

Statement of Accounting Policies

For the year ended 30 June 2001

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.

Measurement Base

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

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 net current value with buildings subsequently depreciated over their useful life. Valuations are undertaken every three years in accordance with New Zealand Institute of Valuers standards. Antiques and works of art are recorded at net current value and 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 provided on all property, plant and equipment except land, antiques and works of art and capital work in progress. Depreciation is provided on a straight line basis at rates which will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

The estimated useful life of the buildings has been estimated to be 33-50 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 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.

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 overhead 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 2001, direct costs accounted for 78% of the Department's costs compared to 81% for 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 Departmental financial statements are prepared GST exclusive except for the Statement of Specific Forecast Performance Objectives (which is GST inclusive where noted) and the Statement of Appropriations (which is GST inclusive). GST is included based on revenue earned in accordance with Treasury instructions. 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 cash, 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

There have been no changes in accounting policies since the last audited financial statements. The accounting policies have been applied on a basis consistent with the previous year.

Statement of Financial Performance

For the year ended 30 June 2001

	Note	Actual	Main	Supp.	Actual
	14a	2000/01	Estimates	Estimates	1999/00
		\$000	2000/01	2000/01	\$000
			\$000	\$000	
Revenue					
Revenue Crown		53,826	63,649	53,826	63,364
Revenue Third Parties	1	62,644	63,525	64,752	63,550
Interest		1,300	850	850	1,066
Total Operating Revenue		117,770	128,024	119,428	127,980
Expenses					
Personnel		53,829	53,262	53,516	57,983
Operating	2	45,805	59,168	52,913	49,674
Depreciation		3,365	4,518	3,268	4,245
Capital Charge	3	2,392	4,271	2,392	4,232
Total Operating Expenses		105,391	121,219	112,089	116,134
Net Surplus		12,379	6,805	7,339	11,846

The accompanying policies on pages 120 to 123 and notes on pages 134 to 145 form an integral part of these financial statements.

Statement of Financial Position

As at 30 June 2001

	Note	Actual	Main	Supp.	Actual
	14b	2000/01	Estimates	Estimates	1999/00
		\$000	2000/01	2000/01	\$000
			\$000	\$000	\$000
Assets					
<i>Current Assets</i>					
Cash and Short					
Term Deposits	4	30,811	25,340	19,748	30,867
Accounts Receivable	5	2,317	2,823	2,086	2,998
Inventories	6	2,151	1,864	2,157	2,890
Prepayments		44	0	78	49
Total Current Assets		35,323	30,027	24,069	36,804
<i>Non Current Assets</i>					
Term Accounts Receivable		0	175	0	0
Property, Plant and Equipment	7	15,761	48,069	18,660	44,489
Total Non Current Assets		15,761	48,244	18,660	44,489
Total Assets		51,084	78,271	42,729	81,293
Liabilities and Taxpayers' Funds					
<i>Current Liabilities</i>					
Accounts Payable and Provisions	8	6,119	10,812	5,278	5,892
Revenue Received in Advance		3,896	3,716	3,419	5,090
Accrued Expenses	9	9,042	4,053	7,125	9,752
Provision for Payment of Surplus to the Crown	10(a)	12,379	6,805	7,339	11,722
Total Current Liabilities		31,436	25,386	23,161	32,456
Term Liabilities					
Term Accrued Expenses	11	571	632	534	613
Total Term Liabilities		571	632	534	613
Total Liabilities		32,007	26,018	23,695	33,069
<i>Taxpayers' Funds</i>					
General Funds		18,951	51,977	18,908	47,948
Revaluation Reserve		126	276	126	276
Total Taxpayers' Funds		19,077	52,253	19,034	48,224
Total Liabilities and Taxpayers' Funds		51,084	78,271	42,729	81,293

The accompanying policies on pages 120 to 123 and notes on pages 134 to 145 form an integral part of these financial statements.

