



statement of accounting policies

For the year ended 30 June 2002

Reporting Entity

The Department of Internal Affairs is a Government Department as defined by section 2 of the Public Finance Act 1989.

These are the financial statements of the Department of Internal Affairs prepared pursuant to Section 35 of the Public Finance Act 1989.

In addition, the Department has reported the Crown activities and trust monies which it administers.

Measurement Base

The measurement base adopted is that of historical cost, modified by the revaluation of land, buildings, antiques and works of art.

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 Night Estimates (Main Estimates) and those amended by the Supplementary Estimates (Supp Estimates).

Inventories

Inventories or stock holdings are stated at the lower of cost or net realisable value. Costs are determined on a first in-first out basis.

Accounts Receivable

Accounts receivable are shown at expected net realisable value after making allowance for doubtful debts.

Property, Plant and Equipment

Land and buildings are recorded at fair value which has been determined by reference to the highest and best use of those assets, with buildings subsequently depreciated over their useful lives. Valuations are undertaken every three years in accordance with New Zealand Institute of Valuers' standards. Antiques and works of art are recorded at fair value and are not depreciated. All other fixed assets costing more than \$3,000 are capitalised at cost and subsequently depreciated over their useful lives. Capital work in progress is recognised as costs are incurred. Depreciation is not recorded until the asset is fully acceptance tested and operational.

Depreciation

Depreciation is charged on all fixed assets except land, antiques and works of art and capital work in progress. Assets are depreciated on a straight-line basis over the estimated useful life after allowing for residual values where appropriate. Revalued assets are depreciated on their revalued amount on a straight-line basis over their estimated useful life.

The estimated useful life of the buildings have been estimated to be 33 years, plant and equipment 5-20 years, furniture and fittings 5-10 years, office equipment 5-10 years, motor vehicles 2-6 years, and IT equipment and software 3-5 years. The estimated useful life of the Births, Deaths and Marriages Historical Records database is 10 years.

The cost of leasehold improvements is capitalised and amortised over the unexpired period of the lease, or the estimated remaining useful life of the improvements, whichever is the shorter.

Capital work in progress is not depreciated. The total cost of the capital project is transferred to the appropriate asset on its completion and then depreciated.

Leases

The Department leases office equipment, motor vehicles and accommodation. All leases are operating leases where the lessor effectively retains substantial risks and benefits of ownership of the leased items. Lease costs are expensed in the period in which they are incurred.

Employee Entitlements

Employee entitlements are recognised for annual leave at the time of entitlement based on current rates of pay. Retirement and long service leave are recognised on an actuarial basis according to entitlement based on service to date after making allowance for the average attrition rate.

Cost Allocation

The methods used in the allocation of costs are consistent between projected (budgeted) and actual figures. Costs of outputs are derived using the following cost allocation system:

“Direct Costs” are those costs directly attributed to an output and are treated as follows:

- personnel costs are allocated on the basis of estimated time engaged in the delivery of a particular output
- operating costs are allocated on the basis of usage
- depreciation and capital charge are allocated on the basis of estimated asset utilisation
- accommodation costs are allocated on the basis of floor space occupied.

“Indirect Costs” are those costs incurred by support units that are not directly attributable to an output. Indirect costs are allocated to outputs on an activity costing basis reflecting a mix of perceived benefit, personnel numbers, floor space and estimated allocation of time.

For the year ended 30 June 2002, direct costs accounted for 78% of the Department’s costs. This is similar to the previous financial year. Direct costs include personnel, operating, capital charge, accommodation and depreciation.

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. The Department is subject to fringe benefit tax (FBT), and goods and services tax (GST). It administers pay as you earn tax (PAYE).

Commitments

Operating and capital commitments arising from non-cancellable contractual or statutory obligations are disclosed within the Statement of Commitments to the extent that both parties have not performed their obligations.

Contingent Liabilities

Contingent liabilities are disclosed at the time at which the contingency becomes evident. These are disclosed in the Statement of Contingent Liabilities.

Goods and Services Tax (GST)

The Statement of Appropriations is GST inclusive. The Statement of Specific Forecast Objectives is GST exclusive except for the total appropriation. The Statement of Financial Position is exclusive of GST, except for creditors and payables and debtors and receivables which are GST inclusive. All other Statements are GST exclusive.

The amount of GST owing to or from Inland Revenue at balance date is included in accounts receivable or payable (as appropriate).

Financial Instruments

The Department is party to financial instrument arrangements as part of its daily operations. These include bank, short-term deposits, accounts receivable, accounts payable and provisions, accrued expenses and foreign currency. Investments are only made with the New Zealand Debt Management Office in accordance with Treasury instructions. Financial instruments are recognised in the Statement of Financial Position, except for foreign exchange contracts.

All revenue and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Foreign Currency Transactions

Foreign exchange contracts are entered into for the primary purpose of reducing material exposure to fluctuations in foreign currency exchange rates. The rates specified in foreign exchange contracts are used to convert the transaction into New Zealand currency at the date of settlement. No exchange gains or losses resulting from the difference between the foreign exchange contract rate and the spot exchange rate on dates of settlement are recognised. Unhedged transactions in foreign currencies are converted into New Zealand currency using the exchange rate on the date of the transaction.

Monetary assets denominated in a foreign currency are translated to New Zealand dollars at the closing mid-point exchange rate.

Unrealised foreign exchange gains and losses on overseas cash balances are recognised at balance date in the Statement of Financial Performance.

Changes in Accounting Policies

Indirect Corporate Costs

The cost allocation accounting policy for indirect corporate costs was changed with effect from 1 July 2001, to an activity based approach which more accurately reflects the costs of output delivery.

