

Annual Report for the year ended 30 June 2017

Presented to the House of Representatives pursuant
to section 44(1) of the Public Finance Act 1989 and
section 23 of the Environment Act 1986



Parliamentary Commissioner
for the **Environment**

Te Kaitiaki Taiao a Te Whare Pāremata

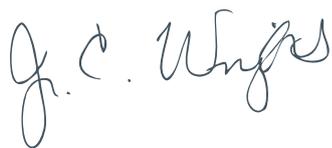
Parliamentary Commissioner for the Environment
Te Kaitiaki Taiao a Te Whare Pāremata

The Speaker of the House of Representatives
Parliament House
WELLINGTON

Mr Speaker

In accordance with section 23 of the Environment Act 1986, I am pleased to submit my
Annual Report for the year ended 30 June 2017.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. C. Wright', written in a cursive style.

Dr Jan Wright
Parliamentary Commissioner for the Environment

Contents

1	Overview / Tirohanga whānui	3
2	My role	9
2.1	About us	9
2.2	Legal functions	10
2.3	Our mission and values	11
3	Reports, advice, and other activities	13
3.1	Investigations	14
3.2	Advice	18
3.3	Other activities	18
3.4	Current and future work	19
4	The office	21
4.1	Training and development	21
4.2	Organisational health	21
5	Financial statements and statement of service performance	23
5.1	Statement of responsibility	23
5.2	Independent Auditor's Report	24
5.3	Statement of objectives and service performance	28
5.4	Statement of comprehensive revenue and expense for the year ended 30 June 2017	30
5.5	Statement of financial position as at 30 June 2017	31
5.6	Statement of changes in equity for the year ended 30 June 2017	31
5.7	Statement of cash flows for the year ended 30 June 2017	32
5.8	Statement of commitments	33
5.9	Statement of contingent liabilities and contingent assets	33
5.10	Notes to the financial statements	34
5.11	Appropriation statements	48



Overview

My final year as Parliamentary Commissioner for the Environment has been busy and productive with the release of two major reports – one on climate change and agriculture, and the other on our precious native birds. In a third report, released in July 2017, I looked at how New Zealand might chart a pathway to meeting its greenhouse gas targets.

But with the end in sight I now find myself in a reflective mood, thinking about what I have learned over the past ten years, what I set out to achieve, and what has changed in that time.

I am often asked if I think the environment is in a better or worse state than when I came into this role. My answer is that while there has been some good progress over the years, we still have some big issues to face up to and some tough problems to solve. One thing that certainly has improved is the general understanding and acceptance of the importance of environmental issues. The environment is now firmly in the mainstream of public discourse.

Water quality is an example. In my first report on this subject I set out to simply acquire and communicate an understanding of what the problem was. My later work on water quality was built on that basic understanding. Today water quality issues are reported much more accurately in the media and debates are much better informed.

Another example is climate change – the ultimate intergenerational issue and by far the most serious environmental issue we face. Nowadays I rarely encounter any denial about our changing climate, but this was not the case ten years ago. Along with other countries, New Zealand must start planning for a smooth transition to a low-carbon future.

In my last report, *Stepping stones to Paris and beyond*, I called on all political parties to come together and take a historic step forward by passing a similar law to the UK's 2008 Climate Change Act. Such an Act would put emissions targets into law, require the setting of carbon budgets to act as stepping stones towards them, and establish a high-powered independent expert group to crunch the numbers and provide objective advice.

Methane and nitrous oxide – the biological gases from agriculture – account for about half of New Zealand’s greenhouse gas emissions. In my report, *Climate change and agriculture: Understanding the biological greenhouse gases*, I found that there are no technological silver bullets on the horizon for dealing with this challenge. But there are some things that can be done, including planting trees. Indeed allowing native forest to regenerate on marginal hill country would not only take carbon dioxide out of the atmosphere, but help to stabilise soils and reduce the amount of sediment ending up in waterways.

The report for which I am perhaps best known followed a very thorough investigation into the use of the pesticide 1080. Since then it has been very satisfying to see the Government’s steadfast position on the continued use of 1080, and the Department of Conservation’s successful ‘Battle for Our Birds’ operations. And last year the Government announced the goal of making the country free of predators by 2050. Regardless of how realistic this goal is, it puts the focus firmly on the predators that are devastating our native fauna.

How serious the situation is became clear during the investigation into New Zealand’s native birds that resulted in the report, *Taonga of an island nation*. A third of our 168 native bird species are in danger of becoming extinct. The vision behind this report is the restoration of abundant, diverse, and resilient birdlife on the mainland. This is a cause for all New Zealanders – our birds need help not only in national parks, but on farms, along rivers and coasts, and in cities.

This year, I was honoured to receive one of Forest & Bird’s ‘Old Blue’ awards. There are many individuals, groups, and organisations around the country dedicated to the protection of our natural heritage. I have greatly valued my interactions with many of them and applaud their efforts.

Good progress on environmental issues is often the result of different people coming together to find workable, practical solutions. So during the course of our investigations, my team and I have worked hard at engaging with people with a broad range of perspectives on environmental issues.

Over recent years, the development of a deeper engagement with tangata whenua has been particularly important. One consequence is that overviews in reports are now presented in te reo as well as in English.

I have increasingly appreciated the opportunity to interact with farmers and business people. Today we see farmers much more engaged in environmental issues than they were ten years ago. And some businesses are now energetically pursuing green technologies and other ways to combat climate change.

We New Zealanders are lucky to live in an exceptionally beautiful country, but we have some major environmental challenges, including climate change, water quality, and biodiversity loss. But I am optimistic about the future because the will to solve these problems is growing ever stronger.

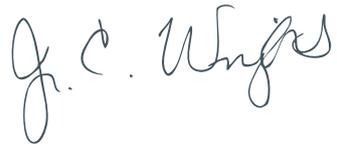
However, careful, independent analysis and explanation will become even more important as environmental issues become ever more complex. It has been pleasing to see the work of the office increasingly acknowledged and respected, and I owe much to my staff for their hard work and commitment.

I would like to wish the incoming Commissioner, Simon Upton, all the very best in this unique role. I hope he finds it as rewarding as I have.

Finally, I want to thank Members of Parliament, past and present, for their interest and engagement during the last decade.

Whāia te iti kahurangi; ki te tūohu koe, me he maunga teitei.

Noho ora mai,



Dr Jan Wright

Parliamentary Commissioner for the Environment



Tirohanga whānui

He tau toritori, he tau tōnui hoki taku tau whakamutunga i te tūranga Kaitiaki Taiao a Te Whare Pāremata. E rua ngā pūrongo nui i tukuna atu – tētahi e pā ana ki te panoni āhuarangi me te ahuwhehua, ā, tētahi atu e pā ana ki ēnei tino taonga, ā tātou manu ake o Aotearoa. I te pūrongo tuatoru, i tukuna atu i te Hurae 2017, i tirohia e au me pēhea a Aotearoa e whakamahere kia tutuki ai i ngā whāinga haurehu kati mahana.

E tata ana te otinga o te mahi, e āta whakaaro ana au mō ngā mea i ako au i ngā tau kotahi tekau kua pahure ake nei, he aha aku whāinga i te tīmatanga, ā, he aha ngā rerekētanga mai i taua wā.

He maha ngā wā ka whiua mai te pātai mēnā - ki taku nei titiro - kua piki, kua heke rānei te āhua o te taiao mai i taku urunga ki te tūranga nei. E pēnei ana taku whakautu, ahakoa tērā ētahi painga, he take nui kei mua i a tātou, ā, he raruraru uaua me whakatikatika. Ko tētahi mea kua piki ko te mōhiotanga me te whakaaetanga ki ngā take nui o te taiao. Kei te kōrerotia whānuitia te taiao e te iti me te rahi ki te auraki.