Statement of Cashflows

For the year ended 30 June 2001

	Note 14c	Actual 2000/01 \$000	Main Estimates 2000/01 \$000	Supp. Estimates 2000/01 \$000	Actual 1999/00 \$000
Cash Flows from Operating Activities					
<i>Cash was Provided from:</i>					
Supply of Outputs to the Crown		53,826	63,649	53,826	63,315
Supply of Outputs to Third Parties		63,370	62,789	65,487	63,657
Interest		1,406	990	1,025	896
Payment of GST		164	0	0	17
		118,766	127,428	120,338	127,885
<i>Cash was Disbursed to:</i>					
Costs of Producing Outputs		(100,312)	(111,861)	(111,815)	(107,408)
Capital Charge		(2,392)	(4,271)	(2,392)	(4,232)
		(102,704)	(116,132)	(114,207)	(111,640)
Net Cash Flows from Operating Activities		16,062	11,296	6,131	16,245
Cash Flows from Investing Activities					
<i>Cash was Provided from:</i>					
Sale of Property, Plant & Equipment		586	2,622	974	2,044
<i>Cash was Disbursed to:</i>					
Purchase of Property, Plant and Equipment		(6,265)	(10,623)	(9,301)	(5,827)
Net Cash Flows from Investing Activities		(5,679)	(8,001)	(8,327)	(3,783)
Cash Flows from Financing Activities					
<i>Cash was Provided from:</i>					
Capital Contribution		2,799	2,799	2,799	2,220
<i>Cash was Disbursed to:</i>					
Payment of Net Surplus to the Crown		(11,722)	(11,832)	(11,722)	(10,094)
Transfer of Cash to Government Departments		(1,516)	0	0	0
Net Cash Flows from Financing Activities		(10,439)	(9,033)	(8,923)	(7,874)
Net Increase/(Decrease) in Cash Held		(56)	(5,738)	(11,119)	4,588
Add Opening Cash & Short-term Deposits		30,867	31,078	30,867	26,335
Add Effect of Exchange Rate Change on Foreign Currency Balance		0	0	0	(56)
Closing Cash & Short Term Deposits		30,811	25,340	19,748	30,867

The accompanying policies on pages 120 to 123 and notes on pages 134 to 145 form an integral part of these financial statements.

Reconciliation of Reported Surplus with Cash Generated from Operating Activities

For the year ended 30 June 2001

	Actual 2000/01	Main Estimates 2000/01	Supp. Estimates 2000/01	Actual 1999/00
Surplus From Statement of Financial Performance	12,379	6,805	7,339	11,846
Add/(Deduct) Non Cash Items				
Depreciation	3,365	4,518	3,268	4,245
Net Loss on Foreign Currency Balance	0	0	0	56
Capital Contribution for Gain on Sale of Property	0	0	0	(124)
Increase/(Decrease) in Term Accrued Expenses	(42)	0	(79)	(15)
	3,323	4,518	3,189	4,162
Add/(Deduct) Movements in Working Capital Items				
(Increase)/Decrease in Accounts Receivable	681	(131)	912	(62)
(Increase)/Decrease in Inventories	739	340	733	(543)
(Increase)/Decrease in Prepayments	5	0	(29)	31
Increase/(Decrease) in Accounts Payable and Provisions	227	(236)	(614)	(780)
Increase/(Decrease) in Revenue Received in Advance	(1,194)	0	(1,671)	634
Increase /(Decrease) in Accrued Expenses	(710)	0	(2,627)	862
Movement in Working Capital	(252)	(27)	(3,296)	142
Add/(Deduct) Items Classified as Investing Activities				
Loss/(Gain) on Sale of Property, Plant and Equipment	365	0	25	277
(Increase)/Decrease in Accounts Payable for Property, Plant and Equipment	247	0	(1,126)	(182)
Expenses	612	0	(1,101)	95
Net Cash Flows From Operating Activities	16,062	11,296	6,131	16,245

The accompanying policies on pages 120 to 123 and notes on pages 134 to 145 form an integral part of these financial statements.

Statement of Movements in Taxpayers Funds

For the year ended 30 June 2001

	Note	Actual 2000/01 \$000	Main Estimates 2000/01 \$000	Supp. Estimates 2000/01 \$000	Actual 1999/00 \$000
Taxpayers' Funds at the start of the Year		48,224	49,454	48,224	46,004
Net Surplus for the Year		12,379	6,805	7,339	11,846
Total Recognised Revenues and Expenses for the Year		12,379	6,805	7,339	11,846
Asset/Liability Transfers between Departments		(30,280)	0	(31,839)	0
Transfer of Revaluation Reserve to Archives New Zealand		(150)	0	(150)	0
Provision for Payment of Surplus to the Crown					
Net Surplus for the Year		(12,379)	(6,805)	(7,339)	(11,846)
Transfer of cash to Government Departments	10b	(1,516)	0	0	0
Capital Contribution retained from Surplus		0	0	0	124
Other Capital Contributions	10c	2,799	2,799	2,799	2,096
Taxpayers' Funds at the end of the Year		19,077	52,253	19,034	48,224

The accompanying policies on pages 120 to 123 and notes on pages 134 to 145 form an integral part of these financial statements.

Statement of Commitments

As at 30 June 2001

	Actual 2000/01 \$000	Actual 1999/00 \$000
Capital Commitments		
<i>Land and Buildings</i>		
Less than one year	14	0
One to two years	0	0
<i>Plant and Equipment</i>		
Less than one year	3,492	1,480
One to two years	0	0
Total Capital Commitments	3,506	1,480
Operating Commitments		
<i>Non-Cancellable Accommodation Leases</i>		
Less than one year	3,842	4,599
One to two years	2,939	3,808
Two to five years	6,594	7,992
Over five years	3,351	5,953
Total Accommodation Commitments	16,726	22,352
<i>Other Non-Cancellable Leases</i>		
Less than one year	286	308
One to two years	215	192
Two to five years	96	107
Total Other Lease Commitments	597	607
<i>Non-Cancellable Contracts for Goods and Services</i>		
Less than one year	4,755	1,379
One to two years	4,482	666
Two to five years	10,195	660
Total Goods and Services Commitments	19,432	2,705
Total Commitments	40,261	27,144

The accompanying policies on pages 120 to 123 and notes on pages 134 to 145 form an integral part of these financial statements.

