

impartial high-quality advice
*facilitating government decision making at a
strategic and operational level*
*comprehensive understanding
of issues*
supporting the Governor-General

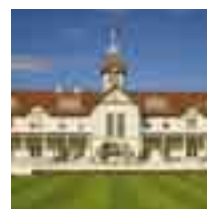
DEPARTMENT
of the PRIME MINISTER
and CABINET



Annual Report

advice on constitutional matters
*support over leadership and
management of the cabinet system*
*administrative support to the
Prime Minister*

for the year ended 30 June 2006





DEPARTMENT
of the PRIME MINISTER
and CABINET



Annual Report

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

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for the year ended 30 June 2006



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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).

SUPPORTING THE PRIME MINISTER AND CABINET

The Prime Minister is the political leader of the government and the country – and its main public “face”. The Prime Minister is also the chair of Cabinet, and is responsible for the effective operation of collective government. These roles combine political and executive responsibilities.

DPMC provides three kinds of direct support to the Prime Minister:

Issues that are the direct responsibility of the Prime Minister

An important part of this support is for constitutional issues relating to the conduct of executive government – including the formation of government and transitions between administrations – and issues associated with the operation of the Cabinet system.

Issues across the range of government business

As the political head of the government, the Prime Minister must have an overview of government activity and access to information on any and all issues that arise. DPMC works with the rest of the public service to achieve this, co-ordinating activity where necessary – for example, working with the other central agencies and with key departments to ensure the government's three priority themes (economic transformation; families – young and old; and national identity) are supported.

Administrative support to the Prime Minister

This includes services such as preparing replies to Parliamentary questions, and dealing with Official Information Act requests and other correspondence.

A totally separate body, the Office of the Prime Minister, also advises the Prime Minister and is the primary point of responsibility for coalition management.

SUPPORTING THE GOVERNOR-GENERAL

DPMC also supports the Governor-General in carrying out his or 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 on the advice of ministers and the government. The Governor-General is therefore a significant figure in the constitutional framework, with constitutional, ceremonial, and community roles that together build and foster our national identity and unity.

BRINGING THE SYSTEM TOGETHER

A great deal of DPMC's activities focus on facilitating government decision making at a strategic and operational level. To achieve this, the department relies on close relationships with other departments and agencies and – depending on the issue – on local government, industry, and the community.

policies, procedures, security



Chief Executive's Overview

The 2005 General Election, which was held in September, was a major focus for the Department of the Prime Minister and Cabinet during the past year. Advice and support was provided on a range of policies and procedures around the election itself, and in the period before election day there was intensive preparation to support the formation of whichever new Government would take office.

The Clerk of the Executive Council and the Cabinet Office were closely involved in providing advice and support to the Prime Minister as she concluded various aspects of the government-formation process. The Policy Advisory Group co-ordinated briefings to the incoming government on policy issues and matters for early decision.

During the past year, the department was also called upon to support the selection process for the new Governor-General, Judge Anand Satyanand, in succession to Dame Silvia Cartwright, whose term ended on 4 August 2006. Judge Satyanand assumed his vice-regal responsibilities on 23 August.

These two aspects of the department's activities over the last twelve months underline the key role DPMC plays at the heart of New Zealand's constitutional democracy, supporting the continuation of executive government within accepted practices and conventions. Smooth transitions of executive authority, within the bounds of the law and the accepted norms of our democratic traditions, are central to maintaining confidence in our political system and institutions, and protecting New Zealanders' way of life.

New government following the election

Following the swearing-in of the new Government in October, the Cabinet Office co-ordinated the induction of new members of the Cabinet as they assumed their responsibilities. The Policy Advisory Group engaged with the Prime Minister to ensure that the new Government's policy priorities were clearly understood and communicated to departments. An inter-departmental officials' process was launched to support the Prime Minister and senior ministers in a discussion on how to lift New Zealand's economic performance.

The Prime Minister has enunciated three themes to guide the government's ongoing work: economic transformation; families – young and old; and national identity. With its partner central agencies, the Treasury and the State Services Commission, the Department of the Prime Minister and Cabinet has been given an ongoing role in supporting the ministers who lead each of the three themes and also the three departmental chief executives who co-ordinate support around these themes for the lead ministers.



CHIEF EXECUTIVE'S OVERVIEW

On the broader policy front, the Policy Advisory Group has strengthened its role in support of the Prime Minister, and has taken an active role in leadership and support of cross-government policy initiatives across a diverse and wide range of issues.

Domestic security

The Domestic and External Security Group (DESG) faced a number of challenges during the year, although – fortunately – there were no major natural calamities on the scale of previous years. In light of the growing risk of an international avian influenza pandemic, DESG and the Policy Advisory Group led an intensive programme of cross-government activity to support the Ministry of Health in developing a national pandemic preparedness plan. This work engaged numerous central government agencies, along with local government, and involved extensive consultations with private sector and volunteer organisations, particularly infrastructure providers. Within six months of the launch of the process, a revised draft of a Pandemic Action Plan had been drawn up and considered by ministers, and released for public consultation. The plan remains a work in progress, and continues to be revised in light of ongoing international developments in avian influenza. New Zealand has also participated in a range of international forums, including within the Asia-Pacific region, on how to prepare for and mitigate the risk of an influenza pandemic. The New Zealand Plan, as prepared thus far, has received favourable comment internationally and is being seen as a model for other nations.

DESG has worked with the Ministry of Civil Defence Emergency Management in handling civil defence emergencies that have arisen, such as the heavy snows that fell in mid and south Canterbury in June 2006, and the flooding in the lower North Island in June 2006, and has co-ordinated and participated in various exercises to test New Zealand's preparedness for a range of emergencies.

External security

The department, through ODESC (Officials' Committee for Domestic and External Security Co-ordination) and DESG, also co-ordinated New Zealand's responses to loss of law and order in the Solomon Islands and Timor Leste in May of this year. The Regional Assistance Mission to Solomon Islands (RAMSI) provided the framework for managing the deployment of additional New Zealand military and police

contingents when rioting erupted in the wake of the Solomon Islands' general election and the swearing-in of a new prime minister. New Zealand also joined Australia, Malaysia and Portugal in deploying troops in Timor Leste at the urgent request of its government, following the collapse of law and order and effective governmental authority there. A small police contingent was despatched somewhat later, to bolster the effectiveness of the New Zealand military presence. The duration of New Zealand's presence in both countries is still not clear, but it is expected that there will be a need for external assistance for some considerable time yet – including, in the case of Timor Leste, possible assistance through the United Nations.

Central agencies

In last year's report, I noted how DPMC, along with Treasury and the State Services Commission, had agreed a joint outcome for guiding our work. Efforts to improve collaboration and alignment between the three central agencies have continued this year. To give further impetus to this work, the three departments proposed that the scope for improving their contribution to the work of the wider public service be considered specifically, as part of the government's expenditure reviews launched in March. This work is currently underway, led by a team of experienced external advisers, and a report to ministers is expected in the first few months of the new planning year.

Unauthorised disclosure

The unauthorised disclosure by a departmental employee of a classified Cabinet paper was an unconscionable lapse. The behaviour of this staff member caused significant difficulties for the Prime Minister and the Government, and subjected Cabinet ministers and parts of the public service to close media and public attention.

The unauthorised disclosure of the Cabinet paper was an unwelcome test of the department's values and character. The leak itself was quite out of character for the department and its staff. I have been gratified and encouraged by the determination of staff to rebuild confidence in every aspect of the department's role.

In the wake of this event, an independent review of departmental processes for handling confidential information was commissioned. Mr David Henry found

CHIEF EXECUTIVE'S OVERVIEW

departmental processes were essentially robust, but made some valuable recommendations for strengthening them further – including in relation to credit and criminal checks for new staff, ongoing security-awareness training, and internal office procedures for handling classified papers.

In addition to the specific measures generated above, we have taken further steps over the year to strengthen departmental systems of information management and technology support for staff. The department has committed to joining the Government Shared Network, a government initiative to build a high-speed secure electronic network for data transmission across the core public service. This will provide benefits to the department itself, and also to other agencies wishing to access material.

Field inquiry

The department was responsible for meeting expenses associated with the Taito Phillip Field inquiry, which was carried out by Dr Noel Ingram QC and whose findings were released publicly in July 2006. The inquiry was complex and ran for longer than the department had originally anticipated. Consequently the department sought Cabinet approval for additional expenses under imprest supply late in the year to meet the final costs.

Their Excellencies' programme

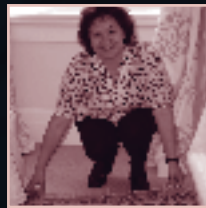
The Governor-General, Dame Silvia Cartwright, and Mr Cartwright represented New Zealand at constitutional commemorations in Vanuatu and the Cook Islands, and undertook two state visits to Vietnam and Korea. In May and June this year, state visits to Ireland and Greece and a series of farewell calls in London marked the end of what has been an intensive programme of overseas assignments for the Governor-General.



Maarten Wevers, CNZM
Chief Executive



Leadership, efficiency, support



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 – the 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 five *contributing outcomes* have been developed to help achieve its overall outcome.

Contributing Outcome 1

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

Contributing Outcome 2

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

Contributing Outcome 3

The Governor-General is well supported.

Contributing Outcome 4

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

The department has a fifth *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



OUTCOMES

things in the right way at the right prices. To enhance our contribution to the work of the wider public service, DPMC is participating in the Central Agencies Review. This review is considering the relative role of each of the three central agencies in supporting our fifth contributing outcome – the improvement of state sector performance.

Contributing Outcome 5

State sector performance is improved.

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.

An overview of DPMC's outcome and output framework is contained in the department's *Statement of Intent for the year ending 30 June 2007*, pages 6-7.