Hei tauira ko te kounga o te wai. I taku pūrongo tuatahi mō te kaupapa nei ko taku whāinga kia mōhio, ā, kia kōrero atu he aha te tino raruraru. Ko taku mahi mō te kounga o te wai i whai ake, i hangaia i runga i taua mōhiotanga. Ināianei he tika ngā pitopito kōrero a te hunga pāpāho mō ngā take kounga wai, ā, he hōhonu ake te whakaaro i roto i ngā taupatu.

Hei tauira anō ko te panoni āhuarangi – koia te tino take tuku iho a tētahi whakatipuranga ki tētahi whakatipuranga, ā, koia te tino take o te taiao. I ēnei rā, me uaua kē ka rongu i te whakaparau mō te panoni āhuarangi, engari kāore i pērā i ngā tekau tau i mua. Ōrite ki ētahi atu motu, me tīmata a Aotearoa ki te whakariterite mō te whakawhitinga ki te waro iti hei te wāheke.

I taku pūrongo whakamutunga, Te Hātepe ki Parihi, ki tua atu hoki i akiaki au i ngā rōpū tōrangapū katoa kia kotahi te whakaaro, ā, kia ahu whakamua. Arā, me whakatū tētahi ture āhua ōrite ki te Ture Panoni Āhuarangi o Peretānia 2008. Mā te ture pēnei ka whakaturehia ngā whāinga putanga, ka whakapūmautia te whakatū i ngā pūtea waro hei arawhata ki aua whāinga, ā, ka whakatūria tētahi rōpū pūkenga motuhake e mana nui ana hei tuku i te kupu āwhina tika.

Kei te takiwā o te haurua o ngā putanga haurehu kati mahana o Aotearoa nō te mewaro me te hauota-rua ōkai – ngā haurehu koiora o te ahuwhehua. I taku pūrongo, Panoni āhuarangi me te ahuwhehua: Te mārama ki ngā haurehu kati mahana, i kite au kāore he whakautu kotahi nō te ao hangarau kei te tāepaepatanga o te rangi hei ārai i tēnei raruraru. Engari me mahi ētahi mahi, tae atu ki te whakatō rākau. Otirā, mēnā ka tukuna ai te ngahere ake o Aotearoa kia whanake ake anō ki ngā whenua pukepuke ngoikore ka unuhia te hauhā i te kōhauhau, ā, ka āwhina ki te whakapūmau i ngā oneone. Waihoki ka whakahekea te parataiao e uru ai ki ngā arawai.

Ko te pūrongo i rongonui ai au pea i puta i muri i te āta rangahau ki te whakamahi o te paturaha 1080. Mai i taua wā kua manawareka au kia kite he manawanui te Kāwanatanga ki te whakamahi tonu i te 1080, ā, he angitu ngā whakahaere a Te Papa Atawhai mō te 'Pakanga mō ō Tātou Manu'. Waihoki, i tērā tau i pānui te Kāwanatanga i te whāinga kia whakakorea ngā konihi ki Aotearoa kia tae ki te tau 2050. Ahakoa he uaua kia tutuki i te whāinga nei, ka āta tirohia ngā konihi e whakamōtī ana i ā tātou ake kararehe.

He tino mārama te āhua o te whakamōtītanga i te rangahau ki ngā manu ake o Aotearoa, i puta mai ai te pūrongo, Taonga nō te whenua motutere. He hautoru o ngā momo manu 168 nō Aotearoa ake ka mate ā-moa pea. Ko te moemoeā hei kaupapa mō te pūrongo ko te whakarauoratanga o te taupori manu kia makuru, kia manawaroa, kia kanorau anō hoki ki te tūwhenua. He kaupapa nui tēnei mō ngā tāngata katoa o Aotearoa – me āwhina ā tātou manu ki ngā papa rēhia ā-motu, ki ngā pāmu, ki ngā awa, ki ngā takutai, ki ngā tāone nui anō hoki.

He hōnore nui kia whakawhiwhia au ki te tohu 'Old Blue' o Te Reo o Te Taiao. He maha ngā tāngata, ngā rōpū me ngā tōpūtanga huri noa Aotearoa e manawanui ana ki te tiaki i te taonga tuku iho nei, arā te taiao. Kua koa au ki te tūtaki ki a rātou, ā, ka tino tautoko au i ā rātou mahi.

Ka ahu whakamua ngā take taiao i ngā wā ka whakaemi mai ngā tāngata rerekē ki te kimi i ngā whakatikatika mārama, e taea ai te whakamahi. Nā, i roto i ā tātou rangahautanga, ko mātou ko te tīma i kaha ki te kōrerorero ki ngā tūmomo tāngata katoa ahakoa he aha tā rātou tirohanga ki ngā take taiao.

I ngā tau tata nei, he mea nui kia whakawhanake i te tūhonotanga ki te tangata whenua. Ko tētahi hua o tēnā kei ngā reo e rua – te reo Māori me te reo Pākehā – ngā tirohanga whānui o ngā pūrongo.

Kua piki taku koa ki te kōrerorero ki ngā kaipāmu me ngā kaipākihi. I tēnei rā, ka kitea e āta whakaaro ake ana ngā kaipāmu i ngā take taiao ināianei i tō ngā tau kotahi tekau kua pahure ake nei. Ā, tērā ētahi pākihi e kaha ana te whai i ngā hangarau taiao me ētahi huarahi ki te aukati i te panoni āhuarangi.

He waimarie tātou, ngā tāngata o Aotearoa kia noho ki tētahi motu ātaahua rawa, engari he raruraru nui mō te taiao, tae atu ki te panoni āhuarangi, te kounga o te wai, me te ngaronga o te kanorau koiora. Engari he wawata tōku mo te wāheke nā te mea e kaha ake ana te hiahia kia whakatikatikahia ēnei raruraru.

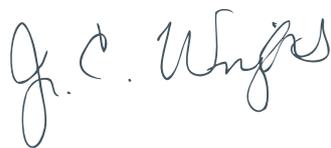
Heoi anō, ko te mea nui rawa, me āta tātari motuhake, me āta whakamārama hoki i ngā take taiao i te wā e piki ake ana te uauatanga o ngā take nei. E koa ana au kei te aumihia, kei te whakarangatiratia ngā mahi a te tari, ā, e kore e oti aku mihi ki aku kaimahi mō te mahi ahuhenua me te ngākaunui.

He mihi nui tāku ki te Kaikōmihana hou, a Simon Upton, kia angitu ai ia i roto i tēnei tūranga motuhake. Ko te tūmanako, ka tino whaihua te mahi nei.

Ko te kupu whakamutunga, he mihi maioha ki ngā Mema Pāremata, o nāianei, o mua iho hoki, i pai ai, i kōrerorero ai, i whakarongo ai mō te tekau tau kua pahure ake nei.

Whāia te iti kahurangi; ki te tūohu koe, me he maunga teitei.

Noho ora mai,



Dr Jan Wright
Te Kaitiaki Taiao a Te Whare Pāremata





2

My role

The position of the Parliamentary Commissioner for the Environment was established by the Environment Act 1986 to provide Members of Parliament with independent, high quality advice about environmental matters. When the role was established, words such as “*watchdog*”, “*environmental auditor*”, “*Parliament’s person*”, and “*without fear or favour*” were used by Members of Parliament to describe the role of the Commissioner. These terms are still relevant today.