Statement of Contingent Liabilities

As at 30 June 2001

	Actual 2000/01 \$000	Actual 1999/00 \$000
Legal Proceedings and Disputes		
Personnel Issues	68	90
Gaming Issues	0	100
Breach of Constitutional Law Issues	0	400
Total Contingent Liabilities	68	590

Statement of Unappropriated Expenditure

For the year ended 30 June 2001

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

There was no unappropriated expenditure for the year ended 30 June 2001 or for the previous financial year.

The accompanying policies on pages 120 to 123 and notes on pages 134 to 145 form an integral part of these financial statements.

Statement of Departmental Appropriations and Expenditure

For the year ended 30 June 2001

(Figures are GST inclusive)	Note	Actual 2000/01 \$000	Main Estimates 2000/01 \$000	Supp. Estimates 2000/01 \$000	Actual 1999/00 \$000
Vote Internal Affairs	13a, 14d				
<i>Classes of Outputs to be Supplied by the Department</i>					
D1 Policy Advice (Internal Affairs)		2,859	2,681	2,904	2,301
D2 Administration and Advisory Support Services		12,330	11,919	14,276	8,914
D3 Administration of Grants		2,442	2,548	2,571	2,442
D4 Community Advisory and Information Services to the Public		6,491	7,884	7,113	6,105
D5 Issuing of Licences and Administration of Regulations		8,456	8,759	8,545	7,811
D6 Issuing of Official Documents		42,789	42,199	43,551	41,258
D7 Ethnic Affairs Policy Advice and Information Services		514	450	518	0
D8 Translation Services (Mode B Net)		648	563	616	620
National Archival Services		0	0	0	1,708
Official, Legal and Historical Publications		0	0	0	1,658
Property Management		0	0	0	112
Vote Emergency Management	13b				
<i>Classes of Outputs to be Supplied by the Department</i>					
D1 Policy Advice (Emergency Management)		939	1,011	952	1,390
D2 Support Services, Information and Education		2,867	2,798	2,887	2,945
D3 Management of National Emergency Readiness, Response and Recovery		1,641	1,676	1,655	877
Vote Local Government	13c				
<i>Classes of Outputs to be Supplied by the Department</i>					
D1 Policy Advice (Local Government)		3,307	2,803	3,427	1,835
D2 Information, Support and Regulatory Services		1,751	1,805	1,811	1,713

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Statement of Departmental Appropriations and Expenditure ... continued

(Figures are GST inclusive)		Note	Actual 2000/01 \$000	Main Estimates 2000/01 \$000	Supp. Estimates 2000/01 \$000	Actual 1999/00 \$000
Vote Ministerial Services	13d, 14d					
<i>Classes of Outputs to be Supplied by the Department</i>						
D1 Support Services to Ministers			19,537	21,670	21,410	23,067
D2 Crown and Ministerial Property Management			2,544	2,837	3,030	2,203
D3 Visits and Ceremonial Services			2,019	2,114	2,122	2,945
D4 VIP Transport Services			5,443	5,913	5,963	5,651
Vote Racing						
<i>Classes of Outputs to be Supplied by the Department</i>						
D1 Policy Advice (Racing)			343	356	360	138
Vote Millennium	14d, 17					
<i>Classes of Outputs to be Supplied by the Department</i>						
D1 Administrative and Advisory Services			137	150	150	684
D2 Year 2000 Commemorations Marketing Programme			0	0	0	906
Vote National Archives	13g, 17					
<i>Classes of Outputs to be Supplied by the Department</i>						
D1 National Archival Services			3,052	12,784	3,052	0
Vote Sport, Fitness and Leisure	13e					
<i>Classes of Outputs to be Supplied by the Department</i>						
D1 Policy Advice (Sport, Fitness and Leisure)			0	580	0	280

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Statement of Departmental Appropriations and Expenditure ... continued

(Figures are GST inclusive)	Note	Actual 2000/01 \$000	Main Estimates 2000/01 \$000	Supp. Estimates 2000/01 \$000	Actual 2000/01 \$000
Vote Tourism	13f				
<i>Classes of Outputs to be Supplied by the Department</i>					
D1 Policy Advice (Tourism)		0	2,343	0	1,720
D2 Wairakei Tourist Park: Development and Management		0	1,275	0	1,120
Vote Culture and Heritage (Internal Affairs)					
<i>Classes of Outputs to be Supplied by the Department</i>					
D1 National Archival Services		0	0	0	9,511
D2 Historical Publications and Administrative Services		0	0	0	1,820
D3 Heritage Property Management		0	0	0	601
Total Appropriations	15	120,109	137,118	126,913	132,335

