Audit New Zealand
Mana Arotake Aotearoa

Model financial statements

Ministry of Public Accountability
2022/23

Model financial statements
for a government department
prepared under the Tier 1 and Tier 2
Public Benefit Entity accounting requirements

August 2023

Audit New Zealand National Office
100 Molesworth Street
Thorndon

PO Box 99
Wellington 6140
Ph 04 496 3099

www.auditnz.parliament.nz

Contents

Foreword

I am pleased to introduce the 2023 update to our model financial statements for government departments prepared under public benefit entity (PBE) accounting requirements for Tier 1 and Tier 2 entities. The model financial statements also include information on the disclosure concessions for Tier 2 government departments eligible to apply the reduced disclosure regime (RDR).

Audit New Zealand's model financial statements highlight our latest thinking on meeting financial reporting and legislative requirements and providing essential information to users of financial statements.

Focus

We have updated the model financial statements to reflect the adoption of PBE IPSAS 41 *Financial Instruments,* which has replaced PBE IFRS 9 *Financial Instruments*.

We explain the main changes to the model financial statements on page 6.

We have prepared the model financial statements to help guide government departments to prepare financial statements that comply with the PBE Accounting Standards. The model financial statements might also help reduce the compliance costs of preparing PBE-compliant financial statements and contribute to an efficient financial statements audit.

The financial statements included in this model (including certain disclosure requirements of the Public Finance Act 1989 (PFA) and Treasury Instructions) are only part of what a government department's annual report is required to include.

The model financial statements can be downloaded from our website at **www.auditnz.parliament.nz**.

Future updates

We will continue to update the model financial statements to reflect evolving good practice in presenting financial statements that meet the needs of users and to include any revised requirements from changes in accounting standards and legislation.

We welcome any feedback on applying the model financial statements to government departments or any other comments that might help in future updates of the model financial statements. If you have any feedback or comments, please contact your Audit New Zealand manager or appointed auditor.

Acknowledgements

I would like to thank the Audit New Zealand staff who have contributed to developing the model financial statements.

Stephen Walker
Executive Director
August 2023

About the Model Financial Statements

Objective

The objective of the model financial statements is to guide government departments in preparing financial statements that comply with the Tier 1 or Tier 2 PBE accounting requirements and to provide an insight into evolving good practice in preparing financial statements.

The model financial statements have been prepared using a fictitious government department, the Ministry of Public Accountability (the Ministry). The Ministry does not have any specified agency that it is a host department or relevant department for.

Application of materiality to note disclosures

The purpose of the model financial statements is to provide a comprehensive range of accounting policies and disclosures to help guide government departments in preparing financial statements that comply with the PBE accounting requirements. Because of this, the model financial statements contain many note disclosures. Government departments might not need to include all of these notes in their financial statements.

When preparing their financial statements, government departments need to apply professional judgement to determine what note disclosures are material to users of financial statements. The PBE Conceptual Framework provides the following guidance on materiality:

> *Information is material if its omission or misstatement could influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity's general-purpose financial reports prepared for that reporting period. Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity.*

In some instances, assessing whether note disclosures are material is an on-balance judgement that the preparer and auditor need to discuss. In making this judgement, the concepts of user needs and accountability are key factors. However, it is also important to not obscure material information by including too much information that is not important.

Tier 2 concessions

In the model financial statements, green highlighting identifies disclosures that are not required if a government department is able to apply the RDR. In preparing its financial statements, an entity may be able to apply additional disclosure concessions that the model financial statements do not identify. This is because the model financial statements do not include all possible disclosures that the PBE Accounting Standards require.

Main updates to the model financial statements

The table below explains the main updates to the model financial statements since we last published them in 2021.

Page number	Note number	Description of update
Ministry financial statements		
21	**Note 1**	Statement of accounting policies – The new or amended standards adopted disclosure has been updated to discuss: • PBE IPSAS 41 *Financial Instruments*; and • PBE FRS 48 *Service Performance Reporting*.
21	**Note 1**	Statement of accounting policies – The standards issued and not yet effective, and not early adopted, disclosure has been updated to discuss: • *2022 Omnibus Amendment to PBE Standards*; and • PBE IFRS 17 *Insurance Contracts*.
26	**Note 3**	Personnel costs – The disclosures about the Defined Benefit Plan Contributors Scheme have been updated for more recent information.
28	**Note 7**	Receivables – We have made some minor changes to the note wording to provide more information on the calculation of Expected Credit Losses.
50	**Note 21D**	We have added an illustrative example of a note providing a reconciliation of movements in liabilities arising from financing activities. This requirement was applicable for 30 June 2022 financial reporting but has not previously been included in our model financial statements. Given this is the second year of application, comparatives figures are required.
	N/A	Impact of Covid-19 – Although the indirect impacts of the Covid-19 pandemic may continue for some time, we have removed the Covid-19 note given that a range of factors contribute to economic uncertainty. We now refer to this wider economic uncertainty in the non-departmental receivables note and in the property, plant and equipment note (determination of depreciated replacement cost).
Non-Departmental Statements and Schedules		
57	**Note 1**	Statement of accounting policies - We have updated the following disclosures in line with the changes described above: • standards issued and not yet effective and not early adopted; and • new or amended standards adopted.
	N/A	Impact of Covid-19 – As noted above, we have removed the Covid-19 note given that a range of factors contribute to economic uncertainty.

This is the first update to the model financial statements that applies PBE IPSAS 41 *Financial Instruments*. Given that has there been little change from PBE IFRS 9 *Financial Instruments,* the model financial statements do not include disclosures about the effect of the transition from PBE IFRS 9 to PBE IPSAS 41.

Revenue Crown

Applying the PBE Accounting Standards for revenue to the funding of government departments under the PFA is challenging and open to different interpretations. In the past, the Office of the Auditor-General (OAG) and the Treasury have debated the appropriate accounting treatment of Revenue Crown.

The OAG's position is that government departments should recognise Revenue Crown when they gain control over the resources to be transferred, with revenue based on the supplementary estimates of appropriations and any subsequent unconditional funding adjustments agreed prior to balance date. The model financial statements are based on the OAG's position. Revenue Crown has been accounted for as non-exchange revenue, with no use or return conditions attached.

Content

Included in the model financial statements are:

- a statement of responsibility;
- a statement of comprehensive revenue and expense;
- a statement of financial position;
- a statement of changes in equity;
- a statement of cash flows;
- a statement of commitments;
- a statement of contingent liabilities and contingent assets;
- a statement of accounting policies, including a statement of significant assumptions underlying the forecast financial statements;
- notes to the financial statements;
- non-departmental statements and schedules, accounting policies, and accompanying notes; and
- appropriation statements required by section 45A of the PFA.

The appropriation statements include:

- a statement of budgeted and actual expenses and capital expenditure incurred against appropriations;
- a statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority;
- a statement of departmental capital injections; and
- a statement of departmental capital injections made without, or in excess of, authority.

The model financial statements do not include all the legislative requirements for a government department's annual report. In particular, the model financial statements do not include the requirements of the following sections of the PFA:

- 19C – Requirements for end-of-year performance information;
- 45(2)(a) – An assessment of the government department's operations (excluding operations that any specified agency that the department is a host for or relevant department is required to report on under Part 4 of the PFA);
- 45(2)(b) – An assessment of the government department's progress in relation to its strategic intentions;
- 45(2)(c) – Information about the government department's management of its organisational health and capability; and
- 45(2)(g) – Any other matters that to or affect the government department's operations that the department is required, had undertaken, or wishes to report on in its annual report.

Not all of the accounting policies and notes will apply to every government department. Although it is not practical for the model financial statements to cover all of the possible financial reporting issues that could arise in the central government sector, we have included a wide range of accounting policies and notes, including all those that commonly occur in the sector.

The model financial statements illustrate a possible format for a government department's financial statements. For example, the statement of comprehensive revenue and expense has been prepared by classifying expenses based on the nature of the expense. Alternatively, expenses could be classified based on their function. This is just one example where there is more than one way to disclose the information required.

Although the model financial statements provide guidance on disclosure matters, they do not deal with the underlying accounting treatment. Government departments will need to make choices about the accounting policies and presentation options appropriate for their circumstances.

The model financial statements do not address all the possible recognition, measurement, and disclosure requirements of the PBE Accounting Standards. Government departments should not use the model financial statements as a substitute for referring to the individual standards and interpretations applicable to their specific circumstances.

We have included references to specific standards in the left margin of the model financial statements and a subject index for easy searching.

We have used colour to highlight the accounting policies (a blue background) and critical accounting estimates and judgements (a red background) from the other information contained in the notes.

We have included a hyperlink where there is a reference to a note to the financial statements.

PBE Accounting Standards not covered by the model financial statements

The model financial statements do not consider any recognition, measurement, or disclosure requirements of the following PBE Accounting Standards:

- PBE IPSAS 10 *Financial Reporting in Hyperinflationary Economie*s;
- PBE IPSAS 11 *Construction Contracts*;
- PBE IPSAS 16 *Investment Property*;
- PBE IPSAS 22 *Disclosure of Information About the General Government Sector*;
- PBE IPSAS 26 *Impairment of Cash-Generating-Assets*;
- PBE IPSAS 27 *Agriculture*;
- PBE IPSAS 32 *Service Concession Arrangements: Grantor*;
- PBE IPSAS 34 *Separate Financial Statements*;
- PBE IPSAS 35 *Consolidated Financial Statements*;
- PBE IPSAS 36 *Investments in Associates and Joint Ventures*;
- PBE IPSAS 37 *Joint Arrangements*;
- PBE IPSAS 38 *Disclosure of Interests in Other Entities*;
- PBE IPSAS 40 *PBE Combinations*;
- PBE IAS 12 *Income Taxes*;
- PBE IAS 34 *Interim Financial Reporting*;
- PBE FRS 43 *Summary Financial Statements*; and
- PBE FRS 45 *Service Concession Arrangements: Operator*.

The model financial statements do not include standards and amendments issued after June 2023.

Treasury Instructions

The model financial statements have been prepared on the basis of the **Treasury Instructions 2021**. The Treasury Instructions 2021 are still relevant for 2022/23. We have updated references to the Treasury Instructions throughout the model financial statements.

Abbreviations used in the model financial statements

ACC	Accident Compensation Corporation	MCA	Multi-category appropriation
BEFU	Budget economic and fiscal update	PBE	Public benefit entity
GAAP	Generally Accepted Accounting Practice	PFA	Public Finance Act 1989
GST	Goods and services tax	PSA	Public Service Act 2020
IR	Inland Revenue	RDR	Reduced Disclosure Regime

Model Financial Statements Index

PFA s45(2)(f)
PFA s45C(1)

STATEMENT OF RESPONSIBILITY[1]

I am responsible, as Chief Executive of the Ministry of Public Accountability (the Ministry), for:

- the preparation of the Ministry's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them;
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting;
- ensuring that end-of-year performance information on each appropriation administered by the Ministry is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report; and
- the accuracy of any end-of-year performance information prepared by the Ministry, whether or not that information is included in the annual report.

In my opinion:

- the annual report fairly reflects the operations, progress, and the organisational health and capability of the Ministry;[2]
- the financial statements fairly reflect the financial position of the Ministry as at 30 June 2023 and its operations for the year ended on that date; and
- the forecast financial statements fairly reflect the forecast financial position of the Ministry as at 30 June 2024 and its operations for the year ending on that date.

PFA s45C(3)

[signed]

C E Tumuaki

Chief Executive

21 September 2023

1 The content of the statement of responsibility for a specified agency differs from that for a government department. Section 45CA of the PFA specifies the content of the statement of responsibility for a specified agency.

2 The model financial statements do not include information about the Ministry's operations, progress, and organisational health and capability. The statement of responsibility has included this assertion for completeness, as required by section 45C(1)(aaa) of the PFA.

3 Alternatively, government departments may present a statement displaying components of the surplus or deficit (a statement of financial performance) directly followed by a second statement beginning with surplus or deficit and displaying components of other comprehensive revenue and expense (a statement of other comprehensive revenue and expense).

4 Where there are discontinued operations, PBE IFRS 5.33(a) requires separate disclosure of the total post-tax gain or loss from discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

PBE IPSAS 1.21(b)

MINISTRY OF PUBLIC ACCOUNTABILITY
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2023[3, 4, 5]

PBE IPSAS 1.128

	Actual[6] 2022 $000		Notes	Actual 2023 $000	Unaudited[7] budget 2023 $000	Unaudited[8] forecast 2024 $000
		Revenue[9]				
	220,000	Revenue Crown	2	230,000	220,000	230,000
PBE IPSAS 1.98.3	2,292	Other revenue	2	2,569	2,636	2,076
PBE IPSAS 1.99.1(a)	222,292	*Total revenue*		232,569	222,636	232,076
PBE IPSAS 1.109		**Expenses**				
	125,381	Personnel costs	3	141,606	139,590	141,690
	11,752	Depreciation and amortisation expense	11,12	19,201	19,154	19,164
	6,821	Capital charge	4	6,769	6,800	6,800
PBE IPSAS 1.99.1(b)	254	Finance costs	5	264	252	252
	0	Restructuring costs		1,788	1,600	1,800
	65,959	Other expenses	6	61,380	55,240	62,370
PBE IPSAS 1.98.3	210,167	*Total expenses*		231,008	222,636	232,076
PBE IPSAS 1.99.1(f)	**12,125**	**Surplus**		**1,561**	**0**	**0**
		Other comprehensive revenue and expense				
Good practice[10]		*Item that will not be reclassified to net surplus/(deficit)*				
PBE IPSAS 1.103.1	0	Gain on property revaluations	18	2,526	0	0
PBE IPSAS 1.98.1(b)	0	*Total other comprehensive revenue and expense*		2,526	0	0
PBE IPSAS 1.98.1(c)	**12,125**	**Total comprehensive revenue and expense**		**4,087**	**0**	**0**

PBE IPSAS 1.148.1 Explanations of major variances against the original 2022/23 budget are provided in **Note 22**.[11]

The accompanying notes form part of these financial statements.

Footnotes 3 and 4 are presented on the previous page.

5 The statement of comprehensive revenue and expense has been prepared using the nature of expense classification. Alternatively, government departments may choose to present expenses based on the function of the expense. Tier 1 entities that classify expenses by function are required to disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense (PBE IPSAS 1.115)

6 PBE IPSAS 1.53 requires entities to disclose comparative information in respect of the previous year for all amounts reported in the financial statements. Comparative information shall also be included for narrative information when it is relevant to an understanding of the current year's financial statements.

7 Under section 45B(2)(b) of the PFA, the financial statements must include the forecast financial statements prepared at the start of the financial year. This will be the forecast financial statements published in the prior year's annual report. This should be the government department's best estimate forecasts prepared to support the Main Estimates of Appropriations, rather than the appropriation (upper limit) numbers (where these are different).

8 Section 45(3) of the PFA requires the annual report of a government department to include forecast financial statements in respect of the financial year after the financial year that the annual report relates to. In the model financial statements, the forecast financial statements and associated information are integrated into the historical financial statements and have been labelled as being unaudited. An alternative approach would be to put the forecast financial statements and associated information in a separate section in the annual report that is outside the historical financial statements and label them as being unaudited.

9 PBE IPSAS 23.106(a) requires, either in the statement of financial position or the notes, that entities disclose the amount of revenue from non-exchange transactions by major classes, showing separately (i) taxes (showing separately major classes of taxes) and (ii) transfers (showing separately major classes of transfer revenue). Because separately labelling revenue as exchange or non-exchange would not be considered material in most instances, we have decided to not label revenue as exchange or non-exchange in the model financial statements. However, we have separately disclosed the major classes of revenue streams in the financial statements.

10 For-profit entities are required to group items presented in other comprehensive revenue and expense on the basis of whether they are potentially reclassifiable to surplus or deficit in the future (reclassification adjustments). Although PBEs are not required to make this disclosure, we consider the disclosure to be good practice.

11 PBE IPSAS 1.148.1 requires an entity that has published general purpose prospective financial information for the period of the financial statements to present a comparison of the prospective financial information with the actual financial results being reported. Explanations for major variances shall be given.