*accountable,
impartial, responsive*



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 Objectives and 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".

To the Readers of the Department of the Prime Minister and Cabinet's Financial Statements for year ended 30 June 2006.

The Auditor-General is the auditor of the Department of the Prime Minister and Cabinet (the Department). The Auditor-General has appointed me, Stephen Lucy, 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 2006.

UNQUALIFIED OPINION

In our opinion the financial statements of the Department on pages 13 to 50:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the Department's financial position as at 30 June 2006;
 - the results of its operations and cash flows for the year ended on that date;
 - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year and its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year; and
 - the schedules of non-departmental activities on pages 46 to 50 fairly reflect the assets, liabilities, expenses, contingencies, and commitments managed by the Department on behalf of the Crown for the year ended 30 June 2006.

The audit was completed on 29 September 2006, 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 or statement of service performance.

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.



AUDIT REPORT

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. The financial statements must fairly reflect the financial position of the Department as at 30 June 2006 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Department's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. In addition, the schedules of non-departmental activities must fairly reflect the assets, liabilities, expenses, contingencies, and commitments managed by the Department on behalf of the Crown for the year ended 30 June 2006. The Chief Executive's responsibilities arise from sections 45A, 45B and 45(1)(f) of 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 section 45D(2) of the Public Finance Act 1989.

INDEPENDENCE

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

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

S B Lucy
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 the Prime Minister and Cabinet (the Department) for the year ended 30 June 2006 included on the Department's web site. The Chief Executive is responsible for the maintenance and integrity of the Department's web site. We have not been engaged to report on the integrity of the Department's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

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 29 September 2006 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 2006.



Maarten Wevers, CNZM
CHIEF EXECUTIVE

Date: 29 September 2006

COUNTERSIGNED BY



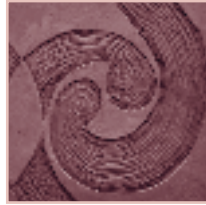
Brent Anderson
CORPORATE SERVICES MANAGER

Date: 29 September 2006



Statement of Objectives and Service Performance

for the year ended 30 June 2006



STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE

- 14 : Output Class 1: Policy Advice and Secretariat and Co-ordination Services
- 19 : Output Class 2: Support Services to the Governor-General and Maintenance of the Residences
- 22 : Output Class 3: Intelligence Assessments on Developments Overseas

OUTPUT CLASS 1 POLICY ADVICE AND SECRETARIAT AND CO-ORDINATION 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
- the promotion and facilitation of interdepartmental co-ordination of policy development and the promotion of a more collective approach to performance standards across the state sector, through the formulation and implementation of the government's key themes
- the co-ordination of central government activities aimed at protecting New Zealand's domestic and external security, including intelligence, counter-terrorism preparedness, emergency/crisis management and defence operations
- the provision of advice to the Governor-General, the Prime Minister and ministers on constitutional issues relating to executive government
- the provision of impartial secretariat services to Cabinet, Cabinet committees and the Executive Council; and the promulgation of their decisions
- the provision of advice on the policies, processes and procedures relating to the Executive Council, Cabinet and Cabinet committees, and the adaptation of these as required
- the co-ordination of the policy and administrative aspects of the legislation programme, as directed by the Cabinet Legislation Committee
- advice on central government decision-making processes
- the provision of policy and administrative support for the New Zealand royal honours system
- the provision of services to assist with the purchase of media time and space for government public-information programmes.

The department assists the Prime Minister in overseeing and leading the government as a whole. In addition, it supports the Cabinet decision-making process. As a central agency, the department has a clear role to play in promoting effective policy co-ordination across the public service. Ministers need to have complete trust in the quality of the advice and support the department offers on the proper conduct of government business within accepted conventions and practices.

Output Class 1 Financial Performance

30.06.05		30.06.06		
Actual		Actual	Main Estimates	Supplementary Estimates
\$000		\$000	\$000	\$000
9,699	Revenue – Crown	7,750	7,010	7,270
37	Revenue – Other	–	–	–
8,760	EXPENDITURE	7,718	7,010	7,270
976	SURPLUS	32	–	–



OUTPUT CLASS 1 POLICY ADVICE AND SECRETARIAT AND CO-ORDINATION SERVICES

Output Class 1 Service Performance: Policy Advisory Group

POLICY ADVICE TO THE PRIME MINISTER

Objective

To provide high-quality information, analysis and advice that enables the Prime Minister to lead and manage the public policy business of the government.

Performance

The Policy Advisory Group provided advice to the Prime Minister as necessary on Cabinet and Cabinet committee papers in time for her to use in Cabinet or Cabinet committee meetings.

The Policy Advisory Group provided briefing notes on issues of interest to the Prime Minister, either in response to requests from her or on the Group's initiative.

All written advice provided to the Prime Minister was reviewed by the Director of the Policy Advisory Group and/or the Chief Executive. In most cases this review occurred after the advice was tendered; in sensitive or difficult matters the Director or Chief Executive reviewed the advice before it was submitted.

Feedback from the Prime Minister on any advice tendered was made available to the Chief Executive, the Director of the Policy Advisory Group, and the adviser concerned.

The Policy Advisory Group participated in a range of whole-of-government processes in support of the Government's themes.

The Policy Advisory Group convened regular meetings of the Officials' Social Development Committee, and briefed the Chair of the Cabinet Social Development Committee before each of that Cabinet committee's meetings.

Objective

To satisfy the Prime Minister that the Group's advice and co-ordination services are provided to a high standard.

Performance

The Prime Minister provided regular feedback on the advice provided by the Policy Advisory Group. Formal feedback was also sought from other key stakeholders such as the Office of the Prime Minister and selected departmental chief executives.

Objective

To satisfy the Prime Minister that the department's leadership and co-ordination roles are carried out effectively in a timely manner.

Performance

The Prime Minister is regularly advised by the Chief Executive (with the support of the Director of the Policy Advisory Group, the Secretary of the Cabinet, and the Director of DESG in their own specialist areas) of the range of activities undertaken to facilitate cross-agency co-ordination of policy advice and implementation. These activities include fortnightly meetings of departmental chief executives, convened to share information over policy directions; and weekly meetings with counterpart central-agency chief executives.

OUTPUT CLASS 1 POLICY ADVICE AND SECRETARIAT AND CO-ORDINATION SERVICES

Output Class 1 Service Performance: Cabinet Office

SUPPORT FOR THE PROPER AND EFFECTIVE OPERATION OF THE KEY INSTITUTIONS OF EXECUTIVE GOVERNMENT

Objective

To provide impartial secretariat services to the Executive Council, Cabinet and Cabinet committees including: preparing agendas; checking that submissions meet the requirements set by Cabinet; preparing summary cover sheets for submissions; recording decisions; and distributing submissions and minutes.

Performance

The Cabinet Office provided secretariat services to 141 Cabinet and Cabinet committee meetings and 35 Executive Council meetings over the year. This compares with 224 and 43 respectively in 2004/05. (It is customary for there to be fewer Cabinet and Cabinet committee meetings, and fewer papers, in years in which there are general elections.)

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 II for the business statistics for Executive Council, Cabinet, and Cabinet committees.)

There were 1,549 summary cover sheets prepared for submissions to Cabinet and Cabinet committees during the past year. This compares with 2,287 in 2004/05.

Our performance target for the delivery of submissions to ministers' offices is for all papers to be delivered two days before the meeting. In the past year 84 per cent of submissions were received in the Cabinet Office within the Cabinet deadline for lodging papers. We delivered 95 per cent of these papers to ministers' offices within our performance target.

There were 1,743 Cabinet and Cabinet committee minutes recorded over the year, compared with 2,577 in 2004/05.

All Cabinet committee minutes are issued within three days of the meeting, before the next meeting of Cabinet.

Ninety-two per cent of all Cabinet minutes were issued within three days of the Cabinet meeting. This is the same percentage as in 2004/05.

Ninety-eight per cent of all Cabinet and Cabinet committee minutes did not require amendment by the Cabinet Office (excluding amendments to committee minutes made as a result of Cabinet decision). This is the same percentage as in 2004/05.

Objective

To provide advice on policies, processes and procedures relating to Cabinet, Cabinet committees, and the Executive Council; to administer and maintain the conventions, policies and guidelines in the Cabinet Manual, the Step by Step Guide, and related Cabinet Office circulars; and to provide policy and procedural advice and information on these matters to ministers' offices and departments.

Performance

Eleven Cabinet Office circulars were prepared and issued in 2005/06 on a range of issues, including government decision making during the period of caretaker government and resumption of business after the formation of the new Government. (Seven circulars were provided in the 2004/05 year.)

The Cabinet Office provided 20 briefing seminars to departments and interested parties on the Cabinet decision-making process (compared with 28 in the previous year).

A significant programme of briefings was prepared and delivered for new ministers following the general election in 2005, along with a series of briefings for new staff in ministers' offices.

Thinking about new ways of working with departments to support quality decision making by Cabinet was a feature of the Office's work programme for 2005/06.

Refinements have been made to Cabinet Office systems for the distribution and tracking of Cabinet material.

A secure online Cabinet and Cabinet committee workspace, which provides access to a range of Cabinet Office



OUTPUT CLASS 1 POLICY ADVICE AND SECRETARIAT AND CO-ORDINATION SERVICES

administrative information, is now available to departments and staff in ministers' offices through the public sector intranet.

During the year the Office organised three ministerial meetings with visiting prime ministers and presidents, in the Cabinet Room.

Objective

To provide advice to the Prime Minister and the Governor-General on policies and procedures relating to constitutional issues.

Performance

Advice and support was provided to the Prime Minister and the Governor-General on a range of policies and procedures relating to constitutional issues. This included providing support to the Prime Minister in the period surrounding the 2005 General Election.