As an independent Officer of Parliament, I report to Parliament as a whole, not to a government minister. This is very different from other environmental agencies such as the Ministry for the Environment and the Environmental Protection Authority, who both report to, and have their budgets set by a government minister. I therefore have a unique opportunity to provide Parliament with independent advice on any matters that may have an impact on the quality of the environment. It is up to the Government of the day as to whether or not they adopt my recommendations.

Communicating that advice to the wider public is also important, which is why I endeavour to ensure that my work is clear and concise, and easy to read. Many environmental issues are not straightforward. A wide range of environmental issues, some more contentious than others, are traversed in this Annual Report.

2.1 About us

My office is based in Wellington over the road from Parliament and I have nineteen staff who make carrying out my role possible. Between us, we have a wide range of skills and knowledge.

I grew up in Christchurch and studied physics at the University of Canterbury. After moving to Auckland, I taught high school students in Otara for several years. After the energy crisis in the 1970s, I became interested in energy. This led to a Masters degree in Energy & Resources at the University of California at Berkeley, and to research into the economics of energy efficiency at Lawrence Berkeley Laboratory.

After some years at the Centre for Resource Management at the universities of Canterbury and Lincoln, I returned to the United States to study for a doctorate in public policy at Harvard University. Back in New Zealand in 1998, I began working as an independent policy and economic consultant for a variety of government agencies. I also served on the boards of a number of Crown Entities before being appointed to the role of Parliamentary Commissioner for the Environment.

The office is truly multi-disciplinary, which really helps us to see issues from different perspectives, and can lead to animated discussions. Staff are qualified in such varied subjects as chemistry, geography, physics, biology, forestry, economics, politics, geology, law, planning, and history. I am also fortunate to have excellent administrative staff who keep us well organised.

2.2 Legal functions

The Environment Act 1986 lays out my functions and powers as Commissioner. These form the basis of my ability to investigate environmental issues, processes, and public agencies. The functions are wide-ranging and are set out in section 16(1) of the Environment Act 1986 as follows:

- a) **review** the system of agencies and processes established by the Government to manage the allocation, use, and preservation of natural and physical resources, and report to the House of Representatives
- b) **investigate** the effectiveness of environmental planning and environmental management carried out by public authorities, and advise them on remedial action
- c) **investigate** any matter where the environment may be or has been adversely affected, advise on preventive measures or remedial action, and report to the House of Representatives
- d) at the request of the House of Representatives or any select committee, **report** on any petition, bill, or other matter which may have a significant effect on the environment
- e) on the direction of the House of Representatives, **inquire** into any matter that has had or may have a substantial and damaging effect on the environment and report to the House
- f) **undertake** and encourage the collection and dissemination of information relating to the environment
- g) **encourage** preventive measures and remedial actions for the protection of the environment.

2.3 Our mission and values

In preparing, reporting and communicating advice to Parliament, my staff and I use the following shared mission and values to guide our work.

Our mission

To maintain or improve the quality of the New Zealand environment by providing robust independent advice that influences decisions

11

Our values

Excellence	The questions we raise and the solutions we propose are based on sound science and reasoned argument. We are accountable to the people of New Zealand and deliver value for the funding we receive.
Determination	We bravely and constructively question the status quo. We persist in communicating the results of our work in different ways to maximise its usefulness.
Generosity of spirit	We work together in an open collegial way, sharing our expertise, listening carefully and not rushing to judgment. We actively acknowledge decisions and actions that benefit the environment.
Innovation	Our independence empowers us to think freely and creatively. We strive to get beyond describing problems to proposing solutions.
Effectiveness	Others trust and respond to our advice. Our work has a lasting and tangible impact on the New Zealand environment.





3

Reports, advice, and other activities

We New Zealanders take great pride in our environment, in its beauty, its bountiful natural resources, and the lifestyle opportunities of the 'great outdoors'. Our natural and physical environment is central to our way of life, identity, and economic prosperity. It is also precious in its own right.

Maintaining or improving the quality of New Zealand's environment is therefore an important goal. The core work of our office is undertaking investigations and providing advice on environmental matters.

Investigations arise in a variety of ways. For instance, they may be prompted by letters from the public, or may flow from issues uncovered in earlier investigations. The result of an investigation is in the form of a report tabled in Parliament. Reports usually contain recommendations to Ministers. My staff and I work hard to ensure reports are accurate and readable, and that recommendations are both practical and effective.

While formal reporting is fundamental, we also use a variety of other ways of communicating our work to Parliamentarians and the public, from presentations and speeches, to media comment and videos on our website. Two or three years after a report, a short update on the subject is usually prepared. These update reports canvass reactions and responses, and sometimes include new developments.

The provision of advice is generally done in two ways: either as advice on proposed law changes to select committees or on policy proposals to government agencies.

3.1 Investigations

This year I have released two major reports – one on climate change and agriculture, and the other on our precious native birds. In a third report, released in July 2017, I looked at how New Zealand might chart a pathway to meeting its greenhouse gas targets.

The two investigative reports tabled in Parliament this year were:

- *Climate change and agriculture: Understanding the biological greenhouse gases*
- *Taonga of an Island Nation: Saving New Zealand's birds*

Climate change and agriculture: Understanding the biological greenhouse gases

This report, released in October 2016, followed a lengthy investigation into the biological greenhouse gases from agriculture – methane and nitrous oxide. Together, these gases form about half of New Zealand's greenhouse gas emissions, and present a major challenge to our efforts to reduce greenhouse gases. This report was about the science of these gases – how they are formed, how they behave in the atmosphere, and what might be done about them.

The main policy instrument in New Zealand for reducing greenhouse gas emissions is the Emissions Trading Scheme (ETS). The biological gases from agriculture have not yet been included in the ETS. Some argue they should be; others make the opposite case.

In this report, I sought to broaden the dispute over agriculture and the ETS into a bigger question: what, if anything, should we do about the methane and nitrous oxide from agriculture?

The science of the biological gases is complex, and reducing them will not be easy. I found that, while there are no silver bullets on the horizon, there are things that can be done now. Immediate opportunities for reducing these emissions lie in forestry and farm management.

I see immediate opportunities for reducing New Zealand's emissions in new native and plantation forests. While it might not be the whole solution, a million hectares of regenerating native forest would make a big difference.

The realities of a warming world mean changes in the way we farm are now inevitable. The world will continue to need food. However, in the long term the way in which food is grown, and the types of food grown, will have to change if biological emissions are to be reduced. But our farmers have shown time and again their ability to adapt to new challenges.

The report was welcomed by the Government, with the Minister for Climate Change Issues and the Minister for Primary Industries releasing a joint press release describing the report as a *“robust and objective examination of how emissions from agriculture are created, as well as options for reducing them”* and would *“provided some useful ideas for the [Biological Emissions Reference] Group to consider further.”*

Meanwhile, Labour Party Climate Change Spokesperson Megan Woods recognised that the *“report shows that there are smart ways for us to begin the transition [to lower emission farm production systems]”*, also noting that *“planting more forests, getting composition of our fertilisers right, and looking at what feed options are all practical and immediate steps that must be taken without delay.”*

The report was also welcomed by Federated Farmers, who in a press release acknowledged the *“massive change required to reduce agricultural emissions”*, noting that *“we are going to have to work together as a nation, and we are going to have to look for solutions based on new technologies, smart science and good research.”* Not long after the report was released, Federated Farmers also released a policy acknowledging the reality of climate change and the contribution made by the biological greenhouse gases from agriculture.

