Fund.

Note 4 Operating expenses

2015		2016	Unaudited	
			2016	2017
Actual \$000		Actual \$000	Main Estimates \$000	Forecast \$000
347	Consultancy	994	290	941
36	Audit fees to auditors for audit of the financial statements	42	36	36
725	Operating lease rentals	724	717	725
127	Printing expenses	177	518	181
2,130	NZL system expenses	2,197	1,600	2,423
1,014	Computing expenses	920	1,068	1,055
0	Loss on sale of fixed assets	3	0	0
982	Other operating expenses	925	760	463
5,361	Total operating expenses	5,982	4,989	5,824

Note 5 Capital charge

The PCO pays a capital charge to the Crown on its average taxpayers' funds as at 30 June and 31 December each year. The capital charge for the year ended 30 June 2016 was \$1.207 million (2015: \$1.207 million) and the rate for the year ended 30 June 2016 was 8% (2015: 8%).

Note 6 Debtors and other receivables

2015		2016
Actual \$000		Actual \$000
9,115	Debtor Crown	12,119
19	Debtors and other receivables	6
9,134	Total debtors and other receivables	12,125

The PCO had not been reimbursed for these payments at balance date. The amounts outstanding are current (less than 30 days), and no provision for impairment has been recognised (2015: nil). Other than Debtor Crown all receivables result from exchange transactions.

Note 7 Property, plant, and equipment

	Furniture \$000	Computers \$000	Office equipment \$000	Leasehold property improvements \$000	Work in progress \$000	Total \$000
Cost or valuation						
Balance at 1 July 2014	412	2,269	227	1,576	0	4,484
Balance at 30 June 2015	412	2,271	236	1,584	0	4,503
Balance at 1 July 2015	412	2,271	236	1,584	0	4,503
Additions	0	0	0	0	123	123
Disposals	0	0	(5)	(6)	0	(11)
Impairment losses	0	0	0	0	0	0
Balance at 30 June 2016	412	2,271	231	1,578	123	4,615
Accumulated depreciation and impairment losses						
Balance at 1 July 2014	(411)	(2,228)	(195)	(1,525)	0	(4,359)
Balance at 30 June 2015	(411)	(2,255)	(212)	(1,552)	0	(4,430)
Balance at 1 July 2015	(411)	(2,255)	(212)	(1,552)	0	(4,430)
Depreciation expense	(1)	(12)	(15)	(15)	0	(43)
Reversal of accumulated depreciation on disposal	0	0	3	5	0	8
Impairment losses	0	0	0	0	0	0
Balance at 30 June 2016	(412)	(2,267)	(224)	(1,562)	0	(4,465)
Carrying amounts						
At 30 June 2014	1	41	32	51	0	125
At 30 June 2015	1	16	24	32	0	73
At 30 June 2016	0	4	7	16	123	150

Assets held for sale and impairment

The PCO 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.

Note 8 Intangible assets

	Acquired intangibles \$000	Work in progress \$000	Total \$000
Cost or valuation			
Balance at 1 July 2014	23,307	618	23,925
Balance at 30 June 2015	24,371	47	24,418
Balance at 1 July 2015	24,371	47	24,418
Additions	0	213	213
Disposals	0	0	0
Write off	0	0	0
Balance at 30 June 2016	24,371	260	24,631
Accumulated amortisation and impairment losses			
Balance at 1 July 2014	(17,644)	0	(17,644)
Balance at 30 June 2015	(19,725)	0	(19,725)
Balance at 1 July 2015	(19,725)	0	(19,725)
Amortisation expense	(1,853)	0	(1,853)
Balance at 30 June 2016	(21,578)	0	(21,578)
Carrying amounts			
At 30 June 2014	5,663	618	6,281
At 30 June 2015	4,646	47	4,693
At 30 June 2016	2,793	260	3,053

Intangible assets—the NZL system

The NZL system is the PCO's integrated drafting and publishing system for New Zealand legislation.

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

Note 9 Creditors and other payables

2015		2016	Unaudited	
			2016	2017
Actual \$000		Actual \$000	Main Estimates \$000	Forecast \$000
140	Creditors	1	505	488
762	Accrued expenses	374	350	350
427	GST payable (receivable)	313	250	427
1,329	Total creditors and other payables	688	1,105	1,265

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms; therefore the carrying values of creditors and other payables approximate their fair value. With the exception of GST payable, all creditors result from exchange transactions.

