



Report of the Department of the Prime Minister & Cabinet

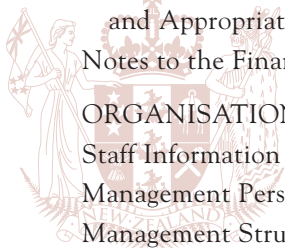
Report to the House of Representatives for
the year ended 30 June 2002

*Presented to the House of Representatives pursuant to Section 30
of the State Sector Act 1988 and Section 39 of the Public Finance
Act 1989*

ISSN 1173-4590

Contents

	<i>Page</i>
DIRECTORY	4
STATEMENT OF PURPOSE	5
RELEVANT GOVERNMENT OUTCOMES	6
CHIEF EXECUTIVE'S OVERVIEW	7
STATEMENT OF ACCOUNTABILITY	10
REPORT OF THE AUDIT OFFICE	11
STATEMENT OF RESPONSIBILITY	14
PERFORMANCE INFORMATION	
Statement of Objectives and Service Performance	15
Statement of Accounting Policies	28
Statement of Financial Performance Objectives	31
Statement of Financial Performance	32
Statement of Movements in Taxpayers' Funds	33
Statement of Financial Position	34
Statement of Cash Flows	36
Reconciliation of Net Surplus to Net Cash Flow	
From Operating Activities	37
Statement of Commitments	38
Statement of Contingent Liabilities	38
Statement of Unappropriated Expenditure	38
Statement of Departmental Expenditure	
and Appropriations	39
Statement of Non-Departmental Expenditure	
and Appropriations	40
Notes to the Financial Statements	41
ORGANISATIONAL INFORMATION	
Staff Information	47
Management Personnel	48
Management Structure	49



Officials' Committees and Working Groups	50
Statutory and Formal Responsibilities	53
Good Employer Requirements	55
Information Management	57

APPENDICES

I Business statistics for Executive Council, Cabinet and Cabinet Committees	59
II Summary of New Zealand and other Royal Honours granted by The Queen	60



Directory

Department of the Prime Minister and Cabinet

Executive Wing
Parliament Buildings
WELLINGTON

Telephone: 471-9035

Fax: 472-3181

Website: www.dpmc.govt.nz

Government House

Rugby Street
Private Bag
WELLINGTON

Telephone: 389-8055

Fax: 389-5536

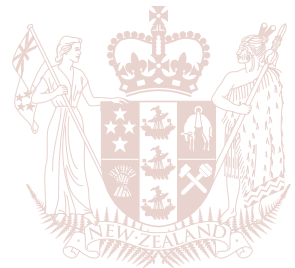
Website: www.gov-gen.govt.nz



Statement of Purpose

The Department of the Prime Minister and Cabinet (DPMC) provides advice to the Prime Minister on policy and constitutional issues, and helps to ensure that there is a high quality and effective process of decision-making by the Government through the provision of impartial secretariat services to the Cabinet and the Executive Council. DPMC contributes to the effective co-ordination of the work of the Government across departmental lines, tests the quality of advice coming from departments and acts as an “honest broker” where there are conflicts over policy advice being offered by different parts of the public sector.

The department provides assessments on developments overseas in support of informed policy decision-making in our external relations; communication services; and policy advice and co-ordination and consultation services in relation to the Government’s Climate Change Programme. The department also provides support services to the Governor-General and maintains the Government House in Wellington and Auckland as the official residences of the Governor-General.



Relevant Government Outcomes

In 2001/2002, the Department of the Prime Minister and Cabinet contributed to the following Government outcomes:

- the Prime Minister, in her roles of Head of the Government and the Chair of the Cabinet, was enabled to lead and guide a coherent and informed policy-making process across the range of government activity;
- the central processes of executive government were maintained and conducted impartially and effectively, and in accordance with accepted constitutional conventions;
- effective coordination of the policy formulation process was promoted;
- informed policy decision-making was supported, particularly in growth and innovation, and New Zealand's foreign relations and external linkages; and
- the Government was enabled to consider policy alternatives and the public were consulted and informed about the effects of climate change.

Office of the Governor-General

- the constitutional, social and ceremonial functions of the Office of the Governor-General were performed;
- the functions and dignity of the office of the Governor-General were supported and preserved; and
- the Governor-General's residences were properly maintained.



Chief Executive's Overview

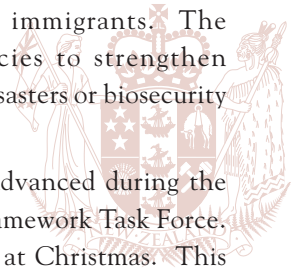
New Zealand has been part of the international effort to combat terrorism following the events of 11 September 2001. The Department of the Prime Minister and Cabinet has contributed through its Domestic and External Security Secretariat (DESS) and the External Assessments Bureau (EAB), as has the broader government security community. The emphasis has been on ensuring that New Zealand's security risks are more effectively managed and on improving the nation's capability to contribute to international counter-terrorism efforts.

DESS co-ordinated the government response to the September 11 terrorist attacks in the United States. This involved a wide-ranging review of their implications, together with a stock-take of both legislative powers and operational capabilities to deal with terrorism. It resulted in new legislation, changes to existing legislation plus increased funding for counter terrorism and for protective security. The latter included enhancements to border control and aviation security; improved capacity to collect and evaluate foreign and domestic intelligence; strengthened security arrangements at high profile or significant facilities; and improvements to New Zealand's capacity to respond to specific security incidents, such as terrorist emergencies of a chemical or biological nature.

EAB continued to provide assessments on developments overseas to the Prime Minister and senior Cabinet Ministers, and to officials in those departments which need to be well informed about the wider international community in relation to security matters.

In addition to counter terrorism, the department has been involved in other crisis preparedness activities. In particular the department has worked with others to improve co-ordination of border protection, including maritime patrol, and to improve contingency plans in the event that there was a mass arrival of illegal immigrants. The department is also working with other agencies to strengthen preparedness to respond to crises such as natural disasters or biosecurity emergencies.

Preparation for the 2002 General Election was advanced during the year with the department leading the Electoral Framework Task Force. That role was resumed by the Ministry of Justice at Christmas. This



Task Force oversaw a programme of legislative and administrative changes designed to improve the administration of the 2002 election. The Ministry and the Electoral Office are to be commended for the successful management leading up to the election.

In January the Prime Minister released the government's growth and innovation framework. The Policy Advisory Group assisted in the development of the framework by providing leadership and facilitating the co-ordination of the interdepartmental officials' process.

The Climate Change Project, established in DPMC in October 2001, has completed two major consultation activities around the development of domestic climate change policy. This is in preparation for ratification of the United Nations International Kyoto Protocol in reducing global greenhouse gas emissions causing climate change. The department has hosted a group of officials from a range of other departments who have implemented a successful work programme. Public consultation has assisted the development of a preferred policy option by the Government, which has subsequently been the focus of a significant consultation process in May and June of this year: 54 meetings have been held in 15 centres for local government, Maori, business and general interest and farmers and foresters.

A summary of the Government's Preferred Policy Package, designed to position New Zealand for the first commitment period of the Kyoto Protocol 2008–2012 and beyond, is available on www.climatechange.govt.nz.

The Cabinet Office also had another busy year providing secretariat services to Cabinet and its committees. The number of papers was the second highest in the last five years. Other issues for the Office were preparation for the 2002 general election, the Royal visit, New Zealand's commemoration of The Queen's Golden Jubilee, and preparation of a special Queen's Birthday and Golden Jubilee Honours list.

Government House continued to support the Governor-General of New Zealand, Her Excellency Dame Silvia Cartwright, in an extensive programme of engagements. In her first year in office Dame Silvia attended and spoke at functions in virtually all the cities and major towns in New Zealand. In addition Dame Silvia made official visits to Niue in October and to the New Zealand Force in East Timor in



February, while the visit to the United Kingdom in April included attendance at Her Majesty's Golden Jubilee dinner at Windsor. Dame Silvia also made a state visit to Bahrain and visited Thailand.

Her Majesty The Queen and His Royal Highness The Duke of Edinburgh were house guests in late February staying in both Houses. In addition Their Excellencies the Governor-General of Australia the Right Reverend Dr. Peter Hollingworth and Mrs Hollingworth and the President of the Hellenic Republic Mr Constantinos Stephanopoulos were guests in Wellington. Official receptions were held in each case. Other distinguished persons to visit the House included the President of Singapore, the Foreign Ministers of China and of Croatia, and the Minister of Commerce of Saudi Arabia. Over 200 functions, many on behalf of charities and cultural organisations of which the Governor-General is Patron, were organised during the year. Two open days were held at the Houses, and numerous guided tours were arranged, allowing a large cross section of New Zealanders to be welcomed to these residences.



Mark Prebble
Chief Executive



Statement of Accountability

The Chief Executive of the Department of the Prime Minister and Cabinet is accountable to the Prime Minister for financial and human resources management of the Crown's investment in the department and for the production of the classes of outputs detailed in the 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, as Clerk of the Executive Council, is responsible directly to the Governor-General and the Prime Minister respectively for servicing the Executive Council and providing advice as required from time to time on constitutional matters.

The Director of the External Assessments Bureau is accountable to the Prime Minister for the class of outputs "Intelligence Assessments on Developments Overseas".

