

DEPARTMENT
of the PRIME MINISTER
and CABINET

Annual Report

for the year ended 30 June 2005

*Presented to the House of Representatives pursuant to the
State Sector Act 1988 and the Public Finance Act 1989*

ISSN 1173-4590



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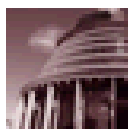
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The Department's Role



The Department of the Prime Minister and Cabinet (DPMC) was established in January 1990 to provide impartial high-quality advice

and support to the Executive (the Prime Minister, the Governor-General, and the Cabinet).

The services provided by DPMC are tailored to the various roles performed by the Prime Minister and the Governor-General in the New Zealand system of democratic parliamentary government.

Supporting the Prime Minister and Cabinet

DPMC supports the Prime Minister's twin roles as leader of the government and chair of Cabinet, and has explicit responsibility for promoting co-ordination across the public service. DPMC provides three kinds of direct support to the Prime Minister.

The first of these is support for dealing with issues that are the direct responsibility of the Prime Minister. This includes advice on constitutional matters, such as those associated with the formation of a government, and support over leadership and management of the Cabinet system.

The second is policy advice provided across the range of issues that arise in the conduct of government business. As the political head of the government, the Prime Minister requires a comprehensive overview of emerging policy issues and ongoing government activity, as well as access to information on any and all issues that arise. DPMC cannot provide this overview and information on its own; it must work with other government agencies and external entities to provide information and advice. The need for comprehensive understanding of issues and well-founded advice requires DPMC to ensure that support for the government can come together swiftly and seamlessly across the entire public service.

Thirdly, DPMC provides administrative support to the Prime Minister. This includes preparing replies to Parliamentary questions, and dealing with Official Information Act requests and other

correspondence. In many cases, these support services are provided in collaboration with other departments and agencies, and the Prime Minister's Office. (The Prime Minister's Office, which also advises the Prime Minister, is a separate entity that provides a range of administrative and logistical services, media and political advice, and coalition management.)

Supporting the Governor-General

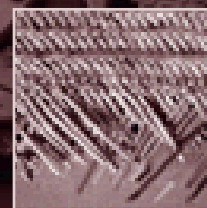
DPMC also supports the Governor-General in carrying out her functions.

New Zealand is a constitutional monarchy. This means that the Queen is New Zealand's head of state; but her powers and those of her representative, the Governor-General, are exercised generally only on the advice of ministers and the government. The Governor-General undertakes a range of significant constitutional, ceremonial, and community roles and responsibilities.

Bringing the system together

A great deal of DPMC's activities focus on facilitating government decision making at a strategic and operational level. A major role is to align and co-ordinate the work of the core public service departments and ministries, so that decision making takes account of all relevant viewpoints and is as coherent and complete as possible.

improving the way organisations work together



Chief Executive's Overview

This report covers a busy year in which there has been the usual range of policy and administrative challenges confronting DPMC. The work of the Foreshore and Seabed Group was concluded early in 2005, following the passage of the Foreshore and Seabed Act by the House of Representatives in November 2004. The Group, which was led by DPMC but drew on staff from a number of agencies, made a strong contribution over more than a year to the eventual legislative outcome to this issue.

Problems arising from the NCEA scholarship examination in 2004 resulted in DPMC contributing to a substantial review of the education sector, together with the other central agencies. The review covered aspects of the work of the Tertiary Education Commission, the New Zealand Qualifications Authority, and the Ministry of Education. It was released in June 2005.

Other matters handled by DPMC during the year included the successful completion of the redevelopment project at Government House Auckland, as well as leadership of the cross-government processes that dealt with the foot and mouth disease hoax in May. The department also played a co-ordination role in New Zealand's response to the Indian Ocean tsunami crisis.

Activities like these show DPMC's important "troubleshooting" role – where it needs to react to an event and then speedily co-ordinate a whole-of-government approach for dealing with it.

On the management front, the past year has seen a range of efforts to consolidate and replenish the resources the department has at its disposal – particularly the human resources that are critical to its mission. With the support of the senior management team, steps have been taken to assess and improve internal support and management mechanisms, including the information technology infrastructure and the risk management framework. We have also reviewed aspects of our capability, as well as some of our recruitment practices and

internal communications. In particular our review focused on the quality and diversity of the people that we are able to attract and retain, and on the support mechanisms available to deliver our outcomes.