Note 10 Return of operating surplus

2015		2016
Actual \$000		Actual \$000
1,505	Net surplus	2,035
1,505	Total repayment of surplus	2,035

The return of operating surplus to the Crown is required to be paid by 31 October 2016. With the exception of the provision for payment of the net surplus to the Crown, the PCO does not hold any non-employee related provisions.

Note 11 Employee entitlements

2015		2016	2016	2017
Actual \$000		Actual \$000	Main Estimates \$000	Forecast \$000
	Current liabilities			
142	Retirement and long service leave	61	280	208
396	Annual leave	401	450	396
8	Sick leave	11	15	8
546	Total current portion	473	745	612
	Non-current liabilities			
43	Retirement leave	56	50	43
43	Total non-current portion	56	50	43
589	Total employee entitlements	529	795	655

Employee benefits

The PCO has employees who are members of the Government Superannuation Fund. This is a fully funded government scheme and, as a result, no liability is recognised.

Treasury guidance was used to estimate the value of long service leave, retirement leave, and sick leave as at 30 June 2016. The major long-term economic assumptions adopted in the valuation process for long service and retirement leave were:

- Salary increase rate: 2.00%–3.00% (2015: 1.40%–2.10%)
- Discount rate: 1.95%–3.13% (2015: 2.93%–4.39%).

Sick leave was calculated in accordance to the Treasury guidance and assumes that sick leave is a short-term compensated absence, as defined in PBE IPSAS 25.

Note 12 Related party information**Significant transactions with government-related entities**

The PCO is a wholly-owned entity of the Crown.

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

The PCO has received management accounting, ICT support, and payroll administration services from Parliamentary Service as part of a Service Level Agreement, for the year ended 30 June 2016.

Key management personnel

2015		2016
Actual \$000		Actual \$000
1,029	Remuneration	1,048
4	Full-time equivalent staff	4

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

Remuneration includes salaries and other employee benefits. Key management personnel include the Chief Parliamentary Counsel and three other members of the Senior Management Team.

The above key management personnel disclosure excludes the Minister. The Minister's remuneration and other benefits are not received only for his role as a member of key management personnel of the PCO. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Members of Parliament (Remuneration and Services) Act 2013 and are paid under Permanent Legislative Authority, and not paid by the PCO.

Apart from those transactions described above, the PCO has not entered into any related party transactions and there are no conflicts of interest recorded. The PCO has a policy on conflicts of interest and in each Senior Management Team meeting any conflicts of interest are recorded.

Note 13 Events after balance date

The PCO does not have any post balance date events for 2015/16 (2014/15: nil).

Note 14 Financial instruments

The carrying amount of financial assets and liabilities in each financial instrument category are as follows:

2015		2016
Actual \$000		Actual \$000
	Financial assets measured at amortised costs	
	Loans and receivables	
4,279	Bank balances	2,580
9,115	Debtor—Crown	12,119
13,394	Total loans and receivables	14,699
	Financial liabilities measured at amortised costs	
140	Creditors	1

Note 15 Major budget variances—actuals against main estimates

Statement of Comprehensive Revenue and Expense

A net surplus of \$2.035 million as at 30 June 2016 (2015: \$1.505 million) was recorded. This was owing to a number of factors.

Significant factors are stated below.

Other Revenue was \$0.257 million higher than budgeted as the PCO had not budgeted for the reimbursement of costs from the New Zealand Aid Programme, managed by the Ministry of Foreign Affairs and Trade. The agreement at that time was due to expire on 31 March 2015. This agreement was subsequently extended to 30 June 2016 resulting in increased revenue in the 2015/16 year.

Operating expenses were \$0.993 million higher than budgeted mainly due to a significant increase in consultants and contractors costs. External contractors and consultants were engaged on the stewardship of the statute book and access to subordinate instruments projects. External consultants also supported the Information Systems (IS) team with enterprise architecture services throughout the year as there were a number of vacant IS positions, and there were higher than anticipated costs associated with the PCO's office refurbishment project.