In addition the Prime Minister has delegated responsibility for the Climate Change Project to the Convenor, Ministerial Group on Climate Change.





REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE DEPARTMENT OF THE PRIME MINISTER AND CABINET

FOR THE YEAR ENDED 30 JUNE 2002

We have audited the financial statements on pages 15 to 46. The financial statements provide information about the past financial and service performance of the Department of the Prime Minister and Cabinet and its financial position as at 30 June 2002. This information is stated in accordance with the accounting policies set out on pages 28 to 30.

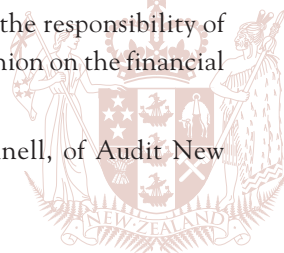
Responsibilities of the Chief Executive

The Public Finance Act 1989 requires the Chief Executive to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of the Department of the Prime Minister and Cabinet as at 30 June 2002, the results of its operations and cash flows and service performance achievements for the year ended on that date.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and section 38(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Chief Executive. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed John O'Connell, of Audit New Zealand, to undertake the audit.



Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Chief Executive in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Department of the Prime Minister and Cabinet's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Department of the Prime Minister and Cabinet.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Department of the Prime Minister and Cabinet on pages 15 to 46:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the Department of the Prime Minister and Cabinet's financial position as at 30 June 2002;



- the results of its operations and cash flows for the year ended on that date; and
- its service performance achievements in relation to the performance targets and other measures set out in the forecast financial statements for the year ended on that date.

Our audit was completed on 22 August 2002 and our unqualified opinion is expressed as at that date.

John O'Connell

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



Statement of Responsibility

In terms of sections 35 and 37 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 provide 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 2002.



Mark Prebble
Chief Executive

Date: 22 August 2002

Countersigned by:



Brent Anderson
Corporate Services Manager

Date: 22 August 2002



Statement of Objectives and Service Performance

OUTPUT CLASS D1: POLICY ADVICE AND SECRETARIAT AND COORDINATION SERVICES

Description

This class of outputs involves:

The provision of immediate, medium- and long-term policy advice of an impartial nature, delivered freely and frankly to the Prime Minister and, at the Prime Minister's request, to other Ministers.

Promotion and facilitation of interdepartmental coordination of policy development and the promotion of a greater collective approach to performance standards across the State Sector through the formulation and implementation of the Government's key goals.

The provision of constitutional, policy and procedural advice to the Governor-General, the Prime Minister and, at the Prime Minister's direction, other Ministers, and government departments.

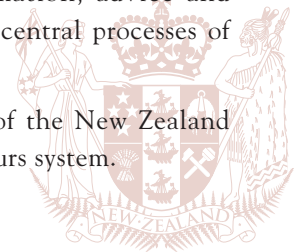
The provision of advice on the policies, processes and procedures relating to the Executive Council, Cabinet and Cabinet committees, including the review of policies and procedures where appropriate.

The coordination of the policy and administrative aspects of the legislation programme as directed by Cabinet Legislation Committee.

The provision of impartial secretariat services to Cabinet, Cabinet committees, and the Executive Council, and the promulgation of their decisions.

The development and promulgation of information, advice and guidelines on the nature and operations of the central processes of executive government.

The provision of advice on the policy aspects of the New Zealand Honours system, and administration of the Honours system.



The provision of services to assist with the purchase of media time and space for Government public information programmes.

The provision of advice, co-ordination and communication services relating to the Kyoto Protocol on reducing global greenhouse gas emissions causing climate change.

30.06.01 Actual \$000		30.06.02 Actual \$000	30.06.02 Main Estimates \$000	30.06.02 Supp- Estimates \$000
5,702	Revenue – Crown	8,635	6,310	8,635
5,699	Expenditure	8,401	6,310	8,635
3	Surplus	234	–	–

Service Performance – Policy Advisory Group

Policy Advice to the Prime Minister

Key Task Provide good information and effective advice to enable the Prime Minister to lead and manage the public policy business of the Government.

Achievement Advice was provided on a wide range of issues, in a timely manner. Leadership and coordination services were provided in respect of a wide range of policy issues.

Key Task The Prime Minister and other key clients show a high level of satisfaction with the advice and coordination services provided.

Achievement Feedback from the Prime Minister is provided to the CEO and the Director of the Policy Advisory Group on a regular weekly basis, as well as additional ad hoc comments, and is acted on. Feedback is received from other ministers and chief executives on the quality and timeliness of the advice and coordination services provided.

The Prime Minister and other key clients have informed the department of their satisfaction with the advice and coordination services provided.



Service Performance – Cabinet Office

Support for proper and effective operations of the key institutions of Executive Government

Key Task *Advice to the Prime Minister and Governor-General on constitutional policy and procedural issues.*

Achievement Advice and support was provided to the Prime Minister and Governor-General on a range of issues, including the Royal Visit and New Zealand's commemoration of the Queen's Golden Jubilee. Advice and support was also provided on constitutional and administrative steps associated with the general election.

Advice was provided to the Prime Minister on a range of Ministerial issues. The website version of the Directory of Portfolios, which lists the agencies and legislation administered in each portfolio, was updated as at 1 October 2001, and a further update as at 1 July was prepared. An update of the Schedule of Responsibilities delegated to Associate Ministers was tabled in the House in February. The Register of Ministers' Interests and Assets as at 31 December 2001 was tabled in the House in May.

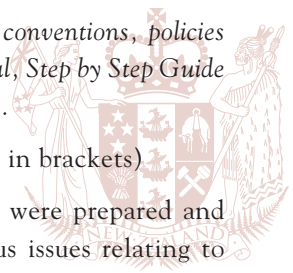
Key Task *Advice on the ongoing administration, processes and procedures relating to Cabinet, Cabinet committees and Executive Council, including advice on the evolving policies and practices of executive government functions under coalition government.*

Achievement Advice was provided on an ongoing basis to the Prime Minister, Ministers and departments on government decision-making procedures.

Key Task *Administering and maintaining the conventions, policies and guidelines in the Cabinet Manual, Step by Step Guide and related Cabinet Office circulars.*

(Previous year's figures are shown in brackets)

Achievement 11 (18) Cabinet Office circulars were prepared and issued during the year, on various issues relating to



Cabinet's decision making processes and related matters.

Key Task Providing impartial secretariat services to Cabinet, Cabinet committees and Executive Council, including preparing agendas, summaries of submissions, recording decisions, checking that submissions meet the requirements set by Cabinet, and moderating arrangements for the chairs for the presentation of policy advice by officials.

Achievement Cabinet Office provided secretariat services to 239 (276) Cabinet and Cabinet committee meetings and 40 (30) Executive Council meetings over the year. The Prime Minister, the Chairs of Cabinet committees and Ministers' offices were consulted as required on the compilation of the agendas and acceptance of submissions for meetings. (See Appendix 1 for the business statistics for Executive Council, Cabinet and Cabinet Committees).

2,414 (2,505) summary cover sheets were prepared for submission to Cabinet and Cabinet committees during the period.

85% (85%) of submissions were received in the Cabinet Office by the Cabinet deadlines for lodging papers. 79% (81%) of submissions were distributed to Ministers' offices by the Cabinet Office's performance targets for the delivery of papers (2 days before the meeting).

2,750 (2,830) Cabinet and Cabinet committee minutes were recorded over the year. All Cabinet committee minutes are issued within 2 or 3 days of the meeting, before the next meeting of Cabinet. 98% (97%) of all Cabinet minutes were issued within 3 days of the Cabinet meeting.

99.1% (99%) of all Cabinet and Cabinet committee minutes did not require amendment by the Cabinet Office (this excludes amendments to committee minutes made by Cabinet).



Key Task *Implementing supporting procedures for Cabinet, Cabinet committees and Executive Council, including communicating, monitoring and advising Ministers' offices and departments on guidelines and other quality assurance requirements for Cabinet's decision making processes.*

Achievement *The Cabinet Office provided 38 (16) briefing seminars to departments on the Cabinet decision-making process and the requirements for submissions. This included 4 briefing seminars on the processes for Government appointments, which all departments were invited to attend.*

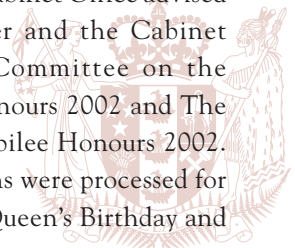
Key Task *Co-ordinating the policy and administrative aspects of the legislation programme, as directed by the Cabinet Legislation Committee.*

Achievement *Advice and support was provided to the Leader of the House and the Cabinet Legislation Committee on the management of the Government's legislation programme for 2001 and the preparation and management of the 2002 legislation programme.*

Key Task *Advice on the policy aspects of the New Zealand Royal Honours system, support for the compilation of Honours lists and administration of the Honours system.*

Achievement *Policy was developed and advice provided on the New Zealand Operational Service Medal, New Zealand Special Service Medal, and a new New Zealand General Service Medal, and other medallic issues, in consultation with the New Zealand Defence Force. Further policy advice was also provided on the East Timor Medal.*

The Honours Secretariat of the Cabinet Office advised and assisted the Prime Minister and the Cabinet Appointments and Honours Committee on the compilation of the New Year Honours 2002 and The Queen's Birthday and Golden Jubilee Honours 2002. Approximately 1,500 nominations were processed for the lists, a record number. The Queen's Birthday and



Golden Jubilee Honours saw an increase of approximately 40 awards over the number usually conferred. Investiture ceremonies were held at Government House over four days both in September 2001 and March 2002. (See Appendix II for a summary of New Zealand and other Royal Honours granted in the year ended 30 June 2002.)