Harry Clark, Director of the New Zealand Agricultural Greenhouse Gas Research Centre, described the report as *“a comprehensive overview of the unique challenges New Zealand faces when it comes to agricultural greenhouse gases.”*

Taonga of an island nation: Saving New Zealand’s birds

This report was released in May 2017 with the aim of shining a light on the state of New Zealand’s native birds. The report was based on a vision, a vision of restoring abundant, diverse, resilient birdlife on the mainland. I use the word Taonga in the title as a collective noun, because I see our birds collectively as a great treasure.

Across the country, many New Zealanders are working hard to save our natural heritage, but despite their best efforts, many native birds are in trouble. Many are in danger of becoming extinct, including the kea – the only alpine parrot in the world; the wrybill – the only bird in the world with a beak that curves to the side; and the whio – a duck that paddles through rough water like a white water kayaker.

All in all, of our 168 native bird species, just 20% are doing OK, 48% are in some trouble, and 32% are in serious trouble. For a country of which birds are so emblematic, this state of affairs is deeply troubling.

I believe it is possible to turn things around. But if we are to realise the vision of restoring abundant, diverse, resilient birdlife on the mainland, it will take clear thinking and planning, significant investment, the efforts of many New Zealanders, and a great deal of ingenuity and innovation. Our birds need three things if they are to thrive on the mainland.

The first is safety from predators. For native birds to flourish on the mainland, they need, first and foremost, to be protected from the introduced animals that kill them. Last year the Government announced the goal of making the country free of predators by 2050. Some have criticised this goal as unrealistic, but it focusses our attention on the predators that are devastating our native fauna.

The second is somewhere to live and thrive – habitat. Some birds are very particular about what they eat and where they nest, while others are more flexible. But this is not just about the conservation estate – our birds need our help on farms, along rivers and coasts, and in cities. This is a battle for all New Zealanders.

The third is a degree of genetic diversity. Birds living in small isolated groups can become so alike that their long-term survival is in doubt. We need sustained control of predators over more large areas, so that bigger populations of birds can thrive. Small isolated bird populations can become inbred. We must not let our birds drift to the shallow end of the gene pool.

I concluded my report with seven recommendations to the Government aimed at helping us ‘rethink’ conservation. They include high priority research on controlling predators, increased protection of important bird habitats, and investigating new sources of funding.

Of course there is much more to protecting our natural heritage than saving birds, but if we can restore our bird populations, our ecosystems as a whole will benefit.

The Minister of Conservation said the report contained *“valuable suggestions as to where efforts should be focused,”* and that she had *“asked officials to look further at the recommendations around translocations and community groups, to see where improvements could be made to existing programmes, or new initiatives assessed.”*

I was also very pleased to see the reaction of Predator Free 2050 Ltd, with Board Chair Jane Taylor saying *“the independent oversight provided by this report is welcomed and will be influential in shaping our strategy.”*

Stepping stones to Paris and beyond: Climate change, progress, and predictability

My most recent report, *Stepping stones to Paris and beyond*, is my last as Parliamentary Commissioner for the Environment. And I consider it very fitting that its subject is the most important environmental issue of them all: climate change.

In 2008, the UK House of Commons voted overwhelmingly in support of a new climate change law. It is a law that sets up a process for reducing greenhouse gas emissions into the future – a process that endures through changing Governments.

Some, including Generation Zero, have suggested that New Zealand should follow the UK and enact similar legislation that would put emissions targets into law, and require the setting of carbon budgets that would act as stepping stones towards the targets. It would also establish a high-powered independent expert group that would crunch the numbers and provide objective advice. In this report, I examined the merits of this proposal, and recommended a similar law be enacted in New Zealand.

Climate change is the ultimate intergenerational issue. It is a huge challenge not just for the current Government, but also for the Governments that succeed them into the future, be they blue, red, green, or any other colour. For this reason I have called on all parties to come together and take a historic step forward by passing a Climate Change Transition Act.

The transition to a low-carbon economy also brings with it many opportunities and New Zealand is well placed to take advantage of these. Indeed many businesses are keen to invest in green technologies, but they need more predictability before they can do so with confidence.

The release of the report was followed by a number of supportive press releases from the private sector.

Mike Bennetts, CE of Z Energy, said *“as a company whose products account for about eight per cent of New Zealand’s total greenhouse gases, Z backs this proposal and calls for other businesses to also publicly back it.”*

Meridian CE Mark Binns also welcomed the report and noted that *“successfully transitioning to a low-carbon economy is the opportunity for New Zealand business.”*

A Dairy NZ press release quoted CE Tim Mackle saying *“we support the development of an economy wide plan that outlines the expectations of each sector.”* In particular, Mr Mackle welcomed the certainty and transparency the model would bring to New Zealand’s approach to climate change.

Karen Silk, chair of Business NZ climate leaders group and general manager of commercial, corporate and institutional banking at Westpac NZ, said the report *“warrants serious consideration by those in the Beehive after September 23.”*

Other groups to publically come out in support of the report and the proposed Act included WWF, Forest & Bird, Oxfam, and the Environmental Defence Society, who strongly supported the recommendations.

The recommendations in my report were made not to Government, but to all MPs. Labour Party Spokesperson on climate change, Megan Woods, described the report as *“important step towards making sure New Zealand has a real plan to reduce our carbon emissions.”*

Dr Kennedy Graham – who played such a key role in the formation of the GLOBE-NZ cross-party working group – said *“we have a responsibility to pass on a safe, stable climate to the next generation and that requires us to work together, across political lines and successive governments. This law would help us do exactly that.”*

While this report was released in July 2017, it is included here since the investigation behind the report was conducted during the financial year under consideration.

3.2 Advice

Longfin eels

In 2013 I released a report on the status of the longfin eel, in which I found the population to be in decline. Longfin eels are particularly vulnerable because of their extraordinary lifecycle – breeding only once, at the end of a very long life. I have continued to call for greater protection for this unique creature, and I have been encouraged by the Government's response to date.

Since the release of my report, the Minister for Primary Industries has put forth a package of measures to increase longfin numbers and improve their long-term sustainability, which resulted in a **proposal to separate South Island eel stocks** – allowing for changes to the total allowable catch limit for longfin eels in the South Island. Back in February 2016 I was happy to support the proposal and the Minister subsequently separated the stocks.

In July 2016 my attention moved to a **review of management controls for South Island shortfin and longfin fisheries** and in a second submission I reiterated my previous conclusion that, based on the weight of evidence, the longfin eel population is in serious trouble, and that the commercial catch should be suspended until it is clear that the species is recovering. The longfin eel is a unique and extraordinary species – it is imperative we do all we can to ensure its survival.

3.3 Other activities

Undertaking investigations and preparing advice take up most of my time and that of my staff. However, it is important to take opportunities to visit different regions of the country, learn about environmental issues from those on the ground, and communicate our work, although time prevents me from accepting many invitations that come into the office.

Presentations this year have included the following.

In September 2016 I was pleased to address to the New Zealand Insurance Law Association in Queenstown. In the insurance industry and elsewhere there is a growing awareness of the financial risks associated with climate change. In this presentation I talked about my work on sea level rise, the impact it will have on coastal New Zealand, and what it might mean for financial institutions.

In March 2017 I spoke to the Agricultural Greenhouse Gas Mitigation Conference about my report Climate change and agriculture. The biological greenhouse gases – methane and nitrous oxide – present a major challenge to New Zealand's efforts to fight climate change.