The other significant costs that were higher than budgeted related to an increase in external hosting costs for the NZL system.

Depreciation and amortisation expenses were \$0.762 million lower than budgeted due to a reduction in the work programme for the NZL system. Computer assets were not replaced as originally expected, and there was a delay in undertaking a significant refurbishment of the PCO's premises.

Appropriation Statements

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by the PCO for the year ended 30 June 2016.

Statement of Actual Expenses and Capital Expenditure Against Appropriations

For the year ended 30 June 2016

2015		2016	Unaudited 2016	
Actual \$000		Actual \$000	Approved Appropriation \$000	Location of end-of-year Performance Information
	VOTE: PARLIAMENTARY COUNSEL			
	<i>Departmental Output Expenses</i>			
	Drafting and Access to Legislation—Multi Category Appropriation (MCA):			
10,210	Law Drafting Services	16,136	10,674	*
7,911	Access to Legislation	2,691	9,931	*
18,121	Total MCA for output expenses	18,827	20,605	
	<i>Departmental capital expenditure</i>			
521	Parliamentary Counsel Office—Capital Permanent Legislative Authority	336	2,830	*
521	Total capital appropriations	336	2,830	

* End-of-year performance information is located in this Annual Report.

Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or Other Authority

For the year ended 30 June 2016

There were no expenses or capital expenditure incurred in excess of appropriation, without appropriation or outside the scope or period of appropriation (2015: nil).

Statement of Departmental Capital Injections Without, or in Excess of, Authority

For the year ended 30 June 2016

There were no capital injections during the year without, or in excess of, authority (2015: nil).

Statement of Performance

For the year ended 30 June 2016

The PCO agreed to provide outputs in 2015/16 to meet the requirements of the Attorney-General in terms of their nature, outcome emphasis, quality and quantity specifications, and cost.

Category—Law Drafting Services

Description

Under this category, the PCO delivered a service that provides for:

- drafting of legislation
- examining and reporting on local Bills and private Bills and drafting amendments to them
- providing advice on the drafting of legislation and on disallowable instruments that are not drafted by the PCO
- providing legislative drafting assistance to Pacific Island nations
- undertaking three-yearly programmes of statute law revision
- administering the Legislation Act 2012 and any other legislation the PCO is responsible for.

Objective

This category is intended to provide high quality legislative drafting services and advice in a professional, impartial, and responsive manner in delivering the Government's legislation programme.

Quantity

This category is demand driven. It is accordingly difficult to estimate accurately the number of Government Bills and Legislative Instruments that will be drafted in any year, or the extent of the amendments required to Bills before the House.

Measure	For the calendar year			
	2015		2014	2013
	Standard	Actual	Actual	Actual
all Bills on the annual legislative programme in categories 1 and 2 (both of which are Bills that must be passed in the current year) are drafted	100%	100%	100%	100%
number of Government Bills drafted, and amendments to same number drafted during their passage through the House ¹	50–70	65	33 ²	62
number of Legislative Instruments drafted ¹	300–400	323	402	499

¹ The variance between the standard and the actual figures is due to the demand-driven nature of the outputs.

² 2014 was a general election year with the 50th Parliament sitting for the last time on 31 July and the State opening of the 51st Parliament taking place on 21 October 2014; 2014 was therefore a very truncated sitting year.

Quality

The quality standards for the Attorney-General are that:

- Bills and Legislative Instruments are legally effective, clear, consistent with other legislation, the general law, and international law
- Bills and Legislative Instruments are consistent with the policy they implement, legal principle, the New Zealand Bill of Rights Act 1990, and the Human Rights Act 1993
- advice given on matters relating to the provision of legislative drafting services, including advice on legislative drafting, parliamentary procedure, executive government process, and the law, is sound, practical, and clear
- in regard to the three-yearly revision programme, all certified revision Bills and their accompanying certificates have been provided to the Attorney-General in accordance with section 33 of the Legislation Act 2012.

The quality standards for instructing departments and agencies are that:

- the legislation produced is drafted as clearly and simply as possible
- the legislation produced is legally effective
- the instructing agency is satisfied with the final product
- advice on legislative drafting matters is provided in a professional, impartial, and responsive manner
- in regard to the three-yearly revision programme, the legislation produced is drafted as clearly and simply as possible and the legislation produced is legally effective.