Key Task Maintaining the records of Cabinet and provision of related information services.

Achievement The Cabinet Office maintains records of all Cabinet and Cabinet committee meetings, administers the convention on access to documents of a previous administration, and provides advice to Ministers' offices on the storage and disposal of Cabinet papers.

Service Performance – Domestic and External Security Secretariat (DESS)

Key Task Integrated advice is provided on domestic and external security, defence operations, intelligence and counter-terrorism preparedness; and to the Parliamentary Committee on Intelligence and Security; and on the operational effectiveness of the emergency management system at a national level.

Achievement Four meetings of ODESC¹ (Intelligence), five of ODESC (Terrorism), one of ODESC (Emergency), and four of ODESC (Maritime) were held. Watch Groups on Terrorism, people smuggling and India/Pakistan were held throughout the year. The East Timor Watch Group had 21 Meetings DESS led the rewrite, production and distribution of the manual "Security in the Government Sector".



Key Task Providing a system of intelligence collection and assessment activity to reflect policy priorities, national requirements and available resources to ensure a coordinated and harmonised outcome.

¹ ODESC = Officials' Committee for Domestic and External Security Coordination.

Achievements Eleven meetings of the Foreign Intelligence Requirements Committee were held. A review of and rewrite of New Zealand's foreign intelligence requirements was conducted. Officials processes for the Terrorism Suppression Bill were developed. The Prime Minister and other key clients are satisfied with the advice and coordination services provided.

Advice was provided to the Prime Minister on a range of domestic and external security issues. The Prime Minister was satisfied with the quality of this advice and for the support provided for the Intelligence and Security Committee of Parliament.

Service Performance

Negotiating Terms and Conditions for Paid Government Agency Advertising and Publicity

Key Task Negotiate annual volume incentive agreements with all media that are advantageous to government departments and agencies.

Achievement Negotiations with media for the year ended 30 June 2002 were completed by the end of July 2001. It is expected that details of agreements with media for 2002/03 will be communicated to Government agencies during August.

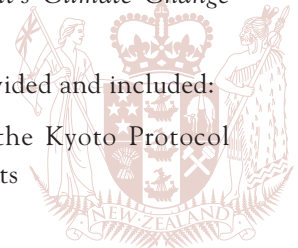
Service Performance

Climate Change Programme

Key Task Provide good information and effective advice to enable the Minister responsible to lead and manage the public policy aspects of the Government's Climate Change Programme.

Achievements Written and oral advice was provided and included:

- Options for ratification of the Kyoto Protocol following the Bonn agreements



- Proposals for cabinet papers on the ratification legislation and policy options for meeting NZ's obligations
- Institutional arrangements for New Zealand's greenhouse inventory, registry and Crown trading in emissions permits
- The development of the Preferred Policy Package
- Plans for assessment of social and economic implications of the climate change policy package

Key Task *Implement public consultation and communication programmes in relation to ratifying the Kyoto Protocol and domestic policy options.*

Achievement Two separate consultation processes with stakeholders and the public were undertaken:

October – December 2001:

Activities included a roadshow (79 public meetings in 24 centres) the production of a range of consultation publications and a quantitative survey of the general public and qualitative surveys of other groups. 577 public submissions and 626 children's submissions were received.

May – June 2002:

For consultation on the Government's preferred policy package, 54 meetings in 15 centres were held. Consultation publications, children's activity and education packs, media and promotional packs, and web-based information were produced. 1,200 submissions were received by 30 June 2002.



CLASS OF OUTPUTS D2 : SUPPORT SERVICES TO THE GOVERNOR-GENERAL AND MAINTENANCE OF THE RESIDENCES

Description

This class of outputs involves:

- the provision of financial, administrative, communications, travel and advisory services to the Office of the Governor-General and domestic and personal services for the Governor-General.
- the conducting of a range of official functions, investitures and receptions at Government House and hosting State and other dignitaries.
- the general upkeep of the two Government Houses in Wellington and Auckland, including the maintenance and security of the buildings and the landscaping, development and maintenance of the gardens and grounds.
- the maintenance of the other residences and buildings associated with the two Government Houses.

Financial Performance

30.06.01 Actual		30.06.02 Actual	30.06.02 Main Estimates	30.06.02 Supp- Estimates
\$000		\$000	\$000	\$000
3,108	Revenue – Crown	3,203	3,102	3,203
46	Revenue – Other	47	48	48
3,126	Expenditure	3,231	3,102	3,233
28	Surplus	19	18	18

Service Performance – Support Services to the Governor-General and Government House

Key Task Events and functions run smoothly, and are organised to a high standard agreed with the Governor-General.

Achievement 223 (225) functions were held at the Government Houses in Wellington and Auckland during the



reporting period. These functions included two open days at both Government Houses. Her Majesty The Queen and His Royal Highness The Duke of Edinburgh visited in late February, staying at both Houses, and a garden reception was held at Government House Auckland for them. Official welcome ceremonies and state dinners were held at Government House Wellington for the Governor-General of Australia and the President of the Hellenic Republic and both stayed in the House.

Key Task *Services provided are efficient (cost effective and well organised).*

Achievement *Services were provided in accordance with the requirements of the Governor-General and her programme.*

Key Task *The Governor-General's programme is well balanced.*

Achievement *Arrangements were made and briefings provided to the Governor-General to enable her to attend 247 (229) separate official engagements throughout New Zealand. In addition, the Governor-General visited Niue in October, the New Zealand Force in East Timor in February and visited the United Kingdom in April. This visit included attending Her Majesty's Jubilee dinner at Windsor Castle. Dame Silvia then made a state visit to Bahrain and commemorated ANZAC Day at the Bridge over the River Kwai in Thailand.*

Key Task *To ensure that the Governor-General is highly satisfied with all of the services and functions.*

Achievements *Catering and domestic services were provided in accordance with the Governor-General's requirements.*

Correspondence requirements were met and speech material provided, in a timely manner.

All services, functions and ceremonial occasions were delivered to a standard required by the Governor-General.



Preserving and Enhancing the Buildings and Grounds

Key Task *Rolling programmes are planned and implemented for garden development, building preservation and restoration of valuable art works.*

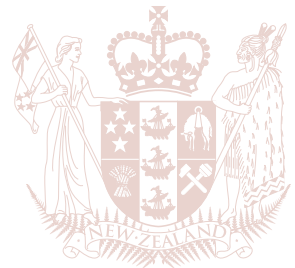
Achievement *During the year a number of projects were completed including the replacement and waterproofing of first floor decks, the addition of windows to the ground and first floors of the west wing of the main house, the conversion of the art studio to an apartment and the installation of flashings at the stucco level to the main house. The repainting of the main house and ancillary buildings, including some of the residences, continued during the year and this major project is nearly completed. The display of the artwork in the house was improved during the year.*

Key Task *The programmes implemented meet the requirements of the Governor-General.*

Achievements *The annual capital and maintenance programme was presented and accepted by the Governor-General and the Department of Prime Minister and Cabinet in August 2001.*

Key Task *The Governor-General's views on the quality and adequacy of buildings and grounds maintenance will be sought as part of the programme review process conducted quarterly.*

Achievement *The Governor-General's views were sought regularly particularly in regard to development work and garden development projects.*



OUTPUT CLASS D3 : INTELLIGENCE ASSESSMENTS ON DEVELOPMENTS OVERSEAS

Description

This class of outputs involves the provision of information and reports on events and trends overseas affecting New Zealand's interests. It involves the identification, collation, evaluation and analysis of information on topics likely to affect New Zealand's foreign relations and external interests and the preparation of intelligence assessments and reports on political, economic, environmental, biographic, strategic, military and scientific subjects as required.

Financial performance

30.06.01 Actual \$000		30.06.02 Actual \$000	30.06.02 Main Estimates \$000	30.06.02 Supp- Estimates \$000
2,412	Revenue – Crown	2,408	2,408	2,408
2,393	Expenditure	2,404	2,408	2,408
19	Surplus	4	–	–

Service Performance – External Assessments Bureau

Key Task *Ensuring the effective provision of accurately and succinctly assessed information on overseas developments of policy relevance to New Zealand is provided.*

Achievements During the reporting period:

- the National Assessments Committee (NAC) approved 76 (79) papers;
- 732 (623) biographical reports were prepared and delivered to primary customers before the visits to which they related;
- 305 (194) other assessments and reports were published, including 91 executive intelligence summaries (the New Zealand Intelligence Bulletin) prepared in consultation with NZSIS and GCSB;



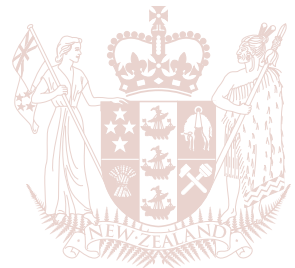
- 85 watch group reports were produced on: East Timor; illegal immigration/people smuggling; terrorism; India/Pakistan relations;
- priority was given to work directly related to topics of immediate concern to policy makers including overseas crises.