PBE IPSAS 1.21(a)

MINISTRY OF PUBLIC ACCOUNTABILITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023[12]

PBE IPSAS 1.90,128	Actual 2022 $000		Notes	Actual 2023 $1000	Unaudited budget 2023 $000	Unaudited forecast 2024 $000
		Assets				
PBE IPSAS 1.70,76		**Current assets**				
PBE IPSAS 1.88(i)	7,995	Cash and cash equivalents		13,358	9,286	9,286
PBE IPSAS 1.88(g),(h)	5,216	Receivables	7	3,914	3,242	3,907
PBE IPSAS 1.88(d)	98	Derivative financial instruments	8	145	112	112
PBE IPSAS 1.89	1,260	Prepayments		1,280	1,260	1,260
PBE IPSAS 1.88(f)	856	Inventories	9	741	960	940
PBE IPSAS 1.88.1(a)	2,045	Non-current assets held for sale	10	650	650	650
PBE IPSAS 1.89	17,470	*Total current assets*		20,088	15,510	16,155
PBE IPSAS 1.70,76		**Non-current assets**				
PBE IPSAS 1.88(a)	109,619	Property, plant, and equipment	11	75,158	72,118	71,251
PBE IPSAS 1.88(c)	6,898	Intangible assets	12	71,126	70,256	70,458
PBE IPSAS 1.89	116,517	*Total non-current assets*		146,284	142,374	141,709
PBE IPSAS 1.89	**133,987**	**Total assets**		**166,372**	**157,884**	**157,864**
		Liabilities				
PBE IPSAS 1.70,80		Current liabilities				
PBE IPSAS 1.88(j),(k)	24,358	Payables and deferred revenue	13	21,782	14,065	14,065
PBE IPSAS 1.88(m)	112	Derivative financial instruments	8	87	60	60
PBE IPSAS 1.89	12,023	Return of operating surplus	14	3,307	0	0
PBE IPSAS 1.88(l)	2,350	Provisions	15	2,350	2,350	2,350
PBE IPSAS 1.89	16,441	Employee entitlements	16	13,449	16,785	16,785
PBE IPSAS 1.88(m)	70	Finance leases	17	112	46	46
PBE IPSAS 1.89	55,354	*Total current liabilities*		41,087	33,306	33,306
PBE IPSAS 1.70,80		**Non-current liabilities**				
PBE IPSAS 1.88(l)	2,086	Provisions	15	874	1,143	1,123
PBE IPSAS 1.89	6,910	Employee entitlements	16	7,299	7,300	7,300
PBE IPSAS 1.88(m)	531	Finance leases	17	463	473	473
PBE IPSAS 1.89	9,527	*Total non-current liabilities*		8,636	8,916	8,896
PBE IPSAS 1.89	**64,881**	**Total liabilities**		**49,723**	**42,222**	**42,202**
PBE IPSAS 1.89	**69,106**	**Net assets**		**116,649**	**115,662**	**115,662**
PBE IPSAS 1.95		**Equity**				
PBE IPSAS 1.95(a)	61,071	Taxpayers' funds	18	108,818	107,662	107,662
PBE IPSAS 1.95(c) Treasury Instructions 2021 6.3.7	35	Memorandum accounts	18	5	0	0
PBE IPSAS 1.95(c)	8,000	Property revaluation reserves	18	7,826	8,000	8,000
PBE IPSAS 1.88(o)	**69,106**	**Total equity**		**116,649**	**115,662**	**115,662**

PBE IPSAS 1.148.1 Explanations of major variances against the original 2022/23 budget are provided in **Note 22**.

The accompanying notes form part of these financial statements.

12 PBE IPSAS 1.88 requires the statement of financial position to present separate line items for recoverables from nonexchange transactions, receivables from exchange transactions, taxes and transfers payable, and payables under exchange transactions. We consider that it will be rare that this analysis will provide material information. Therefore, we have chosen to focus on providing a meaningful breakdown in the notes to the financial statements. We also note that the illustrative financial statements in Appendix B of PBE IPSAS 1 do not separately disclose receivables and payables into exchange or non-exchange headings.

PBE IPSAS 1.21(c)

MINISTRY OF PUBLIC ACCOUNTABILITY
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

PBE IPSAS 1.128

Actual 2022 $000		Notes	Actual 2023 $000	Unaudited budget 2023 $000	Unaudited forecast 2024 $000
69,004	**Balance as at 1 July**		69,106	68,899	115,662
12,125	Total comprehensive revenue and expense		4,087	0	0
	Owner transactions[13]				
0	Capital injections	18	46,763	46,763	0
0	Capital withdrawals		0	0	0
(12,023)	Return of operating surplus to the Crown	14	(3,307)	0	0
69,106	**Balance as at 30 June**	18	**116,649**	**115,662**	**115,662**

PBE IPSAS 1.118(a) — Total comprehensive revenue and expense
PBE IPSAS 1.119(a) — Owner transactions

PBE IPSAS 1.148.1 Explanations of major variances against the original 2022/23 budget are provided in **Note 22**.

The accompanying notes form part of these financial statements.

13 Disclosure is required only if these transactions took place.

PBE IPSAS 1.21(d)

MINISTRY OF PUBLIC ACCOUNTABILITY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

PBE IPSAS 1.128

Actual 2022 $000		Actual 2023 $000	Unaudited budget 2023 $000	Unaudited forecast 2024 $000
	Cash flows from operating activities (PBE IPSAS 2.18,22,27)			
220,000	Receipts from Revenue Crown	230,000	220,000	230,000
2,374	Receipts from other revenue	3,237	2,114	2,114
(62,661)	Payments to suppliers[14]	(66,608)	(64,107)	(72,507)
(125,408)	Payments to employees	(144,209)	(136,657)	(138,257)
(6,821)	Payments for capital charge	(6,769)	(6,800)	(6,800)
(3,547)	Goods and services tax (net)	(55)	(2,594)	(2,594)
23,937	*Net cash flows from operating activities*	15,596	11,956	11,956
	Cash flows from investing activities (PBE IPSAS 2.18,25)			
29,990	Receipts from sale of property, plant, and equipment[15]	45,347	31,931	0
(68,719)	Purchase of property, plant, and equipment	(15,024)	(13,982)	(10,589)
(6,524)	Purchase of intangible assets	(75,220)	(75,301)	(0)
(45,253)	*Net cash flows from investing activities*	(44,897)	(57,352)	(10,589)
	Cash flows from financing activities (PBE IPSAS 2.18,26)			
0	Capital injections	46,763	46,763	0
(8,052)	Return of operating surplus	(12,023)	0	0
(75)	Payments of finance leases	(76)	(76)	(76)
(8,127)	*Net cash flows from financing activities*	34,664	46,687	(76)
(29,443)	**Net (decrease)/increase in cash and cash equivalents**	5,363	1,291	1,291
37,438	Cash and cash equivalents at the beginning of the year	7,995	7,995	7,995
7,995	**Cash** and cash equivalents **at the end of the year**	**13,358**	**9,286**	**9,286**

PBE IPSAS 2.54

The Ministry acquired equipment totalling $232,000 (2022: $nil) by means of finance leases during the year.

PBE IPSAS 1.148.1

Explanations of major variances against the original 2022/23 budget are provided in **Note 22.**

The accompanying notes form part of these financial statements.

14 We consider it good practice to separately disclose cash outflows from payments to employees and cash outflows from payments to suppliers, although the amounts could be presented in aggregate.

15 We consider it good practice to separately disclose cash flows arising from acquiring and disposing of property, plant, and equipment and intangible assets. Presenting these cash flows separately provides users of the financial statements with a clearer link between the property, plant, and equipment and intangible asset movement schedules and cash flows arising from acquisition and disposal.

PBE IPSAS 1.21(d)

MINISTRY OF PUBLIC ACCOUNTABILITY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

PBE IPSAS 2.29

Reconciliation of net surplus to net cash flow from operating activities[16]

2022 $000		2023 $000
12,125	**Net surplus**	1,561
	Add/(less) non-cash items	
11,752	Depreciation and amortisation expense	19,201
(201)	Net gains on derivative financial instruments	(72)
212	Net foreign exchange losses/(gains)	20
11,763	*Total non-cash items*	19,149
	Add/(less) items classified as investing or financing activities	
(390)	Net (gains)/losses on disposal of property, plant, and equipment	(485)
(390)	*Total items classified as investing or financing activities*	(485)
	Add/(less) movements in statement of financial position items	
319	(Increase)/Decrease in receivables[17]	1,302
(15)	(Increase)/Decrease in prepayments	(20)
933	(Increase)/Decrease in inventories	115
(431)	Increase/(Decrease) in payables and deferred revenue[18]	(2,211)
(592)	Increase/(Decrease) in provisions	(1,212)
225	Increase/(Decrease) in employee entitlements	(2,603)
439	*Total net movement in statement of financial position items*	(4,629)
23,937	**Net cash flows from operating activities**	**15,596**

The accompanying notes form part of these financial statements.

16 This reconciliation may be presented as part of the statement of cash flows or in the notes to the financial statements.

17 Any receivables for the sale of property, plant, and equipment will need to be excluded when calculating this movement.

18 Any payables for capital expenditure will need to be excluded when calculating this increase or decrease.

Treasury Instructions 2021 3.7.19,4.4.4

MINISTRY OF PUBLIC ACCOUNTABILITY
STATEMENT OF COMMITMENTS AS AT 30 JUNE 2023

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for acquiring property, plant, and equipment and intangible assets that have not been paid for or not recognised as a liability at balance date.

Treasury Instructions 2021 4.4.4

Cancellable capital commitments that have penalty or exit costs on exercising that option to cancel explicit in the agreement are reported at the value of those penalty or exit costs (that is, the minimum future payments).

Non-cancellable operating lease commitments

PBE IPSAS 13.44(d)

The Ministry leases property, plant, and equipment in the normal course of its business. The majority of these leases are for premises and photocopiers, which have a non-cancellable leasing period ranging from three to 10 years.[19]

PBE IPSAS 13.44(d)(ii)

The Ministry's non-cancellable operating leases have varying terms, escalation clauses, and renewal rights.

PBE IPSAS 13.44(d)(iii)

There are no restrictions placed on the Ministry by any of its leasing arrangements.

PBE IPSAS 13.44(b)

The total of minimum future sublease payments expected to be received under non-cancellable subleases at balance date is $25,432 (2022: $25,875).[20]

	2022 $000		2023 $000
		Capital commitments	
PBE IPSAS 17.89(c)	755	Buildings[21]	352
PBE IPSAS 17.89(c)	203	Motor vehicles	184
PBE IPSAS 31.121(e)	124	Intangible assets	151
	1,082	*Total capital commitments*	687
		Operating leases as lessee	
PBE IPSAS 13.44(a)		The future aggregate minimum lease payments to be paid under noncancellable operating leases are as follows:	
PBE IPSAS 13.44(a)(i)	15,120	Not later than one year	11,340
PBE IPSAS 13.44(a)(ii)	60,480	Later than one year and not later than five years	45,360
PBE IPSAS 13.44(a)(iii)	52,920	Later than five years	28,350
	128,520	*Total non-cancellable operating lease commitments*	85,050
	129,602	**Total commitments**	**85,737**

The accompanying notes form part of these financial statements.

19 A general narrative can be provided when there are several operating leases.

20 If a government department has material operating leases as a lessor, it must comply with the disclosure requirements of PBE IPSAS 13.69.

21 The amount of contractual commitments for acquiring property, plant, and equipment is required to be disclosed for each class of asset (PBE IPSAS 17.89(c)).

Treasury Instructions 2021 6.8, 4.2.3

MINISTRY OF PUBLIC ACCOUNTABILITY
STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS
AS AT 30 JUNE 2023

Unquantifiable contingent liabilities

Lawsuit

PBE IPSAS 19.100

The Ministry is vigorously defending a legal suit of an unspecified sum instituted by certain individuals against a staff member for libel. If the Court finds in favour of the plaintiff, the Ministry believes that its insurers would meet any damages awarded.

Quantifiable contingent liabilities

2022 $000		2023 $000
250	Legal proceedings and disputes	250
125	Personal grievances	115
375	**Total quantifiable contingent liabilities**	**365**

Legal proceedings and disputes

PBE IPSAS 19.100

Legal proceedings and disputes represent the amounts claimed by plaintiffs in relation to the performance of the Ministry's statutory role and estimated associated legal costs. The Ministry is currently disputing these claims.

Personal grievances

PBE IPSAS 19.100

Personal grievances represent amounts claimed by employees for personal grievances cases, which all relate to an alleged breach of contract with employees of the Ministry arising from the restructuring of the Ministry. The Ministry is currently disputing these claims.

Contingent assets

PBE IPSAS 19.105

The Ministry has no contingent assets (2022: $nil).[22]

The accompanying notes form part of these financial statements.

22 Where no contingent assets exist, we consider it good practice to state that fact.

PBE IPSAS 1.21(f),127, 128

MINISTRY OF PUBLIC ACCOUNTABILITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Notes index

PBE IPSAS 1.21(f),127

MINISTRY OF PUBLIC ACCOUNTABILITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1. Statement of accounting policies

REPORTING ENTITY

PBE IPSAS 1.150(a),(c),(d)

The Ministry of Public Accountability (the Ministry) is a government department as defined by section 5 of the Public Service Act 2020 and is domiciled and operates in New Zealand. The relevant legislation governing the Ministry's operations includes the Public Finance Act 1989 (PFA), the Public Service Act 2020, and [the department's own governing legislation (if any)]. The Ministry's ultimate parent is the New Zealand Crown.[23]

Good practice

In addition, the Ministry has reported on Crown activities and trust monies that it administers in the non-departmental statements and schedules on pages 52 to 69.

PBE IPSAS 1.150(b)

The Ministry's primary objective is to provide services to the New Zealand public *[Tier 1 entities shall disclose a description of the nature of the entity's operations and principal activities]*. The Ministry does not operate to make a financial return.

PBE IPSAS 1.28.2(c)

The Ministry has designated itself as a public benefit entity (PBE) for the purposes of complying with generally accepted accounting practice (GAAP).

PBE IPSAS 1.63(a)-(c)

The financial statements of the Ministry are for the year ended 30 June 2023, and the Chief Executive approved them for issue on 21 September 2023.

PBE IPSAS 1.127(a)

BASIS OF PREPARATION

Good practice PBE IPSAS 1 Appendix B

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.[24]

Statement of compliance

PBE IPSAS 1.28.2(a),(b)

The financial statements of the Ministry have been prepared in accordance with the requirements of the PFA, which include the requirement to comply with GAAP, and Treasury Instructions.

PBE IPSAS 1.28, 28.2(b), 28.4(a) Treasury Instructions 2021 2.3.1

The financial statements have been prepared in accordance with and comply with Tier 1 PBE Accounting Standards.

PBE IPSAS 1 RDR 28.1, RDR 28.3, 28.4(b)

[Entities that report in accordance with the Tier 2 PBE accounting requirements (RDR) shall instead state "The financial statements have been prepared in accordance with and comply with PBE Standards RDR" and shall also disclose the criteria that establish them as eligible to report in accordance with the PBE Standards RDR. For example, "The department is eligible and has elected to apply the PBE Standards RDR because its expenses are less than $30 million and it does not have public accountability as defined by XRB A1 Application of the Accounting Standards Framework."][25]

Presentation currency and rounding

PBE IPSAS 1.63(d),(e)

The financial statements are presented in New Zealand dollars (NZ dollars), and all values other than the related party transaction disclosures in **Note 19** are rounded to the nearest thousand dollars ($000). The related party transaction disclosures are rounded to the nearest dollar.

23 PBE IPSAS 1.150 requires that the financial statements include the following information, if it is not disclosed elsewhere in information published with the financial statements: domicile and legal form of the entity and the jurisdiction it operates in, a description of its operations and principal activities, reference to the relevant legislation governing the entity's operations, and the name of the controlling entity and ultimate controlling entity. These disclosures are not required by the RDR.

24 The going concern concept is assumed when preparing financial statements. If those responsible for preparing the financial statements are aware of conditions or events that cast doubt over the ability to continue as a going concern, they shall disclose those facts. If the financial statements are not prepared on a going concern basis, that fact shall also be disclosed, together with the basis that the financial statements are prepared on and the reason why the entity is not regarded as a going concern (PBE IPSAS 1.38).

25 We consider that the reporting tier of a government department should be determined based on the government department's total expenses in the surplus or deficit. The amount of expenses recognised in the non-departmental statements and schedules is not relevant in determining the government department's reporting tier for its financial statements.

1. Statement of accounting policies (continued)

PBE IPSAS 3.33

New or amended standards adopted

PBE IPSAS 41 *Financial Instruments*

In March 2019, the External Reporting Board (XRB) issued PBE IPSAS 41 *Financial Instruments*, which supersedes both PBE IFRS 9 Financial Instruments and PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. The Ministry has adopted PBE IPSAS 41 for the first time this year. There has been little change as a result of adopting the new standard, because the requirements are similar to those contained in PBE IFRS 9.

PBE FRS 48 *Service Performance Reporting*

This Standard establishes new requirements for the selection and presentation of service performance information. The Ministry has adopted PBE FRS 48. The main change between PBE FRS 48 and PBE IPSAS 1 *Presentation of Financial Statements* is that PBE FRS 48 requires additional information to be disclosed on the judgements that have the most significant effect on the selection, measurement, aggregation, and presentation of service performance information. This is disclosed on page xx of the service performance information.

Other changes in accounting policies

Good practice

There have been no other changes in the Ministry's accounting policies since the date of the last audited financial statements.