The quality standard for select committees is that:

- advice given on matters relating to the provision of legislative drafting services, including explaining the changes made by the revision tracked version of a Bill, is objective, accurate, and sufficient.

The quality standard for Pacific Island instructors is that:

- advice given on matters relating to the provision of legislative drafting services is objective, accurate, and sufficient.

The quality standards for peer reviewing are that:

- Bills drafted by the PCO are reviewed for their legal effectiveness, workability, compliance, structure, and readability. These Bills are reviewed once prior to introduction and a second review takes place before committee stages
- Legislative Instruments drafted by the PCO are reviewed once before being submitted to Cabinet for their legal effectiveness, workability, compliance, structure, and readability.

The quality standards for proofreading legislation are that:

- Bills drafted by the PCO are read in full at least twice by Legislation Services to detect errors before introduction
- before Legislative Instruments drafted by the PCO are made, they are read in full at least once by Legislation Services to detect errors.

	For the year ended 30 June		
	2016	2015	2014
Measure	Actual	Actual	Actual
whether the Attorney-General is satisfied that the quality standards have been achieved	the A-G was satisfied	the A-G was satisfied	the A-G was satisfied
the proportion of instructing departments and agencies we survey that rate the quality standard as four or better on a scale of one to five (target: 90%)	97% satisfaction 68% response rate ¹	97% satisfaction 58% response rate	98% satisfaction 51% response rate
whether select committees are satisfied that the quality standard has been achieved, as determined by survey responses from relevant select committees	select committees were satisfied ²	select committees were satisfied	select committees were satisfied
whether Pacific Island instructors are satisfied that the quality standard has been achieved, as determined by survey responses from relevant Pacific Island instructors	Pacific Island instructors were satisfied	Pacific Island instructors were satisfied	Pacific Island instructors were satisfied

	For the year ended 30 June		
	2016	2015	2014
Measure	Actual	Actual	Actual
whether Bills drafted by PCO are reviewed once prior to introduction and again before committee stages for their legal effectiveness, workability, compliance, structure, and readability (target: 80%) ³	98% ⁴	91% ⁴	83%
whether Legislative Instruments drafted by PCO are reviewed once before being submitted to Cabinet for their legal effectiveness, workability, compliance, structure, and readability (target: 80%) ³	99%	98%	95%
whether Bills drafted by the PCO are read in full at least twice by Legislation Services to detect errors before introduction (target: 97%) ⁵	100% ⁶	83% ⁷	78%
whether secondary legislation drafted by the PCO is read in full at least once by Legislation Services to detect errors before it is made (target: 97%)	100%	100%	100%

¹ The statute revision quality standard is not applicable for the 2015/16 year as the only revision Bill drafted and introduced is yet to be passed.

² For 2015/16, responses were received from the Justice and Electoral, Government Administration, Law and Order, and Finance and Expenditure Committees.

³ The performance measures and standards for peer reviewing exclude Bills drafted by the Pacific Island desk, local, private, and Members' Bills, and Bills introduced and passed through all stages under urgency that are not referred to select committees, eg Appropriation and Imprest Supply Bills.

There are also some instances when peer review of Legislative Instruments is not required. These include:

- single date commencement orders (if not revoking a commencement order and replacing it with a new commencement order)
- levies and fees if the change relates to figures only
- Ministerial notices that are pro forma (no choice regarding wording)
- class notices.

⁴ From 2014/15, the peer review quality standards for Bills were adjusted from two reviews before introduction to one review prior to introduction and a second review before committee stages. This change is intended to improve the quality of draft legislation as reviews will take place at two different stages in the legislative process.

⁵ The performance measures and standards for proofreading exclude Bills drafted by the Pacific Island desk and all Appropriation and Imprest Supply Bills (these are proofread in full only once before introduction as they comprise a standard template format and the contents of that template are thoroughly checked before introduction).

⁶ During the 2015/16 year, the application of the proofreading quality standard for Bills was reviewed. It was recognised that Legislation Services undertaking two separate full reads of a Bill at the same time is sufficient to meet the quality standard. A change was made to require these reads to occur closer to introduction of the Bill. This change ensures the Bill is fully developed when these full reads take place.