Key Task

The Prime Minister, other senior Ministers and officials were satisfied with assessments and reports provided.

Achievements

- Assessments reflected national priorities and those done in response to specific tasking addressed topics specified by those who requested them.
- Substantial positive feedback was received.
- No EAB papers to the National Assessments Committee required more than minor revision.



Statement of Accounting Policies

For the year ended 30 June 2002

Reporting Entity

The Department of the Prime Minister and Cabinet is a government department defined by Section 2 of the Public Finance Act 1989.

These financial statements incorporate the following classes of outputs of the Department of the Prime Minister and Cabinet.

Policy advice and Secretariat and coordination services (Output D1)

Support services to the Governor General and
maintenance of the residences (Output D2)

Intelligence assessments on developments overseas (Output D3)

The financial statements have been prepared in accordance with section 35 of the Public Finance Act 1989. They have also been prepared in accordance with Treasury Instructions and generally accepted accounting practice.

Measurement Base

The measurement base adopted is that of historical cost.

Accounting Policies

Budget figures

The budget figures are those presented in the Budget night estimates (main estimates) and those amended by the supplementary estimates and any transfer made by Order in Council under section 5 of the Public Finance Act 1989.

Goods and services tax (GST)

The statement of unappropriated expenditure and statements of departmental and non-departmental expenditure and appropriations are inclusive of GST. All other statements are GST exclusive. The statement of financial position is also exclusive of GST, except for creditors and payables and debtors and receivables which are GST inclusive.

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

Fixed assets

All fixed assets have been valued on historical cost basis. All individual assets or groups of assets are capitalised if their purchase cost is \$2,000 or greater.

Gains and losses arising from the sale or disposal of assets have been included in the statement of financial performance.

Depreciation of assets

All fixed assets have been depreciated on a straight line basis that reflects the decline in service potential of the asset during the reporting period. Specific rates of depreciation used for the various classes of fixed assets are as follows:

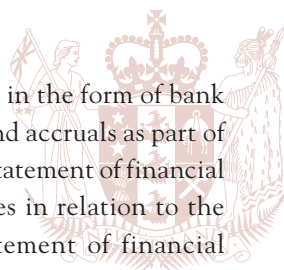
Fixtures and fittings	10%
IT equipment	33%
Office equipment	20%
Furniture	20%
Motor vehicles	25%
Kitchen equipment, eg domestic appliances	20%
Major plant and equipment	10%
Minor plant and equipment	20%
Ground improvements	14%

Taxation

The department is exempt from the payment of income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.

Financial Instruments

The department is party to financial arrangements in the form of bank accounts, accounts receivable, accounts payable and accruals as part of its everyday operations. These are reflected in the statement of financial position at their fair value. Revenue and expenses in relation to the financial instruments are recognised in the statement of financial performance in arriving at the operating surplus.



Cost Allocation

Direct costs are expenses incurred from activities in producing outputs. These costs are charged directly to the related output classes. Direct costs represent 90 percent of total departmental appropriation for output costs. (2001 : 90%)

Indirect costs are expenses incurred by the corporate services unit and the office of the chief executive. Indirect costs are allocated to each output class in proportion to the level of appropriation in relation to the total vote. Indirect costs represent 10 percent of total departmental appropriation for output costs. (2001 : 10%)

Leases

The department leases office premises and photocopiers. As all risks and ownership are retained by the lessor, these leases are classified as operating leases. Operating lease costs are expensed in the period in which they are incurred.

Employee Entitlements

Provision is made in respect of the department's liability for annual, retirement and long service leave. Annual leave has been calculated on an actual entitlement basis at current rates of pay. Long service leave and retiring leave have been calculated on an actuarial basis, based on the present value of expected future entitlements.

Commitments

Future payments are disclosed as commitments at the point where a contractual obligation arises, to the extent that they are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

Contingent Liabilities

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

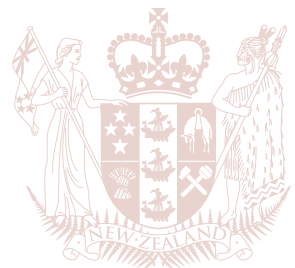
Changes in accounting policies

There have been no changes in accounting policies, including cost allocation accounting policies. All policies have been applied on bases consistent with those used in the previous period.

Financial Performance Objectives

for 2001/02

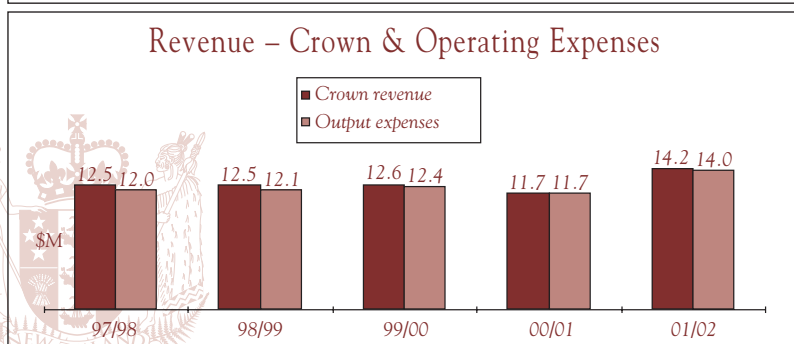
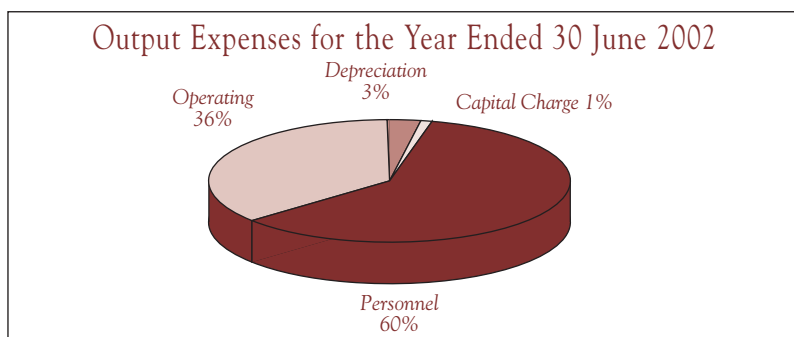
	<i>Unit</i>	30.6.02 Actual	30.6.02 Budget
Operating Results			
Revenue: interest	\$000	12	12
Output expenses	\$000	14,036	14,276
Operating surplus before capital charge	\$000	359	119
Net surplus/(deficit)	\$000	270	30
Working Capital			
Net current assets	\$000	249	370
Current ratio	%	108	114
Liquid ratio	%	14	2
Average creditors outstanding	Days	90	50
Resource Utilisation			
Physical assets:			
Total physical assets at year end	\$000	1,002	861
Additions as % of physical assets	%	33	60
Taxpayers' funds	\$000	840	840
Forecast Net Cash Flows			
Surplus/ (deficit) operating activities	\$000	229	(225)
Surplus/ (deficit) investing activities	\$000	(314)	(238)
Surplus/ (deficit) financing activities	\$000	(422)	(422)
Net increase /(decrease) in cash held	\$000	(507)	(885)
Human Resources			
Staff turnover	%	19	20
Average length of service	years	5	5
Total staff	No.	133	120



Statement of Financial Performance

for the year ended 30 June 2002

30.6.01 Actual		30.6.02 Actual	30.6.02 Main Estimates	30.6.02 Supp- Estimates
\$000		Note \$000	\$000	\$000
Revenue				
11,677	Crown	2	14,246	11,820
56	Other	3	48	48
62	Interest	4	12	40
11,795	Total revenue		14,306	11,908
Expenses				
7,602	Personnel	5	8,452	8,160
3,442	Operating	6	5,051	3,005
501	Depreciation	7	444	560
128	Capital charge	8	89	125
11,673	Total output expenses		14,036	11,850
321	Other expenses		-	-
11,994	Total expenses		14,036	11,850
(199)	Net surplus/(deficit)		270	58

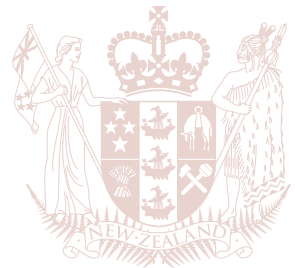
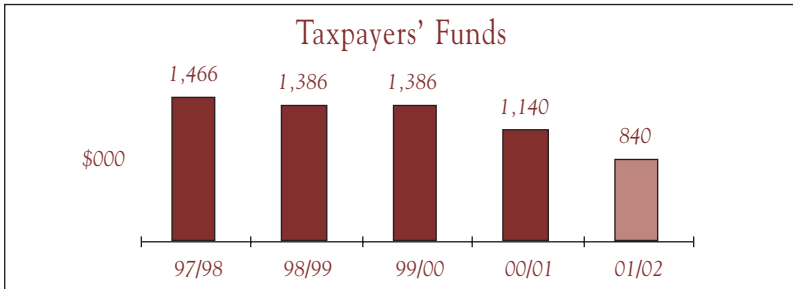


The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.

Statement of Movements in Taxpayers' Funds

for the year ended 30 June 2002

30.6.01 Actual		30.6.02 Actual	30.6.02 Main Estimates	30.6.02 Supp- Estimates
\$000	Note	\$000	\$000	\$000
1,386	Taxpayers' funds as at 1 July	1,140	1,140	1,140
(199)	Net surplus	270	58	30
	Total recognised revenue and expenses for the year	270	58	30
(122)	Provision for repayments of surplus to the Crown	9 (270)	(58)	(30)
110	Capital contribution	-	-	-
-	Repayment of capital	(300)	-	(300)
(35)	Transfer to other Departments	-	-	-
1,140	Taxpayers' funds as at 30 June	840	1,140	840



The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.