The accompanying policies on pages 120 to 123 and notes on pages 134 to 145 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2001

Note 1

Revenue Third Parties

	Actual 2000/01 \$000	Actual 1999/00 \$000
Passport Fees	26,829	25,898
Citizenship Fees	6,773	7,457
Birth, Death and Marriage Fees	7,220	7,779
Gaming Licences	1,391	1,299
Gaming Machine Fees	2,355	2,525
Casino Operator Levies	2,243	2,325
VIP Transport	4,798	4,980
Recovery from New Zealand Lottery Grants Board	7,001	7,083
New Zealand Gazette	1,081	1,231
Other	2,953	2,973
Total Revenue Third Parties	62,644	63,550

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Note 2

Operating Expenses

	Actual 2000/01 \$000	Actual 1999/00 \$000
Rental and Leasing Costs	6,008	6,519
Fee for Audit of Financial Statements	151	157
Fees to Auditors for Other Services Provided	0	23
Bad Debts	3	2
Increase/(Decrease) in Provision for Doubtful Debts	4	84
Net Foreign Exchange Losses	0	(56)
Loss/(Gain) on Sale of Property, Plant and Equipment	365	247
Asset Write-offs	0	30
Other Departmental Operating Costs	39,274	42,668
Total Operating	45,805	49,674

Note 3

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 the 2000/01 year was 9.2%. (1999/00 9.2%)

Note 4

Cash And Short Term Deposits

	Actual 2000/01 \$000	Actual 1999/00 \$000
New Zealand Bank Account	2,216	2,063
Overseas Bank Accounts		
Sydney	59	43
Washington	2	7
Los Angeles	11	9
London	23	45
Short Term Deposits	28,500	28,700
Total Cash and Short Term Deposits	30,811	30,867

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

The Department had the following short term deposits:

2000/01				1999/00			
Principal \$000	Term	Interest	Maturity	Principal \$000	Term	Interest	Maturity
3,000	14 days	5.13%	13/07/01	3,800	94 days	6.00%	03/07/00
11,500	92 days	5.50%	31/07/01	3,000	91 days	6.25%	19/07/00
7,000	92 days	5.50%	31/08/01	4,500	91 days	6.25%	28/07/00
7,000	94 days	5.50%	01/10/01	5,500	92 days	6.25%	01/08/00
				8,400	92 days	6.75%	31/08/00
				3,500	94 days	6.50%	02/10/00
28,500				28,700			

Note 5

Accounts Receivable

	Actual 2000/01 \$000	Actual 1999/00 \$000
Trade Receivables	2,188	2,773
less Provision for Doubtful Debts	(10)	(103)
Net Trade Receivables	2,178	2,670
GST Receivable	0	34
Debtor Crown	0	49
Accrued Interest	139	245
Total Accounts Receivable	2,317	2,998

Note 6

Inventories

	Actual 2000/01 \$000	Actual 1999/00 \$000
Passports - Stock on Hand	297	561
- Work in Progress	108	172
Visits and Ceremonials - Liquor	118	148
Birth, Death and Marriage Certificates	5	47
Citizenship - Stock on Hand	34	80
- Work in Progress	1,589	1,880
Other	0	2
Total Inventories	2,151	2,890

Note 7

Property, Plant And Equipment

	2000/01			1999/00		
	Cost or Valuation \$000	Accum. Deprec. \$000	Carrying Amount \$000	Cost or Valuation \$000	Accum. Deprec. \$000	Carrying Amount \$000
Land	3,245	0	3,245	12,675	0	12,675
Buildings	2,135	160	1,975	16,685	533	16,152
Lease Improvements	2,152	1,861	291	3,501	2,925	576
Antiques and Works of Art	368	0	368	573	0	573
Furniture and Fittings	1,067	865	202	1,987	1,670	317
Office Equipment	995	926	69	1,796	1,523	273
Motor Vehicles	4,795	1,927	2,868	4,817	1,962	2,855
Plant and Equipment	1,240	898	342	5,600	3,485	2,115
IT Equipment	21,430	17,570	3,860	21,670	17,588	4,082
Capital Work in Progress	2,541	0	2,541	4,871	0	4,871
Total	39,968	24,207	15,761	74,175	29,686	44,489

Revaluation Basis

Valuations were made on the basis of net current value where an identified market existed. This is the price at which an asset might reasonably be expected to be sold less the costs of disposal that could reasonably be anticipated. No revaluations occurred during this financial year.

Land and Buildings

Valuation of land and buildings was conducted by Knight Frank (NZ) Ltd (ANZIV, MREINZ), registered independent valuer on 1 January 1999. Valuation of land and buildings is undertaken every three years.