⁷ In 2014/15, two Bills that did not meet the standard were Imprest Supply Bills that were proofread in full only once before introduction as they comprised a standard template format and the contents of that template were thoroughly checked before introduction. The quality standard for this measure was subsequently amended for the 2015/16 year to exclude all Appropriation and Imprest Supply Bills.

Timeliness

The timeliness standards for the Attorney-General are that:

- Bills, Legislative Instruments, and SOPs are drafted in accordance with time frames set by, or agreed with, the Government, select committees, instructing departments and agencies
- legislation, as outlined in the agreed three-yearly revision programme, is drafted within agreed time frames.

The timeliness standard for instructing departments and agencies is that:

- drafts of legislation, including legislation as outlined in the agreed three-yearly revision programme, are produced within agreed time frames.

The timeliness standard for select committees is that:

- revision tracked documents are provided for the select committee in accordance with deadlines set by or negotiated with the committee.

The timeliness standard for Pacific Island instructors is that:

- legislation is provided to Pacific Island instructors in accordance with agreed deadlines.

	For the year ended 30 June		
	2016	2015	2014
Measure	Actual	Actual	Actual
whether the Attorney-General is satisfied that the timeliness standards have been achieved	the A-G was satisfied	the A-G was satisfied	the A-G was satisfied
the proportion of instructing departments and agencies we survey that rate the timeliness standard as four or better on a scale of one to five (target: 90%)	98% satisfaction 68% response rate	99% satisfaction 58% response rate	96% satisfaction 51% response rate
whether select committees are satisfied that the timeliness standard has been achieved, as determined by survey responses from relevant select committees	select committees were satisfied ¹	select committees were satisfied	select committees were satisfied
whether Pacific Island instructors are satisfied that the timeliness standard has been achieved, as determined by survey responses from relevant Pacific Island instructors	Pacific Island instructors were satisfied	Pacific Island instructors were satisfied	Pacific Island instructors were satisfied

¹ For 2015/16, responses were received from the Justice and Electoral, Government Administration, Law and Order, and Finance and Expenditure Committees.

Financial performance	Actual	Approved appropriation (2015/16 Supplementary Estimates)
(Figures are \$000s and GST exclusive)	2016	2016
Total expenditure	16,136	17,801

Category—Access to Legislation

Description

Under this category, the PCO delivered a service that provides for:

- providing free public access to legislation and disclosure statements via the internet
- supplying Government Bills and Supplementary Order Papers
- publishing and distributing legislation
- reprinting legislation with the amendments incorporated
- ensuring that the drafting system is available to the Office of the Clerk and Inland Revenue Department drafting staff.

Objective

This category is intended to achieve that New Zealand Bills, Acts, and Legislative Instruments are readily accessible to the public in a timely manner and in an accurate and authoritative form.

Quantity

This category is substantially demand driven. It is accordingly difficult to estimate accurately the number of Bills, SOPs, Acts, and Legislative Instruments that will be published in any year, or the number of printed copies of Bills and SOPs that will be provided to the House.

Measure	For the calendar year			
	2015		2014	2013
	Standard	Actual	Actual	Actual
number of Government Bills supplied to the House and published ¹	50–70	65	33	62
number of SOPs supplied to the House and published ¹	70–100	48	46	90
number of Acts of Parliament published ¹	80–120	122	78	153
number of Legislative Instruments published ¹	300–400	323	402	499

¹ The variance between the standard and actual figures is due to the demand-driven nature of the outputs.

Measure	For the year ended 30 June			
	2016		2015	2014
	Standard	Actual	Actual	Actual
free public access to the NZL website is available	99%	99%	99%	99%
availability of the drafting system for PCO, Office of the Clerk, and Inland Revenue Department drafting staff	92%	99%	99%	99%

Quality

The quality standards for the Attorney-General are that:

- the electronic database of Acts (both as enacted and with their amendments incorporated), Legislative Instruments (both as made and with their amendments incorporated), Bills, and SOPs is up to date
- Bills, SOPs, Acts of Parliament, and Legislative Instruments are published to the standard required by Parliament.