A comprehensive pre-election programme of briefings was also provided to ministers, departments and commentators on the constitutional conventions of caretaker government and of government information in election years.

The Clerk of the Executive Council provided support to the Prime Minister on the selection of the new Governor-General in early 2006 and, together with the Official Secretary Government House, arranged an induction and briefing programme for the new Governor-General in advance of his taking up the role in August 2006.

Objective

To co-ordinate the policy and administrative aspects of the legislative programme, as directed by the Cabinet Legislation Committee.

Performance

Advice and support was provided to the Leader of the House and the Cabinet Legislation Committee on the management of the Government's legislative programme and the preparation and management of the legislative programme for the 2006 calendar year.

Objective

To provide 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.

Performance

Policy continued to be developed, and ongoing advice given, on operational service medals and a range of other honours issues.

The Honours Secretariat advised and assisted the Prime Minister and the Cabinet Appointments and Honours Committee on the compilation of the 2006 New Year Honours List (205 recipients) and the 2006 Queen's Birthday Honours List (200 recipients).

Objective

To maintain the records of Cabinet; and to provide related information services.

Performance

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

OUTPUT CLASS 1

POLICY ADVICE AND SECRETARIAT AND CO-ORDINATION SERVICES

Output Class 1

Service Performance: Domestic and External Security Group (DESG)

Objective

To provide integrated advice on issues involving national security and defence, emergency management, intelligence, and counter-terrorism; and to guide and co-ordinate crisis-management arrangements across the government.

Performance

The Domestic and External Security Group (DESG) has increased its capacity and skill base to co-ordinate and provide leadership on a range of policies and preparations for strengthening national security and stability and dealing with various civil contingencies.

In particular, it is working with a number of government agencies and with local authorities to:

- strengthen early warning of emerging security issues
- assess and evaluate possible threats or national risks
- identify potential vulnerabilities and likely consequences
- determine options for controlling significant risks
- develop management policies for government
- co-ordinate strategic planning and response.

DESG provided policy advice and support for 26 meetings of departmental chief executives under ODESC (Officials' Committee for Domestic and External Security Co-ordination), 41 Watch Group (close situation monitoring) meetings, and several hundred meetings with officials from central government, local government, industry, and academia. Issues covered included:

- regional security matters, including the Pacific Security Strategy and developments in Timor Leste, Fiji, Tonga, Bougainville, and the Solomon Islands
- security of New Zealanders at major events overseas (the Commonwealth Games, the Winter Olympics, Gallipoli, and the World University Games)
- central government's management of natural disasters (such as snow and floods)

- planning for management of a pandemic in New Zealand
- planning to improve national resilience against terrorism and other threats
- oversight of implementation of recommendations from the Maritime Patrol Review.

The Prime Minister has provided regular feedback that confirms satisfaction with the advice and co-ordination of the Group, and other agencies say they value DESG's activities.

Objective

To provide a system of foreign intelligence collection and assessment activity that reflects policy priorities, national requirements and available resources, and that also ensures a co-ordinated and harmonised outcome.

Performance

DESG chaired and provided secretariat support for regular meetings of the Foreign Intelligence Requirements Committee. It also undertook other intelligence co-ordination, which included:

- support for intelligence sector projects
- facilitation of inter-agency co-operation
- provision of a shared resource to assist agencies with operational issues.

The increased use of the co-ordination services provided by DESG and the acknowledged usefulness of the Group's activities to ODESC indicate successful achievement of the intelligence co-ordination objective.



OUTPUT CLASS 2 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 the hosting of 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.

The Governor-General is the Queen's representative in New Zealand – and has constitutional, ceremonial and community roles. She requires high-quality advice and support to carry out these roles in a way that is appropriate for the representative of the head of state. The Wellington and Auckland Government Houses are important facilities for carrying out the Governor-General's duties, and are also important as historic places.

Output Class 2 Financial Performance

30.06.05		30.06.06	30.06.06	
Actual		Actual	Main Estimates	Supplementary Estimates
\$000		\$000	\$000	\$000
3,266	Revenue – Crown	3,366	3,307	3,366
54	Revenue – Other	65	58	58
3,296	EXPENDITURE	3,396	3,337	3,396
24	SURPLUS	35	28	28

OUTPUT CLASS 2 SUPPORT SERVICES TO THE GOVERNOR-GENERAL AND MAINTENANCE OF THE RESIDENCES

Output Class 2 Service Performance: Support Services to the Governor-General and Maintenance of the Residences

SUPPORT SERVICES TO THE GOVERNOR-GENERAL

Objective

To provide efficient and effective support to the Governor-General, to enable the carrying out of the Governor-General's ceremonial and the community roles.

Performance

The Governor-General undertook an extensive programme of official engagements both within New Zealand and overseas. Arrangements were made and briefings provided to the Governor-General to enable her to attend 463 official engagements in New Zealand.

The Governor-General hosted 198 functions at Government House Wellington and 29 functions at Government House Auckland (the Auckland house was closed for refurbishment for part of the period). A total of 20,000 people visited the two Houses, either attending functions or on house visits individually or in groups.

The functions included 15 investitures (including 4 Order of St John investitures) for recipients from the 2005 Queen's Birthday Honours List and the 2006 New Year Honours List, and 10 presentation-of-credentials ceremonies by foreign ambassadors.

Ceremonial welcomes and luncheons were held in honour of the presidents of Pakistan, Lithuania, and Bosnia-Herzegovina. State dinners were held for HRH Prince William and HRH the Duke of York, both of whom stayed at Government House Wellington; HRH Prince William stayed in addition at Government House Auckland. A state dinner was held in honour of the governors-general of Papua New Guinea and the Solomon Islands (in Wellington) and the governor-general of Tuvalu (in Auckland).

Her Excellency the Governor-General made extended visits to the Bay of Plenty, Waikato (which included the ruby (40th year) celebrations of the accession of the Māori Queen), Nelson, Taranaki, and Otago. During these visits she met New Zealanders in their communities, schools, institutions, and businesses – and on marae.

The Governor-General made visits to Singapore (June-July 2005), Vanuatu (July 2005) and the Cook Islands (August 2005); and state visits to Vietnam (November 2005), Korea (April 2006), the Republic of Ireland (May 2006), and Greece (June 2006). In addition, the Governor-General paid a farewell call on the Queen in June 2006.

In her ceremonial role, the Governor-General played a key part in New Zealand activities in 2006, including attendance at three ANZAC Day commemorations in Christchurch and Wellington and seven Waitangi Day activities at Waitangi, Hamilton, and Auckland.

To ensure that the Governor-General continued to receive efficient and effective support for carrying out her required ceremonial and community roles, informal debriefing was carried out with Her Excellency immediately after an event. Any areas for improvement were noted, discussed at the fortnightly management and programme meetings, and where possible incorporated into future events by way of changed procedures. A more formal monthly meeting was held with the Governor-General to seek feedback on all aspects of support for the official programme.

Objective

To provide the Governor-General with services of an advisory, administrative, function-organisation and household nature, to ensure the efficient and effective running of the official programme and household.

Performance

A wide range of functions and ceremonial occasions was delivered to the standard required for the Governor-General. The required standard to be achieved is that of "best practice", and this is benchmarked against the standards at Buckingham Palace and at Government House Australia.



OUTPUT CLASS 2

SUPPORT SERVICES TO THE GOVERNOR-GENERAL AND MAINTENANCE OF THE RESIDENCES

Staff from Government House have worked and visited both these establishments for the purpose of gaining experience, and to assist in benchmarking performance.

A management and staff survey conducted in early 2006 highlighted some areas for improved management and human resource practices. A forward work programme to address these issues is under development.

Preparations and planning began, for the change of Governor-General.

MAINTENANCE OF THE RESIDENCES

Objective

To preserve, secure and enhance the buildings and grounds of both Government Houses as appropriate residences of the head of state, and of Government House Wellington as a listed building of historic importance.

Performance

The major focus for the year has been preparing for the redevelopment of Government House Wellington. Independent reviews were commissioned during the period in order to ascertain the present condition, desirable maintenance level, and fitness for purpose of both the Auckland and Wellington properties. The resulting reports will form the basis of a 25-year asset-management plan for both properties.

Significant projects carried out in Government House Auckland during this period include tiling the balcony and installing louvres in the new pavilion. In Wellington, the Government House kitchen underwent a successful major refurbishment, a seismic analysis of the building was completed, and work on the security upgrade commenced.

Objective

To satisfy the Governor-General that the development projects and the maintenance programmes are implemented effectively.

Performance

The views of the Governor-General were sought regularly on the maintenance and development of both properties. The planning of major capital works was discussed, and contingencies in respect of the integrity of future vice-regal programmes were agreed. Routine maintenance was discussed and was planned around vice-regal occupancy of both houses, the maximum use being made of time spent away on official overseas travel. The proposed 25-year asset-management plan was discussed with the Governor-General, who strongly supported the "future proofing" of both Government Houses.

OUTPUT CLASS 3 INTELLIGENCE ASSESSMENTS ON DEVELOPMENTS OVERSEAS

Description

This class of outputs involves:

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

The use of effective planning and co-ordination processes in government can manage the risks of certain adverse events occurring, and can lessen their effect if they do occur. The department is responsible for assessing, monitoring and responding to threats of any kind in a timely and structured way.

Output Class 3 Financial Performance

30.06.05		30.06.06		
Actual		Actual	Main Estimates	Supplementary Estimates
\$000		\$000	\$000	\$000
3,089	Revenue – Crown	3,097	3,097	3,097
3,089	EXPENDITURE	3,058	3,097	3,097
–	SURPLUS	39	–	–



OUTPUT CLASS 3 INTELLIGENCE ASSESSMENTS ON DEVELOPMENTS OVERSEAS

Output Class 3 Service Performance: External Assessments Bureau (EAB)

Objective

To ensure the effective provision of high-quality, accurate, objective, and succinct assessments of overseas developments that are of policy relevance to New Zealand.