In March, we undertook a climate survey to assess staff perceptions of their employment with the department. This was the first such survey for many years, and will be repeated next year (2006). The survey revealed strong levels of satisfaction with the work environment at DPMC, and a high level of staff commitment.

The purpose of this range of management initiatives is to build, over time, an even-stronger platform for the effective operation of the department in support of the Prime Minister and the Governor-General.

Together with Treasury and the State Services Commission, DPMC undertook an initiative to improve collaborative practices amongst the central agencies, including support for whole-of-government objectives. We also worked in support of the State Services Commissioner as he developed and promulgated his new development goals for the state services. The chief executives of the three central agencies have, for the first time, committed themselves to the achievement of a shared departmental outcome, and to improving the way their organisations work together in support of broad government goals.

Last year's annual report recorded that there had been a number of senior management changes in the department. This year, new blood has again been brought into DPMC – both at the management level and more widely throughout the organisation. It is gratifying that the department continues to attract high-quality applicants from diverse backgrounds, for the roles it advertises. We shall continue to give priority to recruiting talented, energetic and committed staff who have a strong wish to contribute at the centre of the government system.

In November 2004 Andrew Kibblewhite was appointed to the key role of Director of the Policy Advisory Group, in succession to Mary Anne Thompson; and in September last year Tia Barrett assumed the role of Official Secretary to Her Excellency the Governor-General Dame Silvia Cartwright. David Baguley was appointed as Director of the Honours Secretariat in the Cabinet Office in November, following the retirement of Phillip O'Shea. Phillip remains the New Zealand Herald of Arms

Extraordinary to the Queen, a position he has held continuously for nearly thirty years. He was made a Companion of the New Zealand Order of Merit in the 2005 Queen's Birthday Honours List, in recognition of his services in developing the New Zealand honours system.

Their Excellencies Dame Silvia Cartwright and Peter Cartwright completed another busy year of engagements supported by staff at Government House. Royal visitors to the House included HRH the Prince of Wales. Other visitors included the President of Pakistan, the Chairman of the Presidency of Bosnia and Herzegovina, the President of Indonesia, and the Governor-General of the Solomon Islands.

The Governor-General travelled extensively throughout New Zealand in the past year. She also undertook state visits to Malaysia, Oman, Hungary, the Czech Republic, Chile, and Singapore in order to develop closer relations with these countries. In addition, she attended a special 25th anniversary session of the Committee on the Elimination of Discrimination Against Women at the United Nations in New York. The Governor-General also represented New Zealand at the funeral of His Holiness the Pope in Rome, at the celebrations for the marriage of HRH the Prince of Wales and the Duchess of Cornwall in London, and at the Moscow commemorations of the 60th Anniversary of Victory in Europe Day.

This report covers my first full year as Chief Executive. I should like to thank the staff of the department for the professionalism they have shown over the last twelve months, both in executing their individual responsibilities and in supporting me. The commitment and enthusiasm I see from staff, every day and in every aspect of DPMC's diverse responsibilities, is heartening. It gives me confidence that we are maintaining the strong traditions of this key central department – and also that we are able to continue to improve the services we provide to the Prime Minister and the Governor-General.



Maarten Wevers, CNZM
Chief Executive

Outcomes

DPMC's overall outcome is:

Good government with effective public service support.

This high-level outcome is what DPMC seeks to achieve in collaboration with many other parts of the government system, including ministers and the public service as a whole. Along with the two other central agencies – Treasury and the State Services Commission – DPMC is responsible for providing the leadership that enables the public service to carry out the business of government efficiently, effectively and collectively. DPMC's particular responsibility is to bring together whatever people, agencies and information are necessary for the operation of Cabinet's collective decision making. DPMC works at the point of intersection where separate ministers, agencies and advice streams come together at the Cabinet table.

DPMC's four *contributing outcomes* have been developed to help achieve its overall outcome.