Changing to “highest and best use” valuation

The accounting policy for the valuation of land, buildings, antiques and works of art was changed in order to comply with FRS-3, Property, Plant and Equipment. This standard came into effect for periods ending on or after 31 March 2002. It requires the department to revalue its land, buildings, antiques and works of art at fair value determined on the basis of highest and best use for these assets. The previous standard required fair value to be determined with reference to existing use of these assets.

There are no changes in accounting policies other than those identified above, and all other policies have been applied on a basis consistent with the previous year.



statement of financial performance

For the year ended 30 June 2002

	Note	Actual	Main Estimates	Supp Estimates	Actual
	17a	2001/02 \$000	2001/02 \$000	2001/02 \$000	2000/01 \$000
Revenue					
Revenue Crown		47,888	47,924	47,888	53,826
Revenue Third Parties	1	65,205	65,117	66,522	62,644
Interest		376	1,055	376	1,300
Revaluation Gain		816	0	816	0
Total Operating Revenue		114,285	114,096	115,602	117,770
Expenses					
Personnel		54,437	49,212	59,869	53,829
Operating	2	45,151	50,903	47,349	45,805
Depreciation	3	3,191	3,430	2,881	3,365
Capital Charge	4	1,716	1,650	1,716	2,392
Total Operating Expenses		104,495	105,195	111,815	105,391
Net Surplus		9,790	8,901	3,787	12,379

The above statement is to be read in conjunction with the notes on pages 142 to 158.



statement of financial position

As at 30 June 2002

	Note	Actual	Main	Supp	Actual
			Estimates	Estimates	
	17b	2001/02	2001/02	2001/02	2000/01
		\$000	\$000	\$000	\$000
Assets					
<i>Current Assets</i>					
Cash and Short Term Deposits	5	26,251	20,759	18,434	30,811
Accounts Receivable	6	2,111	1,856	1,883	2,317
Inventories	7	1,667	1,798	1,619	2,151
Prepayments		107	74	31	44
Total Current Assets		30,136	24,487	21,967	35,323
<i>Non-current Assets</i>					
Property, Plant and Equipment	8	18,575	19,604	22,660	15,761
Total Non Current Assets		18,575	19,604	22,660	15,761
Total Assets		48,711	44,091	44,627	51,084
Liabilities and Taxpayers' Funds					
<i>Current Liabilities</i>					
Accounts Payable	9	5,566	4,812	3,896	5,016
Provisions	10	1,144	0	2,558	2,667
Revenue Received in Advance		2,580	2,619	2,581	3,896
Accrued Expenses	11	6,579	7,162	8,796	7,478
Provision for Payment of Surplus	12a	8,974	8,901	2,971	12,379
Total Current Liabilities		24,843	23,494	20,802	31,436
Term Liabilities					
Employee Entitlements	13	621	541	578	571
Total Term Liabilities		621	541	578	571
Total Liabilities		25,464	24,035	21,380	32,007
Taxpayers' Funds	14				
General Funds		22,989	19,930	22,989	18,951
Revaluation Reserve		258	126	258	126
Total Taxpayers' Funds		23,247	20,056	23,247	19,077
Total Liabilities and Taxpayers' Funds		48,711	44,091	44,627	51,084

131

Part Four: Financial Information

The above statement is to be read in conjunction with the notes on pages 142 to 158.



statement of cash flows

For the year ended 30 June 2002

	Note	Actual	Main	Supp	Actual
			Estimates	Estimates	
	17c	2001/02	2001/02	2001/02	2000/01
		\$000	\$000	\$000	\$000
Cash Flows from Operating Activities					
<i>Cash was Provided from:</i>					
Supply of Outputs to the Crown		47,888	47,924	47,888	53,826
Supply of Outputs to Third Parties		65,321	65,342	66,817	63,370
Interest		515	1,045	515	1,406
Payment of GST		0	0	0	164
		113,724	114,311	115,220	118,766
<i>Cash was Disbursed to:</i>					
Cost of Producing Outputs		(102,341)	(101,081)	(107,642)	(100,312)
Capital Charge		(1,716)	(1,650)	(1,716)	(2,392)
Receipt of GST		(97)	0	0	0
		(104,154)	(102,731)	(109,358)	(102,704)
Net Cash Flows from Operating Activities		9,570	11,580	5,862	16,062
Cash Flows from Investing Activities					
<i>Cash was Provided from:</i>					
Sale of Property, Plant and Equipment		1,478	670	1,859	586
<i>Cash was Disbursed to:</i>					
Purchase of Property, Plant and Equipment		(6,451)	(4,937)	(10,941)	(6,265)
Net Cash Flows from Investing Activities		(4,973)	(4,267)	(9,082)	(5,679)
Cash Flows from Financing Activities					
<i>Cash was provided from:</i>					
Capital Contribution		3,222	1,022	3,222	2,799
<i>Cash was Disbursed to:</i>					
Payment of Net Surplus		(12,379)	(10,011)	(12,379)	(11,722)
Transfer of Cash to Government Departments		0	0	0	(1,516)
Net Cash Flows from Financing Activities		(9,157)	(8,989)	(9,157)	(10,439)
Net Increase/(Decrease) in Cash Held		(4,560)	(1,676)	(12,377)	(56)
Add Opening Cash		30,811	22,435	30,811	30,867
Closing Cash		26,251	20,759	18,434	30,811

The above statement is to be read in conjunction with the notes on pages 142 to 158.