PBE IPSAS 3.35,36

Standards issued and not yet effective and not early adopted

Standards and amendments that have been issued but are not yet effective and that have not been early adopted and that are relevant to the Ministry are:

2022 Omnibus Amendment to PBE Standards

This Standard has been issued to amend the relevant Tier 1 and Tier 2 PBE Standards as a result of:

- PBE IPSAS 16 *Investment Property*: The amendments clarify that fair value measurement of self-constructed investment property could begin before the construction is completed.
- PBE IPSAS 17 *Property, Plant and Equipment*: The amendments change the accounting for any net proceeds earned while bringing an asset into use by requiring the proceeds and relevant costs to be recognised in surplus or deficit rather than being deducted from the asset cost recognised.
- PBE IPSAS 30 *Financial Instruments: Disclosures*: The amendment specifically refers to disclosing the circumstances that result in fair value of financial guarantee contracts not being determinable.
- PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*: The amendments clarify the costs of fulfilling a contract that an entity includes when assessing whether a contract will be loss-making or onerous (and therefore whether a provision needs to be recognised).

The changes are for financial statements covering periods beginning on or after 1 January 2023.

PBE IFRS 17 Insurance Contracts

This new standard sets out accounting requirements for insurers and other entities that issue insurance contracts and applies to financial reports covering periods beginning on or after 1 January 2026.

The Ministry has not yet assessed in detail the impact of these amendments and the new standard/ These amendments and the new standard are not expected to have a significant impact.

PBE IPSAS 1.132

Summary of significant accounting policies[26]

Significant accounting policies are included in the notes that they relate to.

Significant accounting policies that do not relate to a specific note are outlined below.

26 Entities are required to disclose those accounting policies that are relevant to an understanding of the financial statements (PBE IPSAS 1.132(c)). The materiality of transactions should also be considered in deciding what accounting policies to disclose. In the model financial statements, we have chosen to disclose a comprehensive range of accounting policies. A government department might not need to disclose all the accounting policies included in the model financial statements if the transactions associated with the policy are immaterial. An accounting policy may be significant because of the nature of the department's operation, even if amounts for current and prior periods are not material according to PBE IPSAS 1.136.

1. Statement of accounting policies (continued)

PBE IPSAS 1.132(c)

Foreign currency transactions

PBE IPSAS 4.24,32

Foreign currency transactions (including those that forward foreign exchange contracts are held for) are translated into NZ$ (the functional currency) using the spot exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

PBE IPSAS 2.57

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

PBE IPSAS 23.106(d)

The Ministry is permitted to expend its cash and cash equivalents only within the scope and limits of its appropriations.

PBE IPSAS 1.132(c)

Goods and services tax

Treasury Instructions 2021 4.2.3

Items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue (IR) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IR, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax[27]

Good practice

The Ministry is a public authority and consequently is exempt from income tax. Accordingly, no provision has been made for income tax.

Critical accounting estimates and assumptions[28]

PBE IPSAS 1.140

In preparing these financial statements, the Ministry has made estimates and assumptions about the future. These estimates and assumptions might differ from the subsequent actual results. The Ministry continually evaluates estimates and assumptions, which are based on historical experience and other factors, including expectations of future events that the Ministry believes to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in respect of:

- estimating the fair value of land and buildings – refer to **Note 11**;
- assessing the useful lives of software – refer to **Note 12**; and
- measuring long service leave and retirement gratuities – refer to **Note 16**.

PBE IPSAS 1.137

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

- classification of leases – refer to **Note 17**.

Budget and forecast figures

Basis of the budget and forecast figures

PBE FRS 42.48

The 2023 budget figures are for the year ended 30 June 2023 and were published in the 2021/22 annual report. They are consistent with the Ministry's best estimate financial forecast information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 2022/23.

The 2024 forecast figures are for the year ending 30 June 2024, which are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU for the year ending 2023/24.

27 Although PBE IAS 12 *Income Taxes* applies only to entities subject to income tax, it is good practice for government departments to include this policy as a positive statement of their tax-exempt status.

28 The examples provided are not intended to be exhaustive. Government departments will need to consider their own circumstances to ensure that the disclosures for PBE IPSAS 1.137 and 140 are relevant and complete.

1. Statement of accounting policies (continued)

The forecast financial statements have been prepared to communicate forecast financial information for accountability purposes, as required by the Act.

PBE FRS 42.60 — The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

PBE FRS 42.10 — The 30 June 2024 forecast figures have been prepared in accordance and comply with PBE FRS 42 *Prospective Financial Statements*.

PBE FRS 42.65(a),(b) — The Chief Executive approved the forecast financial statements for issue on 21 April 2023.[29]

The Chief Executive is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

PBE FRS 42.65(d) — Although the Ministry regularly updates its forecasts, it will not publish updated forecast financial statements for the year ending 30 June 2024.

PBE FRS 42.49-58
PFA s45BA(2)(a)[30]

Significant assumptions used in preparing the forecast financial information

PBE FRS 42.49-58 — The forecast figures contained in these financial statements reflect the Ministry's purpose and activities, and are based on several assumptions about what might occur during 2023/24. The forecast figures have been compiled on the basis of existing government policies and ministerial expectations at the time the Main Estimates were finalised.

The main assumptions,[31] which were adopted as at 21 April 2023, were as follows:

- The Ministry's activities and output expectations will remain substantially the same as in the previous year, focusing on the Government's priorities.
- Personnel costs were based on 1600 full-time equivalent staff, which considers staff turnover.
- Operating costs were based on historical experience and other factors that are believed to be reasonable in the circumstances and are the Ministry's best estimate of future costs that will be incurred. Remuneration rates are based on current wages and salary costs, adjusted for anticipated remuneration changes.
- Land and buildings are not revalued.
- Estimated year-end information for 2022/23 was used as the opening position for the 2023/24 forecasts.

PBE FRS 42.59 — The actual financial results achieved for 30 June 2024 are likely to vary from the forecast information presented, and the variations might be material.

Treasury guidance on forecast financial statements — Since the forecasts were approved, the only significant change or event that would have a material effect on the forecasts has been the revaluation of land and buildings at 30 June 2023. This resulted in a revaluation increase of approximately 3%. Although it is difficult to reliably forecast land and building values, it is likely that the valuation increase to 30 June 2023 will result in land and building values at 30 June 2024 being higher than in the existing 2024 forecast figures.[32]

29 The approved for issue date is the date the statement of responsibility to the Treasury on the forecast financial statements was signed (or a later date if any late changes were made to the final numbers used for BEFU).

30 The forecast financial statements must include any other information or explanations needed to fairly reflect the government department's forecast financial operations and financial position (section 45BA(b) of the PFA).

31 Government departments will need to tailor the significant assumptions to reflect those actually used in preparing their financial forecasts. Section 4.5 of Treasury Instructions 2021 includes forecasting policies to be followed in preparing forecasts.

32 If there have been significant events or changes that would have a material effect on the BEFU forecast, information should be disclosed about these circumstances. For example, a narrative would be disclosed in relation to significant yearend adjustments, significant accounting policy changes, major changes in approved funding, or major changes in planned level of activity.

PBE IPSAS 1.108

2. Revenue

PBE IPSAS 23.107(a),(b)

Accounting policy

PBE IPSAS 9.39(a)

The specific accounting policies for significant revenue items are explained below:

Revenue Crown[33]

Revenue from the Crown is measured based on the Ministry's funding entitlement for the reporting period. Parliament establishes the funding entitlement when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved before balance date.

There are no conditions attached to the funding from the Crown. However, the Ministry can incur expenses only within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

Statutory levies

Revenue from statutory levies is recognised as revenue when the obligation to pay the levy is incurred. Although there are restrictions on how levy funding may be spent, there are no conditions attached to the levies that could readily give rise to obligations to return levies to levy payers.

Sale of publications

The sale of publications is recognised when the product is sold to the customer. The recorded revenue is the gross amount of the sale.

Application fees

Revenue from application fees is recognised to the extent that the Ministry has processed the application at balance date.

Rental revenue

Rental revenue under an operating sublease is recognised as revenue on a straight-line basis over the lease term.

Breakdown of other revenue and further information

Reference	2022 $000		2023 $000
	888	Statutory levies	1,047
	147	Application fees	142
	230	Sale of publications	158
	324	Rental revenue from subleases	367
PBE IPSAS 1.51, 1.107(c)	431	Net gain on disposal of property, plant, and equipment	485
PBE IPSAS 30.24(a)(i)	104	Net gain on foreign exchange derivatives[34]	72
	168	Other	298
	2,292	**Total other revenue**	**2,569**

33 Page 6 of the model financial statements provides further context about the accounting for Revenue Crown.

34 Net gains or net losses on financial assets or financial liabilities measured at fair value through surplus or deficit should show separately those on financial assets or financial liabilities designated as such on initial recognition or subsequently in accordance with paragraph 152 of PBE IPSAS 41 and those on financial assets or financial liabilities that are mandatorily measured at fair value through surplus or deficit in accordance with PBE IPSAS 41. In the example, the Ministry only has instruments which are mandatorily measured at fair value.

2. Revenue (continued)

Asset disposals

PBE IFRS 5.41

During the year, the Ministry disposed of motor vehicles that reached a pre-determined mileage. The net gain on motor vehicle disposals was $86,000 (2022: $431,000). A property at 214 Roundabout Drive was disposed of during December 2022, and a gain of $399,000 was recognised. This property was identified as surplus to the Ministry's requirements, and approval was obtained to dispose of the property.[35]

PBE IPSAS 1.127(c)

3. Personnel costs

PBE IPSAS 1.132(c)

Accounting policy

Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

Superannuation schemes

PBE IPSAS 39.53

Defined contribution schemes

Employee contributions to the State Sector Retirement Savings Scheme, KiwiSaver, and the Government Superannuation Fund[36] are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

PBE IPSAS 39.150

Defined benefit scheme

The Ministry makes contributions to the Defined Benefit Plan (DBP) Contributors Scheme (the scheme), which the Board of Trustees of the National Provident Fund manages. The scheme is a multiemployer defined benefit scheme.

PBE IPSAS 39.34
PBE IPSAS 39.150

Insufficient information is available to use defined benefit accounting, because it is not possible to determine from the terms of the scheme the extent that the surplus or deficit in the plan will affect future contributions by individual employers, because there is no prescribed basis for allocation. Therefore, the scheme is accounted for as a defined contribution scheme.

Breakdown of personnel costs and further information

	2022 $000		2023 $000
	123,656	Salaries and wages	142,776
PBE IPSAS 39.55	1,124	Defined contribution plan employer contributions	1,204
	359	Increase/(decrease) in employee entitlements	(2,603)
	242	Other	229
	125,381	**Total personnel costs**	**141,606**

35 If there are several asset sales, a general narrative can be provided.

36 The schemes listed are not exhaustive. Government departments may make contributions to other defined contribution plans, including defined benefit plans that are accounted for as a defined contribution plan.

3. Personnel costs (continued)

Further information

Defined benefit scheme

PBE IPSAS 39.150

The funding arrangements for the scheme are governed by section 44 of the National Provident Fund Restructuring Act 1990 and by a Trust Deed. This Act requires that any increase or decrease to the employer contribution rate should result in contributions being at a level that, on reasonable assumptions, is likely to achieve neither a surplus nor a deficit in the trust fund of the DBP scheme at the time that the last contributor to that scheme ceases to so contribute. The Trust Deed specifies that, immediately before the scheme is wound up, the assets and the interests of all contributors in the scheme will be transferred to the DBP Annuitants Scheme. Employers have no right to withdraw from the plan.

In practice, at present, a single contribution rate is determined for all employers, which is expressed as a multiple of the contributions of members of the scheme who are employees of that employer. The current employer contribution rate is four times contributor contributions, inclusive of Employer Contribution Withholding Tax. This rate, effective from 1 April 2022, is consistent with what the Actuary recommended given that the Board of the Fund resolved to move towards a more conservative investment strategy.

There is no minimum funding requirement.

PBE IPSAS 39 RDR 150.1

As at 31 March 2022,[37] the scheme had a past service deficit of $0.6 million or 1.7% of the past service liabilities (exclusive of Employer Superannuation Contribution Tax (2021: $1.30 million surplus or -2.2% of the liabilities). This deficit was calculated using a discount rate equal to the expected return on assets, but otherwise the assumptions and methodology were consistent with the requirements of PBE IPSAS 39 *Employee Benefits*.

PBE IPSAS 39.150(d)(v)

The scheme had 64 members at 31 March 2022. Nine of these are employees of the Ministry.

If the other participating employers ceased to participate in the scheme, the Ministry could be responsible for any deficit of the scheme. Similarly, if several employers ceased to participate in the scheme, the Ministry could be responsible for an increased share of any deficit.

4. Capital charge

PBE IPSAS 1.132(c)

Accounting policy

The capital charge is recognised as an expense in the financial year that the charge relates to.

Good practice

Further information

Treasury Instructions 2021 4.3.4

The Ministry pays a capital charge to the Crown on its equity (adjusted for memorandum accounts) as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2023 was 5% (2022: 5%).

PBE IPSAS 1.127(c)

5. Finance costs

PBE IPSAS 1.132(c)

PBE IPSAS 5.17,40(a)

Accounting policy

Borrowing costs are recognised as an expense in the financial year they are incurred.

Breakdown of finance costs

	2022 $000		2023 $000
PBE IPSAS 30.24(b)	72	Interest on finance leases	73
PBE IPSAS 19.70	182	Discount unwind on provisions (refer to **Note 15**)	191
	254	**Total finance costs**	**264**

37 The actual information as at 31 March 2023 should be disclosed, if available from NPF's website. The information in this disclosure is based on the actual 31 March 2022 information provided by NPF.

PBE IPSAS 1.106

6. Other expenses

PBE IPSAS 1.132(c)

Accounting policy

Operating leases

PBE IPSAS 13.8

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

PBE IPSAS 13.42

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

PBE IPSAS 13 A5

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

PBE IPSAS 1.132(c)

Grant expenditure

PBE IPSAS 19 IG18.1

The Ministry's grants awarded have no substantive conditions attached.[38] Non-discretionary grants are those grants awarded if the grant application meets the specified criteria. They are recognised as an expense when an application that meets the specified criteria for the grant has been received.

PBE IPSAS 19 IG18.2

Discretionary grants are those grants where the Ministry has no obligation to award the grant after receiving a grant application. They are recognised as an expense when the Grants Approvals Committee approves them and the approval has been communicated to the applicant.

Other expenses

Other expenses are recognised as goods and services are received.

Breakdown of other expenses and further information[39]

	Actual 2022 $000		Actual 2023 $000	Unaudited budget 2023 $000	Unaudited forecast 2024 $000
		Fees to auditor:			
PBE IPSAS 1.116.1(a)	157	– fees to Audit New Zealand for audit of financial statements	170	170	173
PBE IPSAS 1.116.1(b)	0	– fees to Audit New Zealand for other services[40]	30	0	30
PBE IPSAS 13.44(c)	15,120	Operating lease expense	11,780	11,620	11,970
	14,321	Advertising and publicity	15,487	15,500	15,737
	11,300	Consultancy	11,901	8,000	12,093
	3,287	Information technology costs	3,894	4,000	3,957
	9,537	Maintenance	9,560	9,700	9,714
	1,219	Grant expenses	1,017	1,100	1,100
PBE IPSAS 4.61(a)	212	Net foreign exchange losses, excluding derivatives	20	50	20
PBE IPSAS 12.47(d)	274	Inventories consumed	824	500	837
	0	Intangible asset impairment (refer to **Note 12**)	2,156	0	0
PBE IPSAS 1.99.1(ba)	178	Impairment loss on receivables (refer to **Note 7**)	486	300	494
PBE IFRS 4 D 17.6.1	315	ACC Accredited Employers Programme (refer to **Note 15**)	316	300	321
PBE IPSAS 1.107(c)	0	Net loss on disposal of property, plant, and equipment[41]	0	0	0
	10,039	Other expenses	3,739	4,000	5,924
	65,959	**Total other expenses**	**61,380**	**55,240**	**62,370**

38 An accounting policy for grants with conditions is included in the non-departmental accounting policies.

39 PBE IPSAS 1.106 requires that, when items of expense or revenue are material, their nature and amount shall be disclosed separately.

40 Fees to each auditor for other services performed during the reporting period shall be separately disclosed from fees related to the audit or review of the financial statements, and the nature of the other services provided shall be disclosed (PBE IPSAS 1.116.1-116.2).

41 Disclose only if there has been a net loss on disposal in either the comparative year or the current reporting period.

PBE IPSAS 1.106

6. Other expenses (continued)

PBE IPSAS 1.116.2

The fees for other services from the auditor were for an assurance engagement over the project management of the Ministry's FMIS development project.

PBE IPSAS 1.94(b)

7. Receivables

PBE IPSAS 30.25
PBE IPSAS 41.60
PBE IPSAS 41.87

Accounting policy

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL). The Ministry applies the simplified ECL model of recognising lifetime ECLs for short-term receivables.