Performance

There were no instances where significant factual errors were reported in papers that had already been issued.

In a few instances, readers (particularly in New Zealand diplomatic missions overseas) provided additional information and insights subsequent to the publication of papers, especially for biographic reports. Such information was not available to EAB at the time that the reports in question were written. EAB solicits such feedback as a way of improving the quality of its reporting.

Limits on the length of papers continued to be enforced strictly.

Priority was given to work directly related to topics of immediate concern to policy makers.

During the reporting period:

- the National Assessments Committee (NAC) approved 77 papers (this compares with 80 in 2004/05)
- 541 biographical reports were prepared (compared with 445 in 2004/05)
- 229 other assessments and reports were prepared, including 93 executive intelligence summaries (the comparative figures for 2004/05 were 212 and 90 respectively).

Biographical reports were delivered to primary customers before the visits and conferences to which the reports related.

Relevant EAB reports were available at the start of Watch Group (close situation monitoring) meetings.

Objective

To ensure that the Prime Minister, other senior ministers, and officials are satisfied with the assessments and reports provided.

Performance

Assessments reflected national priorities, and those done in response to specific tasking addressed the topics specified by those who requested them. Substantial positive feedback was received.

At least 90 per cent of assessments submitted to the NAC required no more than minor revision.





Financial statements

for the year ended 30 June 2006



FINANCIAL STATEMENTS

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STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2006

REPORTING ENTITY

The Department of the Prime Minister and Cabinet is a government department defined by 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 co-ordination services (Output 1)

Support services to the Governor-General and maintenance of the residences (Output 2)

Intelligence assessments on developments overseas (Output 3).

The financial statements have been prepared in accordance with 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 estimates (main estimates) and those amended by the supplementary estimates and any transfer made by Order in Council under the Public Finance Act 1989.

Goods and services tax (GST)

All statements are GST exclusive, with the exception of the Statement of Financial Position (where the entries for creditors and payables and for debtors and receivables are GST inclusive) and the Statement of Non-Departmental Expenditure and Appropriations.

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, e.g. domestic appliances	20%
Major plant and equipment	10%
Minor plant and equipment	20%
Ground improvements	20%

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.



STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2006

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 82 per cent of total departmental appropriation for output costs. (This compares with 87 per cent in 2004/05.)

Indirect costs are expenses incurred by Corporate Services and by 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 18 per cent of total departmental appropriation for output costs. (This compares with 13 per cent in 2004/05.)

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 entitlements have been calculated on an actual entitlement basis at current rates of pay. Long-service leave and retirement 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

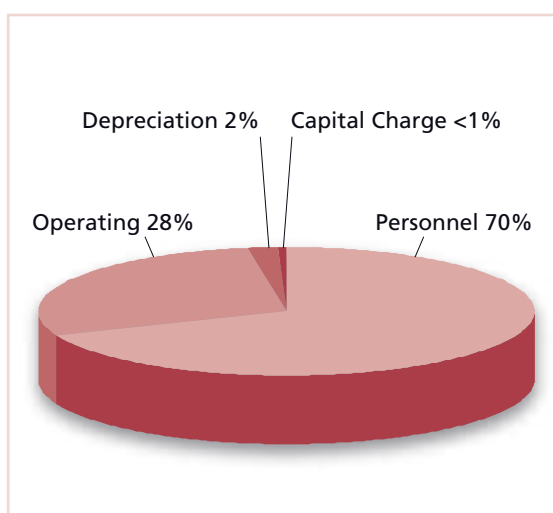
There have been no changes from the accounting policies, including those relating to cost allocation, adopted in the last audited financial statements. All policies have been applied on bases consistent with those used in the previous period.

STATEMENT OF FINANCIAL PERFORMANCE

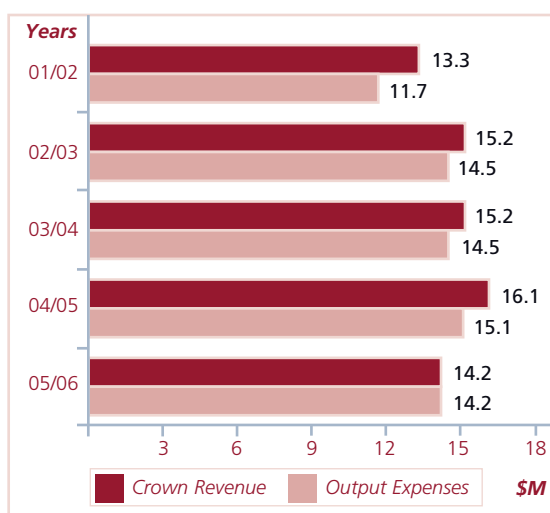
for the year ended 30 June 2006

30.6.05		Note	30.6.06		
Actual \$000			Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	REVENUE				
16,054	Crown	2	14,213	13,414	13,733
91	Other	3	65	58	58
16,145	TOTAL REVENUE		14,278	13,472	13,791
	EXPENSES				
9,655	Personnel	4	9,768	9,340	9,730
5,130	Operating	5, 15	4,038	3,707	3,661
293	Depreciation	6	299	330	305
67	Capital charge	7	67	67	67
15,145	TOTAL OUTPUT EXPENSES		14,172	13,444	13,763
15,145	TOTAL EXPENSES		14,172	13,444	13,763
1,000	NET SURPLUS/(DEFICIT)		106	28	28

Output expenses for the year ended 30 June 2006



Revenue – Crown & output expenses: 5-year comparison



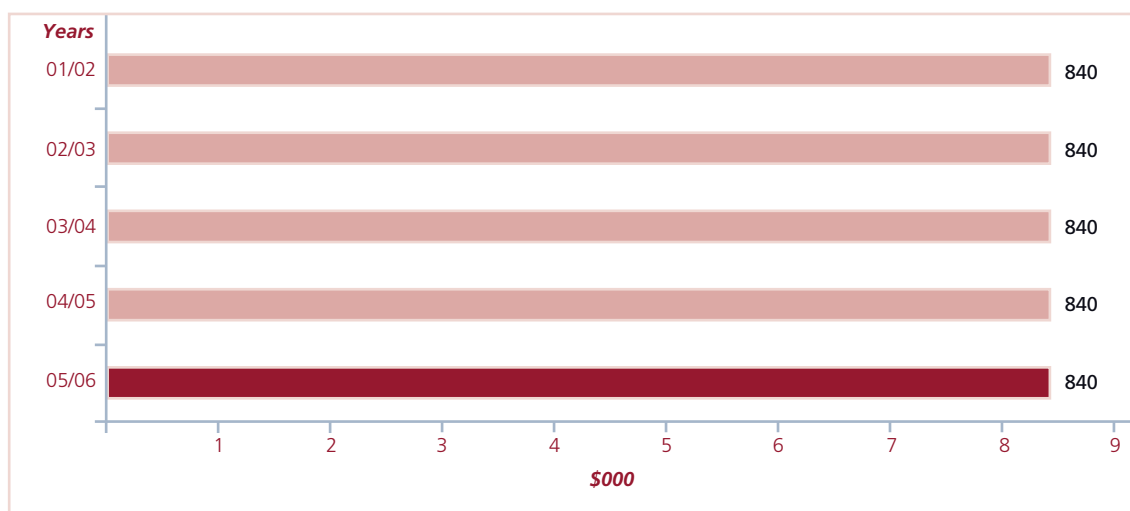


STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS

for the year ended 30 June 2006

30.6.05				30.6.06	30.6.06	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
1,000	Net surplus		106	28	28	
–	Other recognised revenues and expenses		–	–	–	
1,000	TOTAL RECOGNISED REVENUE AND EXPENSES FOR THE YEAR		106	28	28	
1,000	Provision for repayment of surplus to the Crown	8	106	28	28	
–	MOVEMENTS IN TAXPAYERS' FUNDS FOR THE YEAR		–	–	–	
840	TAXPAYERS' FUNDS AS AT 1 JULY		840	840	840	
840	TAXPAYERS' FUNDS AS AT 30 JUNE		840	840	840	