Then, in May, shortly before the release of my report Taonga of an island nation: Saving New Zealand's birds, I addressed the Crazy and Ambitious Conference in Wellington – part of the biological heritage National Science Challenge. In this presentation I spoke about some of the things that had most stood out for me during the investigation into the decline of our native birds.

3.4 Current and future work

My functions are broad and there are numerous environmental issues worthy of investigation. However, time and resources are limited. It is therefore important our future work is carefully prioritised and planned, to ensure it is pertinent and 'adds value' for Members of Parliament and the public.

The first criterion for adding value is to avoid duplicating the work of others. Instead, I seek out areas where my independence can enable progress on difficult or contested topics, and where I am likely to be able to make practical, effective recommendations.

I receive many complaints, information, and suggestions from members of the public. While all the issues raised cannot be investigated, all are considered. Some have led to investigations.

However, while it is my job to worry about New Zealand's environment, not everything is of great importance. We strive to get beyond the reactionary and fashionable, and focus attention on what matters most.

I pay particular attention to environmental problems that are irreversible, cumulative, and/or accelerating. I also consider their scale and pervasiveness, and whether they threaten to tip a system into another state. Climate change ticks all these boxes and is therefore, in my view, the greatest environmental challenge the world faces.

I have now concluded what will be my final major investigation as Parliamentary Commissioner for the Environment, but work continues in the office on a number of fronts:

A submission is being prepared on the issues paper recently published by the Productivity Commission as part of its low-emissions economy inquiry. This work will build on my recent report, *Stepping stones to Paris and beyond*, in which I examined how New Zealand might chart a pathway to meeting its emissions targets.

Another team have been busy assessing the Ministry for the Environment and Statistics New Zealand's fresh water domain report, *Our fresh water 2017*.

Future areas of work are yet to be chosen. Rather than choosing and beginning specific investigations, some of my staff have been scoping and preparing material on a range of topics that could become fruitful avenues for investigation. This will leave the incoming Commissioner with the flexibility to chart his own course in the role.

My office will continue to respond to letters from members of the public expressing particular environmental concerns and requesting information.



4

The office

The capability and productivity of my staff is fundamental for the effectiveness of the office. The aim is to provide a supportive and rewarding environment where excellence is valued. We have a culture of continuous improvement, and continually look for ways to do things better by questioning the *status quo*.

4.1 Training and development

Staff members are encouraged, with the support of their managers, to plan for their own professional and personal development. In 2017/17, an amount equal to 3% of the total personnel budget was spent on training and development. This included management courses, on-going professional development, writing skills, attendance at conferences and seminars, and communications training.

4.2 Organisational health

My staff must have the right skills and experience in order to deliver high quality work. This means retaining top performing staff and attracting high calibre applicants. It also means ensuring that the office is recognised as a challenging workplace in which results are expected and delivered. Systems and process that support this work include:

- Regular meetings of the management team.
- Regular financial and operational reporting.
- Ongoing corporate systems development.

Measures to promote a healthy workplace include:

- Flexible work arrangements to accommodate family needs.
- Ability to use remote access to facilitate working from home in special circumstances.
- Negotiable part-time working arrangements, where appropriate.

No health and safety incidents were recorded during the year.

As at 30 June 2017, there were 19 staff (18.3 FTEs) employed within the office (Table 1). As at 30 June 2017, there are two full time positions vacant.

Table 1 Number and diversity of staff as at 30 June 2016

	2015/16 staff	2015/16 FTEs	2016/17 staff	2016/17 FTEs
Number of men employed	9	8.6	8	7.5
Number of women employed	10	9.8	11	10.8
Total employees	19	18.4	19	18.3
Ethnicity				
Pakeha, European	19		19	
Māori	0		0	
Polynesian	0		0	
Other nationalities	0		0	
Total employees	19		19	

The office remuneration policy is aligned with those already operating across the state sector. Our *Human Resources Manual* and *Code of Conduct* guide staff on employment related matters.



5

Financial statements and statement of service performance

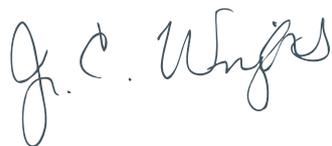
5.1 Statement of responsibility

I am responsible as Parliamentary Commissioner for the Environment, for:

- the preparation of the 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 is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in the annual report;
- the accuracy of any end-of-year performance information, whether or not that information is included in the annual report.

In my opinion:

- the financial statements fairly reflect the financial position of the Parliamentary Commissioner for the Environment as at 30 June 2017 and its operations for the year ended on that date; and
- the 2017/18 budget financial statements fairly reflect the forecast financial position of the Parliamentary Commissioner for the Environment as at 30 June 2018 and its operations for the year ending on that date.



Dr Jan Wright
**Parliamentary Commissioner for
the Environment**

29 September 2017

5.2 Independent Auditor's Report

**To the readers of
 Parliamentary Commissioner for the Environment's
 annual report
 for the year ended 30 June 2017**

The Auditor General is the auditor of the Parliamentary Commissioner for the Environment (the Commissioner). The Auditor General has appointed me, Chrissie Murray, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- the financial statements of the Commissioner on pages 30 to 47 that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2017, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Commissioner for the year ended 30 June 2017 on pages 13 to 19 and 28 to 29 and
- the statements of expenses and capital expenditure of the Commissioner for the year ended 30 June 2017 on pages 48 to 49.

Opinion

In our opinion:

- the financial statements of the Commissioner:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information of the Commissioner:
 - presents fairly, in all material respects, for the year ended 30 June 2017:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
 - complies with generally accepted accounting practice in New Zealand; and

- the statements of expenses and capital expenditure of the Commissioner are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

Our audit was completed on 2 October 2017. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Commissioner and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Commissioner

The Commissioner is responsible for preparing:

- financial statements that present fairly the Commissioner's financial position, financial performance and cash flows, and that comply with generally accepted accounting practice in New Zealand;
- performance information that presents fairly what has been achieved with each appropriation and the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand; and
- statements of expenses and capital expenditure of the Commissioner, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.

The Commissioner is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Commissioner is responsible for assessing her office's ability to continue as a going concern. The Commissioner is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Commissioner, or there is no realistic alternative but to do so.

The Commissioner's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Commissioner's Strategic Intentions 2014-2018, the relevant Estimates and Supplementary Estimates of Appropriations 2016/17, and the 2016/17 forecast financial figures included in the Commissioner's 2015/16 Annual Report.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commissioner's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner.
- We evaluate the appropriateness of the reported performance information within the Commissioner's framework for reporting performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Commissioner and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the office of the Commissioner to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Commissioner is responsible for the other information in the annual report. The other information comprises the information included on pages 3 to 11 and 21 to 22, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Commissioner in accordance with the independence requirements of the Auditor General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Commissioner.



Chrissie Murray

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

5.3 Statement of objectives and service performance

The primary impact that the Parliamentary Commissioner for the Environment seeks is to influence decisions in order to maintain and improve the quality of the New Zealand environment. The performance measures below directly and indirectly indicate whether we have achieved our mission.

Output: Reports and advice

Reports and advice are the sole output class appropriated through Vote: Parliamentary Commissioner for the Environment, although there are a variety of other activities that result from our work. Outputs include:

- Reports of investigations.
- Presentations to select committees on investigations and other matters.
- Provision of advice and/or briefings to Members of Parliament (MPs) on investigations and other matters.
- Advice and submissions on Bills and Inquiries to select committees.
- Submissions on proposed regulations.
- Update reports on responses to recommendations made by the Commissioner.
- Support for inter-Parliamentary delegations.
- Presentations on environmental issues to a wide variety of groups.
- Responses to concerns and enquiries from members of the public.
- A regular email newsletter informing MPs of the work of the office.