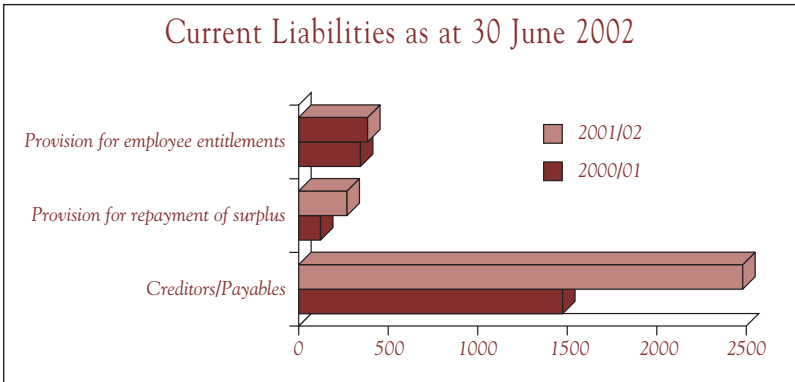
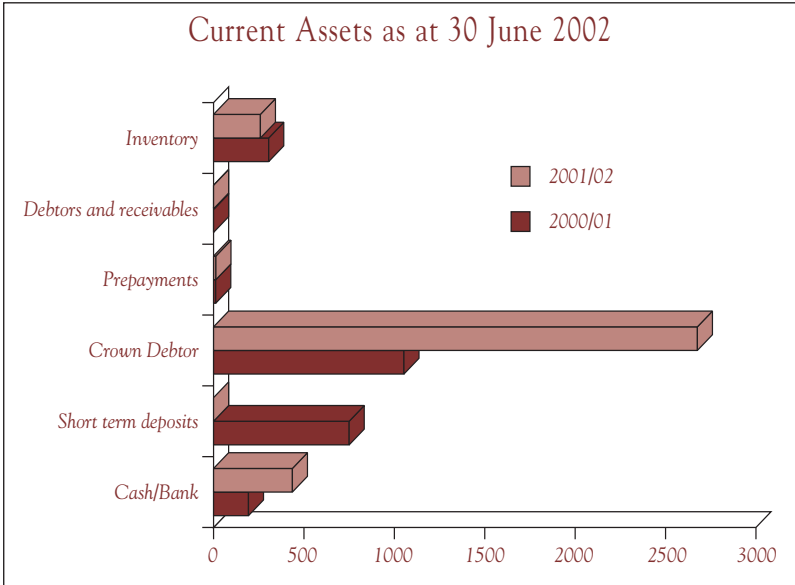
Statement of Financial Position

as at 30 June 2002

30.6.01 Actual		30.6.02 Actual	30.6.02 Main Estimates	30.6.02 Supp- Estimates
\$000		Note \$000	\$000	\$000
	Taxpayers' funds			
1,140	General funds	840	1,140	840
	Represented by:			
	Current assets			
193	Cash and bank	436	604	58
750	Short term deposits with the Crown 10	–	–	–
943	Composition of cash	436	604	58
12	Prepayments	13	14	12
1,053	Crown Debtor	11 2,676	985	2,675
1	Debtors and receivables	11 –	2	0
305	Inventory	259	200	300
2,314	Total current assets	3,384	1,805	3,045
	Non-current assets			
1,158	Fixed assets	12 1,002	1,212	861
1,158	Total non-current assets	1,002	1,212	861
3,472	Total assets	4,386	3,017	3,906
	Current liabilities			
1,474	Creditors and payables	13 2,480	1,140	2,300
122	Provision for repayment of surplus	9 270	58	30
345	Provision for employee entitlements	14 385	310	345
1,941	Total current liabilities	3,135	1,508	2,675
	Non-Current liabilities			
391	Provision for employee entitlements ... 14	411	369	391
2,332	Total liabilities	3,546	1,877	3,066
1,140	Net assets	840	1,140	840



The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.

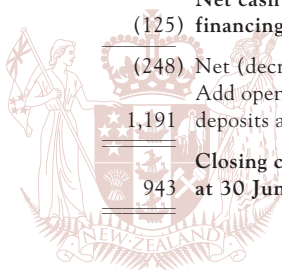


The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.

Cash Flow Statement

for the year ended 30 June 2002

30.6.01 Actual		30.6.02 Actual	30.6.02 Main Estimates	30.6.02 Supp- Estimates
\$000		\$000	\$000	\$000
	Cash flow – operating activities			
	<i>Cash was provided from:</i>			
11,783	Supply of outputs to Crown	12,804	11,888	12,624
63	Interest	13	48	13
46	Other	47	40	48
11,892		12,864	11,976	12,685
	<i>Cash was disbursed to:</i>			
	<i>Producing outputs</i>			
(7,380)	– personnel	(8,271)	(8,165)	(8,721)
(3,896)	– operating	(4,120)	(2,800)	(4,000)
(38)	– net GST paid	(155)	(100)	(100)
(128)	– capital charge	(89)	(125)	(89)
(11,442)		(12,635)	(11,190)	(12,910)
450	Net cash flows from operating activities	229	786	(225)
	Cash flow – investing activities			
	<i>Cash was provided from:</i>			
58	Sale of fixed assets	23	–	12
	<i>Cash was disbursed to:</i>			
(631)	Purchase of fixed assets	(337)	(600)	(250)
(573)	Net cash flows from investing activities	(314)	(600)	(238)
	Cash flow – financing activities			
	<i>Cash was provided from:</i>			
110	Capital contribution	–	–	–
	<i>Cash was disbursed to:</i>			
(103)	CPU transfer settlement	–	–	–
(132)	Repayment of net surplus to Crown ..	(122)	(84)	(122)
–	Repayment of capital	(300)	–	(300)
(125)	Net cash flows from financing activities	(422)	(84)	(422)
(248)	Net (decrease) in cash held	(507)	102	(885)
1,191	Add opening cash and deposits at 1 July	943	502	943
943	Closing cash and deposits at 30 June	436	604	58

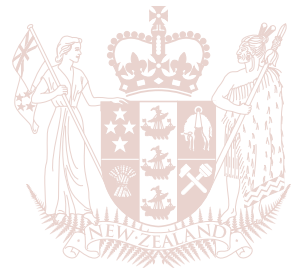


The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.

Reconciliation of Net Operating Surplus to Net Cash Flow from Operating Activities

for the year ended 30 June 2002

30.6.01 Actual	30.6.02 Actual	30.6.02 Main Estimates	30.6.02 Supp- Estimates
\$000	\$000	\$000	\$000
(199) Net operating surplus	270	58	30
Non-cash items			
501 Depreciation	444	560	450
68 Crime Prevention unit	-	-	-
322 Inc(Dec) in non-current employee entitlements.....	20	-	-
891 Total non-cash items	464	560	450
Working capital movements			
1 (Inc)Dec in debtors and receivables	1	-	-
2 (Inc)Dec in prepayments	(1)	-	-
106 (Inc)Dec in Crown debtors	(1,623)	68	(1,622)
19 (Inc)Dec in inventory	46	100	5
(347) Inc(Dec) in creditors and payables	1,014	-	889
(13) Inc(Dec) in current employee entitlements	40	-	-
(232) Working capital movements – Net	(523)	168	(728)
Add(Less) investing activity items			
(10) (Gain)Loss on sale of fixed assets	18	-	23
(10) Total investing activity items	18	-	23
450 Net cash flow from operating activities	229	786	(225)



The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.

Statement of Commitments

as at 30 June 2002

The department leases premises on the third and fifth floors of Reserve Bank Building, Wellington.

The annual lease payments are subject to two -yearly and ten-yearly reviews. The amounts disclosed as future commitments are based on the current rental rates.

Other operating leases include non-cancellable contracts for building services and leases for photocopiers.

30.6.01 Actual \$000		30.6.02 Actual \$000
	Operating commitments	
2,029	Accommodation leases	1,752
1,376	Other operating commitments	884
3,405	Total commitments	2,636
	Term classification for operating commitments	
799	Less than one year	847
834	One to two years	542
935	Two to five years	577
837	More than five years	670
3,405	Total commitments	2,636

Statement of Contingent Liabilities

as at 30 June 2002

The department has no contingent liabilities as at 30 June 2002.
(30 June 2001: Nil)

Statement of Unappropriated Expenditure

for the year ended 30 June 2002

The department has no unappropriated expenditure for the year ended 30 June 2002. (30 June 2001: Nil)

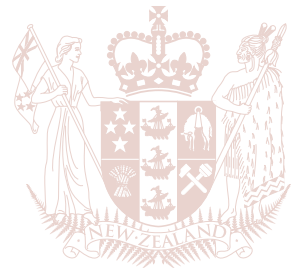
The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.