Taxpayers' funds



STATEMENT OF FINANCIAL POSITION

as at 30 June 2006

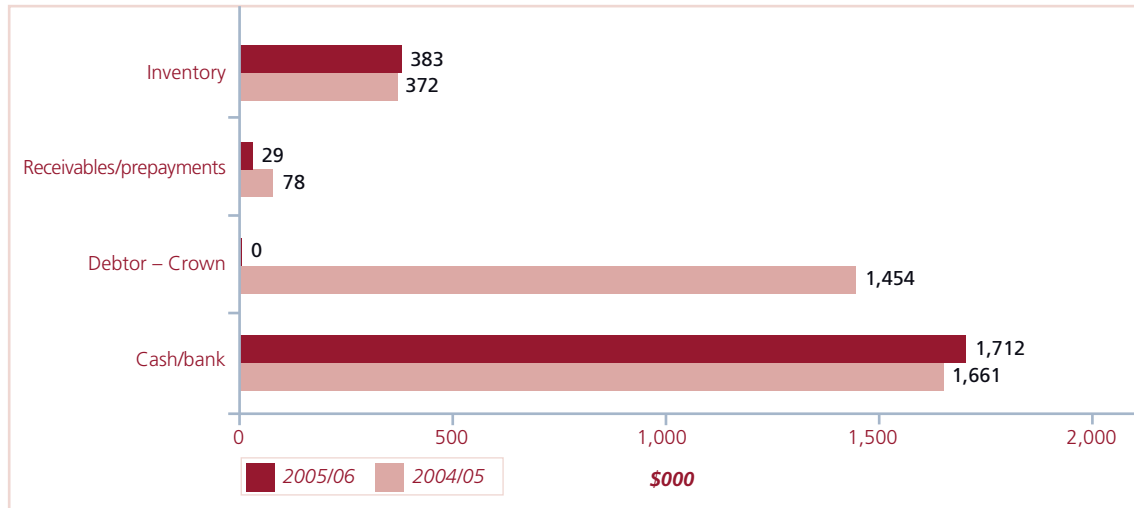
30.6.05		Note	30.6.06		30.6.06	
Actual \$000			Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
840	TAXPAYERS' FUNDS General funds		840	840	840	
	<i>Represented by:</i>					
	CURRENT ASSETS					
1,661	Cash and bank		1,712	1,081	1,487	
78	Receivables and prepayments	9	29	13	13	
1,454	Debtor – Crown	9,15	–	1,118	–	
372	Inventory		383	400	492	
3,565	TOTAL CURRENT ASSETS		2,124	2,612	1,992	
	NON-CURRENT ASSETS					
1,035	Fixed assets	10	893	757	1,030	
1,035	TOTAL NON-CURRENT ASSETS		893	757	1,030	
4,600	TOTAL ASSETS		3,017	3,369	3,022	
	CURRENT LIABILITIES					
1,786	Creditors and payables	11	1,106	1,530	1,180	
1,000	Provision for repayment of surplus	8	106	28	28	
465	Provision for employee entitlements	12	485	459	465	
3,251	TOTAL CURRENT LIABILITIES		1,697	2,017	1,673	
	NON-CURRENT LIABILITIES					
509	Provision for employee entitlements	12	480	512	509	
3,760	TOTAL LIABILITIES		2,177	2,529	2,182	
840	NET ASSETS		840	840	840	



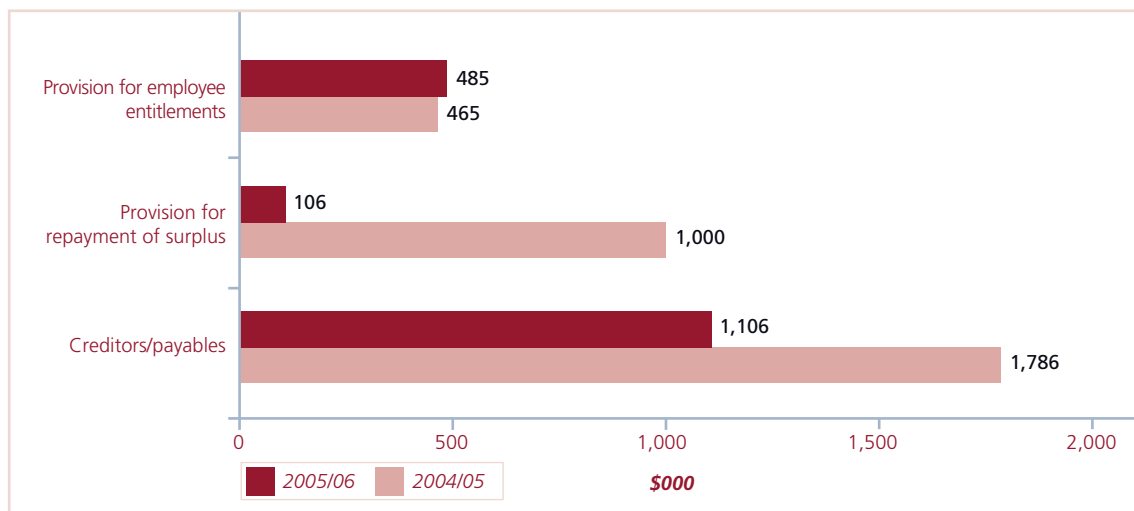
STATEMENT OF FINANCIAL POSITION

as at 30 June 2006

Current assets as at 30 June 2006



Current liabilities as at 30 June 2006



STATEMENT OF CASH FLOWS

for the year ended 30 June 2006

30.6.05		30.6.06	30.6.06	
			Main Estimates \$000	Supplementary Estimates \$000
Actual \$000		Actual \$000		
	CASH FLOW – OPERATING ACTIVITIES			
	Cash was provided from:			
16,302	Supply of outputs to Crown	15,667	13,819	15,187
54	Other	63	58	58
16,356		15,730	13,877	15,245
	Cash was disbursed to:			
	Producing outputs			
(9,757)	personnel	(10,124)	(9,340)	(10,014)
(5,098)	operating	(4,301)	(3,707)	(3,912)
8	net GST paid	46	–	(8)
(67)	capital charge	(67)	(67)	(67)
(14,914)		(14,446)	(13,114)	(14,001)
1,442	NET CASH FLOW FROM OPERATING ACTIVITIES	1,284	763	1,244
	CASH FLOW – INVESTING ACTIVITIES			
	Cash was provided from:			
42	Sale of fixed assets	2	–	–
	Cash was disbursed to:			
(509)	Purchase of fixed assets	(235)	(300)	(418)
(467)	NET CASH FLOW FROM INVESTING ACTIVITIES	(233)	(300)	(418)
	CASH FLOW – FINANCING ACTIVITIES			
	Cash was disbursed to:			
(744)	Repayment of net surplus to Crown	(1,000)	(1,072)	(1,000)
–	Repayment of capital	–	–	–
(744)	NET CASH FLOW FROM FINANCING ACTIVITIES	(1,000)	(1,072)	(1,000)
231	Net increase/(decrease) in cash held	51	(609)	(174)
1,430	Add opening cash and bank at 1 July	1,661	1,690	1,661
1,661	CLOSING CASH AND BANK AT 30 JUNE	1,712	1,081	1,487



RECONCILIATION OF NET OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

for the year ended 30 June 2006

30.6.05		30.6.06		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
1,000	NET OPERATING SURPLUS	106	28	28
	NON-CASH ITEMS			
293	Depreciation	299	330	305
16	Asset write-off	–	–	–
(3)	Increase/(decrease) in non-current employee entitlements	(29)	–	–
306	TOTAL NON-CASH ITEMS	270	330	305
	WORKING CAPITAL MOVEMENTS			
(5)	(Increase)/decrease in receivables and prepayments	49	–	65
248	(Increase)/decrease in debtor – Crown	1,454	405	1,454
(4)	Increase/(decrease) in inventory	(11)	–	(120)
(72)	Increase/(decrease) in creditors and payables	(602)	–	(488)
6	Increase/(decrease) in current employee entitlements	20	–	–
173	WORKING CAPITAL MOVEMENTS – NET	910	405	911
	INVESTING ACTIVITY ITEMS			
(37)	Add/(less) investing activity items (Gain)/loss on sale of fixed assets	(2)	–	–
(37)	TOTAL INVESTING ACTIVITY ITEMS	(2)	–	–
1,442	NET CASH FLOW FROM OPERATING ACTIVITIES	1,284	763	1,244

STATEMENT OF COMMITMENTS

as at 30 June 2006

The department leases premises on the third and fifth floors of the Reserve Bank Building, Wellington (see Note 5).

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 commitments include a contract for photocopying services.

30.6.05		30.6.06	
Actual \$000		Actual \$000	
	OPERATING COMMITMENTS		
1,663	Accommodation leases	1,261	
1,194	Other operating commitments	1,044	
2,857	TOTAL COMMITMENTS	2,305	
	TERM CLASSIFICATION FOR OPERATING COMMITMENTS		
929	Less than one year	935	
809	One to two years	622	
991	Two to five years	748	
128	More than five years	–	
2,857	TOTAL COMMITMENTS	2,305	



STATEMENT OF CONTINGENT LIABILITIES

as at 30 June 2006

The department has no contingent liabilities as at 30 June 2006.

At 30 June 2005 the department had a contingent and unquantifiable liability pending court proceedings involving a minister of the Crown.

STATEMENT OF UNAPPROPRIATED EXPENDITURE

for the year ended 30 June 2006

	30.6.06	30.6.06	
	Expenditure Actual \$000	Supplementary Estimates \$000	Unappropriated Expenditure \$000
DEPARTMENTAL OUTPUT CLASS			
D1 – Policy Advice and Secretariat and Co-ordination Services	7,718	7,270	448

The unappropriated expenditure related to legal costs for the Taito Phillip Field inquiry and other unanticipated expenses. Cabinet approval was obtained for interim authority under imprest supply to meet these expenses.

There was no unappropriated expenditure in 2004/05.

STATEMENT OF DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS

for the year ended 30 June 2006

30.6.05		Note	30.6.06		
Actual \$000			Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	<i>Vote: Prime Minister and Cabinet</i>				
	APPROPRIATIONS FOR CLASSES OF OUTPUTS				
9,972	D1 – Policy Advice and Secretariat and Co-ordination Services	15	7,718	7,010	7,270
3,711	D2 – Support Services to the Governor-General and Maintenance of the Residences		3,396	3,337	3,396
3,475	D3 – Intelligence Assessments on Developments Overseas		3,058	3,097	3,097
17,158	TOTAL		14,172	13,444	13,763

The comparative information presented in the Statement of Departmental Expenditure and Appropriations has been presented on a GST-inclusive basis. This comparative information has not been restated to exclude GST as approved appropriations for the 2004/05 financial year were made on a GST-inclusive basis, and any restatement of the comparative information would not reflect those approved appropriations.