Antiques and Works of Art

Valuation of antiques and works of art was undertaken by Dunbar Sloane, an independent expert, on 30 November 1998. Valuation of antiques and works of art is undertaken every three years.

Note 8

Accounts Payable And Provisions

	Actual 2000/01 \$000	Actual 1999/00 \$000
Accounts payable	3,327	3,273
Corporate Services Re-organisation	115	761
Re-organisation Identity Services: London and Sydney Offices	0	208
Re-organisation Identity Services	796	0
Re-organisation Ministry of Emergency Management	110	0
Re-organisation Ministerial Services	82	0
Accrued Salaries	1,251	1,359
Accounts Payable for Property, Plant and Equipment	185	291
GST Payable	253	0
Total Accounts Payable and Provisions	6,119	5,892

Note 9

Accrued Expenses

	Actual 2000/01 \$000	Actual 1999/00 \$000
Annual Leave	2,886	3,090
Long Service and Retirement Leave	567	645
Accrued Expenses for Property, Plant and Equipment	124	265
Audit Fees	58	75
Provision for Performance Pay	1,468	1,565
Other	3,939	4,112
Total Accrued Expenses	9,042	9,752

Note 10

Movements In Taxpayers' Funds

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

a) Provision for Payment of Surplus to the Crown

The Department is required to return to the Crown the higher of its annual net surplus (excluding Other Expenses) or interest earned. In 2001/02 \$12.379 million will be paid to the Crown. The payment made in 2000/01 to the Crown of \$11.722 million represents the surplus in 1999/00 of \$11.846 million reduced by an amount retained as a capital contribution of \$0.124 million.

b) Transfer of cash to Government Departments

The Department transferred \$1.516 million to other Government Departments, including Archives New Zealand of \$1.504 million.

c) Capital Contribution

The Department received capital contributions of \$1.431 million for the refurbishment of National Archives accommodation and \$1.368 million for the conversion of historical birth, death and marriage records.

Note 11

Term Accrued Expenses

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 12

Financial Instruments

The Department is party to financial instrument arrangements as part of its daily operations. These include cash and 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

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 are 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.

Currency risk is the risk that assets and liabilities 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.

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 and 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, and these entities have high credit ratings.

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 and short term deposits, the Department does not have any significant credit risks.

Maximum exposures to credit risk.

	Actual 2000/01 \$000	Actual 1999/00 \$000
Annual Leave	2,886	3,090
Bank	2,311	2,167
Short Term Deposits	28,500	28,700
Accounts Receivable	2,317	2,998
	33,128	33,865

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.

	2000/01		1999/00	
	Contract Value \$000	Fair Value at 30 June \$000	Contract Value \$000	Fair Value at 30 June \$000
Foreign Exchange Contracts	1,717	1,744	3,670	3,786

Note 13

Explanation Of Significant Budget Changes

Refer to The Supplementary Estimates of Appropriations for the year ended 30 June 2001 for an explanation of significant budget changes between the 2000/01 Main Estimates and 2000/01 Supplementary Estimates as set out below:

a) Vote Internal Affairs

Supplementary Estimates of Appropriations, B7 Vol 1 — Pages 282 to 285.

b) Vote Emergency Management

Supplementary Estimates of Appropriations, B7 Vol 1 — Page 161.

c) Vote Local Government

Supplementary Estimates of Appropriations, B7 Vol 1 — Page 317.

d) Vote Ministerial Services

Supplementary Estimates of Appropriations, B7 Vol 1 — Page 333.

e) Vote Sport, Fitness and Leisure

This Vote was transferred to the Ministry of Economic Development with effect from 1 July 2000.

f) Vote Tourism

This Vote was transferred to the Ministry of Economic Development with effect from 1 July 2000.

g) Vote National Archives

This Vote was transferred to Archives New Zealand with effect from 1 October 2000.

Note 14

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 124)

Interest (\$450,000)

Interest was above forecast due to higher interest rates and to greater cash being available for investment as a result of higher than budgeted net surplus and delays in capital expenditure.

Operating (\$7,108,000)

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

The primary output classes underspent in Vote Internal Affairs include Administration and Advisory Support Services of \$1.886 million (due to the lower Royal Commission on Genetic Modification costs of \$1.478 million), Community, Advisory and Information Services to the Public of \$0.587 million (due to under-expenditure for New Zealand Gazette of \$0.419 million) and Issuing of Official Documents of \$0.592 million (mainly as a result of under-recovery of third party revenue of \$1.359 million).

The primary output classes underspent in Vote Ministerial Services include Support Services to Ministers of \$1.874 million (due to under-expenditure in Ministerial office budgets), Crown and Ministerial Property Management of \$0.484 million (as a result expenditure on refurbishment projects being lower than budgeted) and VIP Transport Services of \$0.462 million (due to demand for VIP transport being lower than anticipated).

b) Statement of Financial Position (page 125)

Cash and Short Term Deposits (\$11,063,000)

The closing balance of cash and short term deposits was higher than budgeted principally due to a higher than anticipated accounts payable and provisions and accrued expenses (a total of \$2.758 million), a higher than budgeted net surplus (\$6.573 million), and delays in capital expenditure (\$2.899 million).