Statement of Departmental Expenditure and Appropriations

for the year ended 30 June 2002

(Figures are GST inclusive where applicable)

	30.6.02 <i>Expenditure</i> <i>Actual</i> \$000	30.6.02 <i>Main</i> <i>Estimates</i> \$000	30.6.02 <i>Supp</i> <i>Estimates</i> \$000
Vote Prime Minister and Cabinet			
Appropriations for classes of outputs			
D1 – Policy Advice and Secretariat and Coordination Services	9,480	7,099	9,715
D2 – Support Services to the Governor-General and Maintenance of the Residences	3,637	3,526	3,639
D3 – Intelligence Assessments on Developments Overseas	2,705	2,709	2,709
TOTAL	<u>15,822</u>	<u>13,334</u>	<u>16,063</u>

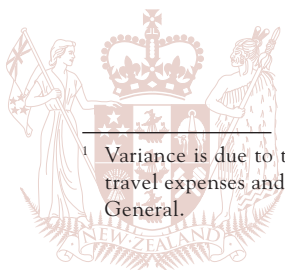


*The accompanying accounting policies and notes form part of
and are to be read in conjunction with these statements.*

Statement of Non-Departmental Expenditure and Appropriations for the year ended 30 June 2002

(Figures are GST inclusive where applicable)

	30.6.02 <i>Expenditure</i> <i>Actual</i> Note	30.6.02 Main Estimates	30.6.02 Supp Estimates
	\$000	\$000	\$000
Appropriations for other expenses to be incurred by the Crown (Permanent Legislative Authority)			
(NZSIS Amendment (No 2) Act 1999)			
Commissioner of Security Warrants ... (Civil Act 1979)	15	20	20
Government House-Other payments.. 1	775	623	623
Sub-total	790	643	643
 Appropriation for purchase or development of capital assets by the Crown			
Government House – Capital Investment	168	169	169
Sub-total	168	169	169
TOTAL	958	812	812



¹ Variance is due to the increased costs and frequency of domestic and international travel expenses and increases to the salary and personal allowance of the Governor-General.

*The accompanying accounting policies and notes form part of
and are to be read in conjunction with these statements.*

Notes to the Financial Statements

for the year ended 30 June 2002

Note 1: Budget composition

		30/6/02	30/6/02	30/6/02
		Budget	Supplementary	Final
	Note	Forecast	Estimates	Budget
		\$000	Changes	Total
			\$000	\$000
Revenue				
Crown	2	11,820	2,426	14,246
Other	3	48	–	48
Interest	4	40	(28)	12
Total Revenue		11,908	2,398	14,306
Expenditure				
Personnel	5	8,160	397	8,557
Operating	6	3,005	2,175	5,180
Depreciation	7	560	(110)	450
Capital charge	8	125	(36)	89
Total expenses		11,850	2,426	14,276
Net surplus		58	(28)	30

Note 2: Revenue-Crown

This is revenue earned for the supply of outputs to the Crown.

Note 3: Other revenue

30.6.01		30.6.02	30.6.02	30.6.02
Actual		Actual	Main	Supp-
\$000		\$000	Estimates	Estimates
			\$000	\$000
46	Rental income	47	48	48
10	Gain on sale of fixed assets	1	–	–
56	Total other revenue	48	48	48

Note 4: Interest revenue

The department invests surplus cash with the New Zealand Debt Management Office (NZDMO) and earns interest at variable rates. From 1 November 2001, the NZDMO departmental term deposit arrangement was discontinued.



Notes – continued

Note 5: Employee remuneration of more than \$100,000 per annum

2000/01		2001/02
Number of Staff	Remuneration Band	Number of Staff
3	\$100,001–\$110,000	4
3	\$110,001–\$120,000	3
2	\$120,001–\$130,000	2
–	\$130,001–\$140,000	2
1	\$140,001–\$150,000	1
1	\$150,001–\$160,000	–
–	\$160,001–\$170,000	–
–	\$170,001–\$180,000	–
1	\$180,001–\$190,000	–
1	\$190,001 and above	2

(The Chief Executive's remuneration is excluded as it is reported elsewhere)

Note 6: Operating expenses

30.6.01		30.6.02	30.6.02	30.6.02
Actual		Actual	Main	Supp-
\$000		\$000	Estimates	Estimates
	Audit fees for audit of			
27	financial statements	29	30	30
2	Audit fees –other services	–	–	–
302	Premises rental	324	340	340
112	Operating lease rental	106	110	100

The premises rental expenses do not include accommodation costs for personnel located on two floors of the Beehive (estimated annual rental for the furnished accommodation of \$350,000) which are provided by The Parliamentary Service.

Note 7: Depreciation

30.6.01		30.6.02	30.6.02	30.6.02
Actual		Actual	Main	Supp-
\$000		\$000	Estimates	Estimates
53	Fixtures & fittings	75	60	55
17	Furniture	16	10	10
30	Office equipment	27	25	25
35	Motor vehicles	27	30	55
5	Major plant & equipment	4	5	5
46	Minor plant & equipment	40	40	40
338	IT equipment	241	376	246
10	Kitchen equipment	11	11	11
4	Ground improvements	3	3	3
538	Total Depreciation	444	560	450

Notes – *continued*

Note 8: Capital charge

The department pays a capital charge on its taxpayers' funds at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2002 was 9.0% (10.0 % for 2001).

Note 9: Provision for repayment of surplus

30/6/01 Actual \$000		30/6/02 Actual \$000
(199)	Current year net surplus/(deficit)	270
321	Add: Other expenses (not for production of outputs)	–
122	Total provision for repayment of surplus	270

Note 10: Short term deposits

As at balance date there are no term deposits placed with the NZDMO.
(This arrangement was discontinued by NZDMO after 1 November 2001.)

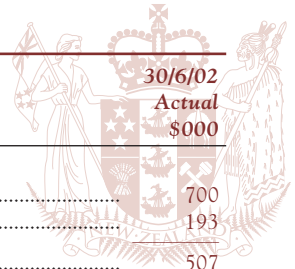
30/6/01 Actual \$000	Counterpart	Interest Rate	Term	30/6/02 Actual \$000
400	NZDMO	5.125%	1 week	–
350	NZDMO	5.50%	1 month	–
750	Total term deposits with NZDMO			–

Note 11: Debtors and receivables

30/6/01 Actual \$000		30/6/02 Actual \$000
1,053	Debtor-Crown	2,676
1	Interest receivable	–
1,054	Total debtors and receivables	2,676

Note 12: Fixed assets

30/6/01 Actual \$000		30/6/02 Actual \$000
	Fixtures & fittings	
820	At cost	700
248	Accumulated depreciation	193
572	Fixtures & fittings – net book value	507



Notes – continued

30/6/01		30/6/02
Actual		Actual
\$000		\$000
	Furniture	
173	At cost	219
142	Accumulated depreciation	159
31	Furniture – net book value	60
	Office equipment	
368	At cost	368
283	Accumulated depreciation	310
85	Office equipment – net book value	58
	Motor vehicles	
136	At cost	189
79	Accumulated depreciation	87
57	Motor vehicles – net book value	102
	Major plant & equipment	
107	At cost	122
73	Accumulated depreciation	115
34	Major plant & equipment – net book value	7
	Minor plant & equipment	
334	At cost	325
259	Accumulated depreciation	261
75	Minor plant & equipment – net book value	64
	IT equipment	
2,048	At cost	2,132
1,784	Accumulated depreciation	1,953
264	IT equipment – net book value	179
	Kitchen equipment	
97	At cost	97
61	Accumulated depreciation	73
36	Kitchen equipment – net book value	24
	Ground improvements	
20	At cost	20
16	Accumulated depreciation	19
4	Ground improvements – net book value	1
	Total fixed assets	
4,103	At cost	4,172
2,945	Accumulated depreciation	3,170
1,158	Total fixed assets – net book value	1,002



Notes – *continued*

Note 13: Creditors and payables

30/6/01 Actual \$000		30/6/02 Actual \$000
479	Trade creditors	745
62	Fixed assets creditors	54
933	Accrued liabilities and provisions	1,681
<u>1,474</u>	Total creditors and payables	<u>2,480</u>

Note 14: Employee entitlements

30/6/01 Actual \$000		30/6/02 Actual \$000
	Non current liabilities	
323	Retirement leave	335
68	Long service leave	76
<u>391</u>		<u>411</u>
	Current liabilities	
324	Annual leave	362
21	Long service leave	23
<u>345</u>	Total Current portion	<u>385</u>
<u>736</u>	Total employee entitlements	<u>796</u>

Note 15: Financial instruments

The department is a party to financial arrangements as part of its everyday operations. These include instruments such as bank balance, investments, sundry receivables and trade creditors.

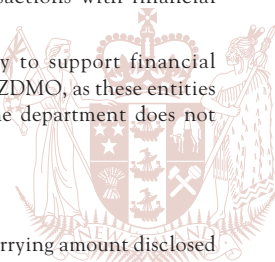
Credit risk

Credit risk is the risk that a third party will default on its obligations to the department, causing the department to incur a loss. In the normal course of its operations, the department incurs credit risk from sundry debtors and transactions with financial institutions and the New Zealand Debt Management Office.

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

Fair value

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the statement of financial position. The department is not involved in any off balance sheet transactions.



Notes – continued

Currency risk and interest rate risk

Currency risk is the risk that debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rate.

Interest rate risk is the risk that the department's return on the funds it has invested will fluctuate due to changes in market interest rate.

The department has no significant exposure to currency risk or interest rate risk on its financial instruments.