reconciliation of net surplus to net cash flow from operating activities

For the year ended 30 June 2002

	Actual	Main	Supp	Actual
		Estimates	Estimates	
	2001/02	2001/02	2001/02	2000/01
	\$000	\$000	\$000	\$000
Surplus From Statement of Financial Performance	9,790	8,901	3,787	12,379
Add/(Deduct) Non Cash Items				
Depreciation	3,191	3,430	2,881	3,365
Capital Contribution for Revaluation Gain on Properties	(816)	0	(816)	0
Increase/(Decrease) in Employee Entitlements	50	0	0	(42)
	2,425	3,430	2,065	3,323
Add/(Deduct) Movements in Working Capital Items				
(Increase)/Decrease in Accounts Receivable	206	219	434	681
(Increase)/Decrease in Inventories	484	359	532	739
(Increase)/Decrease in Prepayments	(63)	0	13	5
Increase/(Decrease) in Accounts Payable/provisions	(991)	(1,178)	335	227
Increase/(Decrease) in Revenue Received in Advance	(1,316)	0	(1,315)	(1,194)
Increase/(Decrease) in Accrued Expenses	(899)	(151)	(256)	(710)
Movement in Working Capital	(2,579)	(751)	(257)	(252)
Add/(Deduct) Items Classified as Investing Activities				
Loss/(Gain) on Sale of Property, Plant and Equipment	(106)	0	(42)	365
(Increase)/Decrease in Accounts Payable for Property, Plant and Equipment	40	0	309	247
	(66)	0	267	612
Net Cash Flows From Operating Activities	9,570	11,580	5,862	16,062



statement of movements in taxpayers' funds

For the year ended 30 June 2002

	Note	Actual 2001/02 \$000	Main Estimates 2001/02 \$000	Supp Estimates 2001/02 \$000	Actual 2000/01 \$000
Taxpayers' Funds at the start of the year		19,077	19,034	19,077	48,224
Net Surplus for the year		9,790	8,901	3,787	12,379
Total Recognised Revenues and Expenses for the year		9,790	8,901	3,787	12,379
Asset/Liability Transfers between Departments		0	0	0	(30,280)
Transfer of Revaluation Reserve to Archives New Zealand		0	0	0	(150)
Movement in Revaluation Reserve		132	0	132	0
Provision for Payment of Surplus					
Net Surplus for the year	12a	(8,974)	(8,901)	(2,971)	(12,379)
Transfer of cash to Government Departments		0	0	0	(1,516)
Capital Contribution	12b	3,222	1,022	3,222	2,799
		(5,620)	(7,879)	383	(41,526)
Taxpayers' Funds at the end of the year		23,247	20,056	23,247	19,077

The above statement is to be read in conjunction with the notes on pages 142 to 158.



statement of commitments

As at 30 June 2002

	Actual	Actual
	2001/02	2000/01
	\$000	\$000
Capital Commitments		
Land and Buildings		
Less than One Year	0	14
One to Two Years	0	0
Plant and Equipment		
Less than One Year	0	3,492
One to Two Years	0	0
Total Capital Commitments	0	3,506
Operating Commitments		
Non-Cancellable Accommodation Leases		
Less than One Year	4,805	3,842
One to Two Years	4,490	2,939
Two to Five Years	10,252	6,594
Over Five Years	4,123	3,351
Total Accommodation Commitments	23,670	16,726
Other Non-Cancellable Leases		
Less than One Year	503	286
One to Two Years	391	215
Two to Five Years	306	96
Total Other Lease Commitments	1,200	597
Non-Cancellable Contracts for Goods and Services		
Less than One Year	4,513	4,755
One to Two Years	4,075	4,482
Two to Five Years	6,349	10,195
Total Goods and Services Commitments	14,937	19,432
Total Commitments	39,807	40,261



statement of contingent liabilities

As at 30 June 2002

	Actual 2001/02 \$000	Actual 2000/01 \$000
Legal Proceedings and Disputes		
Personnel Issues	165	68
Total Contingent Liabilities	165	68

statement of unappropriated expenditure

For the year ended 30 June 2002

The Statement of Unappropriated Expenditure details the amount of expenditure incurred above appropriation.

There was no unappropriated expenditure for the year ended 30 June 2002 or for the previous financial year.



memorandum accounts

For the year ended 30 June 2002

Memorandum accounts are notional accounts to record the accumulated balance of surpluses and deficits for outputs funded by fees charged to third parties. They are intended to provide a long-run perspective to the pricing of outputs.

	Opening Balance 01/07/2001 \$000	Movement During 2001/02 \$000	Closing Balance 30/06/2002 \$000
Memorandum Account			
New Zealand Gazette	0	322	322
Use of facilities and access to Lake Taupo by boat users	0	(12)	(12)
Passports products	0	6,386	6,386
Citizenship products	0	(1,310)	(1,310)
Marriage products	0	(16)	(16)
Issue of Birth, Death and Marriage Certifications and other products	0	(427)	(427)
Administration of non-casino gaming	0	1,686	1,686

This statement is to be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

The memorandum accounts were established on 30 June 2002 and reflect the operating results for the 2001/02 year.

Action Taken to Address Surpluses

New Zealand Gazette

The cost of publishing and distributing the NZ Gazette is recovered through third party fees. During 2001/02, efficiencies have been realised in the cost of printing and distributing the NZ Gazette as a consequence of re-negotiation of printing contracts and a change to

distribution arrangements. The surplus generated in any year is to be offset against costs in future years.

A new fees schedule is being proposed to reduce the surplus in 2002/03.