PBE IPSAS 30.42F(c)

In measuring ECLs, short-term receivables have been assessed on a collective basis because they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

PBE IPSAS 30.42F(e)

Short-term receivables are written off when there are no reasonable expectations of recovery. Indicators that there are no reasonable expectations of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

Breakdown of receivables and further information

	2022 $000		2023 $000
	5,470	Gross receivables	4,453
	(254)	Less: allowance for credit losses	(539)
	5,216	**Net receivables**	**3,914**
		Receivables consist of	
PBE IPSAS 1.88(h)	4,884	Receivables from the sale of publications at full cost recovery and deposits (exchange transactions)	3,537
PBE IPSAS 1.88(g)	332	Receivables from statutory levies, application fees (subsidised), and GST (non-exchange transactions)	377
	5,216	**Total receivables**	**3,914**

PBE IPSAS 30.42G(a),(b)

The expected credit loss rates for receivables at 30 June 2022 and 30 June 2023 are based on the payment profile of revenue on credit over the prior two years at the measurement date and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the effect of macroeconomic factors is not considered significant.[42]

PBE IPSAS 30.42G(c)

There have been no changes during the reporting period in the estimation techniques or significant assumptions used in measuring the loss allowance.

42 Government departments will need to consider their own circumstances when determining whether the impact may be significant, given wider macroeconomic uncertainty.

7. Receivables (continued)

The allowance for credit losses is determined as follows:

PBE IPSAS 30.42N
PBE IPSAS 30.IG22D

30 June 2023		Receivable days past due			
	Current	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
Expected credit loss rate	6.8%	26.9%	36.9%	42.1%	
Gross carrying amount ($000)	3,674	156	314	309	**4,453**
Lifetime expected credit loss ($000)	251	42	116	130	**539**

PBE IPSAS 30.42G(a)

PBE IPSAS 30.42N

30 June 2022		Receivable days past due			
	Current	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
Expected credit loss rate	1.4%	24.3%	35.2%	39.7%	
Gross carrying amount ($000)	4,948	122	121	279	**5,470**
Lifetime expected credit loss ($000)	71	30	43	111	**254**

PBE IPSAS 30.42G(a)

PBE IPSAS 30.42H

The movement in the allowance for credit losses is as follows:

2022 $000		**2023 $000**
229	Balance as at 1 July	254
178	Increase in loss allowance made during the year (refer to Note 6)	486
(153)	Receivables written off during the year	(201)
254	**Balance as at 30 June**	**539**

PBE IPSAS 30.42I(c)

8. Derivative financial instruments

PBE IPSAS 30.25

Accounting policy

Derivative financial instruments are used to manage exposure to foreign exchange risk arising from the Ministry's operational activities. The Ministry does not hold or issue derivative financial instruments for trading purposes. The Ministry has not adopted hedge accounting.

PBE IPSAS 41.57, 61, 101(a)

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date, with the resulting gain or loss recognised in the surplus or deficit.

PBE IPSAS 1.76,80

Foreign exchange derivatives are classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of foreign exchange derivatives is classified as non-current.

Further information

PBE IPSAS 30.41(a)

The total notional principal amount outstanding for forward foreign exchange contracts at 30 June 2023 is NZ$1.8 million (2022: NZ$925,000). The contracts consist of the purchase of AUS$450,000 (2022: AUS$nil) and US$900,000 (2022: US$650,000).

PBE IPSAS 30.31,RDR 31.1

The fair values of forward foreign exchange contracts have been determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters, such as currency rates. Most market parameters are implied from forward foreign exchange contract prices.

PBE IPSAS 12.47(b)

9. Inventories

PBE IPSAS 12.47(a)

Accounting policy

PBE IPSAS 12.15
PBE IPSAS 12.17(a)

Inventories are held for distribution or for use in providing goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- commercial: measured at the lower of cost and net realisable value; or
- non-commercial: measured at cost, adjusted for any loss of service potential.

PBE IPSAS 12.17,35

Cost is allocated using the first-in-first-out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first.

PBE IPSAS 12.16

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

PBE IPSAS 12.44

Any write-down from cost to net realisable value or for the loss of service potential or from cost to net realisable value is recognised in surplus or deficit in the year of the write-down.

PBE IPSAS 12.47(b)

Breakdown of inventories and further information

2022 $000		2023 $000
	Held for distribution inventories	
324	Emergency stock	298
124	Inventories held for use in the provision of goods and services	137
	Commercial inventories	
408	Publications held for sale	306
856	**Total inventories**	**741**

PBE IPSAS 12.47(e),(f) The write-down of inventories during the year was $26,000 (2022: $nil). There have been no reversals of write-downs (2022: $nil).[43]

PBE IPSAS 12.47(h) As at 30 June 2023, no inventories are pledged as security for liabilities (2022: $nil). However, some inventories are subject to retention of title clauses.

10. Non-current assets held for sale

PBE IPSAS 1.132(c)

Accounting policy

PBE IFRS 5.6,15

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

PBE IFRS 5.20

Any impairment losses for write-downs of non-current assets held for sale are recognised in surplus or deficit.

PBE IFRS 5.21

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

PBE IFRS 5.25

Non-current assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

43 If there has been a reversal of a previous write-down, disclose the circumstances or events that led to the reversal of the write-down (PBE IPSAS 12.47(g)). An entity that applies the RDR is not required to disclose this information.

10. Non-current assets held for sale (continued)

Breakdown of non-current assets held for sale and further information

	2022 $000		2023 $000
PBE IFRS 5.38		**Non-current assets held for sale comprise**	
	1,045	Buildings	250
	1,000	Land	400
	2,045	**Total non-current assets held for sale**	**650**

PBE IFRS 5.41 — The Ministry-owned property on Owen Street in Wellington has been presented as held for sale during the year following the approval to sell the premises, because it will provide no future use to the Ministry. The sale is expected to be completed by November 2023.

PBE IFRS 5.38 — The accumulated property revaluation reserve recognised in equity for the Owen Street property at 30 June 2023 is $223,000.

11. Property, plant, and equipment

PBE IPSAS 1.132(c)

Accounting policy

Property, plant, and equipment consists of the following asset classes: land, buildings, leasehold improvements, furniture and office equipment, and motor vehicles.

PBE IPSAS 17.88(a) — Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation and impairment losses. All other assets classes are measured at cost, less accumulated depreciation, and impairment losses.

Treasury Instructions 2021 4.4.1 — Individual assets or groups of assets are capitalised if their cost is greater than $5,000.[44]

Revaluations

PBE IPSAS 17.44 — Land and buildings are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from their fair value and at least every three years.[45]

PBE IPSAS 17.44,49 — The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from fair value. If there is a material difference, then the off-cycle asset classes are revalued.

PBE IPSAS 17.56 — Land and building revaluation movements are accounted for on a class-of-asset basis.

PBE IPSAS 17.54,55 — The net revaluation results are credited or debited to other comprehensive revenue and expense, and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in surplus or deficit will be recognised first in surplus or deficit up to the amount previously expensed, then recognised in other comprehensive revenue and expense.

PBE IPSAS 17.14

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

PBE IPSAS 17.27 — In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a nonexchange transaction, it is recognised at its fair value as at the date of acquisition.

44 Treasury Instructions set a threshold of $5,000 as the upper limit for capitalisation. Government departments may establish lower or multiple limits, which they must apply consistently.

45 The maximum revaluation cycle allowable under the Crown accounting policies is five years. It might be appropriate to adopt a shorter revaluation cycle policy.

11. Property, plant, and equipment (continued)

PBE IPSAS 17.57,83,86

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are included in surplus or deficit. When a revalued asset is sold, the amount included in the property revaluation reserve in respect of the disposed asset is transferred to taxpayers' funds.

PBE IPSAS 17.14

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

PBE IPSAS 17.23,24

The costs of day-to-day servicing of property, plant, and equipment are recognised in surplus or deficit as they are incurred.

PBE IPSAS 17.88(b),(c)

Depreciation[46]

Depreciation is provided on a straight-line basis on all property, plant, and equipment, other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of property, plant, and equipment have been estimated as follows:

Buildings (including components)	25 to 60 years	1.6% to 4%
Furniture and office equipment	5 years	20%
Motor vehicles	5 years	20%

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease or the estimated remaining useful lives of the improvements.

PBE IPSAS 17.67

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

PBE IPSAS 1.132(c)

Impairment

PBE IPSAS 21.16-21
PBE IPSAS 21.25,26
PBE IPSAS 21.35

Property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount that the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

PBE IPSAS 21.44-50

Value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

PBE IPSAS 21.52,54

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to its recoverable amount. For revalued assets, the impairment loss is recognised in other comprehensive revenue and expense, and decreases the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit.

PBE IPSAS 21.69

For assets not carried at a revalued amount, the total impairment loss is recognised in surplus or deficit.

The reversal of an impairment loss on a revalued asset is recognised in other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of an impairment loss is also recognised in surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in surplus or deficit.

46 The useful lives and depreciation rates that have been listed above are only illustrations. Government departments will need to estimate these based on their specific circumstances.

11. Property, plant, and equipment (continued)

Critical accounting estimates and assumptions

Estimating the fair value of land and buildings

PBE IPSAS 17.92(a),(b)[47]

The most recent valuation of land and buildings was performed by an independent registered valuer, AV Fairvalue ANZIV of Fairvalue Blogg Doe Valuers Limited. The valuation is effective as at 30 June 2023.

Land

PBE IPSAS 17.92(c)

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the "unencumbered" land value where there is a designation against the land or the use of the land is restricted because of its reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensely.

Restrictions on the Ministry's ability to sell land would normally not impair the value of the land because the Ministry has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.

Buildings

PBE IPSAS 17.92(c)

Non-specialised buildings (for example, residential and office buildings) are valued at fair value using market-based evidence. Significant assumptions in the 30 June 2023 valuation include market rents and capitalisation rates:

- Market rents range from $360 to $585 per square metre.
- Capitalisation rates are market-based rates of return and range from 5.25% to 7.5%.

Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using several significant assumptions. Significant assumptions used in the 30 June valuation include:

- The replacement costs of the specific assets are adjusted where appropriate for optimisation due to overdesign or surplus capacity. There have been no optimisation adjustments for the most recent valuations.
- The replacement cost is derived from recent construction contracts of modern equivalent assets and Property Institute of New Zealand cost information. Construction costs range from $967 to $4,604 per square metre, depending on the nature of the specific asset valued.
- Current supply chain issues and market conditions are impacting on replacement costs in the depreciated replacement cost calculations. On advice from the valuer, our judgment is that these resulting cost increases will be sustained over the long term rather than short-term fluctuations. Therefore, recent cost increases have been taken into account in determining depreciated replacement cost.
- There are no significant asbestos issues associated with the buildings.
- Independent structural engineers have estimated present-value costs of between $0.9 million and $1.3 million to strengthen the Ministry's earthquake-prone buildings. The mid-point of $1.1 million has been deducted off the depreciated replacement cost.
- The remaining useful life of assets is estimated after considering factors such as the condition of the asset, future maintenance and replacement plans, and experience with similar buildings.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

47 Although it is not a requirement, we consider it good practice to disclose the name and qualifications of property valuers.

11. Property, plant, and equipment (continued)

PBE IPSAS 17.92(d)

A comparison of the carrying value of buildings using depreciated replacement cost and buildings valued using market-based evidence is as follows:

2022 $000		2023 $000
35,785	Depreciated replacement cost	27,878
14,115	Market-based evidence	11,948
49,900	**Total carrying value of buildings**	**39,826**

PBE IPSAS 17.88(d),(e)[48]

Breakdown of property, plant, and equipment and further information

Movements for each class of property, plant, and equipment are as follows:

	Land $000	Buildings $000	Leasehold improvements $000	Furniture/ office equipment $000	Motor vehicles $000	Total $000
Cost or valuation						
Balance as at 1 July 2021	12,000	24,116	23,270	37,189	24,958	121,533
Additions	10,500	30,094	10,478	12,489	5,045	68,606
Revaluation increase	0	0	0	0	0	0
Transfer to held for sale	(1,000)	(1,139)	0	0	0	(2,139)
Disposals	0	0	(3,248)	(1,478)	(5,478)	(10,204)
Balance as at 30 June 2022	**21,500**	**53,071**	**30,500**	**48,200**	**24,525**	**177,796**
Additions	0	2,447	0	6,672	6,328	15,447
Revaluation increase	2,023	(3,323)	0	0	0	(1,300)
Transfer to held for sale	(400)	(268)	0	0	0	(668)
Disposals	(13,849)	(12,101)	(5,200)	(6,543)	(18,788)	(56,481)
Balance as at 30 June 2023	**9,274**	**39,826**	**25,300**	**48,329**	**12,065**	**134,794**
Accumulated depreciation and impairment losses						
Balance as at 1 July 2021	0	1,652	19,161	26,474	20,688	67,975
Depreciation expense	0	1,613	2,387	4,083	1,987	10,070
Elimination on disposal	0	0	(3,248)	(1,478)	(5,048)	(9,774)
Elimination on revaluation	0	0	0	0	0	0
Elimination on transfer to held for sale	0	(94)	0	0	0	(94)
Impairment losses	0	0	0	0	0	0
Balance as at 30 June 2022	**0**	**3,171**	**18,300**	**29,079**	**17,627**	**68,177**

48 This is just one way of presenting the reconciliation required by PBE IPSAS 17 *Property, Plant and Equipment*.

11. Property, plant, and equipment (continued)

Depreciation expense	0	985	2,012	5,047	2,267	10,311
Elimination on disposal	0	(312)	(2,602)	(1,094)	(11,000)	(15,008)
Elimination on revaluation	0	(3,826)	0	0	0	(3,826)
Elimination on transfer to held for sale	0	(18)	0	0	0	(18)
Impairment losses	0	0	0	0	0	0
Balance as at 30 June 2023	**0**	**0**	**17,710**	**33,032**	**8,894**	**59,636**
Carrying amounts						
As at 1 July 2021	12,000	22,464	4,109	10,715	4,270	53,558
Aa at 30 June 2022	21,500	49,900	12,200	19,121	6,898	109,619
Aa at 30 June 2023	9,274	39,826	7,590	15,297	3,171	75,158

Work in progress

PBE IPSAS 17.89(b)

As at 30 June 2023, buildings in the course of construction total $2.43 million (2022: $30.0 million). No other asset classes have assets in the course of construction.[49]

Restrictions

PBE IPSAS 17.89(a)

The Ministry owns land on Thorndon Quay, Wellington that is restricted for government or reserve use. The carrying amount of the land is $865,000 (2022: $835,000).[50]

Finance leases

PBE IPSAS 13.40(a)

As at 30 June 2023, the net carrying amount of office equipment held under finance leases is $652,000 (2022: $712,000). **Note 17** provides further information about finance leases.

12. Intangible assets

PBE IPSAS 1.132(c)

Accounting policy

Software acquisition and development

PBE IPSAS 31.34,35

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire the specific software and bring it to use.

PBE IPSAS 31.64,65

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the costs of services, software development employee costs, and an appropriate portion of relevant overheads.

PBE IPSAS 31.36,65,67

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Treasury Instructions 2021 4.4.2

Costs of software updates or upgrades are capitalised only when they increase the usefulness or value of the software.

PBE IPSAS 31 AG8

Costs associated with development and maintenance of the Ministry's website are recognised as an expense when incurred.

49 The amount of expenditure recognised in the carrying amount of property, plant, and equipment in the course of construction is required to be disclosed for each class of asset (PBE IPSAS 17.89).

50 The existence and amount of restrictions on title and property, plant, and equipment pledged as security for liabilities are required to be disclosed for each class of asset (PBE IPSAS 17.89).

12. Intangible assets (continued)

PBE IPSAS 31.96,117(b)

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in surplus or deficit.

PBE IPSAS 31.117(a)

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired computer software	3 years	33%
Internally developed computer software	5 years	20%

Impairment

PBE IPSAS 21.26A

Intangible assets subsequently measured at cost that have an indefinite useful life or that are not yet available for use are tested annually for impairment, irrespective of whether there is any indicator of impairment.

PBE IPSAS 31.117(c), (e)

For further details, refer to the policy for impairment of property, plant, and equipment in **Note 11**. The same approach applies to the impairment of intangible assets.

Critical accounting estimates and assumptions

Useful lives of software

The useful life of software is determined at the time the software is acquired and brought into use and is reviewed at each reporting date for appropriateness. For computer software licences, the useful life represents management's view of the expected period that the Ministry will receive benefits from the software for, not exceeding the licence term. For internally generated software that the Ministry developed, the useful life is based on historical experience with similar systems as well as anticipation of future events that might affect the useful life, such as changes in technology.

Breakdown of intangible assets and further information

PBE IPSAS 31.117(c), (e)

Movements in the carrying value for each class of intangible asset are as follows:[51]

	Acquired software $000	Internally developed software $000	Total $000
Cost			
Balance as at 1 July 2021	4,869	14,609	19,478
Additions	1,534	4,601	6,135
Disposals	(265)	(796)	(1,061)
Balance as at 30 June 2022	**6,138**	**18,414**	**24,552**
Additions	18,280	56,995	75,275
Disposals	(1,957)	(3,396)	(5,353)
Balance as at 30 June 2023	**22,461**	**72,013**	**94,474**

51 PBE IPSAS 31.117 requires entities to distinguish between internally generated intangible assets and other intangible assets. For example, internally developed software shall be distinguished from acquired software, when material.