Measure	For the year ended 30 June		
	2016	2015	2014
	Actual	Actual	Actual
whether the Attorney-General is satisfied that the quality standards have been achieved	the A-G was satisfied	the A-G was satisfied	the A-G was satisfied

Timeliness

Measure	For the year ended 30 June			
	2016		2015	2014
	Standard	Actual	Actual	Actual
the time taken to make legislation (including Bills and SOPs) available on the NZL website (100% target)	all new Government Bills: within 1 working day after introduction	met	met	met
	all subsequent versions of Bills: within 1 working day after the printed version is made available to the House	met	met	met
	all SOPs: within 1 working day after they have been circulated to Members of Parliament	met	not met ¹	not met ²

Measure	For the year ended 30 June			
	2016		2015	2014
	Standard	Actual	Actual	Actual
	all Legislative Instruments: within 1 working day after they are notified in the <i>New Zealand Gazette</i>	met	met	met
	Acts: within 5 working days of assent	met	met	not met ³
the time taken to publish and provide legislation for sale (100% target)	all Government Bills and SOPs: within 5 working days of introduction or release	met	met	met
	all Legislative Instruments: within 5 working days of being made	met	met	met
	all Acts: within 10 working days of assent	met	met	met
amendments are incorporated within 15 working days of the date of effect of the amendment	100%	99% ⁴	99% ⁵	70% ⁶
the time taken to respond to public enquiries	90% within 1 working day of receipt	99%	98%	97%
	100% within 5 working days of receipt	100%	100%	100%

¹ In 2014/15, one of 37 SOPs was not published on the NZL website within 1 working day.

² In 2013/14, 99.5% of SOPs were published on the NZL website within 1 working day. One SOP was published later than the standard due to a process error, which has since been rectified.

³ In 2013/14, 99% of Acts were published on the NZL website within 5 working days. Two Acts were published later than the standard due to a process error, which has since been rectified.

⁴ The 24 February 2016 amendment of the Income Tax Act 2007 by the Taxation (Annual Rates for 2015/16, Research and Development, and Remedial Matters) Act 2016 was delayed due to the number and complexity of the amendments.

⁵ In 2014/15, the 1 July 2014 compilation of the Income Tax Act 2007 was completed later than the 15 working days, due to a large compilation on 30 June 2014 for the same Act.

⁶ In 2013/14, the standard was not achieved due to a large number of compilations that commenced on specific dates (742 on 1 July 2013 and 160 on 5 August 2013).

Financial performance	Actual	Approved appropriation (2015/16 Supplementary Estimates)
(Figures are \$000s and GST exclusive)	2016	2016
Total expenditure	2,691	3,000



Independent Auditor's Report

To the readers of Parliamentary Counsel Office's annual report for the year ended 30 June 2016

The Auditor-General is the auditor of Parliamentary Counsel Office (the PCO). The Auditor-General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf of:

- the financial statements of the PCO on pages 29 to 48, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the PCO for the year ended 30 June 2016 on pages 7 to 15, 17 to 21 and 50 to 57; and
- the statements of expenses and capital expenditure of the PCO for the year ended 30 June 2016 on page 49.

Opinion

In our opinion:

- the financial statements of the PCO:
 - present fairly, in all material respects:
 - ~ its financial position as at 30 June 2016; and
 - ~ its financial performance and cash flows for the year ended on that date;
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards with reduced disclosure requirements.
- the performance information of the PCO:
 - presents fairly, in all material respects, for the year ended 30 June 2016:
 - ~ what has been achieved with the appropriation; and
 - ~ the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
 - complies with generally accepted accounting practice in New Zealand.
- the statement of expenses and capital expenditure of the PCO on page 49 is presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

Our audit was completed on 30 September 2016. This is the date at which our opinion is expressed.

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

Basis of opinion

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

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the information we audited. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the PCO's preparation of the information we audited in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PCO's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Chief Parliamentary Counsel;
- the appropriateness of the reported performance information within the PCO's framework for reporting performance;
- the adequacy of the disclosures in the information we audited; and
- the overall presentation of the information we audited.

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

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

Responsibilities of the Chief Parliamentary Counsel

The Chief Parliamentary Counsel is responsible for preparing:

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

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

The Chief Parliamentary Counsel is responsible for such internal control as is determined is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Chief Parliamentary Counsel is also responsible for the publication of the annual report, whether in printed or electronic form.