Use of facilities and access to Lake Taupo by boat users

The Department of Internal Affairs manages marina berths, jetties and boat ramps located about Lake Taupo. Fees are charged to third parties who use marina berths and boat ramps. Fee income is applied to recover the maintenance and administration cost of these facilities. Operating surpluses in any year will be applied in the subsequent financial year to offset maintenance that may have been deferred due to unfavourable climatic or lake condition.

Passports Products

The purpose of this account is to support a strategy to stabilise fees based on full cost recovery over a 4 to 5 year planning horizon. This strategy supports the introduction of new technologies including the replacement of the ageing passport system within that timeframe. Surpluses generated will be used to offset operating deficits expected in later years as the set-up costs of new systems are incurred.

Citizenship Products

The opening deficit in this account reflects the current level of citizenship fees that are not based on full cost recovery. The purpose of this account is to support a strategy to stabilise fees based on full cost recovery over a 4 to 5 year planning horizon. A review of existing fees is currently in progress.

Marriage Products

The opening deficit in this account reflects the current level of marriage fees that are not based on full cost recovery. The purpose of this account is to support a strategy to stabilise fees based on full cost recovery over a 4 to 5 year planning horizon. A review of existing fees is currently in progress.

Births, Death and Marriages Certificates, and other products

The deficit in this account reflects the current level of fees for these products that are not based on full cost recovery. The purpose of this account is to support a strategy to stabilise fees based on full cost recovery over a 4 to 5 year planning horizon. This strategy includes the introduction of new technologies that allow greater access by applicants through the internet. A review of existing fees is currently in progress.

Administration of non-casino gaming

Fees established to recover the cost of administration and regulation of non-casino gaming are reflected in specific licence fees for differing types of gaming activity and the registration of gaming machines. The surplus generated in any year is to be offset against costs in future years.



statement of departmental appropriations and expenditure

For the year ended 30 June 2002

	Note	Actual	Main	Supp	Actual
(Figures are GST inclusive)					
		2001/02	Estimates	Estimates	2000/01
		\$000	2001/02	2001/02	\$000
			\$000	\$000	\$000
<i>Appropriations for Classes of Outputs to be Supplied by the Department</i>					
Vote Internal Affairs	16a, 17d				
D1 Policy Advice - Internal Affairs		2,382	2,481	2,405	2,859
D2 Information and Advisory Services		2,033	1,503	2,553	12,330
D3 Gaming and Censorship Regulatory Services		9,328	8,967	9,928	8,456
D4 Identity Services		44,072	42,725	47,242	42,789
D5 Services Relating to Ethnic Affairs		985	695	1,066	514
D6 Contestable Services		1,015	932	1,006	648
Administration of Grants		0	0	0	2,442
Community Advisory and Information Services to the Public		0	0	0	6,491
Vote Emergency Management	16b				
D1 Policy Advice - Emergency Management		874	969	903	939
D2 Support Services, Information and Education		3,363	2,802	3,366	2,867
D3 Management of National Emergency Readiness, Response and Recovery		1,095	1,593	1,109	1,641
Vote Local Government	16c				
D1 Policy Advice - Local Government		3,418	3,443	3,459	3,307
D2 Information, Support and Regulatory Services - Local Government		1,810	1,839	1,839	1,751

(Figures are GST inclusive)	Note	Actual	Main	Supp	Actual
			Estimates	Estimates	
		2001/02	2001/02	2001/02	2000/01
		\$000	\$000	\$000	\$000
Vote Ministerial Services	16d, 17d				
D1 Support Services to Ministers		21,967	24,563	24,200	19,537
D2 Visits and Official Events Co-ordination		3,182	4,086	3,383	2,019
D3 VIP Transport		5,647	5,965	5,965	5,443
Crown and Ministerial Property Management		0	0	0	2,544
Vote Racing					
D1 Policy Advice - Racing		286	290	290	343
Vote Community and Voluntary Sector	16e				
D1 Policy Advice - Community		689	492	692	0
D2 Administration of Grants		11,611	10,545	11,780	0
D3 Community Advisory Services		4,013	5,435	4,113	0
Vote Millennium					
Administrative and Advisory Services		0	0	0	137
Vote National Archives					
National Archival Services		0	0	0	3,052
Total Appropriations for Classes of Outputs to be Supplied by the Department	18	117,770	119,325	125,299	120,109
Appropriations for Capital Contributions to the Department Vote Internal Affairs	16a	2,799	1,022	4,038	4,038
Total Department Appropriations		120,569	120,347	129,337	124,147

The above statement is to be read in conjunction with the notes on pages 142 to 158.



notes to the financial statements

For the year ended 30 June 2002

Note 1

Revenue Third Parties

	Actual	Actual
	2001/02	2000/01
	\$000	\$000
Passport Fees	25,585	26,829
Citizenship Fees	7,122	6,773
Birth, Death and Marriage Fees	8,387	7,220
Gaming Licences	1,330	1,391
Gaming Machine Fees	4,870	2,355
Casino Operator's Levies	2,176	2,243
VIP Transport	5,110	4,798
Recovery from New Zealand Lottery Grants Board	7,168	7,001
New Zealand Gazette	1,048	1,081
Other	2,409	2,953
Total Revenue Third Parties	65,205	62,644

Note 2**Operating Expenses**

	Actual	Actual
	2001/02	2000/01
	\$000	\$000
Rental and Leasing Costs	6,675	6,008
Fee for Audit of Financial Statements	151	151
Fees to auditors for other services provided	8	0
Bad Debts	0	3
Increase/(Decrease) in Provision for Doubtful Debts	6	4
Loss on Sale of Property, Plant and Equipment	190	365
Other Departmental Operating Costs	38,121	39,274
Total Operating Expenses	45,151	45,805