12. Intangible assets (continued)

	Acquired software $000	Internally developed software $000	Total $000
Accumulated amortisation and impairment losses			
Balance as at 1 July 2021	4,258	12,775	17,033
Amortisation expense	421	1,261	1,682
Disposals	(265)	(796)	(1,061)
Impairment losses	0	0	0
Balance as at 30 June 2022	**4,414**	**13,240**	**17,654**
Amortisation expense	2,223	6,668	8,891
Disposals	(1,957)	(3,396)	(5,353)
Impairment losses	0	2,156	2,156
Balance as at 30 June 2023	**4,680**	**18,668**	**23,348**
Carrying amounts			
As at 1 July 2021	611	1,834	2,445
As at 30 June 2022	1,724	5,174	6,898
As at 30 June 2023	**17,781**	**53,345**	**71,126**

Restrictions

PBE IPSAS 31.121(d) There are no restrictions over the title of the Ministry's intangible assets, nor are any pledged as security for liabilities.

Impairment

PBE IPSAS 21.77 The Ministry has recognised an impairment loss of $2.16 million (2022: $nil) for internally developed software. The impairment arose due to technical issues in developing a particular functionality for new software to be used in the Ministry's operations. Because these issues could not be satisfactory resolved, a component of the software development was abandoned, and the associated costs of this development are considered to be an impairment expense. The impairment expense was estimated based on invoices and discussions with the Ministry's consultants to determine the cost of the software development associated with the functionality that was abandoned. The impairment loss has been recognised in the statement of comprehensive revenue and expense in the line item "Other expenses".

PBE IPSAS 1.93
PBE IPSAS 30.25
PBE IPSAS 41.60

13. Payables and deferred revenue

Accounting policy

Short-term payables are recorded at the amount payable.

Breakdown of payables and further information

2022 $000		2023 $000
	Payables and deferred revenue under exchange transactions	
16,413	Creditors	16,286
68	Income in advance for cost recovered services	72
6,740	Accrued expenses	4,342
23,221	Total payables and deferred revenue under exchange transactions	20,700
	Payables and deferred revenue under non-exchange transactions[52]	
37	Income in advance for subsidised services	50
1,100	Taxes payable (GST and rates)	1,032
24,358	**Total payables and deferred revenue**	**21,782**

PBE IPSAS 1.88(k) (Total payables and deferred revenue under exchange transactions)
PBE IPSAS 1.88(j) (Taxes payable)

PBE IPSAS 1.127(c)
Treasury Instructions 2021 4.4.3

14. Return of operating surplus

2022 $000		2023 $000
12,125	Net surplus	1,561
0	Add "other expenses" – restructuring costs	1,788
0	Deficits incurred from providing goods and services under section 21 of the PFA	0
(104)	Add unrealised losses/(gains) on forward foreign exchange contracts or other derivatives recognised in surplus/(deficit)	(72)
0	Add property revaluation losses/(gains) recognised in surplus/(deficit)	0
2	Add (surpluses)/deficits of memorandum accounts	30
12,023	**Total return of operating surplus**	**3,307**

Good practice

The return of operating surplus to the Crown is required to be paid by 31 October of each year.

52 Payables and deferred revenue under non-exchange transactions also include grants payable and liabilities for funding received subject to use or return conditions that have not yet been satisfied.

PBE IPSAS 1.93

15. Provisions

PBE IPSAS 1.132(c)

Accounting policy

PBE IPSAS 19.22,73

A provision is recognised for future expenditure of an uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for net deficits from future operating activities.

PBE IPSAS 19.53,56,70

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pretax discount rate based on market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated timing of the future cash outflows. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs" (refer to **Note 5**).

PBE IPSAS 19.82,83

Restructuring

A provision for restructuring is recognised when an approved detailed formal plan for the restructuring has been announced publicly to those affected or implementation has already begun.

PBE IPSAS 19.76,79

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits or service potential to be derived from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

ACC Accredited Employers Programme

PBE IFRS 4.37(a)

The Ministry belongs to the ACC Accredited Employers Programme (the Programme), where the Ministry accepts the management of, and financial responsibility for, employee work-related illnesses and accidents. Under the Programme, the Ministry is liable for all claim costs for a period of two years after the end of the cover period that the injury occurred in. At the end of the two-year period, the Ministry pays a premium to ACC for the value of residual claims, and the liability for ongoing claims from that point passes to ACC.

The liability for the Programme is measured using actuarial techniques at the present value of expected future payments to be made in respect of the employee injuries and claims up to balance date. Consideration is given to anticipated future wage and salary levels, and experience of employee claims and injuries.

Breakdown of provisions and further information

	2022 $000		2023 $000
PBE IPSAS 1.80		**Current portion**	
	0	Restructuring	1,023
	925	Lease make-good	524
	1,075	Onerous contracts	427
	350	ACC Accredited Employers Programme	376
	2,350	*Total current portion*	2,350
PBE IPSAS 1.80		**Non-current portion**	
	1,065	Lease make-good	366
	921	Onerous contracts	420
	100	ACC Accredited Employers Programme	88
	2,086	*Total non-current portion*	874
	4,436	**Total provisions**	**3,224**

15. Provisions (continued)

Movements for each class of provision are as follows:[53,54]

		Restructuring	Lease make-good	Onerous contracts	ACC Accredited Employers Programme	Total
		$000	$000	$000	$000	$000
Good practice	Balance as at 1 July 2021	0	2,258	1,873	426	4,557
Good practice	Additional provisions made	0	0	723	315	1,038
Good practice	Amounts used	0	(450)	(300)	(291)	(1,041)
Good practice	Unused amounts reversed	0	0	(300)	0	(300)
Good practice	Discount unwind (refer to **Note 5**)	0	182	0	0	182
PBE IPSAS 19.97(a)	**Balance as at 30 June 2022**	**0**	**1,990**	**1,996**	**450**	**4,436**
PBE IPSAS 19.97(b)	Additional provisions made	1,788	0	0	316	2,104
PBE IPSAS 19.97(c)	Amounts used	(765)	(1,291)	(1,149)	(302)	(3,507)
PBE IPSAS 19.97(d)	Unused amounts reversed	0	0	0	0	0
PBE IPSAS 19.97(e)	Discount unwind (refer to **Note 5**)	0	191	0	0	191
PBE IPSAS 19.97(a)	**Balance as at 30 June 2023**	**1,023**	**890**	**847**	**464**	**3,224**

PBE IPSAS 19.98

Restructuring provision

The restructuring provision arises from closing the Ministry's Auckland office, which was announced in January 2023, and relates to the cost of expected redundancies. Management anticipates that the restructuring will be completed within 12 months of balance date, and the amount of the liability is considered to be reasonably certain.

PBE IPSAS 19.98

Lease make-good provision

In respect of several of its leased premises, the Ministry is required at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings that the Ministry installed. In many instances, the Ministry has the option to renew these leases, which affects the timing of the expected cash outflows to make good the premises.

PBE IPSAS 19.98(b)

The Ministry has assumed that the option to renew its leases will be exercised in measuring the provision. The cash flows associated with the non-current portion of the leases' make-good provisions are expected to occur in September and December 2027.

PBE IPSAS 19.98

Onerous contracts provision

The provision for onerous contracts arises from a non-cancellable lease where the unavoidable costs of meeting the lease contract exceed the economic benefits to be received from it. The Ministry no longer uses three floors of a building due to restructuring. One of the three floors has been sublet, and the expected cash inflows from the sublease have been included in measuring the provision. Tenants have not yet been found for the other two floors. No sublease cash inflows on the two vacant floors have been included in measuring the provision because there is not enough certainty that these floors will be let. The Ministry has two years remaining on this lease.

ACC Accredited Employers Programme[55]

PBE IFRS 4 D17.7.1(a)

Exposures arising from the Programme are managed by promoting a safe and healthy working environment by:

- implementing and monitoring health and safety policies;
- induction training on health and safety;

53 PBE IPSAS 19.97 does not require the disclosure of comparative figures for provisions. We consider it good practice for Tier 1 entities to disclose the comparative figures for provisions.

54 The RDR does not require disclosures of the major assumptions concerning future events used in measuring provisions (PBE IPSAS 19 RDR 98.1).

55 Where the ACC Accredited Employers Programme liability is material to a government department, the disclosure requirements of PBE IFRS 4 *Insurance Contracts* Appendix D will need to be considered.

15. Provisions (continued)

- actively managing workplace injuries to ensure that employees return to work as soon as practical;
- recording and monitoring workplace injuries and near misses to identify risk areas and implementing mitigating actions; and
- identifying workplace hazards and implementation of appropriate safety procedures.

PBE IFRS 4 D17.7.1(c) The Ministry has chosen a stop loss limit of 200% of the industry premium. The stop loss limit means the Ministry will carry the total cost of all claims up to $500,000 for each year of cover, which runs from 1 April to 31 March. If the claims for a year exceed the stop loss limit, the Ministry will continue to meet the costs of claims and will be reimbursed by ACC for the costs that exceed the stop loss limit.

PBE IFRS 4 D17.7.1(b)(ii) The Ministry is not exposed to any significant concentrations of insurance risk, because work-related injuries are generally the result of an isolated event involving an individual employee.

PBE IFRS 4 D17.8A[56] An independent actuarial valuer, DW Smith BSc FIAA of Valuers Limited, has calculated the Ministry's liability, and the valuation is effective as at 30 June 2023. The valuer has attested that he is satisfied as to the nature, sufficiency, and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the valuer's report.

PBE IFRS 4 D17.8B(b),(c) Inflation has been assumed to be 3.36% for the year ending 30 June 2024 and 2.66% for the year ending 30 June 2025. A discount rate of 5.43% has been used for the year ending 30 June 2024 and 4.85% for the year ending 30 June 2025.

PBE IFRS 4 D17.6.1(d) Any changes in liability valuation assumptions will not have a material effect on the financial statements.

PBE IPSAS 1.93

16. Employee entitlements

PBE IPSAS 1.132(c)

Accounting policy

Short-term employee entitlements

PBE IPSAS 39.8,9,11 Employee entitlements that are expected to be settled wholly before 12 months after the end of the reporting period that the employees provide the related service in are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date, and sick leave.

PBE IPSAS 39.19 A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

PBE IPSAS 39.155-160 Employee entitlements that are not expected to be settled wholly before 12 months after the end of the reporting period that the employees provide the related service in, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlements information; and
- the present value of the estimated future cash flows.

Good practice *Presentation of employee entitlements*

PBE IPSAS 1.80 Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

56 Although it is not a requirement, we consider it good practice to disclose the name of the entity the actuary works for.

16. Employee entitlements (continued)

PBE IPSAS 1.140

Critical accounting estimates and assumptions

Long service leave and retirement gratuities

Measuring the long service leave and retirement gratuities obligations depends on several factors that are determined on an actuarial basis using several assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. A weighted average discount rate of 3.13% (2022: 2.23%) and an inflation factor of 3% in year 1, 2.5% in year 2, and 2% in year 3 and continuing after that (2022: 1.5% in year 1, 1.7% in year 2, and 1.8% in year 3 and continuing after that) are used. The discount rates used are those advised by the Treasury. The salary inflation factor is the Ministry's best estimate forecast of salary increments.

If the discount rate were to differ by 1% from the Ministry's estimates, with all other factors held constant, the carrying amount of the liability and the surplus would be an estimated $893,000 higher/lower.

If the salary inflation factor were to differ by 1% from the Ministry's estimates, with all other factors held constant, the carrying amount of the liability and the surplus would be an estimated $675,000 higher/lower.

Breakdown of employee entitlements

	2022 $000		2023 $000
PBE IPSAS 1.80		**Current portion**	
	15,980	Annual leave	12,976
	323	Sick leave	291
	138	Long service leave and retirement gratuities	182
	16,441	*Total current portion*	13,449
PBE IPSAS 1.80		**Non-current portion**	
	6,910	Long service leave and retirement gratuities	7,299
	23,351	**Total employee entitlements**	**20,748**

PBE IPSAS 1.93

17. Finance leases

PBE IPSAS 1.132(c)

Accounting policy

PBE IPSAS 13.8

A finance lease transfers to the Ministry substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

PBE IPSAS 13.28

At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item and the present value of the minimum lease payments.

PBE IPSAS 13.34

The finance charge is charged to surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

PBE IPSAS 13.36

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether the Ministry will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

17. Finance leases (continued)

Critical judgements in applying accounting policies

Leases classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Ministry. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means that the asset is recognised in the statement of financial position as property, plant, and equipment, but no such asset is recognised with an operating lease.

The Ministry has exercised its judgement on the appropriate classification of equipment leases and has determined several lease arrangements to be finance leases.

Fair value

PBE IPSAS 30.29,31 As at 30 June 2023, the fair value of the finance lease liability is $570,000 (2022: $596,000). Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date ranging from 6.6% to 7.3% (2022: 6.4% to 7.3%).

Analysis of finance leases

	2022 $000		2023 $000
PBE IPSAS 13.40(c)		**Total minimum lease payments payable:**	
	76	Not later than one year	120
	481	Later than one year and not later than five years	481
	150	Later than five years	75
PBE IPSAS 13.40(b)	707	*Total minimum lease payments*	676
PBE IPSAS 13.40(b)	(106)	Future finance charges	(101)
PBE IPSAS 13.40(b)	**601**	**Present value of minimum lease payments**	**575**
PBE IPSAS 13.40(c)		**Present value of minimum lease payments payable**	
	70	Not later than one year	112
	409	Later than one year and not later than five years	409
	122	Later than five years	54
	601	**Total present value of minimum lease payments**	**575**
		Represented by:	
	70	Current	112
	531	Non-current	463
	601	**Total finance leases**	**575**

Other information

PBE IPSAS 13.40(a) The Ministry has entered into finance leases for various items of plant and equipment, such as for photocopiers and IT equipment. The net carrying amount of the leased items within each class of property, plant, and equipment is shown in **Note 11**.

PBE IPSAS 13.40(f)(ii) The finance leases can be renewed at the Ministry's option, with rents set by reference to current market rates for items of equivalent age and condition. The Ministry does not have the option to purchase the assets at the end of the lease terms.

17. Finance leases (continued)

PBE IPSAS 13.40(f)(iii) There are no restrictions placed on the Ministry by any of the finance leasing arrangements.

PBE IPSAS 17.89(a) Finance lease liabilities are effectively secured, because the rights to the leased asset revert to the lessor in the event of default in payment.

18. Equity

Good practice

Accounting policy

Equity is the Crown's investment in the Ministry and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as taxpayers' funds, memorandum accounts, and property revaluation reserves.

PBE IPSAS 1.95(c)

Memorandum accounts

Memorandum accounts reflect the cumulative surplus or deficit on those departmental services provided that are intended to be fully cost recovered from third parties through fees, levies, or charges. The balance of each memorandum account is expected to trend towards zero over time.

PBE IPSAS 1.95(c)

Property revaluation reserves

These reserves relate to the revaluation of land and buildings to fair value.

Breakdown of equity and further information

	2022 $000		2023 $000
PBE IPSAS 1.119(c)		**Taxpayers' funds**	
	60,967	Balance as at 1 July	61,071
	12,125	Surplus	1,561
PBE IPSAS 17.57	0	Transfers from revaluation reserves on disposal of property	2,700
	2	Transfer of memorandum account net (surplus)/deficit for the year	30
	0	Capital injections	46,763
	(12,023)	Return of operating surplus to the Crown	(3,307)
	61,071	Balance as at 30 June	108,818
PBE IPSAS 1.119(c)		**Property revaluation reserves**	
	8,000	Balance as at 1 July	8,000
	0	Revaluation gains	2,526
	0	Transfer to taxpayers' funds on disposal	(2,700)
	8,000	Balance as at 30 June	7,826
Good practice		Property revaluation reserves consist of:	
	2,500	Land revaluation reserve	600
	5,500	Buildings revaluation reserve	7,226
	8,000	Total property revaluation reserves	7,826

18. Equity (continued)

2022 $000		2023 $000
	Memorandum accounts	
37	Balance as at 1 July	35
(2)	Net memorandum account surpluses/(deficits) for the year	(30)
35	Balance as at 30 June	5
69,106	**Total equity**	**116,649**

PBE IPSAS 1.119(c)

Breakdown of memorandum accounts and further information

Further information about memorandum accounts is presented below:[57]

Treasury Instructions 2021 6.3.7

2022 $000		2023 $000
	Provision for statutory information	
25	Balance as at 1 July	15
230	Revenue	158
(240)	Expenses	(150)
(10)	*Surplus/(deficit) for the year*	8
15	Balance as at 30 June	23

Treasury Instructions 2021 6.3.7

	Performance of accountability reviews	
12	Balance as at 1 July	20
205	Revenue	214
(197)	Expenses	(252)
8	*Surplus/(deficit) for the year*	(38)
20	Balance as at 30 June	(18)

	Total memorandum accounts	
37	Balance as at 1 July	35
435	Revenue	372
(437)	Expenses	(402)
(2)	*Surplus/(deficit) for the year*	(30)
35	**Balance as at 30 June**	**5**

These memorandum accounts summarise financial information relating to the accumulated surpluses and deficits incurred in providing statutory information and performance of accountability reviews by the Ministry to third parties on a full cost recovery basis.