All interest earned on short-term deposits with the NZDMO are returned to the Crown as part of the surplus repayable to the Crown.

Note 16: Related party information

The department is a wholly owned entity of the Crown. The Government significantly influences the roles of the department as well as its source of revenue.

The department undertakes transactions with other departments, Crown Entities and state-owned enterprises. These transactions are carried out at an arm's length basis and are not considered to be related party transactions.

Apart from those transactions described above, the department has not entered into any related party transactions.

Note 17: Major Budget Variations

Statement of Financial performance

The increase in personnel and operating costs, and the consequential increase in Crown revenue, results from the increase in output class D1, for the Climate Change Project.

D1 – Policy Advice and Secretariat and Coordination Services

The appropriation for this output class was increased by \$2.729 million additional appropriation for the Climate Change Project and a transfer of \$113,000 to output class D2.

D2 – Support Services to the Governor-General

The appropriation for this output class was increased by \$113,000 as a result of the transfer from output class D1.

The transfer was made to meet the cost of staff changes and higher than budgeted costs associated with the Governor-General's programmes in output D2.

Statement of Financial position (and cash flow)

The increase in creditors and payables reflects the increase in bank and Crown debtors balances.

The increase in net cash flow from operating activities is the result of Climate Change Project joining the department during the year.

(Financial Statements prepared by J. C. Chiew BCA CA.)

ORGANISATIONAL INFORMATION

Staff information

Staff Numbers as at 30 June were:

	2002 (FTE) ²		2001	2000
Office of the Chief Executive	2	(2)	2	2
Policy Advisory Group	15	(15)	14	13
DESS	6	(6)	5	6
External Assessments Bureau	25	(25)	27	28
Cabinet Office	24	(23.2)	21	22
Communications Unit	0		0	1
Corporate and Support	13	(12.5)	11	13
Government House	29	(28.7)	32	30
Climate Change Project	19	(18.8)	0	–
Crime Prevention Unit ⁵	0		0	13
TOTAL	133¹	(131.2)	112³	128⁴

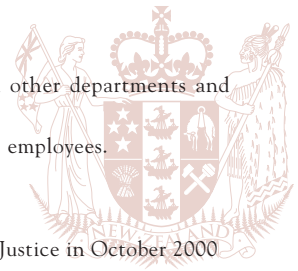
¹ Total includes six part-time staff and 32 seconded from other departments and organisations. Casual staff are not included.

² Figures in parenthesis represent full-time equivalent (FTE) employees.

³ Total includes 6 part-time and 15 seconded staff.

⁴ Total includes 8 part-time and 10 seconded staff.

⁵ The Crime Prevention Unit transferred to the Ministry of Justice in October 2000



Management Personnel

M Prebble Chief Executive
I B Anderson Corporate Services Manager

Policy Advisory Group

M A Thompson Director

Cabinet Office

J M Shroff, CVO Secretary of the Cabinet and Clerk of the
Executive Council
D E Wilderspin Deputy Secretary of the Cabinet
M A Bell Assistant Secretary of the Cabinet

Domestic and External Security Secretariat

D W Hill, CNZM Director

External Assessments Bureau

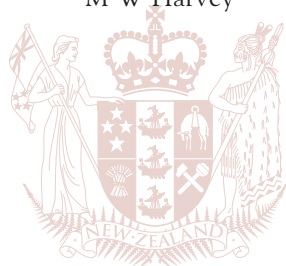
D J R Kersey Director
H J Baas Assessments Manager
G D Singleton Assessments Manager

Government House

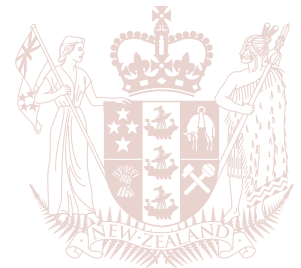
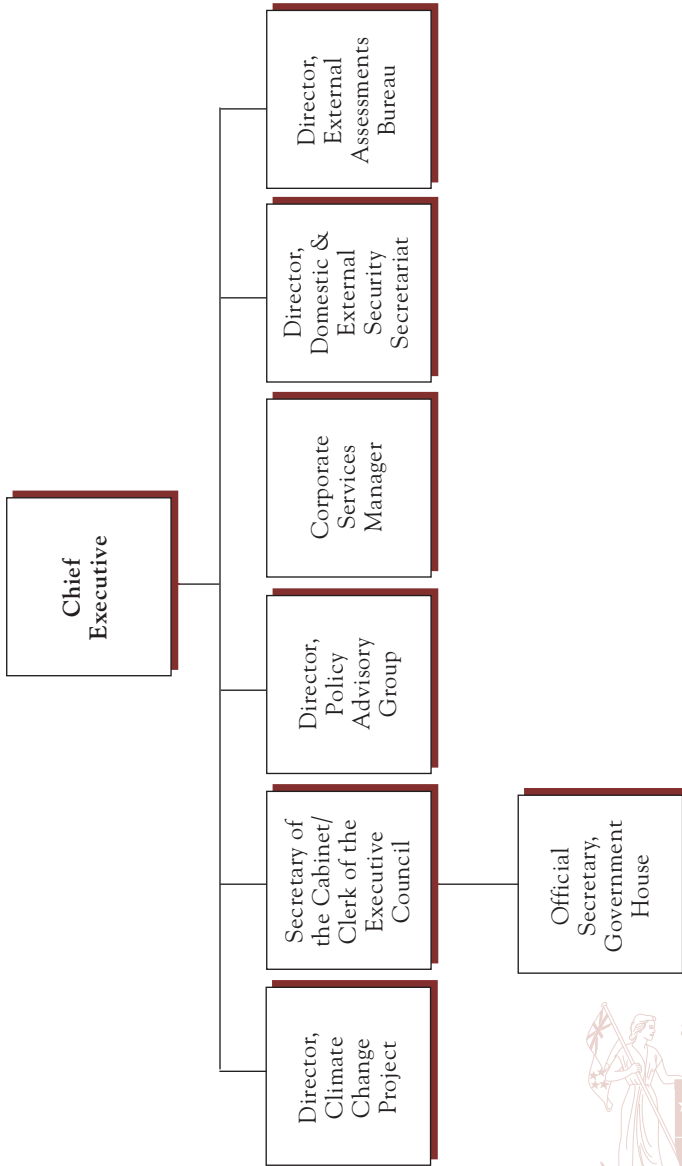
N H S Judd, CVO Official Secretary
D W Smith Manager, Support Services

Climate Change Project

B J Roche Director (part time)
M W Harvey Assistant Director



Management Structure as at 30 June 2002



Committees at officials' level and working groups which the department chairs, coordinates, attends or services

Chief Executive:

Chair, Chief Executives' Coordination Meetings.

Chair, Election Framework Task Force.

Deputy Chair Election 2002 Task Force.

Chair, Climate Change Steering Committee.

Chair of Officials' Committee on Domestic and External Security Coordination.*

Chair of Officials' Committee servicing the Cabinet Policy Committee.

Chair of Officials' Terrorist Emergency Group.

Member of Civil Defence Emergency Steering Committee.

Member of Chief Executives' Forum.

Member of Terrorist Emergency Group.

Member of various chief executive groups on a range of policy issues.

*The Chief Executive chairs this committee in his capacity as Coordinator, Domestic and External Security.

Secretary of the Cabinet:

Member of Officials' Committee servicing the Cabinet Policy Committee

Director of the Policy Advisory Group:

Member of Official's Committee servicing the Cabinet Policy Committee.

Policy Advisory Group:

Chair of Social Equity Committee.

Chair of Education and Health Committee.



Chair of Sustainable Development Committee.

Chair of Growth and Innovation Committee.

Chair of New Zealand Overseas Development Assistance: organisational structure.

Chair of Samoa Apology Committee.

Chair of Treaty Issues Committee.

Chair of Maori Trust Office Officials Group.

And member of following officials' groups:

Social Equity Committee.

Education and Health Committee.

Waitangi Day Commemorations Committee.

Steering Committee on Social Assistance Reform.

Committee on Expenditure Control and Government Administration.

Committee on Energy Policy.

Local Government Review Steering Group.

Officials' Group on Roothing.

Gaming Review.

Welfare and Employment Reform Steering Group.

Senior Officials Group in Employment.

Senior Officials Group on Housing.

Social Policy Senior Policy Group.

Oceans Committee.

Crown Entity Reform Committee.

Culture and Heritage Committee.

Broadband Steering Group.

The department also provided liaison officers for the following Cabinet Committees:

Cabinet Policy Committee.

Cabinet Finance, Infrastructure and Environment Committee.

Cabinet Committee on Government Expenditure and Administration.

Cabinet Education and Health Committee.

Cabinet Social Equity Committee.



Cabinet External Relations and Defence Committee.

Ad Hoc Cabinet Committee on Intelligence and Security.

Cabinet Economic Development Committee.

Domestic and External Security Secretariat:

Chair of Interdepartmental Committee on Security.

Chair of Foreign Intelligence Requirements Committee.

Member of National Assessments Committee.

Clerk of Parliamentary Committee on Intelligence and Security.

Chair of Working Committee on Terrorism.

Member of Officials' Antarctic Committee (and various sub-committees).

Member of Officials' Hydrographic Information Advisory Group (and sub-committees).

Member of Officials' Advisory Committee for the Continental Shelf Project.

Member of Departmental Committee on Computer Security (DCCS).