Note 3**Depreciation**

	Actual	Actual
	2001/02	2000/01
	\$000	\$000
Buildings	60	137
Leasehold Improvements	221	112
Furniture and Fittings	48	43
Office Equipment	31	79
Motor Vehicles	763	755
Plant and Equipment	97	102
IT Equipment	1,971	2,137
Total Depreciation	3,191	3,365

Note 4

Capital Charge

The Crown imposes a capital charge on the Department's taxpayers' funds as at 30 June and 31 December each year. The capital charge rate in 2001/02 was 9.0% (2000/01 9.2%)

Note 5

Cash and Short-Term Deposits

	Actual	Actual
	2001/02	2000/01
	\$000	\$000
New Zealand Bank Account	26,093	2,216
Overseas Bank Accounts		
Sydney	114	59
Washington	3	2
Los Angeles	7	11
London	34	23
Short Term Deposits	0	28,500
Total Cash and Short Term Deposits	26,251	30,811

Overseas bank accounts are shown in New Zealand dollars converted at the closing mid-point exchange rate.

Note 6**Accounts Receivable**

	Actual	Actual
	2001/02	2000/01
	\$000	\$000
Trade Receivables	2,126	2,188
less Provision for Doubtful Debts	(15)	(10)
Net Trade Receivables	2,111	2,178
Accrued Interest	0	139
Total Accounts Receivable	2,111	2,317

Note 7**Inventories**

	Actual	Actual
	2001/02	2000/01
	\$000	\$000
Passports		
Stock on Hand	839	297
Work In Progress	129	108
Visits and Ceremonials		
Liquor	95	118
Birth, Death and Marriage Certificates	19	5
Citizenship		
Stock on Hand	62	34
Work In Progress	523	1,589
Total Inventories	1,667	2,151

Note 8

Property, Plant and Equipment

	Actual 2001/02			Actual 2000/01		
	Cost and/ or Valuation	Accum. Deprec.	Carrying Amount	Cost or Valuation	Accum. Deprec.	Carrying Amount
	\$000	\$000	\$000	\$000	\$000	\$000
Land	3,580	0	3,580	3,245	0	3,245
Buildings	2,060	31	2,029	2,135	160	1,975
Leasehold Improvements	1,720	1,599	121	2,152	1,861	291
Antiques and Works of Art						
Cost	27	0	27	0	0	0
Valuation	341	0	341	368	0	368
Furniture and Fittings	605	513	92	1,067	865	202
Office Equipment	917	832	85	995	926	69
Motor Vehicles	3,865	1,266	2,599	4,795	1,927	2,868
Plant and Equipment	1,173	907	266	1,240	898	342
IT Equipment	22,013	12,924	9,089	21,430	17,570	3,860
Capital Work in Progress	346	0	346	2,541	0	2,541
Total	36,647	18,072	18,575	39,968	24,207	15,761

Revaluation Basis

Valuations for land, buildings and antiques and works of art, were made on the basis of fair value determined by the highest and best use for these assets.

Land and Buildings

Valuation of land and buildings was conducted by Knight Frank (NZ) Ltd (ANZIV, MREINZ), registered independent valuer as at 31 December 2001.

Antiques and Works of Art

Valuation of antiques and works of art was undertaken by Dunbar Sloane, an independent expert, as at 31 December 2001.

*Note 9**Accounts Payable*

	Actual	Actual
	2001/02	2000/01
	\$000	\$000
Accounts Payable	3,675	3,327
Accrued Salaries	1,299	1,251
Accounts Payable for Property, Plant and Equipment	230	185
GST Payable	362	253
Total Accounts Payable and Provisions	5,566	5,016

*Note 10**Provisions as at 30 June 2002*

	Re-organisation	Other	Total
	\$000	\$000	\$000
Opening Balance	1,103	1,564	2,667
Additional Provisions made during the year	144	918	1,062
Charge Against Provision for the year	(1,103)	(1,482)	(2,585)
Closing Balance	144	1,000	1,144

The reorganisation provision arises from the closure of the review of Identity Services' Risk Management and Business Development group. It is anticipated that the reorganisation will be completed within six months.

The other provision is mainly an estimated cost of performance pay to staff, and Chief Executives' Scholarship and Awards Programme to fund study in New Zealand and overseas. Payment for this provision is expected to be made over the next 12 months.

Note 11

Accrued Expenses

	Actual	Actual
	2001/02	2000/01
	\$000	\$000
Annual Leave	2,844	2,886
Long Service and Retirement Leave	534	567
Accrued Expenses for Property, Plant and Equipment	39	124
Audit Fees	53	58
Other	3,109	3,843
Total Accrued Expenses	6,579	7,478

Note 12

Movements in Taxpayers' Funds

Taxpayers' funds represent the Crown's net investment in the Department.

a) Provision for Payment of Surplus

The Department is required to return to the Crown the higher of its annual net surplus (excluding Other Expenses) or interest earned. In 2002/03 \$8.974 million will be paid to the Crown. This represents the net surplus of \$9.790 million reduced by an amount of \$0.816 million retained as a capital contribution in respect of the revaluation gain on land and buildings. The payment made in 2001/02 to the Crown of \$12.379 million represented the surplus in 2000/01.

b) Capital Contribution

The Department received capital contributions of \$1.022 million for the computerisation of historical birth, death and marriage records, and \$2.200 million to fund the development of Identity Services systems. In addition the Department recorded a capital contribution \$0.816 million for revaluation gains as stated in paragraph (a) above.

Note 13**Employee Entitlements**

This represents long service and retirement leave calculated on an actuarial basis which is not considered payable in the next twelve months. The assessment was undertaken for each employee.