Responsibilities of the Auditor

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

Independence

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

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



Karen Young
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

APPENDICES

Legislative Framework

The PCO is constituted as a separate statutory office by the Legislation Act 2012 (the 2012 Act). The PCO is under the control of the Attorney-General or, if there is no Attorney-General, the Prime Minister.

Under the 2012 Act, the functions of the PCO are to:

- draft Government Bills and Legislative Instruments
- publish Bills, Acts, Legislative Instruments, and reprints of legislation in electronic and printed forms
- prepare reprints of Acts and Legislative Instruments
- prepare Bills to revise Acts in accordance with the current revision programme
- advise departments and agencies on the drafting of disallowable instruments that are not drafted by the PCO
- examine local and private Bills, and Members' Bills that the Attorney-General directs to be examined
- advise on and assist with the drafting of all local and private Bills, and draft Members' Bills on the Attorney-General's direction.

The Legislation Amendment Bill has been introduced but is yet to have its first reading.

The policy objectives of this Bill are to:

- improve the accessibility of the law by re-enacting the Interpretation Act 1999 in the Legislation Act 2012, so the main provisions of New Zealand legislation that are concerned with parliamentary enactments can be found in one statute
- improve the interpretation rules from the Interpretation Act 1999 for the courts and the public by addressing (through some small fine-tuning amendments) a few technical issues identified since 1999
- further encourage the production of good legislation by increasing the availability of information about the development and content of new Government-initiated legislation in order to inform the parliamentary and public scrutiny of that legislation
- clarify and update the Legislation Act 2012 by making some small related and other amendments; in particular, to take into account the publication of disclosure statements and the legal status of official electronic versions of legislation available online free of charge.

From time to time, the PCO also drafts certain other instruments such as Orders in Council establishing commissions of inquiry, instruments made under the Royal prerogative, and other official documents.

The Inland Revenue Department is responsible for drafting certain Bills that will become Acts administered by that department (see Inland Revenue Department (Drafting) Order 1995).

The PCO is not part of the core Public Service under the State Sector Act 1988, and thus is not under the direct control of the State Services Commissioner. However, the PCO is subject to certain provisions of the State Sector Act 1988, including those that relate to setting and enforcing minimum standards of integrity and conduct.

Governance Arrangements and Structure in the PCO

The Chief Parliamentary Counsel is appointed under the Legislation Act 2012 by the Governor-General on the recommendation of the Prime Minister. All other staff are employed by the Chief Parliamentary Counsel.