The balance of each memorandum account is expected to trend towards zero over a reasonable period of time, with interim deficits being met either from cash from the Ministry's statement of financial position or by seeking approval for a capital injection from the Crown. Capital injections will be repaid to the Crown by way of cash payments throughout the memorandum account cycle.

57 Memorandum accounts record the accumulated balance of surpluses and deficits incurred for outputs operating on a full cost recovery basis. These accounts are used to separately disclose the net cost of such outputs over the year, given that such information would otherwise just be aggregated as part of an entity's financial position. The structure and opening balance of each memorandum account is to be approved by the Minister of Finance, the Minister responsible for the appropriation, and the government department's responsible Minister (if different).

18. Equity (continued)

Good practice

Action taken to address surpluses and deficits[58]

A revised fee strategy is currently being developed to ensure that fee structure and associated revenues are in line with the forecast activities.

PBE IPSAS 1.148A

Capital management

The Ministry's capital is its equity, which comprise taxpayers' funds, memorandum accounts, and property revaluation reserves. Equity is represented by net assets.

The Ministry manages its revenues, expenses, assets, liabilities, and general financial dealings prudently. The Ministry's equity is largely managed as a by-product of managing revenue, expenses, assets, liabilities, and compliance with the government budget processes, Treasury Instructions, and the PFA.

The objective of managing the Ministry's equity is to ensure that the Ministry effectively achieves its goals and the objectives that it has been established for while remaining a going concern.

19. Related party transactions

PBE IPSAS 20.25

The Ministry is a wholly owned entity of the Crown.

Good practice

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Ministry would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

PBE IPSAS 20.27,30,32

Related party transactions required to be disclosed

The Ministry entered into transactions with other Crown-related entities on non-commercial terms for the sale of inventories. Sales totalled $301,271 (2022: $46,123) and were sold at an average discount of 48% (2022: 52%) of market price. No amounts were outstanding at balance date.

The Ministry purchased internal audit services totalling $26,564 (2022: $nil) from Accountants Limited, an accounting firm where the Chief Executive's spouse is a partner. The services were procured without going through a tender process, and the contracted hourly rates of the internal audit staff are at a significant discount compared to other recent internal audit service contracts the Ministry has entered into. There is a payable of $14,412 outstanding as at 30 June 2023 (2022: $nil).

PBE IPSAS 20.34(a)

Key management personnel compensation[59,60]

2022		2023
	Leadership team, including the Chief Executive	
$1,042,502	Remuneration	$1,061,352
6.5	Full-time equivalent staff	6.5

58 Where a memorandum account has a significant surplus or deficit balance, we encourage government departments to disclose the actions they are taking to address that balance.

59 PBE IPSAS 20.4 defines key management personnel as all directors or members of the governing body of the entity and other persons having the authority and responsibility for planning, directing, and controlling the activities of the reporting entity. Where they meet this requirement, key management personnel include: i) where there is a member of the governing body of a whole-of-government entity who has the authority and responsibility for planning, directing, and controlling the activities of the reporting entity, that member; ii) key advisors of that member; and iii) the senior management group of the reporting entity. For a government department, we expect the compensation of the chief executive and members of the senior management team, or equivalent body, to be included in the key management personnel disclosures. There might also be other individuals who meet the key management personnel definition in PBE IPSAS 20 *Related Party Disclosures*. Departments will need to consider their specific facts and circumstances in determining the individuals who will be included in the key management personnel compensation disclosures.

60 Entities are required to disclose the aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration within this category, showing separate major classes of key management personnel and including a description of each class (PBE IPSAS 20.34(a)).

Best practice

19. Related party transactions (continued)

Good practice

The key management personnel remuneration disclosure includes the Chief Executive and six other members of the Executive Leadership Team and those formally acting in these positions during the financial year on a full-time equivalent basis. The above key management personnel disclosure excludes the Minister of Public Accountability. The Minister's remuneration and other benefits are not received only for his role as a member of key management personnel of the Ministry. The Remuneration Authority sets the Minister's remuneration and other benefits under the Members of Parliament (Remuneration and Services) Act 2013, and they are paid under permanent legislative authority on behalf of the Crown by the Department of Internal Affairs, not by the Ministry of Public Accountability.

20. Events after balance date

PBE IPSAS 14.28,30

After balance date, the Ministry entered into a non-cancellable contract to lease premises for a period of 10 years, with the option to renew the lease for a further 10 years. The annual rental under the lease will be reviewed every two years. The annual rental under the agreement at inception is $1.25 million each year. The agreement is not included in the statement of commitments because it was entered into after balance date.

There have been no other significant events after balance date.

21. Financial instruments

PBE IPSAS 30.11

21A. Financial instrument categories[61]

The carrying amounts of financial assets and liabilities in each of the PBE IPSAS 41 financial instrument categories are as follows:

	2022 $000		2023 $000
PBE IPSAS 30.11(f)		**Financial assets measured at amortised cost**	
	7,995	Cash and cash equivalents	13,358
	5,216	Receivables (excluding taxes receivable)	3,914
	13,211	Total financial assets measured at amortised cost	17,272
		Mandatorily measured at fair value through surplus or deficit[62]	
PBE IPSAS 30.11(a)(ii)	98	Derivative financial instrument assets	145
PBE IPSAS 30.11(e)(ii)	112	Derivative financial instrument liabilities	87
	210	Total mandatorily measured at fair value through surplus or deficit	232
PBE IPSAS 30.11(g)		**Financial liabilities measured at amortised cost**	
	23,153	Payables (excluding income in advance and taxes payable)	20,628
	601	Finance leases	575
	23,754	Total financial liabilities measured at amortised cost	21,203

21B. Fair value hierarchy

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.

61 Deferred revenue items, such as income in advance, are not included within the payables figures in the financial instrument notes because deferred revenue is not a financial instrument. Taxes payable and receivables are also excluded from this table because they arise from statute rather than a contract.

62 A separate total must also be presented for financial assets and financial liabilities that have been designated at initial recognition at fair value through surplus or deficit. If a government department applies the RDR, it can present a single total for financial assets at fair value through surplus or deficit and a single total for financial liabilities at fair value through surplus or deficit (PBE IPSAS 30 RDR 11.1).

21B. Fair value hierarchy (continued)

- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

PBE IPSAS 30.33(a) The Ministry's foreign exchange derivatives as at 30 June 2023 and 2022 were valued at fair value using observable inputs (level 2).

PBE IPSAS 30.33(b) There were no transfers between the different levels of the fair value hierarchy.[63]

21C. Financial instrument risks

PBE IPSAS 30.38 The Ministry's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. The Ministry has policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow it to enter into any transactions that are speculative in nature.

PBE IPSAS 30.40

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from future capital purchases and recognised liabilities that are denominated in a foreign currency. The Ministry purchases capital equipment internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the US and Australian dollars.

The Ministry's Foreign Exchange Management Policy requires the Ministry to manage currency risk arising from future transactions and recognised liabilities by entering into foreign exchange forward contracts when the total transaction exposure to an individual currency exceeds NZ$50,000. The Treasury has approved the Ministry's policy, and it is in accordance with the requirements of the Treasury's Guidelines for the Management of Crown and Departmental Foreign-Exchange Exposure.

PBE IPSAS 30.47 *Sensitivity analysis*

At 30 June 2023, if the NZ dollar had strengthened by 5% against the US dollar, with all other variables held constant, the surplus for the year would have been $35,000 (2022: $45,000) higher. At 30 June 2023, if the NZ dollar had weakened by 5% against the US dollar, with all other variables held constant, the surplus for the year would have been $32,000 (2022: $43,000) lower. These movements are attributable to translation of US dollar-denominated creditors.

At 30 June 2023, if the NZ dollar had strengthened by 10% against the Australian dollar, with all other variables held constant, the surplus for the year would have been $72,000 (2022: $34,000) higher. At 30 June 2023, if the NZ dollar had weakened by 10% against the Australian dollar, with all other variables held constant, the surplus for the year would have been $67,000 (2022: $32,000) lower. These movements are attributable to translation of Australian dollar-denominated creditors.

PBE IPSAS 30.40 *Fair value interest rate risk*

Fair value interest rate risk is the risk that the value of a financial instrument or the cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The Ministry has no exposure to interest rate risk because it has no interest-bearing financial instruments.

PBE IPSAS 30.40

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Ministry, causing the Ministry to incur a loss.

63 Significant transfers between the different fair value hierarchy levels must be identified and the reasons for those transfers disclosed. Transfers into each level shall be disclosed and discussed separately from transfers out of each level (PBE IPSAS 30.33(b)). Additionally, for measures included in level 3 of the fair value hierarchy, a reconciliation between the opening and closing balances is required to be presented (PBE IPSAS 30.33(c)).

21C. Financial instrument risks (continued)

In the normal course of its business, credit risk arises from receivables, deposits with banks, and derivative financial instrument assets.

These entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

PBE IPSAS 30.42K,43(a),(b)

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, receivables, and derivative financial instrument assets. There is no collateral held as security against these financial instruments.

PBE IPSAS 30.42G

Although cash and cash equivalents as at 30 June 2023 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is trivial.

PBE IPSAS 30.42M

The Ministry is permitted to deposit funds only with Westpac (Standard & Poor's credit rating of AA-), a registered bank, and enter into foreign exchange forward contracts with the New Zealand Debt Management Office (Standard & Poor's credit rating of AA).

Liquidity risk

PBE IPSAS 30.46(c)

Management of liquidity risk

Liquidity risk is the risk that the Ministry will encounter difficulty raising liquid funds to meet its commitments as they fall due.

As part of meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The Ministry maintains a target level of available cash to meet liquidity requirements.

Contractual maturity analysis of financial liabilities, excluding derivatives

PBE IPSAS 30.46(a)

The table below analyses the Ministry's financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.[64]

	Carrying amount	Contractual cash flows	Less than 6 months	6 months-1 year	1-5 years	More than 5 years
	$000	$000	$000	$000	$000	$000
2023						
Payables	20,628	20,628	20,628	0	0	0
Finance leases	575	676	60	60	481	75
Total	**21,203**	**21,303**	**20.688**	**60**	**481**	**75**
2022						
Payables	23,153	23,153	23,153	0	0	0
Finance leases	601	707	38	38	481	150
Total	**23,754**	**23,860**	**23,191**	**38**	**481**	**150**

64 PBE IPSAS 30 does not prescribe the time bands to use. Government departments will need to exercise their judgement in determining the appropriate time bands to use when presenting the contractual maturity analysis.

PBE IPSAS 30.46(b), AG16(d)

21C. Financial instrument risks (continued)

Contractual maturity analysis of derivative financial instrument liabilities

The table below analyses the Ministry's forward exchange contract derivatives[65] into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Liability carrying amount $000	Asset carrying amount $000	Contractual cash flows $000	Less than 6 months $000	6-12 months $000	1-2 years $000
2023						
Gross settled forward foreign exchange contracts	87	145				
– outflow	-	-	1,800	900	900	0
– inflow	-	-	1,869	933	936	0
2022						
Gross settled forward foreign exchange contracts	112	98				
– outflow	-	-	925	525	400	0
– inflow	-	-	909	515	394	0

PBE IPSAS 2.55A

21D. Reconciliation of movements in liabilities arising from financing activities

The table below provides a reconciliation between the opening and closing balances of finance lease liabilities at balance date

2022 $000		2023 $000
519	**Balance as at 1 July**	601
-76	Cash outflows	-76
132	New leases	50
601	**Balance as at 30 June**	**575**

22. Explanation of major variances against budget

PBE IPSAS 1.148.1

Explanations for major variances from the Ministry's original 2022/23 budget figures are as follows:

Statement of comprehensive revenue and expense[66]

Revenue Crown

Revenue Crown was greater than budgeted by $10.0 million because of funding received for the Maximising Accountability initiative, which was not included in the original budget.

Personnel costs

Personnel costs were greater than budgeted by $2.0 million because of higher staff numbers and increases in remuneration for those earning less than $100,000. The increase in staff numbers was a result of implementing the Government's Maximising Accountability initiative. The cost of this initiative was not included in the original budget.

65 Government departments shall include all gross settled derivative financial instruments regardless of whether their fair value is an asset or a liability.

66 In addition to explaining variances in items presented in the core financial statements (for example, statement of comprehensive revenue and expense), government departments should also explain significant variances in output statement costs and revenue. These explanations can be provided either in the relevant output statement's costs and revenue or in this note to the financial statements.

22. Explanation of major variances against budget (continued)

Other expenses

Other expenses were greater than budgeted by $6.14 million because of the implementation of initiatives arising from the Government's Maximising Accountability initiative and because of the intangible asset impairment loss. Both of these were not included in the original budget. The increase in costs of $4.0 million for the initiative arose primarily from consultancy expenditure. Further information about the impairment loss of $2.1 million is contained in **Note 12**.

Gain on property revaluations

Gain on property revaluations was above budget by $2.53 million because an increase in property values was not forecasted.

Statement of financial position

Property, plant, and equipment

Property, plant, and equipment is above budget by $3.04 million, primarily because an increase in property values from revaluation of $2.53 million was not forecasted.

Payables and deferred revenue

Payables and deferred revenue are greater than budgeted by $7.6 million, primarily because of unpaid invoices at year-end of $6.22 million for IT-related acquisition projects. The progress payments for these projects were forecast to be paid before balance date. However, these payments were delayed due to a disagreement with suppliers.

Employee entitlements

The reduction in current employee entitlements compared to budget was a result of management's efforts to reduce the level of untaken leave.

Statement of cash flows

Receipts from Revenue Crown were greater than budgeted by $10.0 million because of additional funding received for the Government's Maximising Accountability initiative. Consequently, the cash-out flows for payments to suppliers and employees were greater than budgeted.

NON-DEPARTMENTAL STATEMENTS AND SCHEDULES FOR THE YEAR ENDED 30 JUNE 2023[67, 68, 69]

The following non-departmental statements and schedules record the revenue, capital receipts, expenses, assets, liabilities, commitments, contingent liabilities, contingent assets, and trust accounts that the Ministry manages on behalf of the Crown.

SCHEDULE OF NON-DEPARTMENTAL REVENUE FOR THE YEAR ENDED 30 JUNE 2023[70]

	Actual 2022 $000		Actual 2023 $000	Unaudited budget[71] 2023 $000
PBE IPSAS 23.106(a)	3,682	Fines and penalties	4,208	4,010
	352	Interest unwind on concessionary loans	432	322
	248	Interest unwind on fines and penalties receivables	206	200
PBE IPSAS 1.99.1(a)	**4,282**	**Total non-departmental revenue**	**4,846**	**4,532**

Good practice

SCHEDULE OF NON-DEPARTMENTAL CAPITAL RECEIPTS FOR THE YEAR ENDED 30 JUNE 2023[72]

Actual 2022 $000		Actual 2023 $000	Unaudited budget 2023 $000
487	Repayments of public accountability research encouragement loans	37	400
487	**Total non-departmental capital receipts**	**37**	**400**

PBE IPSAS 1.148.1

Explanations of major variances against budget are provided in **Note 5**.

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2023.

67 Under section 35 of the PFA, chief executives of government departments are responsible for the financial reporting on:

- appropriations for non-departmental expenses and non-departmental capital expenditure administered by the government department; and
- assets, liabilities, and revenue managed by the government department on behalf of the Crown.

68 Paragraph 6.2.1.2 of the Treasury Instructions 2021 requires government departments to provide supplementary information on any Crown activities they may manage. Treasury Instructions 2021 require departments to disclose non-departmental activities in the form of schedules. If applicable, government departments should present the:

- schedule of non-departmental revenue;
- schedule of non-departmental expenses (if not fully disclosed in the statement of expenses and capital expenditure incurred against appropriations);
- schedule of non-departmental assets;
- schedule of non-departmental liabilities;
- schedule of non-departmental commitments;
- schedule of non-departmental contingent liabilities and contingent assets; and
- statement of relevant non-departmental accounting policies.

The information must be reported in accordance with NZ GAAP, the Financial Statements of the Government's accounting policies, and other guidelines (for example, Treasury Instructions and Treasury Circulars). The non-departmental statements and schedules are required to be audited.

69 There is no legislative requirement to provide forecast financial information for non-departmental activities for the next financial year. Government departments may choose to provide this additional forecast information. If a department discloses forecast information, then it must comply with the disclosure requirements of PBE FRS 42.

70 The schedule of non-departmental revenue should exclude funding received from the New Zealand Debt Management Office, because this funding is a flow from one part of the Crown to another.

71 Presenting the budget figures from the Crown schedules and statements is considered to be good practice.

72 Treasury Instructions do not require the schedule of non-departmental capital receipts. However, it is commonly presented (and considered to be good practice) where a government department manages material capital receipts on behalf of the Crown (for example, loan repayments received).