The department has an additional *contributing outcome* shared with the other two central agencies, Treasury and the State Services Commission. This is because DPMC, as one of the three central agencies, has an interest in a high-performing, trusted and accessible state sector that delivers the right things in the right way at the right prices.

These five contributing outcomes overlap one another in various ways, with some DPMC business units contributing to several different outcomes. The overall outcome remains the same: that the Prime Minister and the Governor-General are well supported and that the decision-making machinery of government functions effectively to support ministers across the whole range of government business.

As its main role is primarily a servicing one, DPMC measures its progress towards its overall and contributing outcomes in terms of its three output classes:

- policy advice and secretariat and co-ordination services
- support services to the Governor-General and maintenance of the residences
- intelligence assessments on developments overseas.

*Contributing
Outcome 1*

Decision making by the Prime Minister and Cabinet is well informed and supported.

*Contributing
Outcome 3*

The Governor-General is well supported.

*Contributing
Outcome 2*

Executive government is conducted and continues within accepted conventions and practices.

*Contributing
Outcome 4*

The management of domestic and external security and other risks is well planned, informed and co-ordinated.

*Contributing
Outcome 5*

State sector performance is improved.

Statement of Accountability

The Chief Executive of the Department of the Prime Minister and Cabinet is accountable to the Prime Minister for the financial and human resources management of the Crown's investment in the department and for the production of the classes of outputs detailed in its Statement of Service Performance, with the following exceptions:

- The Secretary of the Cabinet is responsible directly to the Prime Minister for the impartial recording of Cabinet decisions and the development and administration of Cabinet processes. The Secretary is also responsible to Cabinet as a whole for ensuring the confidentiality of Cabinet proceedings and the impartial and effective operation of the Cabinet system.
- The Secretary of the Cabinet, as Clerk of the Executive Council, is responsible directly to the Governor-General and the Prime Minister for servicing the Executive Council and providing advice as may be required on constitutional matters.
- The Director of the External Assessments Bureau is accountable to the Prime Minister for the provision of impartial information and assessments under the class of outputs "Intelligence Assessments on Developments Overseas".

Audit Report

To the Readers of the Department of Prime Minister and Cabinet's Financial Statements for the year ended 30 June 2005



The Auditor-General is the auditor of Department of Prime Minister and Cabinet (the Department). The Auditor General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Department, on his behalf, for the year ended 30 June 2005.

Unqualified opinion

In our opinion the financial statements of the Department on pages 14 to 51:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the Department's financial position as at 30 June 2005;
 - the results of its operations and cash flows for the year ended on that date; and
 - its service performance achievements measured against the performance targets adopted for the year ended on that date and
 - the assets, liabilities, revenues, expenses, contingencies, and commitments managed by the Department on behalf of the Crown for the year ended 30 June 2005.

The audit was completed on 30 September 2005, and is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

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

Audit procedures generally include:

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

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

Audit Report continued

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

Responsibilities of the Chief Executive and the auditor

The Chief Executive is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Department as at 30 June 2005. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. In addition, they must fairly reflect the assets, liabilities, revenues, expenses, contingencies, and commitments managed by the Department on behalf of the Crown for the year ended 30 June 2005. The Chief Executive's responsibilities arise from the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

Independence

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

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



John O'Connell

Audit New Zealand

*On behalf of the Auditor-General
Wellington, New Zealand*

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of the Department of Prime Minister and Cabinet (the Department) for the year ended 30 June 2005 included on the Department's website. The Chief Executive is responsible for the maintenance and integrity of the Department's website. We have not been engaged to report on the integrity of the Department's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 30 September 2005 to confirm the information included in the audited financial statements presented on this web site.

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

Statement of Responsibility

In terms of the Public Finance Act 1989, I am responsible, as Chief Executive of the Department of the Prime Minister and Cabinet, for preparation of the department's financial statements and the judgements made in the process of producing those statements.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control procedures that provides reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements fairly reflect the financial position and operations of the department for the year ended 30 June 2005.



Maarten Wevers, CNZM
Chief Executive

Date: 30 September 2005

COUNTERSIGNED BY



Brent Anderson
Corporate Services Manager

Date: 30 September 2005