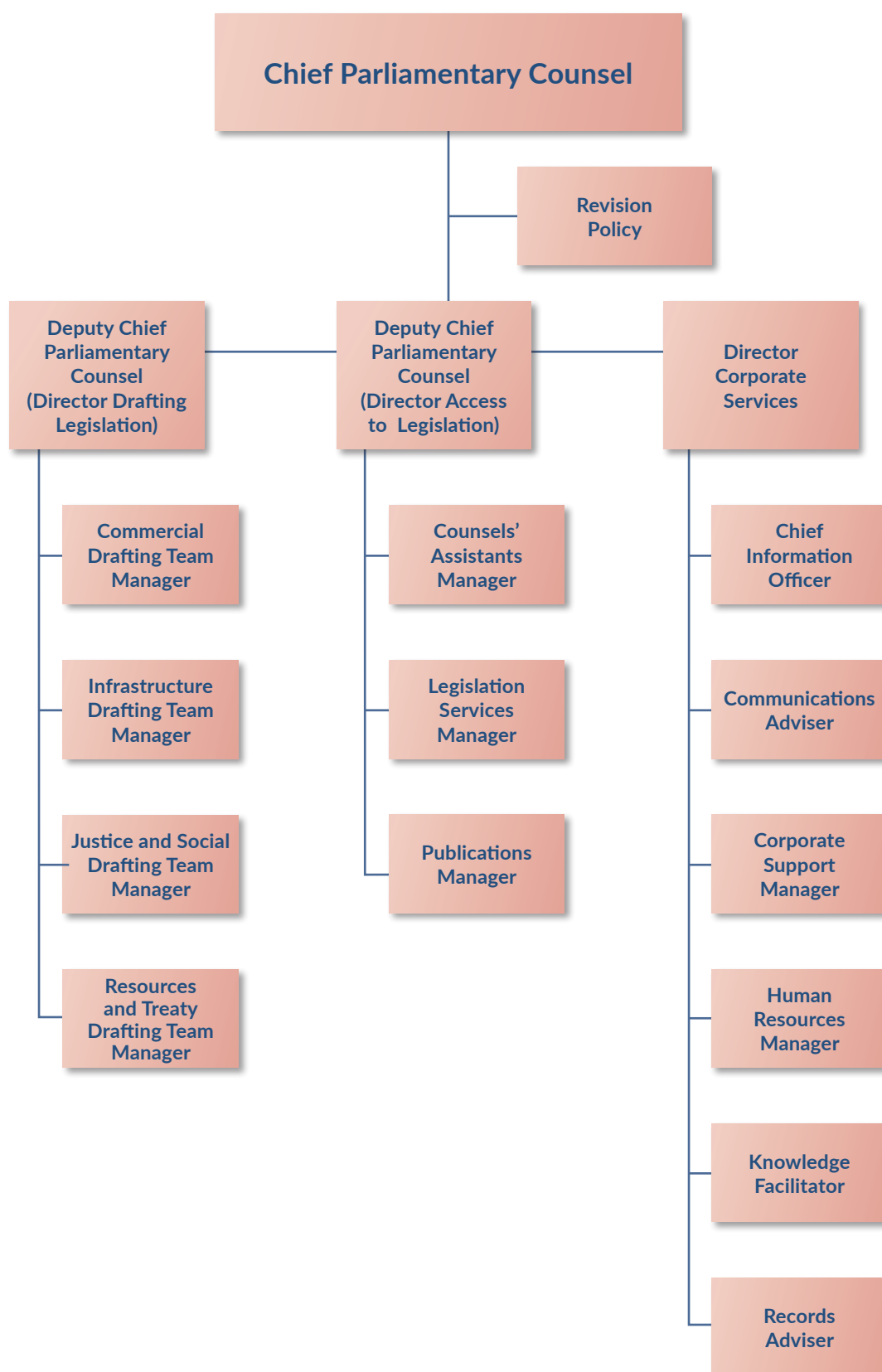
The Minister responsible for the PCO is the Attorney-General. Under the Output Plan agreed each year by the Attorney-General and the Chief Parliamentary Counsel, the PCO is required to report six-monthly to the Attorney-General. The Chief Parliamentary Counsel is responsible to the Attorney-General for the operations and management of the PCO.

The organisational structure of the PCO is shown opposite.

The PCO has key relationships with a number of other organisations. In particular, the PCO:

- receives a range of services from the Parliamentary Service, including accounting and financial reporting services, payroll, and the parliamentary core computing network. Service level agreements are in place to manage the provision of these services
- works closely with the Office of the Clerk of the House of Representatives and has developed a Memorandum of Understanding with that office for the processing, printing, supply, and publication of legislation
- provides access to the NZL system for the drafting unit in the Inland Revenue Department, which is responsible under current arrangements for the drafting of tax legislation. The PCO has developed a Memorandum of Understanding with that department for the processing, printing, supply, and publication of legislation
- works closely with the Legislation Coordinator in the Cabinet Office, whose role is to provide support to the Government of the day in developing, monitoring, and modifying the legislation programme, and with the Secretary of the Cabinet Legislation Committee
- has extensive working relationships with all central government departments and agencies in terms of taking instructions from them for the drafting of new and amending legislation and providing links and electronic “feeds” from the legislation website
- works closely with the offices of the Leader of the House and Deputy Leader of the House in assisting with the progress of Government legislation through the House of Representatives
- fulfils its obligation to publish hard-copy New Zealand legislation through a contract with Printlink for the printing, distribution, and sale of printed legislation
- is audited by the Auditor-General. The Auditor-General has appointed Audit New Zealand to perform the audit of the PCO on her behalf
- manages a number of contracts with suppliers under the all-of-Government contracts relating to syndicated procurement of infrastructure-as-a-service.

Organisational structure



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