Accounts Receivable (\$231,000)

The variance relates to higher accounts receivable for various business areas within the Department, in particular, Community Development Group (\$0.119 million) and higher than forecast interest receivable (\$0.069 million).

Prepayments (\$34,000)

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

Property, Plant and Equipment (\$2,899,000)

This is due to delays in the purchase of equipment for various capital projects, including the Birth Death and Marriage Historical Records Conversion (\$1.368 million).

Accounts Payable and Provisions (\$841,000)

The variance primarily relates to higher than expected accounts payable for the Gaming and Censorship Regulation (\$0.420 million) and Policy (\$0.299 million) business areas.

Revenue Received in Advance (\$477,000)

Revenue received in advance was higher than estimated for citizenship services.

Accrued Expenses (\$1,917,000)

The variance relates to higher than expected accruals relating to various business areas, particularly, Identity Services (\$0.726 million), Community Development Group (\$0.537 million) and Executive Government Support (\$0.220 million).

c) Statement of Cash Flows (page 126)***Sale of Property, Plant and Equipment (\$388,000)***

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 (\$3,036,000)

This is due to delays in timetabling for several large capital projects, including Birth Death and Marriage Historical Records Conversion (\$1.368 million).

d) Statement of Departmental Appropriations and Expenditure (page 131)

(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 Administration and Advisory Support Services (\$1,946,000)

This is principally due to lower than forecast expenditure on the Royal Commission on Genetic Modification. Cabinet agreed to the transfer of unspent appropriation from the 2000/01 financial year to the 2001/02 financial year.

D4 Community Advisory and Information Services to the Public (\$622,000)

Lower than forecast expenditure for the New Zealand Gazette of \$0.419 million due to under achievement of revenue of \$177,000 as a result of lower than forecast levels of activity and savings resulting from bringing operations in-house.

D8 Translation Services (\$32,000)

Higher than expected external demand for services, increased both revenue and expenditure.

Vote Millennium

D1 Administrative and Advisory Support Services (\$13,000)

Expenditure lower than forecast as a result of the closure of the Millennium Office on 28 January 2001.

Vote Ministerial Services

D1 Support Services to Ministers (\$1,873,000)

This was due to under expenditure in Ministerial office budgets.

D2 Crown and Ministerial Property Management (\$486,000)

The portfolio of owned properties has reduced and there was only one major project carried out in 2000/2001.

D4 VIP Transport Services (\$520,000)

Lower than forecast demand for services.

Note 15

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 2000/01 \$000	Actual 1999/00 \$000
Total Operating Expenses in Statement of Financial Performance	105,391	116,134
Intra-entity Expenditure	141	297
GST on Revenue Crown	6,728	7,921
GST on Revenue Third Parties	7,832	7,946
GST on Intra-entity Revenue	17	37
Total Appropriations in Statement of Departmental Appropriations and Expenditure	120,109	132,335

Note 16

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.

Note 17

Discontinued Activities

The actual financial results for the current financial year 1 July 2000 to 30 June 2001 are disclosed for discontinued activities in the table below:

	Total Revenue \$000	Total Expenditure \$000	Surplus/ (Deficit) \$000
Vote Millennium			
<i>Effective date 28 January 2001</i>			
Administrative and Advisory Support Services	133	120	13
Vote National Archives			
<i>Effective date 30 September 2000</i>			
National Archival Services	2,713	2,713	0

Summary of Departmental Financial Results

For the year ended 30 June 2001

	Unit	Actual 2000/01	Actual 1999/00	Actual 1998/99	Actual 1997/98	Actual 1996/97
Operating Results						
Revenue: Third Parties	\$000	62,644	63,550	61,811	56,650	54,864
Revenue: Interest	\$000	1,300	1,066	859	698	840
Output Expenses	\$000	105,391	116,134	116,768	111,082	115,259
Operating Surplus before Capital Charge	\$000	14,771	16,078	16,344	12,848	7,672
Net Surplus/(Deficit)	\$000	12,379	11,846	12,356	8,630	3,374
Working Capital						
Liquid Ratio		1.28:1	1.31:1	1.21:1	1.09:1	0.91:1
Current Ratio		1.12:1	1.13:1	1.05:1	0.97:1	0.93:1
Average Debtors Outstanding	days	13	14	14	16	18
Average Creditors Outstanding	days	34	37	36	38	34
Resource Utilisation						
<i>Physical Assets:</i>						
Physical Assets as % of Total Assets	%	30.85	54.73	58.70	63.15	71.18
Additions as % of Physical Assets	%	39.75	13.10	10.06	12.16	13.74
<i>Taxpayers' Funds:</i>						
Level at year-end	\$000	19,077	48,224	46,004	43,554	45,203
Taxpayers Funds as % of Total Assets	%	37.34	59.32	59.95	62.04	69.17
Net Cash Flows						
Surplus/(Deficit) from Operating Activities	\$000	16,062	16,245	17,898	16,295	14,969
Surplus/(Deficit) from Investing Activities	\$000	(5,679)	(3,783)	(3,470)	(4,530)	(5,637)
Net Increase/(Decrease) in Cash Held	\$000	(56)	4,588	5,657	6,939	3,009