STATEMENT OF NON-DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS

for the year ended 30 June 2006

30.6.05		30.6.06		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	APPROPRIATIONS FOR OTHER EXPENSES TO BE INCURRED BY THE CROWN (PERMANENT LEGISLATIVE AUTHORITY)			
–	Depreciation Expenses on Crown Assets	396	445	445
23	(NZSIS Amendment (No 2) Act 1999) Commissioner of Security Warrants (Civil Act 1979)	29	30	30
816	Government House – other payments	784	775	798
839	SUB-TOTAL	1,209	1,250	1,273
	APPROPRIATION FOR PURCHASE OR DEVELOP- MENT OF CAPITAL ASSETS BY THE CROWN			
2,546	Government House – capital investment	795	150	844
2,546	SUB-TOTAL	795	150	844
3,385	TOTAL	2,004	1,400	2,117

The comparative information presented in the Statement of Non-Departmental Expenditure and Appropriations has been presented on a GST-inclusive basis. This comparative information has not been restated to exclude GST, as approved appropriations for the 2004/05 financial year were made on a GST-inclusive basis and any restatement of the comparative information would not reflect those approved appropriations.

FINANCIAL PERFORMANCE OBJECTIVES

for the year ended 30 June 2006

30.6.05			30.6.06	01.7.05
Actual		Unit	Actual	SOI
	OPERATING RESULTS			
15,145	Output expenses	\$000	14,172	13,444
1,067	Operating surplus before capital charge	\$000	173	95
1,000	Net surplus/(deficit)	\$000	106	28
	WORKING CAPITAL			
314	Net current assets	\$000	427	595
1:1	Current ratio		1:1	1:1
1:1	Liquid ratio		1:1	1:1
53	Average creditors outstanding	Days	50	50
	RESOURCE UTILISATION			
	Physical assets:			
1,035	Total physical assets at year end	\$000	893	657
57	Additions as % of physical assets	%	18	46
840	Taxpayers' funds	\$000	840	840
	FORECAST NET CASH FLOWS			
1,442	Surplus/(deficit) operating activities	\$000	1,284	763
(467)	Surplus/(deficit) investing activities	\$000	(233)	(300)
(744)	Surplus/(deficit) financing activities	\$000	(1,000)	(1,072)
231	Net increase/(decrease) in cash held	\$000	51	(609)
	HUMAN RESOURCES			
29	Staff turnover	%	21	20
5.7	Average length of service	Years	5.9	6.0
121	Total staff	Numbers	123	132 ¹

¹ The Foreshore and Seabed project was originally planned to continue in DPMC throughout 2004/05.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 1: Budget composition

	Note	30.6.06		30.6.06
		Budget Forecast \$000	Supplementary Estimates Changes \$000	Final Budget Total \$000
REVENUE				
Crown	2	13,414	319	13,733
Other	3	58	–	58
TOTAL REVENUE		13,472	319	13,791
EXPENDITURE				
Personnel		9,340	390	9,730
Operating	5	3,707	(46)	3,661
Depreciation	6	330	(25)	305
Capital charge	7	67	–	67
TOTAL EXPENSES		13,444	319	13,763
NET SURPLUS		28	–	28

Note 2: Revenue – Crown

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

Note 3: Revenue – Other

30.6.05		30.6.06	30.6.06	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
54	Rental income	63	58	58
37	Gain on sale of fixed assets	2	–	–
91	TOTAL OTHER REVENUE	65	58	58

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 4: Employee remuneration of more than \$100,000 per annum

2004/05		2005/06
Number of Staff	Remuneration Band <i>The Chief Executive's remuneration is excluded as it is reported by the State Services Commissioner.</i>	Number of Staff
3	\$100,001-\$110,000	3
3	\$110,001-\$120,000	1
–	\$120,001-\$130,000	3
3	\$130,001-\$140,000	2
1	\$140,001-\$150,000	4
3	\$150,001-\$160,000	2
3	\$160,001-\$170,000	1
1	\$170,001-\$180,000	1
–	\$180,001-\$190,000	1
–	\$190,001 and above	2

Note 5: Operating expenses

30.6.05		30.6.06	30.6.06	
Actual	<i>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.</i>	Actual	Main Estimates	Supplementary Estimates
\$000		\$000	\$000	\$000
35	Audit fees for audit of financial statements	42	42	42
427	Premises rental	400	400	400
118	Contract for photocopying services	69	100	80



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 6: Depreciation

30.6.05		30.6.06	30.6.06	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
74	Fixtures & fittings	15	15	15
16	Furniture	87	70	87
14	Office equipment	13	–	10
19	Motor vehicles	14	13	15
27	Plant & equipment	42	20	40
133	IT equipment	120	212	133
10	Kitchen equipment	8	–	5
293	TOTAL DEPRECIATION	299	330	305

Note 7: 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 2006 was 8.0% (8.0% for 2005).

Note 8: Provision for repayment of surplus

30.6.05		30.6.06
Actual \$000		Actual \$000
1,000	Current year net surplus/(deficit)	106
1,000	TOTAL PROVISION FOR REPAYMENT OF SURPLUS	106

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 9: Debtors and receivables

30.6.05		30.6.06	
Actual \$000		Actual \$000	
1,454	Debtor – Crown	–	
65	Sundry receivables	16	
13	Prepayments	13	
1,532	TOTAL DEBTORS AND PREPAYMENTS	29	

Note 10: Fixed assets

30.6.05		30.6.06	
Actual \$000		Actual \$000	
	FIXTURES & FITTINGS		
866	At cost	886	
314	Accumulated depreciation	400	
552	FIXTURES & FITTINGS – NET BOOK VALUE	486	
	FURNITURE		
237	At cost	263	
196	Accumulated depreciation	212	
41	FURNITURE – NET BOOK VALUE	51	
	OFFICE EQUIPMENT		
401	At cost	450	
370	Accumulated depreciation	383	
31	OFFICE EQUIPMENT – NET BOOK VALUE	67	
	MOTOR VEHICLES		
139	At cost	139	
121	Accumulated depreciation	134	
18	MOTOR VEHICLES – NET BOOK VALUE	5	



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 10: Fixed assets (continued)

30.6.05		30.6.06
Actual \$000		Actual \$000
	PLANT & EQUIPMENT	
617	At cost	623
462	Accumulated depreciation	503
155	PLANT & EQUIPMENT – NET BOOK VALUE	120
	IT EQUIPMENT	
2,407	At cost	2,462
2,189	Accumulated depreciation	2,310
218	IT EQUIPMENT – NET BOOK VALUE	152
	KITCHEN EQUIPMENT	
122	At cost	122
102	Accumulated depreciation	110
20	KITCHEN EQUIPMENT – NET BOOK VALUE	12
	GROUND IMPROVEMENTS	
20	At cost	20
20	Accumulated depreciation	20
–	GROUND IMPROVEMENTS – NET BOOK VALUE	–
	TOTAL FIXED ASSETS	
4,809	At cost	4,965
3,774	Accumulated depreciation	4,072
1,035	TOTAL FIXED ASSETS – NET BOOK VALUE	893

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 11: Creditors and payables

30.6.05		30.6.06	
Actual \$000		Actual \$000	
700	Trade creditors	446	
118	Fixed assets creditors	40	
968	Accrued liabilities and provisions	620	
1,786	TOTAL CREDITORS AND PAYABLES	1,106	

Note 12: Employee entitlements

30.6.05		30.6.06	
Actual \$000		Actual \$000	
	NON-CURRENT LIABILITIES		
419	Retirement leave	410	
90	Long-service leave	70	
509	TOTAL NON-CURRENT LIABILITIES	480	
	CURRENT LIABILITIES		
394	Annual leave	387	
45	Long-service leave	49	
26	Retirement leave	49	
465	TOTAL CURRENT LIABILITIES	485	
974	TOTAL EMPLOYEE ENTITLEMENTS	965	



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 13: 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 (NZDMO).

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.

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 rates.

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

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

Note 14: 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 15: Major budget variations

D1 – Policy Advice and Secretariat and Co-ordination Services

The appropriation for this output class increased by \$260,000 in supplementary estimates for unexpected costs relating to the Taito Phillip Field inquiry, other legal expenses, and pandemic contingency planning.

Statement of Financial Performance for the year ended 30 June 2006

The variance between actual and budgeted operating costs was due to costs relating to the Taito Phillip Field inquiry.

Statement of Financial Position as at 30 June 2006

There is no debtor – Crown balance at 30.6.06 (\$1.454 million as at 30.6.05). This is because of changes in the timing of disbursements.

Note 16: Progress toward adopting International Financial Reporting Standards

Full adoption of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) by departments will occur in the 2007/08 financial year. Therefore these financial statements are prepared under current New Zealand GAAP (Generally Accepted Accounting Practice).

Treasury is managing the adoption of NZ IFRS for the consolidated financial statements of the government reporting entity. Currently DPMC is undertaking a review of NZ IFRS accounting policies for the financial statements and the implementation guidelines developed by Treasury. The potential area of impact from adoption of NZ IFRS is minimal. At this time it is expected that the recognition requirements and classification and measurement choices in the financial instrument standard NZ IAS 39 are likely to have the greatest impact on reported results compared with current accounting policies.

NON-DEPARTMENTAL ACTIVITIES STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2006

OVERVIEW

The following statements and schedules record the expenses, assets and liabilities that the department manages on behalf of the Crown. These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand and therefore readers of these statements and schedules should also refer to those Financial Statements for 2005/06.

ACCOUNTING POLICIES

Measurement and recognition rules applied in the preparation of these non-departmental financial statements and schedules are consistent with generally accepted accounting practice and Crown accounting policies.

The following particular accounting policies, which materially affect the measurement of financial results and financial position, have been applied.

Budget figures

The budget figures are those presented in the Budget 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)

All statements are GST exclusive, with the exception of the Statement of Financial Position (where the entries for creditors and payables and for debtors and receivables are GST inclusive) and the Schedule of Expenses.

Property, plant and equipment valuation

Land and buildings in Wellington and Auckland are valued as at 30 June 2006. The Schedule of Assets and Liabilities on page 49 provides a detailed breakdown.