Note 14**Taxpayers' Funds**

Taxpayers' Funds comprise two components:

General Funds

	Actual	Actual
	2001/02	2000/01
	\$000	\$000
General Funds as at 1 July	18,951	47,948
Net Surplus/(Deficit)	9,790	12,379
Asset/(Liability) transfer - Department	0	(30,280)
Provision for Payment of Surplus to the Crown	(8,974)	(12,379)
Transfer of Cash to Government Departments	0	(1,516)
Capital Contribution	3,222	2,799
General Funds as at 30 June	22,989	18,951

Note 14 (cont)
Taxpayers' Funds

Revaluation Reserve

	Opening Balance \$000	Actual 2001/02 Revaluation Reserve \$000	Closing Balance \$000	Opening Balance \$000	Actual 2000/01 Revaluation Reserve \$000	Transferred to National Archives \$000	Closing Balance \$000
Land	0	117	117	0	0	0	0
Antiques and Works of Art	126	15	141	276	0	(150)	126
Total	126	132	258	276	0	(150)	126

Note 15

Financial Instruments

The Department is party to financial instrument arrangements as part of its daily operations. These include cash, short-term deposits, accounts receivable, accounts payable and provisions, accrued expenses, term accrued expenses and foreign currency forward contracts.

a) Currency 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. Foreign exchange forward contracts are used to manage foreign exchange exposures.

The Department maintains bank accounts denominated in foreign currencies. Balances are regularly cleared to minimise exposure risk.

Interest rate risk is the risk that the Department's return on the funds it has invested will fluctuate due to changes in market interest rates. All investments were placed with the New Zealand Debt Management Office on short-term deposits in order to maximise liquidity. All interest earned on short-term deposits is returned to the Crown as part of the surplus. The Department has no significant exposure to interest risk on its financial instruments. There is no material difference between nominal interest rates and effective interest rates on short-term deposits.

Under Section 46 of the Public Finance Act, the Department cannot raise a loan without approval of the Minister of Finance. No such loans have been arranged. Accordingly there is no interest rate exposure on funds borrowed.

b) 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.

Financial instruments which potentially subject the Department to credit risk consist of cash, short-term deposits and trade receivables.

Short-term deposits are placed with the New Zealand Debt Management Office. Such deposits are guaranteed by the New Zealand Government. This limits the exposure to concentrations of credit risk. The Department banks with Treasury approved financial institutions.

Credit evaluations are undertaken on customers requiring credit. Collateral or other security is not generally required to support financial instruments with credit risk. Other than cash, short-term deposits and trade receivables, the Department does not have any significant credit risk.

Maximum exposures to credit risk.

	Actual	Actual
	2001/02	2000/01
	\$000	\$000
Annual Leave	2,844	2,886
Bank	26,251	2,311
Short Term Deposits	0	28,500
Accounts Receivable	2,111	2,317
Total	31,206	36,014

c) Fair Value

The fair value of all financial instruments other than foreign exchange contract is equivalent to the carrying amount disclosed in the Statement of Financial Position.

The fair value of foreign exchange forward contracts at 30 June is calculated as the contract value converted at the closing spot rate. There were no foreign exchange forward contracts at balance date (30 June 2001 was \$1,744,000).

Note 16

Explanation of Significant Budget Changes

Refer to “The Supplementary Estimates of Appropriations for the year ended 30 June 2002” for an explanation of significant budget changes between the 2001/02 Main Estimates and 2001/02 Supplementary Estimates as set out below:

a) **Vote Internal Affairs**

Supplementary Estimates of Appropriations, B7 Vol 1 – Pages 292 and 293.

b) **Vote Emergency Management**

Supplementary Estimates of Appropriations, B7 Vol 1 – Pages 171 and 172.

c) **Vote Local Government**

Supplementary Estimates of Appropriations, B7 Vol 1 – Page 324.

d) **Vote Ministerial Services**

Supplementary Estimates of Appropriations, B7 Vol 1 – Page 340.

e) **Vote Community and Voluntary Sector**

Supplementary Estimates of Appropriations, B7 Vol 1 – Pages 73 and 74.

Note 17

Explanation of Significant Actual Variances

The following notes explain the significant variances between Supplementary Estimates and Actuals. Variances are the bracketed figures. Explanations are provided for variances of greater than 5%.

a) Statement of Financial Performance (page 130)

Personnel - \$5,432,000

The variance results from under-expenditure in Vote Internal Affairs and Vote Ministerial Services.

The primary output classes underspent in Vote Internal Affairs include Gaming and Censorship Regulatory Services of \$0.650 million (mainly due to unfilled vacancies in the Gaming Compliance area) and Identity Services of \$2.981 million (due to delays in the completion of Identity Services Development Programme and reduced Citizenship and Passport production volumes).

The primary output classes underspent in Vote Ministerial Services were Support Services to Ministers of \$1.323 million (due to under-expenditure in Ministerial office budgets), and Visit and Official Events Co-ordination \$0.197 million (due to under expenditure for the Royal Visit and other guests of Government).

Depreciation - \$310,000

The estimated useful life of the Births, Deaths and Marriages Historical Records Database was re-assessed and reduced from 30 to 10 years. This resulted in an increase in the depreciation charge compared to budget.

b) Statement of Financial Position (page 131)

Cash and Short-Term Deposits - \$7,817,000

The closing balance of cash and short-term deposits was higher than budgeted principally due to a higher than budgeted net surplus (\$6.003 million), and delays in capital expenditure mainly relating to identity services system improvements (\$2.3 million). This is partially offset by a lower than anticipated accounts payable and

provisions, and accrued expenses (a total of \$1.963 million).