SCHEDULE OF NON-DEPARTMENTAL EXPENSES FOR THE YEAR ENDED 30 JUNE 2023

	Actual 2022 $000		Actual 2023 $000	Unaudited budget 2023 $000
	30,886	Grant expenses	31,238	32,387
	1,428	Promotions	1,495	1,610
	480	Subscriptions	367	405
PBE IPSAS 30.24(a)(i)	785	Net loss on concessionary loan fair value remeasurement	353	400
	140	Net impairment on fines and penalties receivable	114	100
PBE IPSAS 4.61(a)	75	Net foreign exchange losses, excluding derivatives	67	0
Treasury Instructions 2021 4.2.3	320	GST input expense	369	0
	874	Other expenses	1,202	890
	34,988	**Total non-departmental expenses**	**35,207**	**35,792**

SCHEDULE OF NON-DEPARTMENTAL ASSETS AS AT 30 JUNE 2023

	Actual 2022 $000		Note	Actual 2023 $000	Unaudited budget 2023 $000
PBE IPSAS 1.70,76		**Current assets**			
PBE IPSAS 1.88(i)	2,567	Cash and cash equivalents		3,020	2,800
PBE IPSAS 1.88(g),(h)	1,017	Receivables	2	1,067	987
PBE IPSAS 1.89	200	Prepayments		650	200
PBE IPSAS 1.89	3,784	Total current assets		4,737	3,987
PBE IPSAS 1.70,76		**Non-current assets**			
PBE IPSAS 1.88(g),(h)	4,409	Receivables	2	5,072	4,800
PBE IPSAS 1.89	4,409	Total non-current assets		5,072	4,800
PBE IPSAS 1.89	**8,193**	**Total non-departmental assets**		**9,809**	**8,787**

Treasury Instructions 2021 6.2.1.2

In addition, the Ministry monitors two Crown entities. These are the Crown Services Entity and the Accountability Commission. The Crown's investment in those entities is consolidated in the Financial Statements of the Government on a line-by-line basis. The investment in those entities is not included in this schedule.

PBE IPSAS 1.148.1

Explanations of major variances against budget are provided in **Note 5**.

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2023.

SCHEDULE OF NON-DEPARTMENTAL LIABILITIES AS AT 30 JUNE 2023[73]

	Actual 2022 $000		Note	Actual 2023 $000	Unaudited budget 2023 $000
PBE IPSAS 1.70,80		**Current liabilities**			
PBE IPSAS 1.88(j),(k)	832	Payables	3	524	230
PBE IPSAS 1.89	**832**	**Total non-departmental liabilities**		**524**	**230**

PBE IPSAS 1.148.1 Explanations of significant variances against budget are provided in **Note 5**.

SCHEDULE OF NON-DEPARTMENTAL COMMITMENTS AS AT 30 JUNE 2023

The Ministry, on behalf of the Crown, has no non-cancellable capital or lease commitments (2022: $nil).[74]

SCHEDULE OF NON-DEPARTMENTAL CONTINGENT LIABILITIES AND CONTINGENT ASSETS AS AT 30 JUNE 2023

Unquantified contingent liabilities

The Ministry, on behalf of the Crown, has no unquantifiable contingent liabilities (2022: $nil).

Quantifiable contingent liabilities

2022 $000		2023 $000
581	Legal proceedings and disputes	240
24	Other contingent liabilities	34
605	**Total quantifiable contingent liabilities**	**274**

Legal proceedings and disputes

PBE IPSAS 19.100 Legal proceedings and disputes relate to legal claims in relation to disputed public accountability research encouragement loans.

Contingent assets

PBE IPSAS 19.105 The Ministry, on behalf of the Crown, has no contingent assets (2022: $nil).[75]

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2023.

73 Some government departments choose to include the balance of revaluation reserves arising on the revaluation of Crown assets in this schedule, which is then renamed the schedule of non-departmental liabilities and revaluation reserves. Treasury Instructions do not require this, but it is an appropriate response when revaluation reserve information is considered to be material.

74 Capital commitments that require disclosure include those relating to property, plant, and equipment, intangible assets, investment properties, and biological assets.

75 Where there are no contingent assets, we consider it good practice to disclose this fact.

Good practice

STATEMENT OF TRUST MONIES FOR THE YEAR ENDED 30 JUNE 2023

The Ministry operates a trust account as the agent under section 66 of the PFA. The transactions through this account and its balance are not included in the Ministry's own financial statements.

[76]2022 $000		2023 $000
	New Zealand Public Accountability Scholarship Trust	
69	Balance as at 1 July	112
525	Contributions[77]	500
(500)	Distributions[78]	(525)
18	Revenue[79]	21
0	Expenses[80]	0
112	**Balance as at 30 June**	**108**

This Trust was established in 1993 to provide scholarships for postgraduate research by academics and public servants into public sector governance and related subjects. The scholarships are for 12 months and may be renewed for a further 12 months.

Source of funds: Public donations and interest on investments.

Scholarships awarded for the year ended 30 June 2023:

- first-year scholarships: 6 (2022: 8); and
- renewed for second year: 3 (2022: nil).

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2023.

76 We consider it good practice to disclose comparative figures in the statement of trust monies.

77 Paragraph 6.7.10 of Treasury Instructions 2021 defines contributions as an amount that has been contributed to the trust by donors during the reporting period and that has been banked into the trust bank account.

78 Paragraph 6.7.10 of Treasury Instructions 2021 defines distributions as sums paid to beneficiaries of the trust during the reporting period.

79 Paragraph 6.7.10 of Treasury Instructions 2021 defines revenue as the amount of interest or other income on trust investments, assets, and current balances that the trust receives.

80 Paragraph 6.7.10 of Treasury Instructions 2021 defines expenses as the direct costs paid by the trust in achieving its aims. This might include cash paid for taxation, administrative and accounting fees, salaries and wages of trust employees, purchase of goods and services, and the purchase of items of property, plant, and equipment.

PBE IPSAS 1.21(f),127, 128

MINISTRY OF PUBLIC ACCOUNTABILITY
NOTES TO THE NON-DEPARTMENTAL SCHEDULES
FOR THE YEAR ENDED 30 JUNE 2023

Notes index

NOTES TO THE NON-DEPARTMENTAL STATEMENTS AND SCHEDULES[81]

1. Statement of accounting policies

REPORTING ENTITY

These non-departmental statements and schedules present financial information on public funds that the Ministry manages on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government for the year ended 30 June 2023. For a full understanding of the Crown's financial position, results of operations, and cash flows for the year, refer to the Financial Statements of the Government for the year ended 30 June 2023.

BASIS OF PREPARATION

The non-departmental statements and schedules have been prepared in accordance with the accounting policies of the consolidated Financial Statements of the Government, Treasury Instructions, and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental statements and schedules are consistent with generally accepted accounting practice (Public Benefit Entity Accounting Standards) as appropriate for public benefit entities.

Presentation currency and rounding

PBE IPSAS 1.63(d),(e) The non-departmental statements and schedules are presented in New Zealand dollars (NZ dollars), and all values are rounded to the nearest thousand dollars ($000).

PBE IPSAS 3.33 **New or amended standards adopted**

PBE IPSAS 41 Financial Instruments

In March 2019, the External Reporting Board (XRB) issued PBE IPSAS 41 *Financial Instruments*, which supersedes both PBE IFRS 9 *Financial Instruments* and PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. The Ministry has adopted PBE IPSAS 41 for the first time this year. There has been little change as a result of adopting the new standard as the requirements are similar to those contained in PBE IFRS 9.

Other changes in accounting policies

Good practice There have been no other changes in the Institute's accounting policies since the date of the last audited financial statements.

PBE IPSAS 3.35,36 **Standard issued and not yet effective and not early adopted**

Standards and amendments that have been issued but are not yet effective and that have not been early adopted and that are relevant to the Institute are:

81 Government departments will need to exercise judgement in deciding how much detail to provide in the notes to the non-departmental statements and schedules. Where particular transactions or balances are material, we recommend that the disclosure requirements in the PBE Accounting Standards in relation to the transaction or balance should be disclosed. If the non-departmental expenses for a department are less than $30 million, the RDR regime could be applied in preparing the disclosures for the non-departmental statements and schedules. However, caution should be used in applying the $30 million expense criterion to non-departmental schedules, because the schedules are not a complete set of financial statements. A department should also consider whether it should still disclose a disclosure not required by the RDR due to the significance of the transaction or balance or because the disclosure provides important information to readers. For example, if non-departmental expenses are below $30 million but the non-departmental schedules include revenue, assets, or liabilities above $30 million, it might still be appropriate to disclose Tier 1 information about revenue, assets, or liabilities that are above $30 million even though the disclosure is not required by the RDR.

1. Statement of accounting policies (continued)

2022 Omnibus Amendment to PBE Standards

This Standard has been issued to amend the relevant Tier 1 and Tier 2 PBE Standards as a result of:

- PBE IPSAS 16 *Investment Property*: The amendments clarify that fair value measurement of self-constructed investment property could commence before construction is complete.
- PBE IPSAS 17 *Property, Plant and Equipment*: The amendments change the accounting for any net proceeds earned while bringing an asset into use by requiring the proceeds and relevant costs to be recognised in surplus or deficit rather than being deducted from the asset cost recognised.
- PBE IPSAS 30 *Financial Instruments: Disclosures*: The amendment specifically refers to disclosing the circumstances that result in fair value of financial guarantee contracts not being determinable.
- PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*: The amendments clarify the costs of fulfilling a contract that an entity includes when assessing whether a contract will be loss-making or onerous (therefore, whether a provision needs to be recognised).

The changes are for financial statements covering periods beginning on or after 1 January 2023.

PBE IFRS 17 Insurance Contracts

This new standard sets out accounting requirements for insurers and other entities that issue insurance contracts and applies to financial reports covering periods beginning on or after 1 January 2026.

The Ministry has not yet assessed in detail the impact of these amendments and the new standard/ These amendments and the new standard are not expected to have a significant impact.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes that they relate to.

Significant accounting policies that do not relate to a specific note are outlined below.

Revenue

PBE IPSAS 23.107(a),(b)

Fines and penalties

Revenue from fines and penalties is recognised when the infringement notice is issued. Revenue is measured at fair value. Fair value is determined using a model that uses past experience to forecast the expected collectability of fines and penalties, and the timing of receipts, and discounts these to present value using an appropriate discount rate.

PBE IPSAS 1.132(c)

Interest

The interest unwind reflects the increase in the present value of loans and other receivables as the period to expected repayment reduces. The interest unwind is calculated using the discount rate at the start of the financial year.

PBE IPSAS 1.132(c)

Grant expenditure

PBE IPSAS 19 IG18.1

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria. They are recognised as an expense when an application that meets the specified criteria for the grant has been received. The Ministry’s non-discretionary grants have no substantive conditions (that is, use for restricted purposes or repay).

PBE IPSAS 19 IG18.2

Discretionary grants are those grants where the Ministry has no obligation to award the grant after receiving an application.

For discretionary grants without substantive conditions, the total committed funding over the life of the funding agreement is recognised as an expense when the Grants Approvals Committee approves the grant and the approval has been communicated to the applicant.

Grants with substantive conditions are recognised as an expense at the earlier of the grant payment date or when the grant conditions have been satisfied.

1. Statement of accounting policies (continued)

PBE IPSAS 1.132(c)	**Foreign currency transactions**
PBE IPSAS 4.24,32	Foreign currency transactions (including those that forward exchange contracts are held for) are translated into New Zealand dollars using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the schedule of non-departmental revenue or expenses.
	Cash and cash equivalents
PBE IPSAS 2.8,57	Cash and cash equivalents include cash on hand, cash in transit, and funds held in bank accounts that the Ministry administers. All cash held in bank accounts is held in on demand accounts, and no interest is payable to the Ministry.
PBE IPSAS 1.132(c)	**Commitments**
Treasury Instructions 2021 3.7.19	Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at balance date. Information on non-cancellable capital and operating lease commitments are reported in the schedule of non-departmental commitments.
Treasury Instructions 2021 3.7.19	Cancellable capital commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are reported at the value of those penalty or exit costs (that is, the minimum future payments).
PBE IPSAS 1.132(c)	**Goods and services tax**
	Items in the non-departmental statements and schedules are stated exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to nondepartmental expenditure is recognised as a separate expense in the schedule of non-departmental expenses and is eliminated against GST revenue on consolidation of the Financial Statements of the Government.
PBE IPSAS 1.140	**Critical accounting estimates**
	The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in respect of the measurement of public accountability research encouragement loans – refer to **Note 2** below.
	Budget figures
	The 2023 budget figures are for the year ending 30 June 2023 and are consistent with the best estimate financial information submitted to the Treasury for the BEFU for the year ending 30 June 2023.

PBE IPSAS 1.94(b)

2. Receivables

Accounting policy

PBE IPSAS 30.25

Public accountability research encouragement loans

PBE IPSAS 41.AG125 (b)

Public accountability research encouragement loans issued at below-market interest rates are initially recognised at fair value. The difference between the face value and fair value of the loan is recognised as a grant expense in the schedule of non-departmental expenses.

The loans are subsequently measured at fair value through surplus and deficit as at 30 June because the loans do not pass the solely payments of principal interest test of PBE IPSAS 41.

PBE IPSAS 41.40, 43

Fair value is determined using a model that uses past experience to forecast the expected loan repayments and discounts these to present value using a rate for loans of a similar term and credit risk.

PBE IPSAS 23.107(a)

Fines and penalties receivables[82]

PBE IPSAS 23.42

Fines and penalties receivables are initially recognised at fair value. Fair value is determined as explained in the revenue accounting policy above.

PBE IPSAS 1.132

Fines and penalties do not arise from a contract. Therefore, they are not subsequently accounted for as a financial instrument under PBE IPSAS 41. Instead, their carrying amount as at 30 June is tested for impairment by forecasting expected future cash inflows and discounting those at an appropriate risk-based discount rate.

The gross carrying value of a receivable is written off only when the Chief Executive of the Ministry approves the write-off of the debt under the Public Accountability Act 1998.

Critical accounting estimates and assumptions

Public accountability research encouragement loans

PBE IPSAS 30.31,37(d)

The Ministry engaged Wellington Actuaries Limited to estimate the fair value of the loans as at 30 June 2023. Key assumptions that the actuary used in the valuation are explained below:[83]

PBE IPSAS 1.140

- The actuary considered the contractual terms of the loans and past collection experience of the portfolio in estimating the recoverability of the loans. The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of the loans. The actuary has highlighted that there is heightened uncertainty in these forward-looking macroeconomic factors at the present time, and the impact this will have on payment behaviour in the future is uncertain.
- The discount rate to present value of the future payments has been built up by adding a risk margin to the risk-free discount rate. The risk-free discount rate is based on the 30 June 2023 table of risk-free discount rates that the Treasury published. The actuary estimated the risk margin based on an analysis of the interest rate spread between government securities and traded risky debt and making judgemental adjustments to ensure loss assumptions are not double counted in the forecast cash flow and discount rate. The average built-up discount rate ranges from 4% in year 1 to 5.5% in year 10.

PBE IPSAS 30.33(a)

The loans are classified in level 3 of the fair value hierarchy because fair value is estimated using significant unobservable inputs.

82 Fines and penalties receivables are non-contractual sovereign receivables because they arise out of statute rather than a contract. Non-contractual receivables are outside the scope of PBE IPSAS 41 and are initially accounted for under PBE IPSAS 23 *Revenue from Non-Exchange Transactions*.

83 The RDR does not require disclosure of fair value for certain financial assets and financial liabilities (PBE IPSAS 30.29) but does require disclosure of the basis for determining fair value for financial assets and financial liabilities measured at fair value (PBE IPSAS 30 RDR 31.1).

2. Receivables (continued)

Fines and penalties receivables

PBE IPSAS 1.140

The Ministry engaged Wellington Actuaries Limited to estimate the impaired value of the fines and penalties receivables as at 30 June 2023. Key assumptions that the actuary used in the valuation are explained below:

- Forecast cash flows are based on the payment rate experience of the portfolio. Payment rate experience is primarily based on the average payment ratios over the last five years.
- There is ongoing uncertainty about the effects that the current economic environment will have on the payment behaviour in the future. The actuary has considered the nature of the fines and penalties receivables and compared repayment behaviours before, now, and likely into the future. The actuary has not identified anything at this stage that indicates that a change to the payment assumption is required. However, there is still a level of uncertainty with this assumption.
- The discount rate to present value the future payments has been built by adding a risk margin to the risk-free rate. The risk-free rate is based on the 30 June 2023 table of risk-free rates that the Treasury published. The actuary estimated the risk margin based on an analysis of the interest rate spread between government securities and traded risky debt and making judgemental adjustments to ensure loss assumptions are not double counted in the forecast cash flow and discount rate. The risk margin was assessed at 6.5% (2022: 4.5%) and the discount rate used was 11.25% (2022: 8.25%) .
- A collection expense ratio of 20% of the expected repayments has been factored into the valuation, which is based on the average collection expenses that the Ministry incurred in the past five years.