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:

Buildings	2%
Fixtures and fittings	10%
Furniture	20%
Motor vehicles	25%
Plant & equipment	20%
Ground improvements	20%
Household ornaments	20%
Artwork	2%

Commitments

Future payments are disclosed as commitments at the point where a contractual obligation arises, to the extent that they are equally unperformed obligations.

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. All policies have been applied on bases consistent with those used in the previous period.

Assets and liabilities

All assets and liabilities are recognised at fair value.



NON-DEPARTMENTAL ACTIVITIES SCHEDULE OF EXPENSES

for the year ended 30 June 2006

The Schedule of Expenses summarises non-departmental expenses that the department administers on behalf of the Crown.

30.6.05		30.6.06	30.6.06	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	<i>Vote: Prime Minister and Cabinet</i>			
839	Other expenses to be incurred by the Crown	813	805	828
379	Depreciation on assets	396	445	445
1,218	TOTAL NON-DEPARTMENTAL EXPENSES	1,209	1,250	1,273

The comparative information presented in the Schedule of Expenses has been presented on a GST-inclusive basis. This comparative information has not been restated to exclude GST as approved appropriations for the 2004/05 financial year were made on a GST-inclusive basis, and any restatement of the comparative information would not reflect those approved appropriations.

NON-DEPARTMENTAL ACTIVITIES STATEMENT OF EXPENDITURE AND APPROPRIATIONS

for the year ended 30 June 2006

The Statement of Expenditure and Appropriations details expenditure and capital payments incurred against appropriations.

The department administers these appropriations on behalf of the Crown.

30.6.05		30.6.06	30.6.06	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	<i>Vote: Prime Minister and Cabinet</i>			
	OTHER EXPENSES TO BE INCURRED BY THE CROWN			
23	Fees for the Commissioner of Security Warrants (NZSIS Amendment (No 2) Act 1999)	29	30	30
816	Government House – other payments (Civil List Act 1979)	784	775	798
839	TOTAL APPROPRIATIONS FOR OTHER EXPENSES INCURRED BY THE CROWN	813	805	828
	PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS BY THE CROWN			
2,546	Government House	795	150	844
2,546	TOTAL APPROPRIATIONS FOR PURCHASE OR DEVELOPMENT OF CROWN ASSETS	795	150	844

The comparative information presented in the Statement of Expenditure and Appropriations has been presented on a GST-inclusive basis. This comparative information has not been restated to exclude GST as approved appropriations for the 2004/05 financial year were made on a GST-inclusive basis, and any restatement of the comparative information would not reflect those approved appropriations.



NON-DEPARTMENTAL ACTIVITIES SCHEDULE OF ASSETS AND LIABILITIES

as at 30 June 2006

The Schedule of Assets and Liabilities summarises the assets and liabilities that the department administers on behalf of the Crown.

30.6.05		30.6.06		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	<i>Vote: Prime Minister and Cabinet</i>			
	CURRENT ASSETS			
441	Bank	644	251	272
	PROPERTY, PLANT AND EQUIPMENT			
27,660	Land	33,850	27,660	27,660
15,933	Buildings	17,038	14,259	16,631
–	Plant and equipment	–	3	38
35	Furniture and fittings	20	104	49
77	Motor vehicles	37	48	5
559	Other assets (artworks, ornaments)	533	1,561	280
44,705	TOTAL NON-DEPARTMENTAL ASSETS	52,122	43,886	44,935
	CURRENT LIABILITIES			
59	Accounts payable	136	50	50
91	Accrued liabilities	22	–	–
119	Fixed-asset accruals	221	50	50
269	TOTAL NON-DEPARTMENTAL LIABILITIES	379	100	100

NON-DEPARTMENTAL ACTIVITIES SCHEDULE OF COMMITMENTS

as at 30 June 2006

30.6.05		30.6.06	
Actual \$000		Actual \$000	
	<i>Vote: Prime Minister and Cabinet</i>		
	CAPITAL COMMITMENTS		
37	Land & buildings	–	
37	TOTAL COMMITMENTS	–	
	TERM CLASSIFICATION FOR OPERATING COMMITMENTS		
37	Less than one year	–	
37	TOTAL COMMITMENTS	–	

NON-DEPARTMENTAL ACTIVITIES SCHEDULE OF CONTINGENT LIABILITIES

as at 30 June 2006

Vote: Prime Minister and Cabinet

There are no contingent liabilities as at 30 June 2006.

(30 June 2005: Nil)



Organisational Information

for the year ended 30 June 2006



ORGANISATIONAL INFORMATION

52 : Staff Numbers

52 : Equal Employment Opportunities (EEO) and Equity

53 : Senior Management

54 : Management Structure

55 : Departmental Capability

STAFF NUMBERS

as at 30 June 2006

	2006		2005	2004
		(FTE)		
Office of the Chief Executive	2	(2)	2	2
Policy Advisory Group	14	(13.3)	15	15
Domestic and External Security Group	7	(7)	5	6
External Assessments Bureau	29	(29)	29	26
Cabinet Office	27	(24.5)	24	24
Corporate and Support	15	(14.7)	15	14
Government House	29	(29)	31	30
Foreshore and Seabed Group ⁵	–	(–)	–	11
TOTAL	123¹	(119.5)²	121³	128⁴

¹ Total includes 8 part-time staff and 8 seconded from other departments and organisations. Casual staff are not included.

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

³ Total includes 5 part-time and 7 seconded staff.

⁴ Total includes 10 part-time and 14 seconded staff.

⁵ The Foreshore and Seabed Group was established within DPMC on 22 January 2004 and was disestablished in February 2005.

EQUAL EMPLOYMENT OPPORTUNITIES (EEO) AND EQUITY

As at 30 June 2006, DPMC's overall workforce was 47 per cent female and 53 per cent male. The department has undertaken some preliminary work on gender analysis, and this will be developed as part of the Pay and Employment Equity Review that will be undertaken in the second half of the 2006/07 year.

Most staff at DPMC have noted their ethnicity as New Zealand European, with 10 per cent of staff identifying as Māori. In the policy area, the department is not a lead

agency on reducing economic and social inequalities for Māori and Pacific peoples but it has been a member of an officials' group that looked at this and related issues.

Some staff have chosen not to record information on disabilities, which makes it difficult to provide useful data. In the policy area, DPMC does not have a lead role in disability policy work and only a few specific positions within the department require a disability perspective as part of day-to-day work.



SENIOR MANAGEMENT

Maarten Wevers, CNZM

CHIEF EXECUTIVE

Brent Anderson

CORPORATE SERVICES MANAGER

Policy Advisory Group

Andrew Kibblewhite

DIRECTOR

Cabinet Office

Diane Morcom

SECRETARY OF THE CABINET AND
CLERK OF THE EXECUTIVE COUNCIL

Domestic and External Security Group

Steve Long, QSO

DIRECTOR
(from 1 May 2006)

David Hill, CNZM

ACTING DIRECTOR
(from 7 February to 28 April 2006)

David Kersey

ACTING DIRECTOR
(from 1 July 2005 to 3 February 2006)

External Assessments Bureau

David Kersey

DIRECTOR
(from 30 January to 30 June 2006)

Hessel Baas

ACTING DIRECTOR
(from 1 July 2005 to 27 January 2006)

Gregory Baughen

DIRECTOR
(from 30 June 2006)

Government House

Andrew Renton-Green, QSO

OFFICIAL SECRETARY
(from 10 April 2006)

Tia Barrett

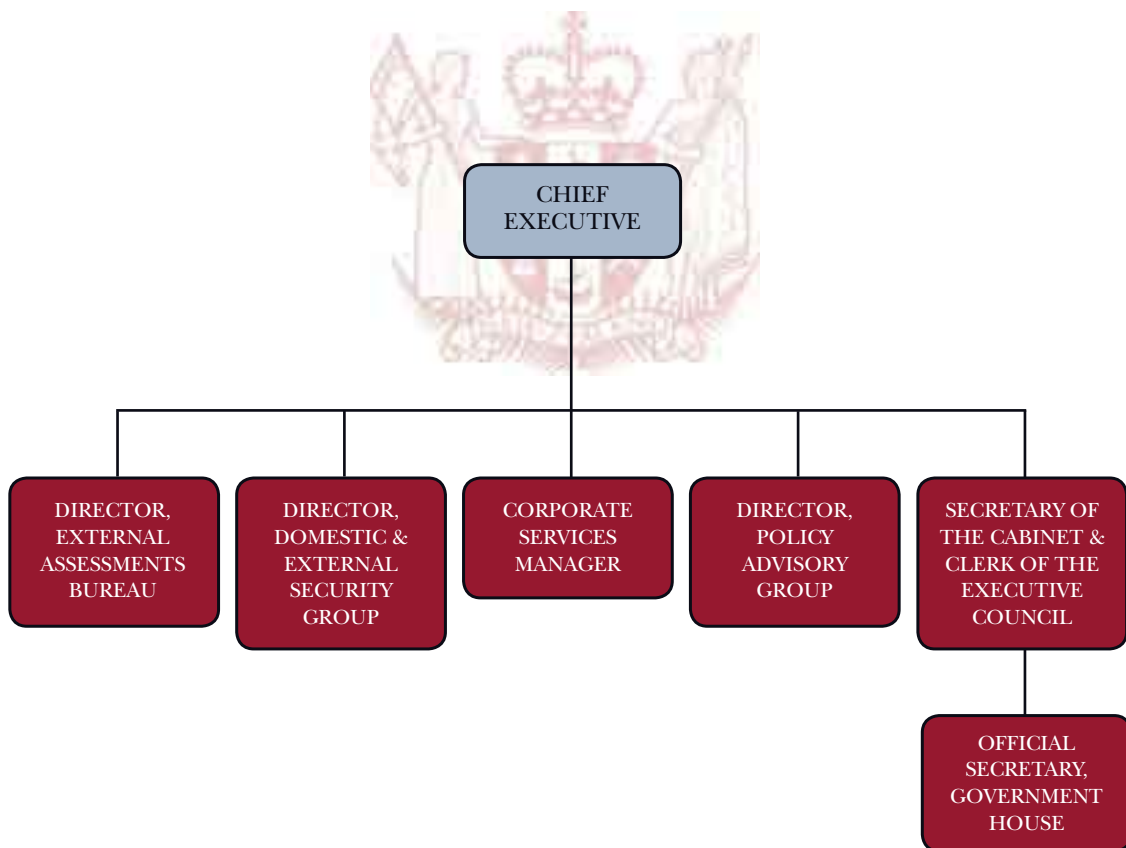
OFFICIAL SECRETARY
(from 1 July 2005 to 31 January 2006)

Don Smith

ACTING OFFICIAL SECRETARY
(from 1 February to 9 April 2006)

MANAGEMENT STRUCTURE

as at 30 June 2006





DEPARTMENTAL CAPABILITY

DPMC continues to focus on assessment of its capability across all business units, and on capability improvements in key priority areas.