Chair of Interdepartmental Watch Groups.

Chair of Nuclear Shipment Vessel Committee.

Member of National Civil Defence Committee.

Secretary of Officials' Committee on Domestic and External Security Coordination.

Member of Interdepartmental Committee on Diplomatic Missions Security.

Member of Hazards Advisory Committee.

Chair of Satellite Re-Entry Committee.

External Assessments Bureau:

Chair of National Assessments Committee.

Member of Officials' Committee on Domestic and External Security Coordination.

Member of Working Committee on Terrorism.

Member of Foreign Intelligence Requirements Committee.

Member of Interdepartmental Watch Groups.



Statutory and Formal Responsibilities

Chief Executive

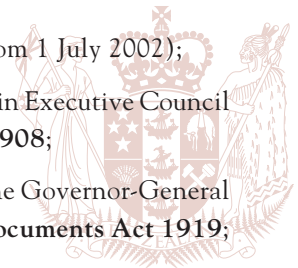
The Chief Executive has the statutory responsibility to appoint such officers as may be required to assist the Intelligence and Security Committee of Parliamentarians (established under the **Intelligence and Security Committee Act 1996**) to carry out its duties.

The Chief Executive has coordination responsibilities in the response phase of an emergency under the **International Terrorism (Emergency Powers) Act 1987**.

Secretary of the Cabinet/Clerk of the Executive Council

The statutory and formal responsibilities of the Secretary of the Cabinet and Clerk of the Executive Council are:

- to administer the Letters Patent Constituting the Office of the Governor-General of New Zealand 1983;
- to be the Registrar of Ministers' Interests;
- to preserve and maintain the official records of Cabinet, and to administer the convention on access to documents of a previous administration.
- to prepare documents associated with the election process under the **Electoral Act 1993** and the **Constitution Act 1986**;
- to administer the **Civil List Act 1979**;
- to administer the **Seal of New Zealand Act 1977**, (from 1 July 2002);
- to administer the **Royal Titles Act 1978** (from 1 July 2002);
- to certificate subordinate legislation approved in Executive Council in terms of section 32 of the **Evidence Act 1908**;
- to certificate other instruments executed by the Governor-General in terms of the **Official Appointments and Documents Act 1919**;



- to administer the Oath of Allegiance, the Executive Councillor's Oath and the Parliamentary Under-Secretary's oath in terms of section 23 of the **Oaths and Declarations Act 1957**;
- to administer the Statutes of The Queen's Service Order (1975 and 1981), The Order of New Zealand (1987) and The New Zealand Order of Merit (1996 and 2000);
- to administer the Royal Warrants of the New Zealand Gallantry Awards and the New Zealand Bravery Awards (1999); and
- to certificate and seal documents of the New Zealand Government Property Corporation in terms of section 10 of the **New Zealand Government Property Corporation Act 1953**.



Good Employer Requirements

Equal Employment Opportunities (EEO)

The department continued to pursue its EEO objectives that were developed in 2000/01. Human Resources policies and practices were reviewed to ensure compliance with the amended requirements of the Human Rights Act. The department maintained its membership of the EEO Trust Employers Group.

A review of the department's recruitment and selection policy was completed, staff and recruitment EEO databases were maintained, and EEO statements were included in managers' performance agreements with the Chief Executive.

Employment-related initiatives were included in the department's Implementation Work Plan to support the New Zealand Disability Strategy.

Employee Relations

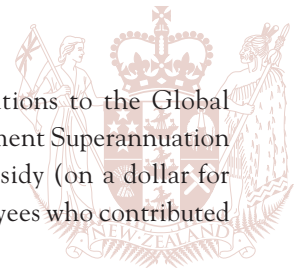
All staff are employed on individual employment agreements. The most recent collective employment contract expired on 30 June 2000, and no claims have yet been received from staff to renew it. Preliminary discussions have taken place between the department and the Public Service Association on the establishment of a Partnership for Quality Agreement.

Commitment to Childcare

Until 30 June 2002 the department leased places at the Kids Reserve child care centre in the Reserve Bank Building. Children of employees were also eligible for places at the playHouse child care centre in the Parliamentary complex.

Superannuation and Retirement

The department continued to subsidise contributions to the Global Individual Retirement Plan (IRP) and the Government Superannuation Fund. Administrative costs and an employer subsidy (on a dollar for dollar basis) were met by the department for employees who contributed



to the IRP. At 30 June 2002 60% of employees received employer contributions to superannuation.

The department offered seminars to staff on financial planning and retirement preparation.

Occupational Health and Safety

The department maintained a programme of providing ergonomic furniture and equipment for staff using computers, occupational safety advice, and eye testing for those exposed to computer screens for prolonged periods. New staff, and those moving to new offices, received an ergonomic assessment and training in the correct use of desktop computers.

Arrangements were made for the establishment of a new Health and Safety Committee. The department also has a representative on the Health and Safety Committee for the wider Parliamentary complex.

Staff were encouraged to maintain a good level of physical fitness, and the department offered a subsidy for approved fitness-related programmes.

The department continued to administer a group health insurance scheme for staff, through Southern Cross Healthcare.

Career Progression

The department kept staff informed about the results, for both DPMC and for the Public Service as a whole, of the State Services Commission's Career Progression and Development Survey. Several forums, with guest speakers, were held for the department's managers to discuss issues arising from the Survey reports. Among the topics were longer working hours, dealing with unwelcome behaviour, career development, and work-life balance.



Information Management

Information Technology

This year the department started changing its focus from “Information Technology” to that of “Information Management”. Reviews were carried out of the departments Web sites, with a recommendation for redevelopment, and planning was begun for the development of an internal Intranet. A review of staff resourcing in this area resulted in the approval to hire one extra staff member.

On the IT front, work was carried out to improve the reliability of the computer system. A contract engineer was on site for 5 weeks which resulted in many ongoing network problems being resolved, software being patched to latest versions, and standards and documentation updated.

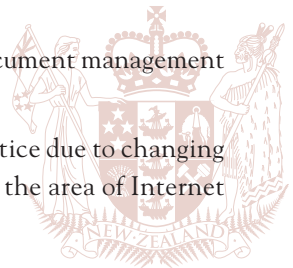
Other initiatives were completed during the year included:

Information Services

- Becoming involved with the E-government Metalogue and Portal project and cataloguing departmental services for the Web Portal.
- Introducing the Intranews electronic news service to relevant staff within the department.
- Becoming part of a new Parliamentary Services Information Management group.

Information Technology

- Upgrading the departments main network server and operating system to provide better performance and eliminate unsupported products.
- Upgrading the Cabinet Office network and document management system for the same reason.
- Expanding and tightening our IT Code of Practice due to changing technology and security issues, particularly in the area of Internet use.



- Extending our physical network and systems to include a new Climate Change task force located in a separate building.
- Developing an electronic image database for Government House which links into the financial asset system. This used to expedite the valuation process.
- Installing monitored smoke detectors in both the DPMC and Cabinet Office server rooms.
- Introducing flat screen monitor technology to nearly half the department where a genuine need could be seen. This technology will be evaluated and possibly extended in the future.

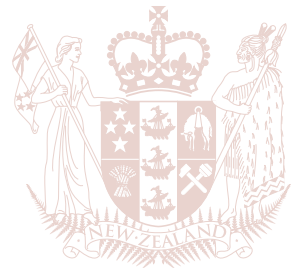


Appendix I : Business Statistics for Executive Council, Cabinet and Cabinet Committees

1 July 2001 to 30 June 2002

	<i>No. of meetings</i>	<i>No. of Agendas Items</i>	<i>Average</i>
Executive Council	40	322	8.1
Cabinet	38	848	22.3
Cabinet Policy Committee	32	366	11.4
Cabinet Economic Development Committee	18	61	3.4
Cabinet Finance, Infrastructure and Environment Committee	31	247	8.0
Cabinet Education and Health Committee	14	78	5.6
Cabinet Social Equity Committee	26	145	5.6
Cabinet External Relations and Defence Committee	14	53	3.8
Cabinet Legislation Committee	32	246	7.7
Cabinet Appointments and Honours Committee	15	193	12.9
Cabinet Committee on Government Expenditure and Administration	13	94	7.2
Other*	6	83	13.8
Subtotal of Cabinet Committee Meetings	201	1566	7.8
Total including Cabinet	239	2414	10.1

*Includes Cabinet Business Committee and the Ad Hoc Cabinet Committee on Intelligence and Security



Appendix II : Summary of New Zealand and other Honours granted 1 July 2001–30 June 2002

The Order of New Zealand

Ordinary Member	1
Additional Member	4

The New Zealand Order of Merit

Principal Companion (PCNZM)	2
Distinguished Companion (DCNZM)	10
Companion (CNZM)	29
Officer (ONZM)	63
Honorary Officer (ONZM)	4
Member (MNZM)	114
Honorary Member (MNZM)	2

The Queen's Service Order

Companion for Community Service (QSO)	14
Companion for Public Services (QSO)	19

The Queen's Service Medal

for Community Service (QSM)	73
for Public Services (QSM)	76

TOTAL 411

Other Honours and Appointments

The Royal Victorian Order, Member of	1
Grant of the title "The Honourable" for life	2

TOTAL 3

GRAND TOTAL 414

All honours and appointments are promulgated in the *New Zealand Gazette*.