Budgeted and actual expenditure relating to the above output is detailed in section 5.11

Performance

One of the main functions of the Commissioner is to provide advice to Members of Parliament. The key indicator of the effectiveness of the Commissioner's work is the proportion of recommendations made that are adopted by Governments over the period of the Commissioner's tenure. This year, this indicator measured 59% (2016: 59%) against a target of 65%.

There is no 'right' answer for this indicator. A high percentage of recommendations adopted could indicate too many 'easy' recommendations. A low percentage could indicate a lack of pragmatism.

Raising levels of awareness and public debate is a priority for the Commissioner so ensuring work is accessible and accurate is important. Gaining coverage in the media also allows topics to be more widely discussed.

Table 2 shows performance measures and targets set by the Commissioner.

Table 2 Impact and output performance measures and targets

Measure	Target	Performance
Proportion of recommendations that are adopted or partially adopted during the tenure of the current Commissioner	65%	59%
Number of reports and commentaries published during the year	4-6	2*
Other advice to parliament	4-8	1**
Reports and commentaries externally peer reviewed and 'content checked'	100%	100%
Response to public concerns and information requests within required timeframes	100%	95%
Capital expenditure is in accordance with capital asset management plan	Achieved	Achieved

Quality assurance

It is extremely important that the work produced by the office is researched well, argued well, and written well. All work is internally reviewed. Major reports and commentaries are externally peer reviewed for technical accuracy.

Response to public concerns and requests

The office receives a range of correspondence from the public about environmental matters. The Commissioner has set three timeframes for responding to public concerns and information requests:

- all correspondence is to be acknowledged within 10 working days;
- all public concerns and requests for investigations are to receive a response within 9 months; and
- all requests for official information are to be responded to within the statutory timeframe of 20 working days.

In 2016/17, 89% of correspondence was acknowledged and 98% of public concerns were responded to within required timeframes. Seven official information requests were received, all of which were responded to within the statutory timeframe. We regularly review our processes with a view to continued improvement in this area.

* The two reports recorded here were both significant pieces of work, each one many months in the making. A third report is not recorded here as it was published in July 2017.

** This fluctuates with time based on when environmental legislation is before select committee or other advice is requested by Parliament.

5.4 Statement of comprehensive revenue and expense for the year ended 30 June 2017

Actual 2016 \$ (000)	Note	Actual 2017 \$ (000)	Unaudited Budget 2017 \$ (000)	Unaudited Budget 2018 \$ (000)
Revenue				
3,209	Revenue Crown	3,364	3,310	3,301
0	Revenue Other	0	3	3
3,209	Total Revenue	3,364	3,313	3,304
Expenses				
2,244	Personnel costs (2)	2,262	2,349	2,310
44	Depreciation and amortisation (6,7)	49	53	63
7	Loss on sale of property, plant and equipment	0	0	0
46	Capital charge (3)	40	49	37
855	Other operating expenses (4)	980	862	894
3,196	Total Expenses	3,331	3,313	3,304
13	Net Surplus/ (Deficit)	33	0	0
0	Other Comprehensive Revenue and Expenses	0	0	0
13	Total Comprehensive Revenue and Expenses for the year	33	0	0

Explanations of major variances against the original 2016/17 budget are detailed in note 14.

The accompanying notes form part of these financial statements.

5.5 Statement of financial position as at 30 June 2017

Actual 2016 \$ (000)	Note	Actual 2017 \$ (000)	Unaudited Budget 2017 \$ (000)	Unaudited Budget 2018 \$ (000)
Assets				
Current Assets				
498		634	474	478
292	(5)	283	292	292
790		917	766	770
Non-Current Assets				
93	(6)	95	92	94
42	(7)	34	62	45
135		129	154	139
925		1,046	920	909
Liabilities				
Current Liabilities				
221	(8)	295	216	182
13	(9)	33	0	0
80	(10)	107	93	116
314		435	309	298
314		435	309	298
611		611	611	611
Equity				
611		611	611	611
611		611	611	611

5.6 Statement of changes in equity for the year ended 30 June 2017

Actual 2016 \$ (000)		Actual 2017 \$ (000)	Unaudited Budget 2017 \$ (000)	Unaudited Forecast 2018 \$ (000)
611	Opening Balance	611	611	611
13	Total comprehensive Revenue and Expenses	33	0	0
(13)	Repayment of operating surplus to Crown	(33)	0	0
611	Closing Balance	611	613	611

Explanations of major variances against the original 2016/17 budget are detailed in note 14. The accompanying notes form part of these financial statements.

5.7 Statement of cash flows for the year ended 30 June 2017

Actual 2016 \$ (000)		Actual 2017 \$ (000)	Unaudited Budget 2017 \$ (000)	Unaudited Budget 2018 \$ (000)
Cash flows from operating activities				
3,485	Receipts from Crown	3,351	3,310	3,301
0	Receipts from revenue other	0	3	3
(923)	Payments to suppliers	(885)	(867)	(1,020)
(2,282)	Payments to employees	(2,233)	(2,336)	(2,306)
(46)	Payments for capital charge	(40)	(49)	(37)
15	Goods and services tax (net)	0	0	8
249	Net cash from operating activities	193	61	(51)
Cash flows from investing activities				
1	Receipts from sale of property, plant and equipment	0	0	0
(36)	Purchase of property, plant and equipment	(44)	(72)	(72)
(35)	Net cash from investing activities	(44)	(72)	(72)
Cash flows from financing activities				
0	Payment of surplus to Crown	(13)	(13)	(33)
0	Net cash from financing activities	(13)	(13)	(33)
214	Net (decrease)/increase in cash	136	(24)	(156)
284	Cash at the beginning of the year	498	498	634
498	Cash at the end of the year	634	474	478

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Explanations of major variances against the original 2016/17 budget are detailed in note 14.

The accompanying notes form part of these financial statements.

5.8 Statement of commitments

As at 30 June 2017, the Parliamentary Commissioner for the Environment has no capital commitments (2016: nil).

Non-cancellable operating lease commitments

The Parliamentary Commissioner for the Environment has exercised a right of renewal on its office lease for a further period of three years until 30 April 2020.

Other non-cancellable commitments

The Parliamentary Commissioner for the Environment has entered into a non-cancellable 5 year contract for a photocopier under the government's All of Government contracts.

Actual 2016 \$ (000)		Actual 2017 \$ (000)
Non-cancellable operating lease commitments		
194	No later than one year	271
0	Later than one year and no later than five years	498
194	Total operating lease commitments	769
Other non-cancellable commitments		
2	No later than one year	2
4	Later than one year and no later than five years	2
6	Total other commitments	4

There are no restrictions placed on the Parliamentary Commissioner for the Environment by any of its leasing arrangements.

The accompanying notes form part of these financial statements.

5.9 Statement of contingent liabilities and contingent assets

The Parliamentary Commissioner for the Environment had no known quantifiable or unquantifiable contingent liabilities as at 30 June 2017 (2016: nil).

The Parliamentary Commissioner for the Environment had no contingent assets as at 30 June 2017 (2016: nil).

The accompanying notes form part of these financial statements.

5.10 Notes to the financial statements

1. Statement of accounting policies

Reporting Entity

The Parliamentary Commissioner for the Environment was established under the Environmental Act 1986 and is designated as an Office of Parliament by the Public Finance Act 1989.