Accounts Receivable - \$228,000

Due to higher than forecast recovery from Lottery Grants Board for work performed in June (\$190,000) and due to the recovery from Community Trusts by Policy (\$14,000) for work performed during 2001/02.

Prepayments - \$76,000

The variance is due to payment for ACC being lower than forecast and the drop in ACC rates.

Property, Plant and Equipment - \$4,085,000

This is mainly due to delays in Identity Services systems improvements, and under expenditure in new office fit out costs for Identity Services which are yet to be finalised.

Accounts Payable - \$1,670,000

The variance primarily relates to higher than expected accounts payable for the Ministry of Civil Defence and Emergency Management (\$269,000) and Community Development (\$242,000) business areas.

Provisions - \$1,414,000

The variance primarily relates to lower than expected performance pay provision (\$896,000) as a result of staff moving to the new Collective Employment Contract.

Accrued Expenses - \$2,217,000

The variance relates to lower than expected accruals relating to various business areas, particularly Policy (\$327,000) and Executive Government Support (\$533,000).

Term Liability - \$43,000

This variance is due to an increase in the long-service leave provision.

c) Statement of Cash Flows (page 132)

Sale of Property, Plant and Equipment - \$381,000

This is due to the lower than forecast returns on the sale of assets mainly cars used for VIP Transport Services.

Purchases of Property, Plant and Equipment - \$4,490,000

This is due to delays in timetabling for several large capital projects, including the development of Identity Services systems.

d) Statement of Departmental Appropriations and Expenditure (page 140)

(All figures are GST inclusive)

The following notes explain the significant variances between Supplementary Estimates and Actuals. Variances are the bracketed figures. Explanations are provided for variances of greater than 5%.

Vote Internal Affairs

D2 Information and Advisory Services - \$520,000

This was principally due to lower printing costs for the New Zealand Gazette.

D3 Gaming and Censorship Regulatory Services - \$599,000

This was due to a number of unfilled vacancies in the Gaming Compliance area.

D4 Identity Services - \$3,170,000

This relates to a reduction of citizenship and passport production volumes and delays associated with the implementation of the Identity Services Development Programme.

D5 Services Relating to Ethnic Affairs - \$81,000

This was due to delays in completing the Chinese consultation process following the

apology to the Chinese community by the Prime Minister, and the telephone interpreting pilot. Joint Ministers have approved transfer of the underspend to the 2002/03 financial year.

Vote Ministerial Services

D1 Support Services to Ministers - \$1,322,000

This is due to reduced expenditure in Ministerial office budgets.

D2 Visit and Official Events Co-ordination - \$197,000

This was due to an lower expenditure for the Royal Visit and other guests of Government.

D4 VIP Transport Services - \$196,000

Lower than forecast demand for services.

Note 18

Reconciliation Between Total Operating Expenses and Total Appropriations

The financial information shown for each Output Class on the Statement of Service Performance and in the Statement of Departmental Appropriations and Expenditure includes revenue earned from other business units within the Department. The intra-entity charging reported at output class level has been eliminated from the other departmental financial statements.

	Actual	Actual
	2001/02	2000/01
	\$000	\$000
Total Operating Expenses in Statement of Financial Performance	104,495	105,391
Revaluation Gain	(816)	0
Profit on Sale of Asset	(296)	0
Intra-entity Expenditure	255	141
GST on Revenue Crown	5,986	6,728
GST on Revenue Third Parties	8,114	7,832
GST on Intra-entity Revenue	32	17
Total Appropriations in Statement of Estimated Actuals, Appropriations and Expenditure	117,770	120,109

Note 19

Related Parties

The Department of Internal Affairs is a government department and wholly owned and controlled by the Crown. The Department undertakes a number of trading activities with the Crown, other departments, Crown entities and state owned enterprises who are related parties as they are similarly related to the Crown.

All material transactions are on an arms' length basis, with the interests of each party being completely independent.



summary of departmental financial results

For the year ended 30 June 2002

	Unit	Actual 2001/02	Actual 2000/01	Actual 1999/00	Actual 1998/99	Actual 1997/98
Operating Results						
Revenue: Third Parties	\$000	65,205	62,644	63,550	61,811	56,650
Revenue: Interest	\$000	376	1,300	1,066	859	698
Total Operating Expenses	\$000	104,495	105,391	116,134	116,768	111,082
Operating Surplus before Capital Charge	\$000	11,506	14,771	16,078	16,344	12,848
Net Surplus/(Deficit)	\$000	9,790	12,379	11,846	12,356	8,630
Working Capital						
Liquid Ratio		1.54:1	1.28:1	1.31:1	1.21:1	1.09:1
Current Ratio		1.21:1	1.12:1	1.13:1	1.05:1	0.97:1
Average Debtors						
Outstanding	days	11	13	14	14	16
Average Creditors						
Outstanding	days	22	34	37	36	38
Resource Utilisation						
Physical Assets:						
Physical Assets as % of Total Assets	%	38.13	30.85	54.73	58.70	63.15
Additions as % of Physical Assets	%	34.73	39.75	13.10	10.06	12.16
Taxpayers' Funds:						
Level at year-end	\$000	23,247	19,077	48,224	46,004	43,554
Taxpayers' Funds as % of Total Assets	%	47.73	37.34	59.32	59.95	62.04
Net Cash Flows						
Surplus/(Deficit) from Operating Activities	\$000	9,570	16,062	16,245	17,898	16,295
Surplus/(Deficit) from Investing Activities	\$000	(4,973)	(5,679)	(3,783)	(3,470)	(4,530)
Net Increase/(Decrease) in Cash Held	\$000	(4,560)	(56)	4,588	5,657	6,939