Summary of Discontinued and New Output Classes

For the year ended 30 June 2001

Discontinued Output Class	Effective From	Reason for Change
Vote: Millennium Administrative and Advisory Support Services	28 January 2001	Activities associated with this output class have been completed with the closure of the Millennium Office on 28 January 2001
Vote: National Archives National Archival Services	30 September 2000	New Department (Archives New Zealand) established
New Output Class	Effective From	Reason for Change
Vote: Internal Affairs Ethnic Affairs Policy Advice and Information Services	1 July 2000	Cabinet decision in order to increase the focus on ethnic affairs outputs.
Vote: National Archives National Archival Services	1 July 2000	Cabinet decision to facilitate the establishment of a new stand alone department to administer National Archives effective from 1 October 2000.

Refer to the Statement of Departmental Appropriations and Expenditure (page 131) for disclosure of the financial figures related to the above output classes.

Statement of Non-Departmental Appropriations and Expenditure

(Figures are GST inclusive)

Note	Actual 2000/01 \$000	Main Estimates 2000/01 \$000	Supp. Estimates 2000/01 \$000	Actual 1999/00 \$000
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Vote Internal Affairs	18a, 19a			
<i>Non-Departmental Output Classes</i>				
Classification of Films, Videos and Publications	2,205	2,205	2,205	2,305
Community-Based Youth Development Fund	463	473	473	464
<i>Benefits and Other Unrequited Expenses</i>				
<i>Other Expenses to be Incurred by the Crown</i>				
Payment to Commissioners - INCIS Inquiry	0	0	0	20
Community Organisation Grants Scheme	10,591	10,585	10,595	10,295
Community Project Workers Scheme	1,226	1,227	1,227	1,193
Community Work Training Fund	60	60	60	60
Commonwealth War Graves	0	0	0	1,959
Development and Maintenance of Service Cemeteries, War Graves, Historic Graves and Monuments	0	0	0	93
Maori Community Development Workers	200	0	225	0
Miscellaneous Grants (Internal Affairs)	124	48	158	48
Royal Commission on Genetic Modification	651	1,049	919	34
Royal Life Saving Commonwealth Council	1	1	1	1
Treaty of Waitangi Commemorations	185	324	204	272
Youth Workers Training Scheme	199	200	200	200
Vote Emergency Management	18b, 19b			
<i>Other Expenses to be Incurred by the Crown</i>				
Emergency Expenses	32	48	48	94
Subsidies to Local Government	1,000	1,000	1,000	1,000

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Statement of Non-Departmental Appropriations and Expenditure ... continued

(Figures are GST inclusive)	Note	Actual 2000/01 \$000	Main Estimates 2000/01 \$000	Supp. Estimates 2000/01 \$000	Actual 1999/00 \$000
Vote Local Government	18c				
<i>Benefits and Other Unrequited Expenses</i>					
Rates Rebate Scheme		798	700	800	677
<i>Other Expenses to be Incurred by the Crown</i>					
Disaster Recovery Assistance					
- Far North District Council		0	0	0	251
Disaster Recovery Assistance					
- Otago-Southland Floods		0	0	0	149
Disaster Recovery Assistance					
- Ruapehu District Council		0	0	0	99
Tuwharetoa Maori Trust Board		151	139	151	150
<i>Purchase or Development of Capital Assets by the Crown</i>					
Capital Investments - Lake Taupo		34	34	34	34
Vote Ministerial Services	18d, 19c				
<i>Other Expenses to be Incurred by the Crown</i>					
Ministers Internal and External Travel		8,997	9,008	9,008	9,007
Travel for Former Governors General and Prime Ministers		276	277	277	251
Executive Council and Ministers Salaries and Allowances		4,164	4,232	4,262	4,225
Governors General Pension Arrangements		18	22	22	18
<i>Benefits and Other Unrequited Expenses</i>					
Annuities to Former Governors General, Prime Ministers and Spouses		244	257	277	250
Vote Sport, Fitness and Leisure	18e				
<i>Non-Departmental Output Classes</i>					
Sports Education Scholarships		0	1,000	0	0
Sport, Fitness and Leisure Programmes		0	0	0	19,812
Drugs Testing of Sports Persons		0	992	0	922
<i>Other Expenses to be Incurred by the Crown</i>					
Miscellaneous Grants (Sport, Fitness and Leisure)		0	50	0	120

... continued on the next page.