As the Commissioner's primary objective is to investigate environmental concerns independent of government, the Parliamentary Commissioner for the Environment has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements for the Parliamentary Commissioner for the Environment are for the year ended 30 June 2017 and were authorised for issue on 29 September 2017.

Basis of Preparation

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

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP), and Treasury Instructions.

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards. The Parliamentary Commissioner for the Environment qualifies for the reduced disclosure regime as a Tier 2 entity as its expenses are less than \$30 million.

These financial statements comply with PBE accounting standards reduced disclosure regime.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Summary of Significant Accounting Policies

Revenue

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

Revenue Crown

Revenue from the Crown is measured based on the Parliamentary Commissioner for the Environment's funding entitlement for the reporting period. The funding entitlement is established by Parliament 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 prior to balance date.

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

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

Capital charge

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

Operation leases

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, and deposits held with banks.

The Parliamentary Commissioner for the Environment is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

Receivables

Short-term receivables are recorded at their face value, less any provision for impairment.

A receivable is considered impaired when there is evidence that the Parliamentary Commissioner for the Environment will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be received.

Property, plant and equipment

Property, plant and equipment consist of the following asset classes: furniture, fittings and fixtures, computer hardware, other office equipment, and leasehold improvements.

Assets are shown at cost less any accumulated depreciation and impairment losses.

Individual assets, or groups of assets, are capitalised if their cost is greater than \$1,000.

Additions

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

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

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 the surplus or deficit.

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 Parliamentary Commissioner for the Environment and the cost of the item can be measured reliably.

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

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost 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:

Furniture, fittings and fixtures	10 years	10%
Computer hardware	4 years	25%
Other office equipment	3-5 years	20-33%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful life of the improvements, whichever is the shorter.

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

Intangible assets

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

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

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

Costs associated with maintenance of the Parliamentary Commissioner for the Environment's website are recognised as an expense when incurred.

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 the surplus or deficit.

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

Acquired computer software	3 years	33%
Developed computer software	4 years	25%

Impairment of plant, property and equipment and intangible assets

The Parliamentary Commissioner for the Environment does not hold any cash generating assets. Assets are considered cash generating where their primary objective is to generate a commercial return.

Non-cash generating assets

Property, plant and equipment and intangible assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which 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.

Value in use is the present value of the asset's remaining service potential. Value in use is determined by using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service unit approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

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 the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

Payables

Short-term payables are recorded at their face value which is equivalent to fair value.

Employee entitlements

Short-term employee entitlements

Employee entitlements that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

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

Presentation of employee entitlements

Accrued salaries and wages, and accrued annual leave are classified as current liabilities.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the surplus or deficit as incurred.

Equity

Equity is the Crown's investment in the Parliamentary Commissioner for the Environment and is measured as the difference between total assets and total liabilities. Equity has been classified as taxpayer funds.

Commitments

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 lease commitments are reported in the statement of commitments.

Cancellable commitments that have a penalty or exit costs explicit in the agreement on exercising that option to cancel are reported in the statement of commitments at the lower of the remaining contractual commitment and the value of those penalty or exit costs (i.e. the minimum future payments).

Goods and Services Tax (GST)

All items in the financial statements and appropriation statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part cost of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid, or received from, the IRD, 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

The Parliamentary Commissioner for the Environment is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision for income tax has been made.

Statement of cost accounting policies

The Parliamentary Commissioner for the Environment only has one output. All costs are allocated directly to that output.

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

Critical accounting estimates and assumptions

In preparing these financial statements, the Parliamentary Commissioner for the Environment has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Estimates useful lives and residual values of property, plant and equipment

At each balance date, the useful lives and residual values of property, plant and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit, and carry amount of the asset in the statement of financial position. The Parliamentary Commissioner for the Environment minimises the risk of this estimation uncertainty by:

- physical inspection of assets; and
- asset replacement programs.

The Parliamentary Commissioner for the Environment has not made significant changes to past assumptions concerning useful lives and residual values.

Critical judgements in applying accounting policies

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

Lease 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 Parliamentary Commissioner for the Environment.

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 the asset is recognised in the statement of financial position as property, plant and equipment, whereas with an operating lease, no such asset is recognised.

The Parliamentary Commissioner for the Environment has exercised its judgement on the appropriate classification of equipment leases, and has determined that no lease arrangements are finance leases.

Budget and forecast figures

Basis of the budget and forecast figures

The unaudited budget 2017 was published in the 2015/16 annual report. It is consistent with the Parliamentary Commissioner for the Environment's financial budget as set out in the Government's original Estimates of Appropriations for the year ending 2016/17. It does not include changes brought about in the Supplementary Estimates process for 2016/17 as part of Budget 2018.

The 2018 unaudited budget figures are for the year ending 30 June 2018. They are consistent with the Parliamentary Commissioner for the Environment's financial budget as set out in the Government's Estimates of Appropriations for the year ending 2017/18.

The budget financial statements have been reported as required by the Public Finance Act to communicate forecast financial information for accountability purposes.

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

The 2016/17 and 2017/18 budget figures were prepared in accordance with PBE FRS 42 *Prospective Financial Statements* and comply with PBE FRS 42.

The 2017/18 budget financial statements were approved for issue by the Commissioner on 6 April 2017. The Commissioner is responsible for the budget financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

The budget 2017/18 Statement of Financial Position and Statement of Cash Flows have been updated to reflect actual year-end information as at 30 June 2017 in order to set meaningful opening positions for the bank balance and the surplus repayable to Treasury as at 30 June 2017.

While the Parliamentary Commissioner for the Environment regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2018 will not be published

Significant assumptions used in preparing the forecast financials

The forecast figures contained in these financial statements reflect the Parliamentary Commissioner for the Environment's purpose and activities and are based on a number of assumptions on what may occur during the 2017/18 year.

The main assumptions, which were adopted as at 6 April 2017, were as follows:

- The Parliamentary Commissioner for the Environment's activities and output expectations will remain substantially the same as the previous year.
- Personnel costs are based on 20.5 full-time equivalent staff positions plus the Commissioner.
- Operating costs are based on historical experience and other factors that are believed to be reasonable in the circumstances. Remuneration rates are based on current wage and salary costs, adjusted for anticipated remuneration changes.

The actual financial results achieved for 30 June 2018 are likely to vary from the forecast information presented, and the variations may be material.

2. Personnel costs

Actual 2016 \$ (000)		Actual 2017 \$ (000)
2,214	Salaries and wages	2,176
67	Employer contributions to defined contribution plans	68
(37)	Increase/(decrease) in employee entitlements	18
2,244	Total personnel costs	2,262

3. Capital charge

The Parliamentary Commissioner for the Environment pays a capital charge to the Crown on its equity as at 30 June and 31 December each year. The capital charge rate is set by Treasury during the year and it was amended twice:

- for the 6 months ended 31 December 2016 it was set at 7.0% (2016 year: 8.0%)
- for the 6 months ended 30 June 2017 it was set at 6.0% (2016 year: 8.0%)

4. Other operating expenses

Included within other operating costs are:

Actual 2016 \$ (000)		Actual 2017 \$ (000)	Unaudited Budget 2017 \$ (000)
22	Audit fees for the Annual Report audit	23	22
236	Operating leases	242	238
256	Consultancy	290	223
50	Maintenance	59	50
38	Accommodation (excluding office lease)	38	39
25	Communication	23	22
41	Travel	95	52
10	Consumables	12	24
53	Professional fees and development	85	69
45	Library acquisitions	37	46
79	General expenses	76	77
855	Total	980	862

5. Debtors and other receivables

Actual 2016 \$ (000)	Actual 2017 \$ (000)
Non Exchange	
277 Debtor Crown	277
Exchange	
15 Prepayments	6
292 Total Debtors and other receivables	283

All Debtors and other receivables are current and no provision for impairment is required.