statement of non-departmental appropriations and expenditure

For the year ended 30 June 2002

Figures are GST Inclusive	Note	Actual	Main	Supp	Actual
			Estimates	Estimates	
		2001/02	2001/02	2001/02	2000/01
		\$000	\$000	\$000	\$000
Vote Internal Affairs	20a				
<i>Non-Departmental Output Classes</i>					
Classification of Films, Videos and Publications		2,205	2,205	2,205	2,205
Community-Based Youth Development Fund		0	0	0	463
<i>Benefits and Other Unrequited Expenses</i>					
<i>Other Expenses to be Incurred by the Crown</i>					
Community Organisation Grants Scheme		0	0	0	10,591
Community Project Workers Scheme		0	0	0	1,226
Community Work Training Fund		0	0	0	60
Māori Community Development Workers		0	0	0	200
Miscellaneous Grants (Internal Affairs)		47	48	48	124
Royal Commission on Genetic Modification		41	0	45	651
Royal Life Saving Commonwealth Council		1	1	1	1
Treaty of Waitangi Commemorations		0	0	0	185
Youth Workers Training Scheme		0	0	0	199
Vote Emergency Management	20b, 21a				
<i>Other Expenses to be Incurred by the Crown</i>					
Emergency Expenses		0	48	38	32
Subsidies to Local Government		1,000	1,000	1,000	1,000
Waihi Mayoral Relief Fund		10	0	10	0

	Note	Actual	Main	Supp	Actual
			Estimates	Estimates	
		2001/02	2001/02	2001/02	2000/01
		\$000	\$000	\$000	\$000
Vote Local Government	20c				
<i>Benefits and Other Unrequited Expenses</i>					
Rates Rebate Scheme		653	800	950	798
<i>Other Expenses to be Incurred by the Crown</i>					
Tuwharetoa Māori Trust Board		155	140	155	151
<i>Purchase or Development of Capital Assets by the Crown</i>					
Capital Investments - Lake Taupo		34	34	34	34
Vote Ministerial Services	20d				
<i>Other Expenses to be Incurred by the Crown</i>					
Ministers' Internal and External Travel		9,421	9,008	9,425	8,997
Travel for Former Governors General and Prime Ministers		277	277	277	276
Executive Council and Ministers' Salaries and Allowances		4,364	4,262	4,520	4,164
Governors General Pension Arrangements		18	22	22	18
<i>Benefits and Other Unrequited Expenses</i>					
Annuities to Former Governors General, Prime Ministers and Spouses		283	277	285	244
Vote Community and Voluntary Sector	20e				
<i>Non-Departmental Output Classes</i>					
Community Based Youth Development Fund		473	473	473	0
<i>Other Expenses to be Incurred by the Crown</i>					
Community Organisation Grants Scheme		10,282	10,295	10,295	0
Community Project Workers		1,187	1,227	1,187	0
Community Work Training		0	60	0	0
Youth Workers Training		200	200	200	0
Maori Community Development Workers		200	225	200	0
Support For Volunteering		579	599	599	0
Community Internship Programme		451	0	451	0
Total Appropriations		31,881	31,201	32,420	31,619



notes to the crown financial statements

For the year ended 30 June 2002

Note 20

Explanation of Significant Budget Changes

Refer to “The Supplementary Estimates of Appropriations for the year ended 30 June 2002” for an explanation of significant budget changes between the 2001/02 Main Estimates and 2001/02 Supplementary Estimates as set out below:

a) **Vote Internal Affairs**

Supplementary Estimates of Appropriations, B7 Vol 1 – Page 294.

b) **Vote Emergency Management**

Supplementary Estimates of Appropriations, B7 Vol 1 – Page 173.

c) **Vote Local Government**

Supplementary Estimates of Appropriations, B7 Vol 1 – Page 325.

d) **Vote Ministerial Services**

Supplementary Estimates of Appropriations, B7 Vol 1 – Page 341.

e) **Vote Community and Voluntary Sector**

Supplementary Estimates of Appropriations, B7 Vol 1 – Pages 74 and 75.

Note 21

Explanation of Significant Actual Variances


The following notes explain the significant variances between the Supplementary Estimates and Actuals. Explanations are provided for variances greater than 5%. Variances are the bracketed figures.

Statement of Non-Departmental Appropriations and Expenditure (page x)

a) **Vote Emergency Management**

Emergency Expenditure (\$38,000)

No claims were made for civil defence emergencies during 2001/02.



statement of trust money administered on behalf of the crown

For the year ended 30 June 2002

The following trust money was administered on behalf of the Crown under Part VII of the Public Finance Act 1989.

The statement shows the opening and closing trust balances including bank and investments at cost, and the movements during the year.

Under the Public Finance Act 1989 and by delegation from the Secretary to The Treasury, trust money can only be invested on deposit with New Zealand registered banks or in New Zealand government stock. Trust money is also managed so there is no significant concentration of credit risk. Interest rate risk is managed by investing across a wide range of maturity dates, but subject to liquidity requirements.

	Opening Balance 2001/02 \$000	Contributions \$000	Distributions \$000	Revenue \$000	Expenses \$000	Closing Balance 2001/02 \$000
Vogel House	0	3	(3)	0	0	0
NZ 1990						
Scholarships	374	0	(20)	27	0	381
Problem Gambling	0	4,699	(4,713)	14	0	0
Total	374	4,702	(4,736)	41	0	381