PBE IPSAS 1.94(b)

Breakdown of receivables and further information

	2022 $000		2023 $000
		Public accountability research encouragement loans	
PBE IPSAS 30.37(b)	7,610	Face value of loans	8,550
	(4,217)	Less: write-down at initial recognition, impairment, and other fair value changes	(4,568)
	3,393	Carrying value of public accountability research encouragement loans	3,982
		Fines and penalties receivables	
	2,951	Face value of fines and penalties imposed	3,101
	(1,074)	Less: net impairment	(1,101)
	1,877	Carrying value of fines and penalties	2,000
	124	Accrued revenue	142
	32	Other receivables	15
PBE IPSAS 1.88(g)	**5,426**	**Total receivables – non-exchange**	**6,139**
		Total receivables are represented by:	
	1,017	Current	1,067
	4,409	Non-current	5,072

2. Receivables (continued)

Public accountability research encouragement loans[84]

PBE IPSAS 30.37(c)

The public accountability research encouragement loan scheme is designed to encourage public accountability research. Loans are for a maximum of 10 years, and no interest is charged on the loans.

PBE IPSAS 30.33(c), 37(a)

Movements in the carrying value of the loans during the year are as follows:

2022 $000		2023 $000
3,902	Balance as at 1 July	3,393
597	Face value of new loans granted during the year	779
(186)	Fair value adjustment on initial recognition recognised as an expense	(232)
(487)	Loans repaid during the year (principal and interest)	(37)
(785)	Subsequent fair value adjustment recognised as an expense	(353)
352	Interest unwind	432
3,393	**Balance as at 30 June**	**3,982**

Sensitivity analysis

PBE IPSAS 30.33(e)

PBE IPSAS 1.140

If the repayment of loans assumption were to improve by 10%, with all other factors held constant, the fair value of the loans would increase by $371,000. If the repayment of loans assumption were to decrease by 10%, with all other factors held constant, the fair value of the loans would decrease by $352,000.

If the discount rate were to increase by 1%, with all other factors held constant, the fair value of the loans would decrease by $472,000. If the discount rate were to decrease by 1%, with all other factors held constant, the fair value of the loans would increase by $462,000.

Fines and penalties receivables

Good practice

Movements in the carrying value of the receivables during the year are as follows:

2022 $000		2023 $000
1,786	Balance as at 1 July	1,877
4,603	Face value of fines and penalties imposed during the year (a)	5,260
(921)	Adjustment on initial recognition to recognise at fair value (b)	(1,052)
3,682	Fines and penalties revenue recognised during the year ((a)-(b))	4,208
(3,699)	Fines and penalties collected during the year	(4,177)
(140)	Subsequent net impairment adjustment	(114)
248	Unwind of discount	206
1,877	**Balance as at 30 June**	**2,000**

Good practice

Movements in the net impairment of the receivables are as follows:

2022 $000		2023 $000
1,101	Balance as at 1 July	1,081
140	Net additional impairment during the year	114
(167)	Amounts written off	(94)
1,074	**Balance as at 30 June**	**1,101**

84 PBE IPSAS 30 requires additional disclosures for concessionary loans granted, which are loans granted by an entity below market terms (for example, loans provided to community organisations at interest rates that are lower than what the community organisation could obtain if it borrowed from a financial institution).

2. Receivables (continued)

Sensitivity analysis

PBE IPSAS 1.140 If the payment ratio were to improve by 10%, with all other factors held constant, the carrying value of the receivables would increase by $171,000. If the payment ratio were to decrease by 10%, with all other factors held constant, the carrying value of the receivables would decrease by $162,000.

If the discount rate were to increase by 1%, with all other factors held constant, the carrying value of the receivables would decrease by $271,000. If the discount rate were to decrease by 1%, with all other factors held constant, the carrying value of the receivables would increase by $267,000.

PBE IPSAS 1.93

3. Payables

	2022 $000		2023 $000
		Payables under exchange transactions	
	124	Creditors	189
	585	Accrued expenses	179
PBE IPSAS 1.88(k)	709	Total payables under exchange transactions	368
		Payables under non-exchange transactions	
PBE IPSAS 1.88(j)	123	Grants payable	156
	832	**Total payables**	**524**

4. Financial instruments information and risks

PBE IPSAS 30.11 The carrying amounts of financial assets and financial liabilities in each of the financial instrument categories are as follows:

	2022 $000		2023 $000
PBE IPSAS 30.11(a)		**Mandatorily measured at fair value through surplus or deficit**	
	3,393	Public accountability research encouragement loans	3,982
		Financial assets measured at amortised cost	
	2,567	Cash and cash equivalents	3,020
	156	Other receivables (excludes fines and penalties receivable)[85]	157
PBE IPSAS 30.11(f)	2,723	Total financial assets measured at amortised cost	2,863
PBE IPSAS 30.11(g)		**Financial liabilities measured at amortised cost**	
	832	Payables	524

85 Fines and penalties receivables are not included in the financial instrument notes because the receivables arise from statute, so they are not financial instruments.

4. Financial instruments information and risks (continued)

Credit risk

Credit risk is the risk that a third party will default on its obligation, causing a loss to be incurred.

PBE IPSAS 30.40 — Credit risk arises from funds held with banks and receivables.

Funds must be deposited with Westpac, a registered bank.

PBE IPSAS 30.42K,43 — The maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and receivables. There is no collateral held as security against these financial instruments. Other than Westpac, there are no significant concentrations of credit risk.

PBE IPSAS 30.42M — The Standard & Poor's credit ratings for cash and cash equivalents held at Westpac is AA-.

PBE IPSAS 30.42G — Although cash and cash equivalents as at 30 June 2023 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is trivial.

PBE IPSAS 30.40 — **Cash flow interest rate risk**

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Ministry has no exposure to cash flow interest rate risk because there is no interest on the bank accounts held with the bank.

Liquidity risk

Liquidity risk is the risk that the Ministry will encounter difficulty raising liquid funds to meet commitments as they fall due.

PBE IPSAS 30.46(c) — As part of meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements. The Ministry maintains a target level of available cash to meet liquidity requirements.

PBE IPSAS 30.46(a) — As at 30 June 2023, the expected cash outflows from payables maturing within six months is $524,000 (2022: $832,000). These amounts are the contractual undiscounted cash flows.

Treasury Instructions 2021 6.2.1.2

5. Explanation of major variances against budget[86]

Explanations for major variances from the Ministry's non-departmental budget figures are as follows:

Schedule of revenue and schedule of expenses

There are no significant variances against budget.

Schedule of assets and schedule of liabilities

Prepayments were more than anticipated due to a greater number of subscriptions relating to 2022/23 being prepaid by 30 June 2023. Historically, these subscriptions had been paid in the financial year that the subscription related to.

Schedule of capital receipts

Repayments of public accountability research encouragement loans were lower than budget because of current economic factors, which have affected some borrowers' ability to pay.

86 This note should explain variances between actual results and the budgeted figures.

PFA s45A

APPROPRIATION STATEMENTS[87]

Treasury Instructions 2021 6.2.1.1

The following statements report information about the expenses and capital expenditure incurred against each appropriation that the Ministry administers for the year ended 30 June 2023. They are prepared on a GST-exclusive basis.

Treasury Instructions 2021 5.1

Statement of cost accounting policies

The Ministry has determined the cost of outputs using the cost allocation system outlined below.

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be attributed to a specific output in an economically feasible manner.

Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity or usage information. Depreciation and capital charge are charged on the basis of asset utilisation. Personnel costs are charged on the basis of actual time incurred. Property and other premises costs, such as maintenance, are charged on the basis of floor area occupied for the production of each output. Other indirect costs are assigned to outputs based on the proportion of direct staff costs for each output.

There have been no changes in cost accounting policies since the date of the last audited financial statements.[88]

PFA s45A(a)

STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS FOR THE YEAR ENDED 30 JUNE 2023[89,90]

Annual and permanent appropriations for Vote Public Issues[91]

Expenditure after remeasurements 2022 $000[92]		Expenditure before remeasurements 2023 $000	Remeasurements 2023 $000	Expenditure after remeasurements 2023 $000	Approved appropriation 2023** $000	Location of end-of-year performance information*
	Departmental output expenses					
199,332	Provision of accountability services	216,950	(189)	216,761	217,216	1
210	Contestable accountability services – Revenue dependent appropriation	154	0	154	142	1
1,180	Administration of Crown expenses	3,023	0	3,023	3,028	1
200,722	Total departmental output expenses	220,127	(189)	219,938	220,386	
	Departmental other expenses					
0	Restructuring costs	1,788	0	1,788	1,800	1
	Departmental capital expenditure					
74,592	Ministry of Public Accountability capital expenditure – Permanent Legislative Authority under section 24(1) of the PFA	78,482	0	78,482	79,321	1

87 The appropriation statements are required to be prepared separately from the financial statements (PFA 45(2)(d)).

88 Section 5.1 of Treasury Instructions 2021 requires a statement of changes in cost accounting policies even if there have been no changes. Where a cost accounting policy change materially affects the cost of individual outputs, there must be disclosure of the nature of the changes, the reasons for the changes, and the effect of the changes on individual outputs.

89 This statement should include appropriations given by permanent legislative authority (PLA), such as departmental capital expenditure. Under section 11(2) of the Act, PLAs must be managed and accounted for in the same manner as other appropriations, so they must appear in the Estimates and this statement.

90 It is optional to include forecast financial information for the next financial year.

91 Appropriations given by permanent legislative authority should be separately disclosed, even when they are allocated to the same output class as a normal appropriation.

92 Disclosing comparative figures for the prior year is good practice.

STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

Expenditure after remeasure-ments 2022 $000		Expenditure before remeasure-ments 2023 $000	Remeasure-ments 2023 $000	Expenditure after remeasure-ments 2023 $000	Approved appropriation 2023** $000	Location of end-of-year performance information*
	Non-departmental output expenses					
1,398	Promotion of public accountability	1,495	(32)	1,463	1,487	2
874	Public accountability legislation	1,838	0	1,838	2,013	3
2,272	Total non-departmental output expenses	3,333	(32)	3,301	3,500	
	Non-departmental other expenses					
30,859	Contingency and innovation fund	30,439	(312)	30,127	31,097	2
186	Initial fair value write-down of public accountability encouragement loans	232	0	232	300	4
785	Impairment of public accountability encouragement loans	353	0	353	370	4
140	Impairment of fines and penalties	114	0	114	120	4
426	International subscriptions	367	(67)	300	405	4
32,396	Total non-departmental other expenses	31,505	(379)	31,126	32,292	
	Non-departmental capital expenditure					
411	Public accountability research encouragement loans	547	0	547	890	1
	Multi-Category appropriations					
	Policy advice, monitoring of funded agency, and ministerial servicing MCA					
	Departmental output expenses					
4,892	Research into public accountability	4,836	(20)	4,816	4,827	
3,027	Public accountability inspection	3,461	0	3,461	3,342	
216	Monitoring of funded agency	234	0	234	250	
321	Ministerial servicing	342	0	342	366	
8,456	Total	8,873	(20)	8,853	8,785	1
	Public accountability centenary MCA					
	Departmental output expenses					
0	Public accountability centenary operating expenses	220	0	220	240	
	Non-departmental capital expenditure					
0	Public accountability centenary capital expenditure	0	0	0	100	
0	Total	220	0	220	340	1
8,456	**Total multi-category appropriations**	9,093	(20)	9,073	9,125	
318,849	**Total annual and permanent appropriations**	**344,875**	**(620)**	**344,255**	**347,314**	

STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

PFA s45A(b)

*The numbers in this column represent where the end-of-year performance information[93] has been reported for each appropriation that the Ministry administers, as detailed below:

1 The Ministry's annual report.

2 The Accountability Commission's annual report.

3 To be reported by the Minister of Public Accountability in a report appended to this annual report.

4 No reporting due to an exemption granted under section 15D of the PFA.

** These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the PFA.

Treasury Annual Report Guidance

Revenue dependent appropriation – Contestable accountability services[94]

The Ministry earned $158,000 of revenue from the sale of accountability publications and services. The Ministry is permitted to incur expenditure up to the amount of revenue earned for this appropriation.

Multi-year appropriation for Vote Public Issues

The Ministry has a multi-year appropriation for other expenses to be incurred by the Crown for providing advice and grants to assist the growth and development of public accountability in certain countries. This appropriation started on 1 July 2018 and expires on 30 June 2023.

2022 $000		2023 $000	Location of end-of-year performance information*
	Appropriation for non-departmental other expenses: Public accountability assistance		3
3,100	Original appropriation	3,100	
0	Cumulative adjustments	(100)	
3,100	Total adjusted approved appropriation	3,000	
811	Cumulative actual expenditure as at 1 July	1,798	
987	Current year actual expenditure	400	
1,798	Cumulative actual expenditure as at 30 June	2,198	
1,302	Appropriation remaining as at 30 June	802	

PFA s45A(b)

*The numbers in this column represent where the end-of-year performance information[95] has been reported:

3 To be reported by the Minister of Public Accountability in a report appended to this annual report.

93 Where the end-of-year performance information is presented will need to reflect where this information is actually presented, and this should be consistent with the location specified in the Estimates or Supplementary Estimates of Appropriation.

94 Where there is a revenue-dependent appropriation under section 21 of the PFA, we suggest this additional disclosure would be helpful to the users of the appropriation statements. This suggested additional disclosure is not mandatory.

95 Where the end-of-year performance information is presented will need to reflect where this information is actually presented, and this should be consistent with the location specified in the Estimates or Supplementary Estimates of Appropriation.

STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

Good practice

Transfers under section 26A of the PFA for Vote Public Issues[96]

The approved appropriation includes adjustments made in the Supplementary Estimates and the following transfers under section 26A of the PFA.

	Supp estimates 2023 $000	Section 26A transfers 2023 $000	Approved appropriation 2023 $000
Departmental output expenses			
Research into public accountability	4,427	400	4,827
Provision of accountability services	217,616	(400)	217,216

PFA s45A(c)

STATEMENT OF EXPENSES AND CAPITAL EXPENDITURE INCURRED WITHOUT, OR IN EXCESS OF, APPROPRIATION OR OTHER AUTHORITY FOR THE YEAR ENDED 30 JUNE 2023[97]

	Expenditure after remeasurements 2023 $000	Approved appropriation 2023 $000	Unappropriated expenditure 2023 $000
Vote Public Issues			
Multi-category expenses and capital expenditure			
Policy advice, monitoring of funded agency, and ministerial servicing MCA	8,853	8,785	68
Research into public accountability	4,816	4,827	
Public accountability inspection	3,461	3,342	
Monitoring of funded agency	234	250	
Ministerial servicing	342	366	

Expenses and capital expenditure approved under section 26B of the PFA

The Ministry commissioned a major study, *Positively public accountability – Its impact on the public service*, during the last two months of the financial year. The Ministry had to engage overseas consultants because local consultants were not available. This resulted in actual costs exceeding those appropriated by $68,000.[98]

Treasury guidance

The Minister of Finance has approved this unappropriated expenditure under section 26B of the PFA.[99]

Expenses and capital expenditure incurred in excess of appropriation[100]

Nil.

Expenses and capital expenditure incurred without appropriation or outside scope or period of appropriation

Nil.

96 Where there have been transfers under section 26A of the PFA, we suggest this additional disclosure would be helpful to the users of the appropriation statements. This suggested additional disclosure is not mandatory.

97 This statement should be included even if there was no unappropriated expenditure.

98 If a government department has incurred expenses or capital expenditure without, or in excess of, authority, section 45A(c) of the PFA requires an explanation of the reasons for the unappropriated expenses and capital expenditure.

99 Treasury guidance also states that this statement should include information about whether the unappropriated expenditure was approved under section 26B of the PFA or requires validation under section 26C and, if the latter, whether prior approval to the expenditure was obtained either under Imprest Supply or under other authority.

100 Government departments may use the suggested headings where there is unappropriated expenditure or alternatively disclose all unappropriated expenditure under a single heading.

PFA s45A(d)

STATEMENT OF DEPARTMENTAL CAPITAL INJECTIONS FOR THE YEAR ENDED 30 JUNE 2023

Actual capital injections 2022 $000[101]		Actual capital injections 2023 $000	Approved appropriation 2023 $000
	Vote Public Issues		
0	Ministry of Public Accountability – Capital injection	46,763	46,763

PFA s45A(e)

STATEMENT OF DEPARTMENTAL CAPITAL INJECTIONS WITHOUT, OR IN EXCESS OF, AUTHORITY FOR THE YEAR ENDED 30 JUNE 2023[102]

The Ministry has not received any capital injections during the year without, or in excess of, authority.[103]

101 Disclosing comparative figures for the prior year is good practice.

102 This statement should be included even if a government department did not receive a capital injection without, or in excess of, authority.

103 If a government department has received a capital injection outside authority, section 45A(e) of the PFA requires an explanation of the reasons for the unauthorised capital injection.

Subject index