Statement of Non-Departmental Appropriations and Expenditure ... continued

(Figures are GST inclusive)		Note	Actual	Main	Supp.	Actual
			2000/01	Estimates	Estimates	1999/00
			\$000	2000/01	2000/01	\$000
Vote Tourism		18f				
<i>Non-Departmental Output Classes</i>						
<i>Marketing of New Zealand as a Visitor Destination</i>						
			0	55,027	0	64,439
<i>Other Expenses to be Incurred by the Crown</i>						
<i>Tourism Facilities Development Grants</i>						
			0	300	0	1,730
Vote Millennium						
<i>Other Expenses to be Incurred by the Crown</i>						
<i>Year 2000 Commemoration Millennium Events Programme</i>						
			0	0	0	3,532
<i>Millennium Infrastructure</i>						
			0	0	0	396
<i>Year 2000 Commemoration Millennium Reserve Fund</i>						
			0	0	0	613
Vote Culture and Heritage (Internal Affairs)						
<i>Other Expenses to be Incurred by the Crown</i>						
<i>Commonwealth War Graves</i>						
			0	0	0	41
<i>Development and Maintenance of War Graves, Historic Graves and Monuments</i>						
			0	0	0	178
<i>Purchase or Development of Capital Assets of Crown</i>						
<i>ANZAC Commemorative Park, Gallipoli</i>						
			0	0	0	313
<i>New Zealand Memorial in Canberra</i>						
			0	0	0	23
Total Appropriations			31,619	89,258	32,146	125,268

The accompanying policies on pages 120 to 123 and notes on pages 151 to 152 form an integral part of these financial statements.

Notes to the Crown Financial Statements

For the year ended 30 June 2001

Note 18

Explanation Of Significant Budget Changes

Refer to The Supplementary Estimates of Appropriations for the year ended 30 June 2001 for an explanation of significant budget changes between the 2000/01 Main Estimates and 2000/01 Supplementary Estimates as set out below:

a) Vote Internal Affairs

Supplementary Estimates of Appropriations, B7 Vol 1 — Page 285.

b) Vote Emergency Management

Supplementary Estimates of Appropriations, B7 Vol 1 — Page 161 and 162.

c) Vote Local Government

Supplementary Estimates of Appropriations, B7 Vol 1 — Page 317 and 318.

d) Vote Ministerial Services

Supplementary Estimates of Appropriations, B7 Vol 1 — Page 333.

e) Vote Sport, Fitness and Leisure

This Vote was transferred to the Ministry of Economic Development with effect from 1 July 2000.

f) Vote Tourism

This Vote was transferred to the Ministry of Economic Development with effect from 1 July 2000.

g) Vote National Archives

This Vote was transferred to Archives New Zealand with effect from 1 October 2000.

Note 19

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.

a) Vote Internal Affairs

Maori Community Development Workers (\$25,000)

The under—expenditure is due to the scheme being established later in the financial year than anticipated.

Miscellaneous Grants (Internal Affairs) (\$34,000)

This was mainly due to lower than forecast expenditure for payment of the Waitangi Marae debt.

Royal Commission on Genetic Modification (\$268,000)

The under-expenditure for this item was due to the extension of the Commissioners reporting time from 1 June 2001 to 27 July 2001, Cabinet agreed to the transfer of unspent appropriation from the 2000/01 financial year to the 2001/02 financial year.

Treaty Commemorations at Waitangi (\$19,000)

Lower than forecast expenditure for Waitangi celebrations.

b) Vote Emergency Management

Emergency Expenses (\$16,000)

Only one claim was received during this financial year.

c) Vote Ministerial Services

Governors General Pension Arrangements (\$4,000)

A small increase was projected in planning for costs but this did not eventuate in the 2000/01 financial year.

Annuities to Former Governors General, Prime Ministers and Spouses (\$33,000)

The budget covered a full financial year for the retiring Governor s General entitlement but this was only required for three months of the financial year.

Statement of Trust Money Administered on Behalf of the Crown

For the year ended 30 June 2001

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 2000/01	Contri- butions	Distri- butions	Revenue	Expenses	Closing Balance 2000/01
New Zealand Historical Atlas ¹	27	0	(27)	0	0	0
New Zealand History Research ¹	1,460	0	(1,460)	0	0	0
Vogel House	0	3	(3)	0	0	0
New Zealand Encyclopaedia ¹	1	0	(1)	0	0	0
Australian Trust for Oral History Archives ¹	1,364	0	(1,364)	0	0	0
NZ 1990 Scholarship	370	0	(24)	28	0	374
Dictionary of New Zealand Biography ¹	632	0	(632)	0	0	0
Problem Gambling	0	2,452	(2,459)	7	0	0
Total	3,854	2,455	(5,970)	35	0	374

¹ The administration of these trusts was transferred to the Ministry for Culture and Heritage effective from 1 July 2000.