6. Property, plant and equipment

	Furniture, fittings & fixtures \$ (000)	Computer hardware \$ (000)	Other office equipment \$ (000)	Leasehold improvements \$ (000)	Total \$ (000)
Cost					
Balance at 30 June 2016	218	92	46	426	782
Additions	0	16	1	19	36
Disposals	0	(8)	0	0	(8)
Balance at 30 June 2017	218	100	47	445	810
Accumulated Depreciation					
Balance at 30 June 2016	167	68	37	417	689
Depreciation expense	10	14	6	4	34
Disposal	0	(8)	0	0	(8)
Balance at 30 June 2017	177	74	43	421	715
Carrying amounts					
At 30 June 2016	51	24	9	9	93
At 30 June 2017	41	26	4	24	95

There are no restrictions over the title of the Parliamentary Commissioner for the Environment's property, plant and equipment, nor are any property, plant and equipment assets pledged as security for liabilities.

7. Intangible assets

	Acquired software \$ (000)	Internally generated software \$ (000)	Total \$ (000)
Cost			
Balance at 30 June 2016	94	62	156
Additions	4	3	7
Disposals	0	0	0
Balance at 30 June 2017	98	65	163
Accumulated amortisation and impairment losses			
Balance at 30 June 2016	94	20	114
Amortisation expense	1	14	15
Disposals	0	0	0
Balance at 30 June 2017	95	34	129
Carrying amounts			
At 30 June 2016	0	42	42
At 30 June 2017	3	31	34

There are no restrictions over the title of the Parliamentary Commissioner for the Environment's intangible assets, nor are any intangible assets pledged as security for liabilities.

8. Creditors and other payables

Actual 2016 \$ (000)	Actual 2017 \$ (000)
Exchange	
101 Creditors	177
78 Accrued expenses	77
Non Exchange	
42 GST payable	41
221 Total creditors and other payables	295

Creditors and other payables are non-interest bearing and are normally settled on 30 day terms; therefore the carrying value of creditors and other payables approximates their fair value.

9. Repayment of surplus

Actual 2016 \$ (000)	Actual 2017 \$ (000)
13 Net surplus	33
13 Total repayment of surplus	33

The repayment of surplus is required to be paid by 31 October of each year.

10. Employee entitlements

Actual 2016 \$ (000)	Actual 2017\$ (000)
71 Annual leave	90
9 Accrued salaries	17
80 Total employee entitlements	107

The Parliamentary Commissioner for the Environment has no retirement leave or long service leave obligations. The annual leave liability is calculated from the actual leave days owing to the Commissioner and employees as at 30 June 2017.

11. Related party transactions and key management personnel

The Parliamentary Commissioner for the Environment is a wholly owned entity of the Crown.

Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier of client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Parliamentary Commissioner for the Environment 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 arrangement between government agencies and undertaken on the normal terms and conditions for such transactions.

Related party transactions required to be disclosed

Parliament significantly influences the work of the Parliamentary Commissioner for the Environment as well as being its major source of revenue.

There were no transactions carried out with other related parties requiring disclosure.

Key management personnel compensation

Actual 2016 \$ (000)		Actual 2017 \$ (000)
Leadership team, including Chief Executive		
724	Remuneration	719
4.0	Full-time equivalent staff	4.0

Key management personnel are the senior management team, which comprises the Commissioner, two Directors of Research and Analysis, and the Executive Manager of Corporate Services (2016: Commissioner and three Executive Managers).

12. Events after the balance date

There have been no significant events after the balance sheet date.

13. Categories of financial instruments

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

Actual 2016 \$ (000)		Actual 2017 \$ (000)
Loans and receivables		
498	Cash and cash equivalents	634
277	Receivables	277
775	Total loans and receivables	911
Financial liabilities measured at amortised cost		
221	Creditors and other payables (note 8)	295

14. Explanations of major variances against budget

Explanations of major variances from the Parliamentary Commissioner for the Environments budget figures are as follows:

Statement of comprehensive revenue and expense

Revenue increased over budget by \$51k because of additional funding appropriated for the recruitment costs for a new Commissioner of \$60k, less \$9k for capital charge interest rate reductions.

Within expenses, higher operating expenditure was largely offset by a lower personnel spend than originally budgeted.

Statement of financial position

Current assets as at 30 June 2017 are \$151k higher than budget. A surplus of \$33k and lower capital expenditure during 2016/17 by \$28k have both contributed to the increase in cash. In addition, costs incurred in relation to the final two reports produced by the Commissioner were incurred closer to the end of the financial year than originally expected and while expenses have been recognised in the Statement

of Financial Performance, payments to suppliers were not made till after the 30 June 2017 balance date. Effectively this increases our cash-on-hand at 30 June 2017 by a further \$82k over original budget.

Current Liabilities are higher by \$82k because of some project related costs falling close to year end and the liability for those costs being recognised in the 2016/17 year.

Statement of cash flows

Receipts from the Crown are higher than budget because additional funding was appropriated in the 2016/17 Supplementary Estimates largely for the recruitment costs for a new Commissioner.

Timing of payments to suppliers (June invoices payable in July) and lower personnel costs resulted in a favourable cash flow from operating activities in the year to 30 June 2017. A reduction in capital expenditure compared to budget of \$28k also contributed favourably.

5.11 Appropriation Statements

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by the Parliamentary Commissioner for the Environment for the year ended 30 June 2017.

Statement of budgeted and actual expenses and capital expenditure incurred against appropriations for the year ended 30 June 2017

Annual and permanent appropriations for by the Parliamentary Commissioner for the Environment.

Expenditure 2016 \$ (000)		Expenditure 2017 \$ (000)	Budget Appropriation 2017* \$ (000)
Output Expense			
2,873	Parliamentary Commissioner for the Environment - Reports and Advice	3,005	3,041
2,873	Total output expenses	3,005	3,041
Appropriation for other expenses			
323	Remuneration of the Parliamentary Commissioner for the Environment (Permanent Legislative Authority)	326	326
323	Total other expenses	326	326
Capital Expenditure			
71	Parliamentary Commissioner for the Environment - Capital Expenditure (Permanent Legislative Authority)	44	72
71	Total capital expenditure	44	72
3,280	Total annual and permanent appropriations	3,408	3,439

* This includes adjustments made in the Supplementary Estimates.

End-of-year output performance information has been reported in section 5.3 of this annual report.

The Parliamentary Commissioner for the Environment leads the performance of the office. The performance of the Commissioner is reflected in the output performance measures of the office as detailed in section 5.3.

Capital expenditure is based on the replacement of assets required in order for the office of the Parliamentary Commissioner to operate effectively. Performance measures for capital expenditure are reflected in the output performance measures of the office as detailed in section 5.3.

Statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority for the year ended 30 June 2017

The Parliamentary Commissioner for the Environment has not incurred any expenses or capital expenditure without, or in excess of, appropriation or other authority (2015/16: nil).

Statement of capital injections for the year ended 30 June 2017

The Parliamentary Commissioner for the Environment has not received any capital injections during the year (2015/16: nil).

Statement of capital injections without, or in excess of, authority for the year ended 30 June 2017

The Parliamentary Commissioner for the Environment has not received any capital injections during the year without, or in excess of, authority (2015/16: nil).