Capability issues are central to DPMC's ability to perform its role and achieve its outcomes. The key capabilities needed in the department are: attracting and retaining high-performing staff; maintaining and enhancing agency credibility; developing good networks and working relationships; implementing effective infrastructure; and delivering strong information-management.

OUR PEOPLE

DPMC depends on recruiting and retaining a skilled workforce, and on making the best use of their talents, experience and knowledge.

During the 2005/06 year, DPMC undertook its **second annual climate survey** to assess staff wellbeing and their views of the department – a key measure of organisational health. As with the previous year's survey, there was a high level of participation in the 2006 survey: 79 per cent of staff responded. This strong response rate enabled the department to interpret the results as being a good reflection of views amongst staff.

The 2005 survey results had been positive, and 2006's were even better. They demonstrated a year-on-year improvement in the four major climate indicators – clarity, drive, alignment, and confidence – and showed that DPMC staff were in the top quartile of respondents across the public sector.

At all levels in DPMC, staff have a widely shared understanding of the department's purpose, goals and core operating principles. Together, these three factors define clarity – the collective understanding and articulation of what the department is about and how it goes about its business. People in the department display energy and drive, and are focused on results. Staff see a culture of co-operative effort and effective communication (though there is room for improvement), which are measures of alignment of processes and systems that support high performance. Across most of DPMC there is also a sense of optimism and a shared sense of worth, which denotes confidence in the department.

Highest-scoring items included: I am proud to say I work for this organisation; I am clear about how my individual role contributes to the organisation's goals; our organisation's values are relevant to my work; the department has high standards for personal conduct; personal honesty is a requirement to be a leader here; I like the work in my present position; I get a great sense of accomplishment from my work.

On the other side of the ledger, there are areas where the department could do better. Workloads and sufficient staff to do the work are two of the lower-scoring items, as are rewards for high performers, some unnecessary duplication of tasks, and red tape causing delays in some decisions. As DPMC is a small department of 120 staff and has six separate business units, the prospects for career progression within the department are also limited.

Following the 2005 review of capability and capacity in the Policy Advisory Group and the Domestic and External Security Group (DESG), actions have been taken on key recommendations. Resourcing for DESG has increased; and recruitment criteria for new staff in the Policy Advisory Group place much stronger emphasis on relevant external experience and the requirement for a high quality of written advice. Improvements have also been made to the induction and development of advisers in the Policy Advisory Group.

DEVELOPING OUR PEOPLE

Staff wellbeing is an ongoing priority for DPMC, and in 2005/06 there were developments in a number of **human resource policies and practices** aimed at improving staff conditions of employment.

A DPMC project to review the department's personnel manual, begun in late 2004, was completed in early 2006. This followed extensive staff consultation and consideration of all aspects of the personnel manual – including changes to employment legislation, remuneration and related benefits, leave provisions, safety and health, and other general conditions of employment. The revised *Manual 2006* was distributed to all staff in January 2006.

Two other significant human-resource reviews occurred during 2005/06. The first was an assessment of the department's performance management system, which involved an open staff-consultation process.

DEPARTMENTAL CAPABILITY

The assessment produced recommendations for a number of improvements to the current system, and these are currently being implemented for the 2006/07 performance year.

A department-wide training and development audit was also undertaken during the year. This audit validated our current focus on delivering staff development primarily at the business-unit level – a focus made necessary by the differing technical skills and knowledge requirements within each unit.

Creating a healthy and safe work environment is an ongoing departmental priority. With that goal in mind the department's Health and Safety Committee began preparatory work in 2004 to apply for primary-level status in the ACC Workplace Safety Management Practices Programme (a voluntary programme aimed at encouraging good-employer practices in workplace health and safety). This has involved a considerable amount of work by a number of people in the department, and has raised general awareness of workplace health and safety. In April 2006, DPMC obtained primary level status in the ACC Programme, and the plan is to consolidate the benefits gained from this achievement and to maintain a strong level of staff appreciation of workplace safety and health.

At the end of the 2005/06 year, the department published the David Henry report on the *Review of DPMC Systems and Practices in relation to the Security of Sensitive Information*, the independent review undertaken following the Cabinet paper leak. The report contains recommendations for tightening up aspects of the current recruitment, selection and induction processes and for more systematic staff training on security issues. These are key priorities for action in the 2006/07 year.

RISK-ASSURANCE PROCESSES

DPMC's internal audit committee met five times in 2005/06. Its main purpose has been to determine the adequacy, efficiency and effectiveness of the department's management, financial and operating systems. Particular emphasis is placed on providing assurance to the Chief Executive that internal-control measures are working effectively. An independent chairperson from outside the department has chaired the committee since its inception in 2002.

The new DPMC Audit and Risk Committee was established in late June and is in the process of developing a new charter that will take the internal audit function towards a more assurance- and risk-based focus.

INFORMATION MANAGEMENT

During the year DPMC focused on initiatives identified in the previous year's information strategy. This included remote access, more complete network integration, and better management of information.

The primary focus has involved selecting and implementing a new electronic document and records management system. Its implementation has been run in parallel with a related project of developing good recordkeeping practices in the department.

DPMC has continued to maintain a robust technical infrastructure with further software and hardware upgrades – such as introducing a new tape library and firewall, and expanding the capacity of the server room. Progress was made on integration, with Government House planning to integrate its networks next financial year.

Internationally there has been a huge increase in the number of viruses, spam, and cyber attacks, some of which were targeted specifically at government. This has required more internal resources to be spent on regularly increasing internal defences and patching software.

The Cabinet Office has focused on improving the use of its existing systems and developing new internal information-management resources. In particular, refinements have been made to Cabinet Office systems for distributing and tracking Cabinet material. A secure online Cabinet and Cabinet committee workspace, which provides access to a range of Cabinet Office administrative information, is now available to departments and staff in ministers' offices through the public sector intranet.



APPENDIX I: STATUTORY AND FORMAL RESPONSIBILITIES

CHIEF EXECUTIVE

The Chief Executive has the following responsibilities:

- 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
- co-ordination responsibilities in the response phase of an emergency under the International Terrorism (Emergency Powers) Act 1987.

SECRETARY OF THE CABINET AND CLERK OF THE EXECUTIVE COUNCIL

The statutory and formal responsibilities of the Secretary of the Cabinet and the 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 administer the Civil List Act 1979
- 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 and the Executive Councillors' 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)
- to administer the Seal of New Zealand Act 1977
- to administer the Royal Titles Act 1978.

APPENDIX II: BUSINESS STATISTICS FOR EXECUTIVE COUNCIL, CABINET, AND CABINET COMMITTEES

for the year ended 30 June 2006

	Number of meetings	Number of agenda items	Average number of items per meeting
Executive Council	35	203	6
Cabinet	40	489	12
Cabinet Policy Committee	15	193	13
Cabinet Economic Development Committee	12	85	7
Cabinet Social Development Committee	13	62	5
Cabinet External Relations and Defence Committee	8	42	5
Cabinet Legislation Committee	17	111	6
Cabinet Appointments and Honours Committee	8	78	10
Cabinet Committee on Government Expenditure and Administration	4	20	5
Cabinet Committee on Domestic and External Security Co-ordination	–	–	–
Cabinet Business Committee	24	469	19
SUBTOTAL OF CABINET COMMITTEE MEETINGS	101	1060	10
TOTAL INCLUDING CABINET	141	1549	11



APPENDIX III: SUMMARY OF NEW ZEALAND AND OTHER HONOURS GRANTED BY THE QUEEN

for the year ended 30 June 2006

The Order of New Zealand	
Ordinary Member (ONZ)	–
The New Zealand Order of Merit	
Principal Companion (PCNZM)	2
Distinguished Companion (DCNZM)	8
Companion (CNZM)	27
Officer (ONZM)	54
Honorary Officer (ONZM)	1
Member (MNZM)	121
Honorary Member (MNZM)	2
The Queen's Service Order	
Companion for Community Service (QSO)	12
Companion for Public Services (QSO)	18
The Queen's Service Medal	
for Community Service (QSM)	82
for Community Service (QSM) (Honorary)	1
for Public Services (QSM)	76
for Public Services (QSM) (Honorary)	1
New Zealand Gallantry Awards	
The New Zealand Gallantry Decoration (NZGD)	–
The New Zealand Gallantry Medal (NZGM)	–
The New Zealand Bravery Awards	
The New Zealand Bravery Star (NZBS)	–
The New Zealand Bravery Decoration (NZBD)	–
The New Zealand Bravery Medal (NZBM)	–
TOTAL	405
Other honours and appointments	
Grant of the title "The Honourable" for life	1
GRAND TOTAL	406

All honours and appointments were promulgated in the New Zealand Gazette.



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